

Length of Business Operation and Its Relationship with Compliance Behaviour of Business Zakat among Owners of SMEs

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ABSTRACT

Length of business operation and its relationship with zakat compliance behaviour are hardly found in the literature. This is because many studies mainly discussed zakat on income compared zakat on business. Thus, this paper aims to identify the relationship between the length of business operation and compliance behaviour of business zakat among owners of SMEs through the new application namely Rasch Measurement Model. 276 questionnaires managed to be collected from SMEs and only 253 respondents fit with the Rasch Measurement Model. The statistical indicators such as Person Item Distribution Map revealed that among 253 respondents, 41.1 percent denoting the group that complies with paying business zakat and 58.9 percent denoting the group that does not comply with paying business zakat. Interestingly, this shows the length of business operation can be said as not influenced at all in compliance behaviour of business zakat among owners of SMEs. The implication of this paper provides evidence of the usefulness of Rasch Measurement Model in identifying the relationship between the length of business operation and compliance behaviour of zakat on business that has not been explored yet by other studies.

1. Introduction

Zakat is one of the pillars of Islam and part of the ibadah required upon all Muslims who satisfy necessary conditions. Its position as the third pillar after the *syahadat* and *solat*, illustrates its importance in Islam. Historically, the obligation to pay zakat, dated back to the second year of Hijriyah (624 C.E) (Jabatan Kemajuan Islam Malaysia (JAKIM), 2001; Mohd Zulkhairi & Noor Sharoja, 2005; Shamsul Hamri, Bil 6/2006). In the era of Prophet Muhammad (pbuh), zakat played a major role in the economic, political and social development of the Muslim community (Ram Al-Jaffri, 2010a). Throughout the years, the concept of zakat has been revolutionized and it is now considered as one of the important sources of Islamic economic development, acting as a source of financial seed to jump-start the economy of the Muslim community (Anita, Wan Noor Hazlina, Norudin, & Kamaruzaman, 2011; Ram Al Jaffri, Muhammad Syahir, & Mohd Amir, 2016, Muhammad Ikhlas & Luqman, 2018). As such, it is mandatory

that every Muslim individual who satisfies the required conditions pays zakat, to ensure that zakat is able to fulfill its role in the development of the economic Muslim community. The Holy Qur'an devotes a number of verses to the obligation to pay zakat. For instance, the Al-Baqarah urges all Muslims (2:43):

“And be steadfast in prayer; practise regular charity; and bow down your heads with those who bow down (in worship)”

Even though the obligatory payment of zakat is clearly stated in the Holy Qur'an and other sources, some Muslims still lack awareness or are still confused about the subject of zakat obligation. Many assume the obligation is fulfilled when they pay zakat al-fitr which is paid once a year from at any time from the beginning of the holy month of Ramadhan until the first of Syawal (Mohd Shah, 2011) and this may be one of the reasons why some Muslims do not undertake full payment of zakat. Thus, clear explanations about the subject of zakat should be disseminated among Muslims to educate them that the obligatory payment of zakat does not just involve paying zakat al-fitr but also includes the zakat on wealth which is further categorized into several types.

Generally, Muslims pay a serious attention to the obligation to pay zakat al-fitr (Aslina, 2016; Hasan & Sahnaz, 2004; Mohd Shah, 2011) and readily fulfill this obligation since it has long been associated with the traditional practices of Ramadhan (Mohamed et al., 1995). However, the same cannot be said about paying zakat on wealth, especially for zakat on business as there are various issues which are still hotly debated among zakat practitioners (Ram Al-Jaffri, 2010a; Ram Al Jaffri et al., 2016). Among the issues that need to be clarified include law enforcement of zakat payment, the company status or entity, the rules and regulations especially fatwa and other matters related to zakat on business (Joni Tamkin & Adibah, 2015; Mohd Rahim & Norliza, 2015; Mohd Rahim, Rohani, Arifin, & Abdol Samad, 2014)

While previous studies have focused largely on zakat on income, very few have emphasized on business zakat in Malaysia (Mohd Rahim Khamis, Arifin Md Salleh, & Abdol Samad Nawawi, 2011; Ram Al-Jaffri, 2010a; Ram Al Jaffri et al., 2016), especially issues about how to increase the total collection and the total number of business zakat payers among Muslim entrepreneurs. This is because zakat institutions in Malaysia are still facing difficulties to raise the collection of business zakat (Aslina, 2016; Halizah, Kasumalinda, & Agoos, 2011) compared to zakat on income. As a result, the total collection of business zakat is still lower than that of zakat on income (Halizah et al., 2011). There is also discrepancy between the small percentages of zakat payers among Muslim business community compared to the total number of businesses registered with the Companies Commission of Malaysia.

