

Behavioural Response Patterns on the Government Incentives Influencing Compliance Behaviour of Business Zakat among SMEs

Mohd Faizal Kamarudin

Faculty of Business and Management,
Universiti Teknologi MARA, Puncak Alam Campus, Malaysia

Mohd Rahim Khamis

Corresponding Author
rahim474@uitm.edu.my
Faculty of Business and Management,
Universiti Teknologi MARA, Puncak Alam Campus, Malaysia

Azman Abd Rahman

Faculty of Syariah and Law,
Universiti Sains Islam Malaysia, Nilai, Negeri Sembilan, Malaysia

ABSTRACT

Government incentives and compliance behaviour of business zakat have a significant relationship as revealed by a few studies. However, the lack of study focused on respondents' response on the government incentives in influencing compliance behaviour of business zakat. Hence, this article examines the usage of Rasch Wright map in evaluating the behavioural response patterns on the government incentives and compliance behaviour of business zakat among SMEs. A total of 276 questionnaires were collected from SMEs entrepreneurs in Selangor. The Rasch Measurement Model was employed to analyze the data. Out of the 276 questionnaires collected, only 247 responses were consistent with the Rasch Measurement Model. Among the respondents, 107 individuals (43.3%) who complied with business zakat payment were influenced by government incentives, while 140 individuals (56.7%) who did not comply with business zakat payment were likely not influenced by government incentives. This study's results highlight the importance of the Rasch Measurement Model in elucidating the response patterns of participants, demonstrating its ability to explain how government incentives impact compliance behavior regarding business zakat among SMEs. This study has illustrated that this method of analysis is expedient in identifying the unusual and inappropriate response patterns and items based on fit statistics and misfit response series compared others. This shows that the Rasch Measurement analysis is an alternative tool to investigate the behavioural response patterns since analyze items and respondents of the study. This study suggests that future research regarding compliance and zakat employ the Rasch Measurement Model analysis as an alternative method to identify ability of respondents and the response behavior patterns among respondents.

Keywords: Zakat on Business, Compliance, Rasch Measurement Model, Rasch Wright Map

INTRODUCTION

Zakat holds a crucial position in Islam as one of its fundamental pillars, and it is considered a form of worship obligatory for all eligible Muslims. Ranked as the third pillar, following the declaration of faith (*syahadat*) and the daily prayers (*solat*), zakat's significance within the Islamic faith is evident. The historical requirement of zakat payment can be traced back to the second year of Hijriyah (624 C.E) [1,2]. During the time of Prophet Muhammad (Pbuh), zakat held a significant position and greatly influenced the progress of the Muslim community economically, politically, and socially [3, 4, 5]. Throughout its evolution, the concept of zakat has experienced a notable shift and is now acknowledged as a vital driver for Islamic economic advancement. It functions as a financial reservoir that propels the economy of the Muslim community forward [6, 4, 7, 8]. Consequently, it is incumbent upon eligible Muslims to fulfill the necessary conditions and contribute zakat, ensuring its effectiveness in fostering economic growth within the Muslim community.

The Quran dedicates several verses to emphasize the duty of paying zakat. An example can be found in the Al-Baqarah chapter of the Quran, where it calls upon all Muslims (2:43):

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

Although the Holy Qur'an and other sources provide explicit instructions on the mandatory nature of zakat payment, there remains a lack of awareness among certain Muslims, resulting in confusion surrounding their zakat obligations. Some Muslim individuals mistakenly assume that fulfilling the obligation is limited to paying zakat al-fitr, a yearly contribution made during the month of Ramadan until the first day of Syawal [9]. This misunderstanding can potentially contribute to the incomplete fulfillment of zakat payment among certain Muslim individuals. Hence, it is of utmost importance to effectively communicate and provide clear explanations about zakat to Muslims. This educational effort aims to broaden their understanding that meeting the obligatory zakat payment involves more than just zakat al-fitr. It encompasses diverse forms of wealth-related zakat, necessitating comprehensive comprehension and heightened awareness.

