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Title :

An Analysis Of The Factors Determining Compliance Behavior Of Business Zakat Among Owners Of Smes In Selangor

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The total number of business zakat payers among Muslim business entrepreneurs is still small despite numerous efforts undertaken by the zakat authorities and the government to encourage Muslim entrepreneurs to pay business zakat. This has been the subject of much research and investigation in recent years and has led to the issue of compliance behavior of business zakat among Muslim entrepreneurs. Specifically, the small number of payers impacts the collection of zakat on business since business zakat has a huge potential as the main contributor in the total zakat collection. As such, the overall aim of this study is to analyze the factors determining compliance behavior of business zakat among owners of SMEs in Selangor. The analysis covers the measurement of the factors determining compliance behavior and the relationships between these determinant factors (religious practices, level of knowledge, length of business operation, organizational factors, government

incentives, law enforcement and business profile i.e. business location and business category) with compliance behavior of business zakat. To this end, data collected from the 276 SMEs entrepreneurs was analyzed through two statistical methods; Rasch Measurement Model and logistic regression analysis. Summary statistics, item polarity, item and person fit and unidimensionality analysis revealed that the measurement instrument used was deemed acceptable after the removal of several item measures and person responses. Response behavior among the SME entrepreneurs was represented by two groups; those who complied with business Zakat payment and vice versa as shown through the Person Item Distribution Map (PIDM). Besides, logistic regression analysis

was employed to test the eight formulated hypotheses. The analysis revealed that religious practices, level of knowledge, organizational factors, government incentives, business location and business category have significant relationships with compliance behavior of business zakat while, length of business operation and law enforcement were rejected. Finally, the theoretical, practical and methodological implications of the findings of this study are also discussed.