Moreover, previous studies and reports also discussed the same predicament. According Aslina (2016) through the report discovered the awareness regarding obligation to contribute to zakat on business among business owners in Terengganu is still low. This is because most of the potential business owners just consent to pay the zakat al-fitr besides to pay the zakat on business. The implication on that, total collection of zakat on business in that state is still low even though the number of individual involved in business activities is increasing. Another report by Pusat Pungutan Zakat Wilayah Persekutuan also discovered more than 200,000 active Muslim business owners in Malaysia but less than 20,000 of these business owners were eligible to pay business zakat. However, out of these numbers, records showed that only 500 business owners had paid out business zakat (Pusat Pungutan Zakat (PPZ), 2001). The same seems to be happening in Selangor although the state showed the highest total zakat collection compared to other states in Malaysia. Based on the report from the Companies Commission of Malaysia, while there are more than 14,000 active Muslim entrepreneurs in Selangor, only 817 (5.83%) had paid their business zakat (Noormala, Issue 3/2008). The implication is that even though total collection of business zakat has been on the rise from one year to another, the increase is inconsistent with the total number of zakat payers among Muslim entrepreneurs.

Besides the report, the study from Hasan and Sahnaz (2004), in the case of the state of Terengganu, the total zakat collection from 2000 until 2004 had increased but the increment in the small and medium

entrepreneur community was still small. Similarly, there are about 3,964 companies and co-operatives in the Federal Territory that have the potential to contribute to zakat on business, unfortunately almost 60 percent or 2,652 of these companies failed to do so (Yusliza, 2010).

Based on these issues, the prevailing question that needs to be answered is why the Muslim business community appears to be resisting payment of business zakat. This is because the above explanations reveal that the small number of zakat payers is largely attributed to the low level of compliance behaviour among Muslim entrepreneurs on the obligatory payment of business zakat (Aslina, 2016; Mohamad Alayuddin, 2008; Mohd Rahim Khamis et al., 2011; Ram Al-Jaffri, 2010a; Ram Al Jaffri et al., 2016). As discussed earlier, there is a lack of literature and studies focusing on compliance behaviour and business zakat, with prior studies mainly focusing on compliance behaviour and zakat on income (Abu Bakar, Kamil, & Ram Al Jaffri, 2017; Kamil, 2002, 2004, 2009; Raedah, Noormala, & Marziana, 2011; Sanep, Nor Ghani, & Zulkifli, 2011; Sanep & Zulkifli, 2010; Yusuf & Wan Nazjmi, 2017; Zainol & Kamil, 2008; Zainol, Kamil, & Faridahwati, 2009; Zulkifli, 2011). From the various studies regarding compliance behaviour and zakat on income, it can be concluded that several factors influence compliance behaviour of zakat on income. These can be divided into three main categories, namely psychological and sociological, economic and Islamic (Zulkifli, 2011). Due to that, it shows compliance issue is dependent upon and is influenced by a number of factors, there could be several hidden factors which are yet to be discovered (Chau & Leung, 2009; Fischer, Wartick, & Mark, 1992; Joni Tamkin & Adibah, 2015; Kamil, 2002; Ram Al-Jaffri, 2010a; Ram Al Jaffri et al., 2016; Sanep & Zulkifli, 2010; Zulkifli, 2011).

Due to this gap in the literature, a study that identifies the antecedents of compliance behaviour of business zakat is much needed. As mentioned by Ram Al-Jaffri (2010a) the scenario of business zakat is different compared to income zakat since the business zakat environment is unique; involving several aspects such as the income sources, equity, and law enforcement and government incentives. Hence, this situation can be said as a different scenario on compliance behaviour among both types of zakat.