Muslims generally demonstrate a steadfast dedication to fulfilling their obligation of zakat al-fitr [10, 11, 9], promptly adhering to this duty as it is deeply rooted as a part of an obligatory deed during the month of Ramadan [12]. Nonetheless, a comparable level of commitment is not consistently seen when it comes to paying zakat on wealth, specifically in relation to zakat on business. Within the realm of zakat practitioners, numerous contentious issues persistently spark vigorous debates [5, 8]. Various issues necessitate clarification, encompassing the enforcement of zakat payment laws, the evaluation of a company's legal status or entity, regulations involving fatwas, and other aspects concerning zakat on business [13, 14, 15]. Although prior studies have primarily focused on zakat on income, limited attention has been given to business zakat in Malaysia [16, 17, 18, 19, 5, 7, 8], particularly regarding effective strategies to augment the overall collection and encourage more Muslim entrepreneurs to fulfill their obligation of paying business zakat.

Zakat institutions in Malaysia encounter challenges in generating sufficient collection from business zakat [10, 20], in contrast to zakat on income. As a result, the overall accumulation of business zakat is comparatively lower when compared to zakat on income [20]. Additionally,

there exists a notable disparity between the small proportion of zakat payers among the Muslim business community and the overall number of businesses registered with the Companies Commission of Malaysia. Considering these concerns, the primary question that needs addressing is the underlying reason behind the reluctance of Muslim entrepreneurs to fulfill their obligation of paying business zakat. To tackle the issue of non-payment, zakat institutions have devised several strategies to encourage Muslim entrepreneurs to contribute zakat on their business earnings. To address this, zakat institutions have implemented various measures aimed at enhancing participation and awareness among Muslim entrepreneurs regarding the payment of business zakat. These measures encompass the introduction of multiple payment methods, the implementation of active marketing campaigns, the organization of workshops and conferences, and other alternative channels to increase engagement and understanding. For instance, based on statistical data from Companies Commission of Malaysia and Annual Report Pusat Pungutan Zakat, Kuala Lumpur in 2009 Selangor which has a high total collection of zakat in Malaysia, has only 3.5 percent (3,685) business zakat payers (assuming that approximately 19 percent of the 553,864 businesses registered represent the Muslim business community). This figure reflects a small percentage compared to the total Muslim business community in Selangor.

Previous studies explained there have various factors that influencing compliance behavior of zakat such as level of religiosity [21, 22, 23, 24, 25, 5, 26, 27, 28, 16, 29], level of knowledge [30, 31, 11, 32, 33, 5, 27, 28, 16, 34], organizational factors [11, 25, 35, 36, 28, 16] government incentives [37, 16], law enforcement [38, 33, 14, 16] and length of business operation [33, 4, 16]. Nevertheless, the majority of existing studies primarily concentrate on examining the factors that influence compliance behavior and zakat on income, leaving a notable gap in the literature when it comes to exploring compliance behavior and business zakat. Particularly, there is a lack of research and scholarly work that delves into analyzing response patterns among SMEs regarding the impact of government incentives on business zakat compliance behavior. This study hypothesised that government incentives have influence on compliance behaviour of business zakat. Hence, the purpose of this study is to investigate the behavioural response patterns among SMEs on the government incentives influencing compliance behaviour of business zakat. So, it can prove that government incentives as an important factor influencing the Muslim business community to pay zakat on business.

LITERATURE REVIEW

Government Incentives and Compliance Behaviour of Zakat

A government incentive is a stimulus offered by the government to promote compliance among individuals. In the context of zakat, government incentives encompass measures such as zakat deductions and tax rebates, aiming to incentivize both Muslim individuals and the Muslim business community to fulfill their zakat payment obligations. The government provides two distinct incentives, each with its own approach. Tax rebates specifically apply to individuals who pay zakat on income, as explicitly stated in section 63(A) of the Income Tax Act 1967:

“rebate shall be granted for a year of assessment for any zakat, fitrah or any other Islamic religious dues payment of which is obligatory and which are paid in the basis year for that year of assessment to, and evidenced by a receipt issued by, an appropriate religious authority established under any written law” (Income Tax Act 1967, 2006, p. 94).