Besides the familiar factors frequency discussed in the scenario of zakat, this study has tried to describe the relationship between length of business operation and zakat compliance behaviour since lack of study focused either length of business operation influence Muslim business community to comply paying business zakat. This is because previous study is usually related with service quality and compliance behaviour among Muslim businessmen in Malaysia as done by Ram Al Jaffri et al. (2016). However, the study is conceptual in nature and no empirical evidence to support the relationship between service quality and business zakat compliance behaviour among Muslim businessmen in Malaysia. Besides that, Joni Tamkin and Adibah (2015) also discussed on the subject of zakat compliance behaviour among business owners, but the study focuses on the companies with majority Muslim shareholders only. The study found that, compliance rate among public listed company with majority Muslim shareholders is still low at 14 percent.

Due to that, this study attempts to show whether length of business operation determines compliance behaviour of business zakat among owners of SMEs through application of Rasch Measurement Model. Hence, through the application of Rasch Measurement Model this study assumes length of business operation has a positive influence on compliance behaviour of business zakat. Yet, the relationship has not been empirically investigated due to the scope of studies by previous researchers that mainly focused on zakat on income. Therefore, the purpose of this study is to identify either length of business operation influence compliance behaviour of business zakat among owners of SMEs.

2. Length of Business Operation and Zakat Compliance Behaviour

Length of business operation refers to the duration of business operations and can be a determining factor in zakat compliance behaviour (Mohamad Alayuddin, 2008). This is because the length of business operation represents the stability of a business. Mohamad Alayuddin (2008) explains length of business operations based on a start-up business graph derived by Syamsul Anuar (quoted by Mohamad

Alayuddin, 2008) in the first three years of business operation, the main challenge is to achieve financial stability. At this stage entrepreneurs try to implement their ideas and introduce their products. As such, in this stage of business operation, it is critical for business owners to manage their finances efficiently. Posed with this situation, Muslim business owners may attempt to avoid zakat payment on business and evade corporate tax payment as well (Mohamad Alayuddin, 2008). This is because tax and zakat payment is seen as a financial burden which may jeopardise their business finances. As a new business owner, they lack the funds to pay tax owed at the time (Ritsema, Thomas, & Ferrier, 2003). This situation could be reversed when the critical years are overcome as illustrated in the start-up business graph. At this stage, the entrepreneurs have gathered plenty of experience and their business is financially and operationally stable. At this stage of operation, most entrepreneurs would be more likely to comply with the law and especially with the Islamic obligation to pay zakat. They believe that through the payment of zakat their wealth is shared and cleansed. Based on the discussion, length of business operation can be viewed as a contributing factor in zakat compliance behaviour.

Besides the discussion by Mohamad Alayuddin (2008) regarding length of business operation and compliance behaviour, Mai and Ofori (2010) also mentioned that the length of business operation is also associated with compliance with environmental laws. However, the study discusses respondent profiles without stating the main factors influencing firm compliance. The operation of business activities according to the study refers to the size of the business which is divided into large and small firms and the field of operation. The study found that large businesses that are characterised by enhanced productivity, easy interaction, waste reduction, improved procedures and reduced operating costs affect the firm's compliance with environmental laws compared to smaller firms. The field of operation of the business does not affect compliance behaviour with environmental laws. The study revealed that operation of business can be seen as a determining factor of firm compliance with environmental laws.

Houghton and Simon (2009) also studied the relationship between length of business operation and compliance behaviour which gives emphasis on the firm's age as a control factor influencing ethical compliance behaviour. Based on the hierarchical multiple regression analysis, the study revealed that organization or firm size and age strongly influenced ethical compliance behaviour. The study observed that small and young firms practised less ethical compliance behaviour compared to larger and older firms. This is because small and young firms are more focused on how to survive in the market. Hence, they neglect the standardized policies and regulations to guide ethical compliance behaviour.