In contrast, zakat deduction takes a different approach as it is a government incentive specifically designed for the Muslim business community. The objective is to alleviate the financial burden encountered by Muslim businesses. The deductions in corporate tax permitted for zakat on business payments should not surpass 2.5 percent of the total income earned. Therefore, despite the incentives provided, the payment of corporate income tax remains mandatory. This approach is explicitly outlined in Section 44 (11A) of the Income Tax Act 1967, which states:

“There shall be deducted pursuant to this subsection from the aggregate income of a company for the relevant year reduced by any deduction for that year in accordance with subsection (1) an amount equal to the payment of zakat *perniagaan* which is paid in the basis period for that relevant year to an appropriate religious authority established under any written law or any person authorized by such religious authority provided that:

- a. The amount to be deducted pursuant to this subsection shall not exceed one-fortieth of the aggregate income of the company in the relevant year
- b. The company is not an offshore company (Income Tax Act 1967, 2006, p. 151)

The implementation of these incentives is anticipated to lead to an increase in compliance levels among members of the Muslim business community. As stated in [39], the provision of incentives such as rebates or deductions for zakat payments on business has shown to positively influence compliance behavior, with a higher likelihood of Muslim businesses adhering to their zakat obligations.

Therefore, incentives play a significant role in the decision-making process of businesses when it comes to adhering to zakat obligations, as they contribute to maximizing utility. According to [40], the utilization of government-provided incentives like tax rebates can be instrumental in reducing the overall income tax burden for Muslim individuals. This indicates that Muslim individuals can leverage this incentive to alleviate their financial obligations when it comes to both income tax and zakat payments. Concurrently, this incentive acts as a driving force that encourages a greater number of Muslim individuals to meet their zakat obligations, resulting in an indirect increase in both the number of individuals who contribute zakat and the overall zakat collection.

Therefore, government incentives play a crucial role in influencing the decision-making process of individuals when it comes to complying with zakat payments. Several discussions have highlighted the significant impact of government incentives, such as tax rebates, on fostering compliance within the Muslim community regarding zakat payments. Supporting this notion, [41] put forth the suggestion that government incentives, such as tax rebates, serve as an appealing incentive for zakat payers. The provision of tax rebates by the government assists individuals who fulfill their zakat obligations on income in alleviating their financial burdens. Furthermore, [5] provided additional support for the link between government incentives and zakat compliance. The study highlighted that tax rebates, regarded as a second-order construct reflecting perceived behavior control, demonstrated a positive correlation with the intention to adhere to zakat payments for businesses, particularly in the context of the state of Kedah. The findings of [60] align with this study, as they emphasized the significant impact of granting complete tax rebates to individuals who have fulfilled their zakat obligations on income. This influence plays a pivotal role in fostering compliance with zakat obligations.

Hence, the discussions presented in both studies align with the findings of [39]. This connection between incentives and human decision-making behavior can also be observed in diverse domains, including the field of taxation. In accordance with [42], incentives within the realm of taxation can be characterized as rewards capable of impacting the intrinsic motivation of taxpayers to adhere to their tax responsibilities. These incentives can encompass direct financial advantages like rebates and tax deductions, as well as non-monetary benefits such as reduced prices for transportation services. The explanation offered is founded on the principles of the crowding out theory.

As indicated by [39], government incentives serve as a strategy to address tax evasion, enhance tax collection, and foster positive tax compliance among taxpayers. The connection between government incentives and tax compliance was further validated by [43], who conducted a study to assess compliance attitudes among landowners in Malaysia. The study revealed a significant statistical relationship between incentives and taxpayer compliance. This finding is consistent with other domains, such as information technology, where government incentives play a crucial role in the decision-making process of individuals utilizing internet services. Meanwhile, in their research on the advancement of broadband technology in South Korea, [44] discovered that government incentives had a notable impact on the adoption of broadband technology by middle-income households. Specifically, the government incentive examined in the study involved a monthly reduction in the cost of broadband services. Despite prior research demonstrating a positive correlation between government incentives and human behavior, the findings of a study conducted by [45] examining the impact of incentives on the purchase of hybrid electric vehicles yielded different results. The study discovered that incentives such as rebates were ineffective in influencing individuals' decisions to purchase hybrid electric vehicles. Nonetheless, it was suggested that other incentives like tax credits and fee waivers could be more effective in promoting the usage of hybrid electric vehicles. Particularly, tax waivers were found to be more impactful when compared to rebates and tax credits.