Thus, prior studies suggested that length of business operation is one of the important factors determining compliance behaviour of business zakat. This is because as a Muslim entrepreneur, business is conducted not for the sole purpose of profit but it is also a practice to gain blessing from Allah (swt) (Mohamad Alayuddin, 2008). Therefore, it is reasonable that this study aims to identify the relationship between length of business and compliance behaviour of business zakat.

3. Methodology

In terms of research design, a quantitative approach was adopted for the process of data collected. These factors were measured through multi-item measurement using the five-point Likert rating scale adapted from previous studies. The population of this study consists of a group of small and medium business owners in Selangor registered with the Malaysian Selangor Malay Chamber of Commerce (DPMMNS) in nine territories and representing six major categories. The sampling technique applied in this study is the proportionate stratified random sampling technique which was conducted on the nine territories in Selangor. The population was divided into groups based on districts in Selangor. This technique was chosen due to the large numbers of small and medium entrepreneurs in Selangor and because they were geographically dispersed. After the population had been stratified based on district, a sample of members of each district was selected based on simple random sampling. This is because in simple random sampling, all respondents in the population have a chance to be selected. In collecting data

for this study, the instrument used was a set of questionnaires delivered to all selected respondents. A total of 600 questionnaires were distributed. The data was then analyzed using Rasch Measurement Model.

4. Findings

Data analysis in this study was through Rasch Measurement Model in order to fulfil the objective of this study. Based on the 600 sets of questionnaires distributed, 315 sets of questionnaires returned. 39 sets of questionnaires were rejected due to incomplete answers and unanswered questionnaires. As such, just 276 sets of questionnaires were analyzed.

4.1 Rasch Measurement Model

The process of data analysis in this study employed the Rasch Measurement Model. At this stage, the analysis only focused on several aspects to achieve the objectives of this study. These include analysis on the items and persons fit. The outcomes were projected in the form of summary statistics and Person Item Distribution Map (PIDM).

4.1.1 Summary statistics

Data obtained from the 276 respondents who replied to the survey were tabulated and analyzed. Table 1 carries a total of 1100 data points from the responses on the four items that measured length of business operation. The data points excluded the incomplete responses. The 1100 data points provided a large enough range to remain useful and stable as person measure estimates and to obtain useful and stable item calibrations. This generated a log-likelihood chi-square value of 2208.94 with 753 degree of freedom and $p=0.000$. The Cronbach alpha (α) was at 0.53 indicating sufficient and acceptable value in measuring the consistency internal reliability (Churchill, 1979; George & Mallery, 2003; Helmstadter, 1966; Marino & Stuart, 2005; Nunnally, 1967). The person reliability index was at 0.56 which is deemed 'poor' reliability as it is lower than 0.67 (Fisher, 2007), while the item reliability index was at 0.99, indicating 'excellent' reliability. The index describes the person's ability and difficulty of the assessment task for length of business operation. Additionally, the person separation index showing the persons spread along a range was low at 0.79 while the item separation index was at 8.49, indicating 'excellent' separation index, indicating that there was a larger range of items than persons, and a broader range of item difficulty.

Table 1. Summary Statistics for Length of Business Operation (N=276)

Person Measured								
	Total Score	Count	Measure	Model error	Infit		Outfit	
					MNSQ	ZSTD	MNSQ	ZSTD
Mean	13.7	4.0	.59	.67	.99	-.2	.97	-.2
S.D	2.2	.0	.98	.09	.89	1.3	.86	1.2
Max	19.0	4.0	3.96	1.15	4.32	2.9	4.02	3.0
Min	7.0	4.0	-2.08	.59	.04	-2.7	.04	-2.7
Real RMSE	.77	True SD	.61	Separation	.79	Person Reliability	.58	
Model RMSE	.68	True SD	.72	Separation	1.06	Person Reliability	.66	
S.E. of Person MEAN = .06								

Person RAW SCORE-TO-MEASURE CORRELATION = .98
 CRONBACH ALPHA (KR-20) Person RAW SCORE "TEST" RELIABILITY = .0.53

Items Measured

	Total Score	Count	Measure	Model error	Infit		Outfit	
					MNSQ	ZSTD	MNSQ	ZSTD
Mean	945.8	276.0	.00	.08	1.01	.0	.97	-.4
S.D	114.4	.0	.72	.01	.21	2.3	.17	2.0
Max	1102.0	276.0	.73	.09	1.31	3.0	1.20	2.1
Min	828.0	276.0	-1.03	.07	.74	-3.2	.72	-3.5
Real RMSE	.08	True SD	.72	Separation	8.49	Item Reliability	.99	
Model RMSE	.08	True SD	.72	Separation	8.96	Item Reliability	.99	
S.E. of Person MEAN = 0.76								

The summary statistics above show that some aspects do not conform to the required value. Hence, the identification of misfit respondents was necessary to ensure all items are in good condition. This process is important as the misfit persons' agreeability on the items may not be appropriately measured by the test instrument. The misfit respondents are also known as unusual responses. After the process of identification of misfit respondents based on criteria for misfit respondents; point measure correlation (PtMeaCorr) is larger than 0.4 and less than 0.85 ($0.4 < \text{PtMeaCorr} < 0.85$), the outfit mean square (MNSQ) is larger than 0.5 and less than 1.5 ($0.5 < \text{MNSQ} < 1.5$) and the outfit Z-standard (ZSTD) is larger than -2 and less than +2 (Azrilah & Mohd Saidfudin, 2011), the analysis of person statistics revealed that out of 276 respondents, 23 respondents are misfits as shown in Table 2. This indicates that these respondents could not have their perceptions precisely measured by the items used to measure length of business operation. Finally, the fit respondents with Rasch Measurement were at 253, indicating goodness of fit to length of business operation.

Table 2. Person misfit for length of business operation

Entry No.	Outfit		Pt. Mea Corr	Person
	MNSQ	ZSTD		
6	3.39	3.90	2.10	2362
16	1.74	1.50	0.40	2111
31	0.21	-1.70	-2.50	3463
35	Maximum Measure			3251
59	1.52	0.30	0.50	4461
60	0.26	-0.70	-2.20	4413
61	1.15	0.40	0.74	2321
66	0.10	-1.10	-0.50	2121
75	2.05	1.60	0.45	4463
78	1.25	1.70	0.30	2431
83	Maximum Measure			3433

95		Maximum Measure		4142
96	1.30	0.20	0.45	4333
159	1.15	0.40	0.55	4153
169	0.50	-1.20	-0.60	4313
170		Maximum Measure		2431
189	0.09	-0.50	-2.20	4111
203	0.01	-0.90	-3.10	2113
220	0.05	-3.30	-3.50	9413
232		Maximum Measure		4414
240	0.20	-0.40	-2.10	2111
249	1.14	0.40	1.20	3111
257	1.48	1.90	0.25	4313

Table 3. Final Analysis for Length of Business Operation

	Before identifying misfit respondents	After identifying misfit respondents
Cronbach Alpha	0.53	0.62
Person Reliability Index	0.58	0.63
Person Separation Index	0.79	1.29
Person Mean	0.59	0.67
Person S.D	0.98	1.01
Person Max	3.96	3.97
Person Min	-2.08	-2.09
Item Reliability Index	0.99	0.90
Item Separation Index	8.20	8.49
Item Mean	0.00	0.00
Item S.D	0.72	0.73
Item Max	0.73	0.72
Item Min	-1.03	-1.07

4.1.2 Items polarity and misfit

Item polarity is an indicator used to show the items are in line with the construct measurement and it is also based on point measure correlation (PtMeaCorr). The measurement with a positive index for all items shows correlation with the construct. Measurements with a negative index highlight the items that need to be re-examined for removal or rephrasing as it has elicited careless responses (Mohd Kashfi, 2011). In addition, the analysis to identify the misfit items, three indicators such as point measure correlation value (PtMeaCorr), mean square (MNSQ) and Z-standardized (ZSTD) are utilized. According to Azrilah (2011) there are three criteria to be considered in examining the outfit data. The items are considered to be misfit with the model if the point measure correlation (PtMeaCorr) is larger than 0.4 and