Based on prior research, it has been observed that government incentives, such as tax rebates, have a significant influence on motivating Muslim individuals to fulfill their zakat obligations [5]. Nevertheless, further research is required to explore the correlation between government incentives, specifically tax deductions related to zakat on business. This is because the implementation of this incentive for businesses differs from its implementation for individuals, warranting a deeper examination of the relationship. Given the differences in circumstances, it is possible that the outcomes of the present study may diverge from previous studies. As noted by [18], the tax deduction incentives provided by the government for business zakat have not yet proven effective in alleviating the financial challenges experienced by Muslim entrepreneurs. In fact, the Muslim business community is still obligated to fulfill their zakat payment for business as a religious duty, alongside their mandatory corporate tax obligations. Consequently, the impact of tax deduction incentives on this community may vary.

METHODOLOGY

The research methodology involved the utilization of a quantitative approach to gather data. To assess the factors under investigation, a multiple-item measurement was employed, employing a five-point Likert rating scale that was adapted from previous studies. The target population for this study comprises small and medium-sized business owners in Selangor who

are registered with the Malaysian Selangor Malay Chamber of Commerce (DPMMNS). This population is distributed across nine districts and represents six primary categories of businesses.

This study employed a proportionate stratified random sampling technique. The first step involved identifying the total number of SMEs in the state of Selangor, which was obtained from the DPMMNS. The organization reported a total of 3,031 entrepreneurs registered in various sectors by the end of 2010. These entrepreneurs were distributed across nine districts in Selangor. Based on this method, the population was stratified into different groups based on the districts in Selangor. This sampling technique was selected due to the substantial presence of small and medium entrepreneurs in Selangor and their geographic distribution across multiple districts. After dividing the population into districts, a sample of individuals from each district was selected using the simple random sampling technique. This approach aligns with the suggestion made by [48], indicating that in stratified random sampling, each stratum can be selected using either a simple random sampling method or a systematic sampling procedure. After dividing the participants into proportional strata, the selection of respondents for this study was carried out using simple random sampling. This approach was selected because it ensures an equal chance for every individual in the population to be included. Additionally, the utilization of simple random sampling facilitates broader applicability of the findings and aids in reducing potential bias [48].

In measuring this variable, the items constructed were adapted from the scale by [5] who measured tax rebates as an incentive given by the government to the Muslim business community. Due to the different approaches of zakat rebate and zakat deduction as explained through the Income Tax Act 1967, some of the items are not suitable as measurements of incentives in this study. As such, extra items were developed which were like tax deductions. The development of the seven (7) items used in measuring government incentives are shown in Table 1.

Table 1: Government Incentive Scale Items

Scale Items
Government incentives motivate companies to pay zakat on business (GI1)
Government incentives give more benefits to the company (GI2)
Without government incentives the company will still pay zakat on business (GI3)
The company started paying zakat on business after the implementation of incentives by the government (GI4)
If tax-rebate is given for zakat on business, it is more motivating for the companies to pay zakat (GI5)
Companies are more prone to commit to corporate social responsibility compared to paying zakat on business as there are more incentives (GI6)
Government incentives do not reduce the financial burden faced by the company because zakat and tax are still need to be paid (GI7)

Data was collected primarily through the distribution of questionnaires in nine districts in Selangor using the Malaysian Selangor Malay Chamber of Commerce (DPMMNS) database which consisted of 3,031 Malay businesses registered with the agency. From the number, 341 respondents were involved in this study as explained in the sampling technique section.