less than 0.85 ($0.4 < \text{PtMeaCorr} < 0.85$), the outfit mean square (MNSQ) is larger than 0.5 and less than 1.5 ($0.5 < \text{MNSQ} < 1.5$) and the outfit Z-standard (ZSTD) is larger than -2 and less than +2. The three criteria must be fulfilled in identifying the outfit or outliers in the data. Hence, based on the item polarity and misfit as shown in Table 4 revealed that all four items constructed with the positive value of point measure correlation coefficient (PtMeaCorr) indicating that all items measured were in the same direction in the development of the construct. For item misfit, none of the four items were identified as misfits as they did not fulfil the three criteria of misfit responses. This indicated that all the respondents' responses fit with the Rasch Measurement Model.

Table 4. Item polarity and misfit for length of business operation

Entry No	Total Score	Total Count	Measure	Model S.E	Infit		Outfit		PtMea Corr	Item
					MNSQ	ZSTD	MNSQ	ZSTD		
1	767	253	0.72	0.08	1.06	0.08	1.03	0.04	0.67	LBO02
2	782	253	0.63	0.08	0.95	-0.05	0.96	-0.04	0.54	LBO01
3	924	253	-0.28	0.09	0.72	-3.30	0.70	-3.60	0.65	LBO03
4	1021	253	-1.07	0.10	1.31	2.90	1.21	2.00	0.44	LBO04
Mean	873.5	253	0.00	0.08	1.01	-0.10	0.97	-0.40		
S.D.	104.9	0	0.73	0.01	0.21	2.20	0.18	2.10		

4.1.3 Person item distribution map (PIDM)

Other than that, the response behaviour among SME entrepreneurs on the government incentives influencing compliance behaviour of business zakat was also analyzed through the Person Item Distribution Map (PIDM). Table 3 shows that the Meanitem was at 0.00logit and the Meanperson was at 0.67logit. The table also shows person maximum value was +3.97logit and the minimum was -2.09logit while maximum item value was +0.72logit and minimum value was -1.07logit. The length of persons measurement became +3.97logit - (-2.09logit) = 6.06logit and the scale for item was at +0.72logit- (-1.07logit) = 1.79logit. This indicates that the scale of persons measurement was larger than the scale of items measurement and the lack of item scale measurement against the persons measured was at 6.06logit-1.79logit=7.85logit. The 6.06logit differences between maximum and minimum persons were over a standard deviation of 1.01. The huge logit value illustrates a huge spread of respondents being on target with the expected compliance behaviour. On the other hand, the 1.78logit difference between the maximum and minimum items was also over a standard deviation of 0.73. This shows the spread of items with some out of target items. This occurs when none of respondents provide responses on the assessment which is also known as being person free. This can be shown through the person item distribution map as in Figure 1.