However, to minimizing the failure of respondents to return questionnaires, this study distributed 600 sets of questionnaires to Malay SMEs entrepreneurs. This action was taken in the hope of attaining as many returning questionnaires as possible. Several approaches were taken in the distribution and collection of questionnaires such as mail distribution and self-administered distribution.

Data analysis through Rasch Measurement Model to fulfill the objective of this study. This method of analysis was used because of its advantage in the process of data analysis. For instance, [49] mentioned the Rasch Measurement Model can convert the rating scale to a raw score, usually from ordinal data into linear scores and plot ratings on the interval scale. Because of this, the analysis will be more precise and meaningful. [50] mentioned the greatest advantage of the Rasch Measurement Model is "its ability to separate the persons being measured from the specific sample of items chosen for the test". This means that the Rasch Measurement Model measured both persons and items in the logits approach. A person was measured on agreeability based on the logits score which is the degree of a person's agreement on the items while the item was measured on the tendency for agreement on the items by respondents based on logits score [51]. Besides that, this method of analysis can also produce precise, complete, and unbiased data [52].

The map shows the location of the items and persons either at the top or bottom. If the item is placed at the top of the person-item map this means that it is difficult to endorse and if items are placed at the bottom the reverse is true [53]. For persons, if they are placed at the top of the Rasch Wright Map, it shows that they are highly agreeable with the items measuring the construct. The map could also show the regularity of items practiced by respondents regarding government incentives influencing the compliance behaviour of zakat on business. The placement of the persons and items in the map is based on the person measure and item measure analysis. The separation among respondents and items in the Rasch Wright Map is based on the indicators in summary statistics.

FINDINGS

Analysis of Government Incentives

Based on the 600 sets of questionnaires distributed, 315 sets of questionnaires were returned, and 39 sets of questionnaires were rejected due to incomplete responses. As such, a total of 276 sets of questionnaires were usable for analysis.

The responses from the 276 respondents were tabulated and analyzed. The summary statistics as shown in Table 2 present a total of 1365 data points arising from 276 responses on the seven items analyzed. The data points excluded the incomplete responses. The 1365 data points described were large enough to remain useful and stable for person-measure estimates and to obtain useful and stable item calibrations. This generated a chi-square value of 3066.43 with 1085 degrees of freedom and $p=0.000$. The Cronbach's alpha (α) value obtained in this study was 0.52, indicating a "low" level of internal reliability. This value is considered acceptable, as a minimum value of 0.5 is typically required to measure consistency [54, 55, 56, 57, 58]. The person reliability, with a value of 0.54, was categorized as "poor" reliability [59], reflecting the stability of the individual responses. The item reliability, with a value of 0.98, indicates "excellent" reliability and signifies that the assessment task effectively discriminates between individual abilities and task difficulties related to government incentives. On the other hand,

the person separation index was relatively low at 1.08, indicating a limited spread of individuals across the ability range. In contrast, the item separation index was 7.41, indicating an "excellent" separation index and suggesting a wider range of item difficulties compared to the range of individual abilities.

Table 2: Summary Statistics for Government Incentives (N=276)

Persons Measured								
	Total Score	Count	Measure	Model error	Infit		Outfit	
					MNSQ	ZSTD	MNSQ	ZSTD
Mean	16.5	5.0	.42	.60	1.03	-.2	1.01	-.3
S. D	2.8	.0	1.07	.15	1.09	1.5	1.07	1.4
Max	25.0	5.0	5.64	1.89	4.82	3.4	5.26	3.8
Min	5.0	5.0	-1.88	.54	.07	-2.8	.07	-2.7
Real RMSE	.73	True SD	.79	Separation	1.08	Person Reliability	.54	
Model RMSE	.62	True SD	.88	Separation	1.41	Person Reliability	.067	
S.E. of Person MEAN = .10								