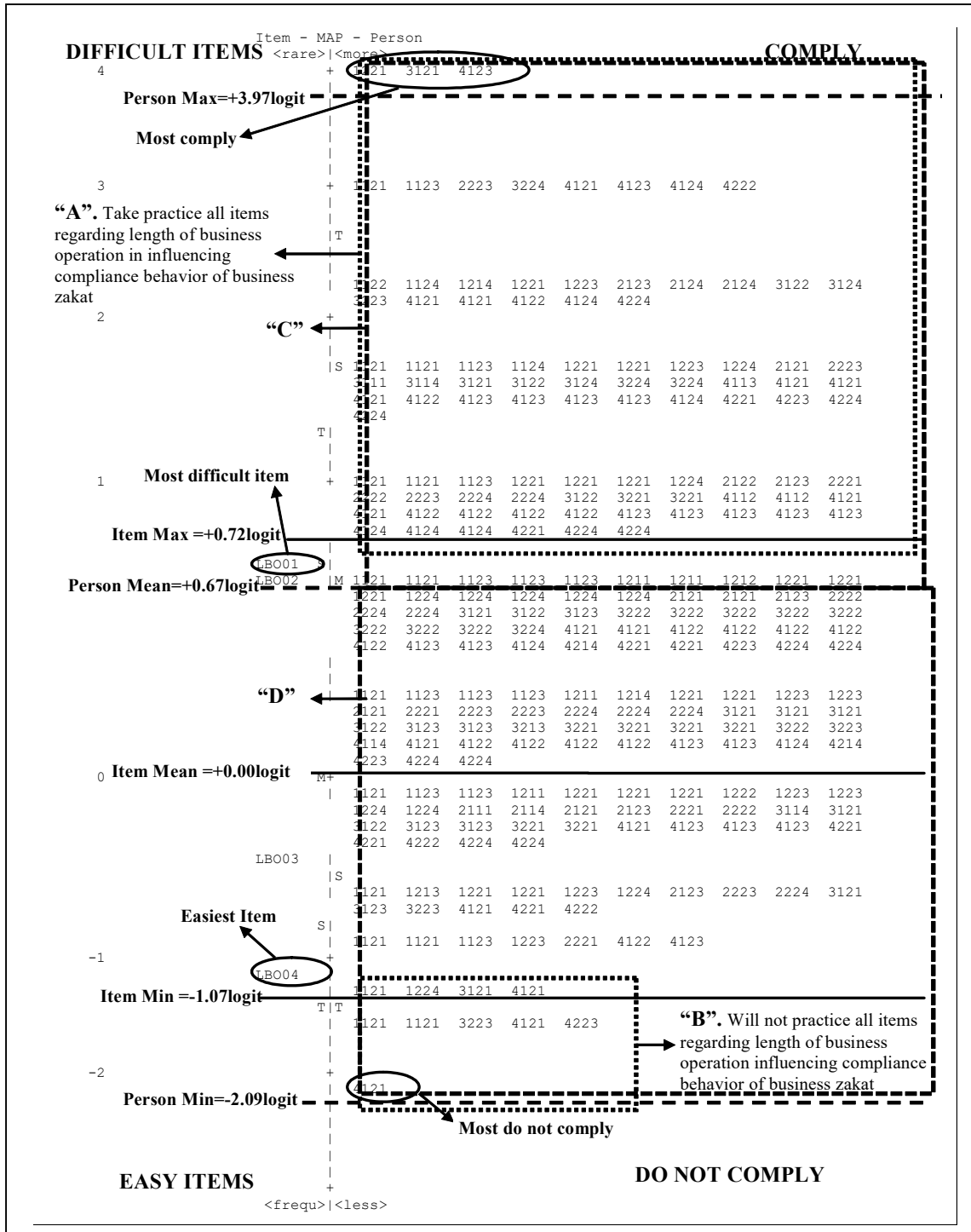


Fig.1. Person item distribution map for length of business operation

Figure 1 reveals that SME entrepreneurs could be divided into two categories; those who comply and do not comply based on the PersonMean. SME entrepreneurs that are above PersonMean are those who

comply with paying business zakat and are influenced by length of business operation (see group “C”). Meanwhile, the SME entrepreneurs located below PersonMean do not comply with paying business zakat and length of business operation does not influence their decisions (see group “D”). The number of SME entrepreneurs that comply with paying business zakat was at 104 respondents or 41.1 percent ($104/253 \times 100$) as illustrated in group “C”. 149 respondents or 58.9 percent ($149/253 \times 100$) do not comply with paying business zakat as stated in group “D”. This shows that more SME entrepreneurs did not comply with paying business zakat and length of business operation did not influence them to comply.

Group “C” highlights three SME entrepreneurs (263-4123, 251-1221, 11-3121) that have high level of compliance behaviour, displaying the highest degree of agreement on the items measuring length of business operation at +3.97logit. The SME entrepreneur comes from the Eastern (4), Northern (1) and Southern areas (3). Meanwhile, one SME entrepreneur (19-4121) from the Eastern area (41) showed low ability of agreement on the items measuring length of business operation at -2.44logit. This SME entrepreneur is identified as not complying most with paying business zakat and is not influenced by the length of business operation in doing so.

The common practices on the measurement instrument used to measure the length of business operation influencing compliance behaviour of business zakat among SME entrepreneurs can be identified through item endorsability since it represents the tendency for agreement on the items. From the four items used to measure length of business operation, two items (LBO01, LBO02) were identified as difficult to agree with by the SME entrepreneurs since the item endorsability was low, located above the MeanItem. Item LBO01 was at +0.72logit difficulty for agreement by SME entrepreneurs with low item endorsability at 767. Other than that, two items (LBO03, LBO04) were identified as easy items for agreement by SMEs entrepreneurs with higher item endorsability, located below MeanItem. Item LBO04 was at -1.07logit and was the easiest item for agreement in measuring length of business operation with high item endorsability, at 1021. Out of the 253 SME entrepreneurs, 37.2 percent ($94/253 \times 100$) from group “A” regularly practised all the items regarding length of business operation influencing compliance behaviour of business zakat while 3.6 percent ($9/253 \times 100$) from group “B” did not practise all the items.

In sum, verification on the construct produced acceptable values and confirmed its reliability for measuring length of business operation. The acceptable value of Cronbach alpha at (0.62), person reliability at 0.63 and item reliability at 0.99 verified all assessment tasks as reliable in measuring length of business operation as one of the factors determining compliance behaviour of business zakat among SMEs in Selangor. From the Person Item Distribution Map (PIDM), items measuring length of business operation can be classified into two levels of difficulties; difficult and easy items based on the MeanItem measure. Two (LBO01, LBO02) items from the difficult items group were located above the MeanItem while two (LBO03, LBO04) items from the easy items groups were located below the MeanItem. The person agreeability on the items was also categorized into two groups; those who comply and do not comply based on the ability to agree which can be classified through the value of MeanPerson. Accordingly, three respondents (263-4123, 251-1221, 11-3121) showed very high ability to agree which denotes a high level of compliance behaviour of business zakat influenced by length of business operation while one respondent (19-4121) showed lack of ability to agree which denotes non-compliance to paying business zakat, without being influenced by the length of business operation in doing so.

5. Results and Discussion

This study offers an alternative approach in order to identify the relationship between length of business operation and compliance behaviour of business zakat among owners of SMEs. Generally, the results show length of business operation does not influence most of the owners of SMEs to comply in paying business zakat. This is because as Muslim business owners they need to comply not just pay business zakat as their obligation, but also need to pay corporate tax as their responsibility to the country. This scenario can be seen as a financial burden which may jeopardise their business finances (Mohamad

Alayuddin, 2008). Thus, it is not surprising when this study is found consistent with what has been mentioned by Mohamad Alayuddin (2008) as well as Houghton and Simon (2009) with respect to the effect of length of business operation and compliance behaviour. Accordingly, future studies involving compliance behaviour of business zakat should consider the length of business operation since this factor shows the age of business activities, the stability of financial status as well as asset ownership dimensions. This is important because Houghton and Simon (2009) mentioned small and young firms are more focused on how to survive in the market. Hence, they neglect the standardized policies and regulations to guide ethical compliance behaviour.

Given this, the findings of this study are the first to provide valuable insight into and empirical evidence on the relationship between length of business operation and compliance behaviour in business zakat. The implication of this study through the results produced by the Rasch Measurement Model was able to explain the length of business operation and its relationship with compliance behaviour of business zakat among owners of SMEs. There is lack of studies applying the Rasch Measurement model as a measurement approach, and as such, the Rasch approach provides a newer, more meaningful and accurate approach. A lot of studies applied Rasch Measurement Model in the area of education rather than the zakat environment. As such, based on this study, the Rasch Measurement Model was shown to be effective in discussing zakat especially in measuring the length of business operation and compliance behaviour of business zakat. In addition, to broaden the scope of the current study on compliance behaviour to produce more valuable findings and deepen the understanding of compliance behaviour of business zakat, future study should endeavor to cover other business groups, specifically big scale organizations garnering high-income business activities.

6. Conclusion

In general, this study can be concluded as that majority of owners SMEs do not comply with business zakat payment and length of business operation is not one of the criteria of business zakat compliance behaviour. Based on Rasch Measurement Model, it provides information about how many respondents are stated as the misfitting and how many respondents comply paying business zakat influenced by length of business operation through the Person Item Distribution Map (PIDM). All the information shows how the length of business operation is located in the area of low agreement level thus, indicating as factors that do not influence compliance behaviour of business zakat among SMEs.

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