Person RAW SCORE-TO-MEASURE CORRELATION = .98

CRONBACH ALPHA (KR-20) Person RAW SCORE "TEST" RELIABILITY = .52

Items Measured

	Total Score	Count	Measure	Model error	Infit		Outfit	
					MNSQ	ZSTD	MNSQ	ZSTD
Mean	911.8	276.0	.00	.08	.99	-.6	1.01	-.5
S.D	106.0	.0	.64	.00	.36	4.4	.41	4.8
Max	1046.0	276.0	1.07	.09	1.57	6.1	1.73	7.4
Min	729.0	276.0	-.85	.08	.59	-5.7	.57	-6.6
Real RMSE	.09	True SD	.63	Separation	7.41	Item Reliability	.98	
Model RMSE	.08	True SD	.63	Separation	7.98	Item Reliability	.98	
S.E. of Person MEAN = 0.76								

1365 Data points. Log-likelihood Chi-square: 3066.43 with 1085 d.f p=.000

After the analysis of summary statistics, the process of identification of person fit was conducted through the process of respondents' misfit identification. The process identified 29 respondents as misfits. As such, from the 276 respondents, 29 SMEs entrepreneurs could not have their perceptions precisely measured by the items used to measure government incentives, and 247 responses fit with the Rasch Measurement Model.

Following the identification of misfit respondents, an analysis was conducted to assess the acceptability of the observed indicators. As presented in Table 3, the Cronbach's alpha value was 0.60, indicating an improvement compared to the value before excluding misfit respondents (0.58). This value is considered acceptable in terms of reliability, as suggested by previous studies. The person reliability index was reported as 0.65, indicating a fair but acceptable level of reliability [59]. On the other hand, the item reliability index was 0.99, which denotes excellent reliability. Both indexes showed improvements compared to the values

obtained before identifying and excluding the misfit respondents. The item reliability index remained consistent at 0.98, indicating a high level of reliability. However, there was a slight decrease in the item separation index from 7.41 to 7.33, though it still falls within the 'excellent' range for separation index criteria.

Table 3: Final Analysis of Government Incentives

	Before identifying misfit respondent	After identifying misfit respondent
Cronbach Alpha	0.52	0.60
Person Reliability Index	0.54	0.65
Person Separation Index	1.08	1.42
Person Mean	0.42	0.55
Person SD	1.07	1.03
Person Max	5.64	4.72
Person Min	-1.23	-2.31
Item Reliability Index	0.98	0.98
Item Separation Index	7.41	7.33
Item Mean	0.00	0.00
Item S.D	0.64	0.69
Item Max	1.07	1.21
Item Min	-0.85	-0.92

Other than that, the response behaviour among SME entrepreneurs on the government incentives influencing compliance behaviour of business zakat was also analyzed through the Rasch Wright Map in order to achieve the objective of this paper. Table 1 presents the $Mean_{item}$, which is recorded at $+0.00logit$, and the $Mean_{person}$, which is noted as $+0.55logit$. Additionally, the table displays the maximum and minimum values for both persons and items. The maximum value for persons is $+4.72logit$, while the minimum value is $-2.31logit$. On the other hand, for items, the maximum value is $+1.21logit$, and the minimum value is $-0.92logit$. The range of the person measurement was calculated as $+4.72logit - (-2.31logit)$, resulting in a value of $+7.03logit$. In contrast, the range of the item measurement was determined by $+1.21logit - (-0.92logit)$, which equates to $+2.13logit$. These values indicate that the scale of the person measurement is larger than the scale of the item measurement. Furthermore, the lack of person measurement scale for the items measure can be calculated as $+7.03logit - 2.13logit$, resulting in $+4.90logit$. The difference of $+7.03logit$ between the maximum and minimum values of persons, with a standard deviation of 1.03, indicates a significant range of compliance behavior among SME entrepreneurs. This suggests that there is a wide variation in the extent to which they align with the expected compliance standards. Similarly, the difference of $+2.13logit$ between the maximum and minimum values of items, with a standard deviation of 0.69, indicates a spread in the items, with some items deviating from the target. This indicates that there were no SME entrepreneurs who remained unresponsive or "person free" in the assessment tool. This can be visualized in Figure 1, the Rasch Wright Map.

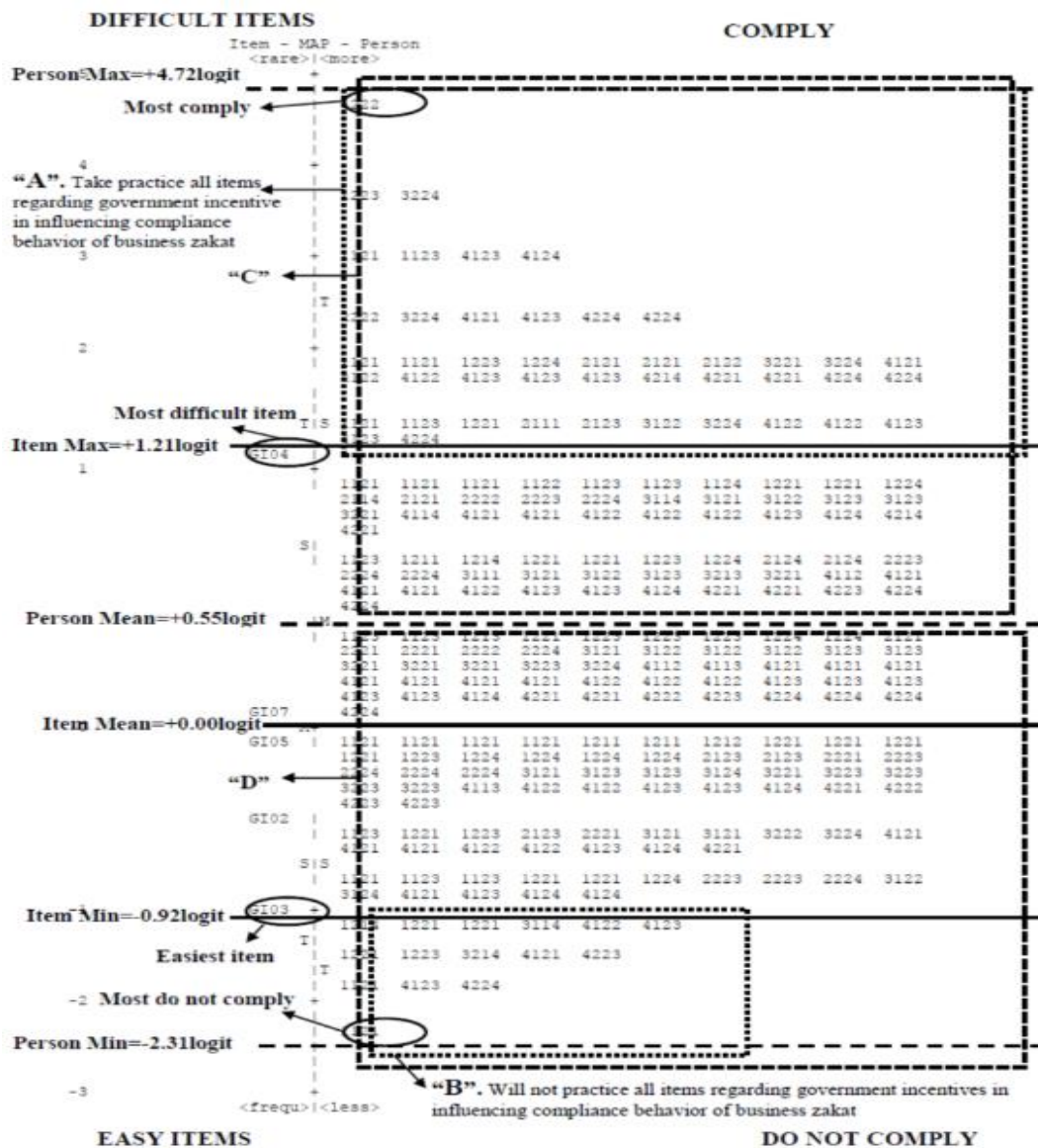


Figure 1: Rasch Wright Map for Government Incentives

The Rasch Wright Map, depicted in Figure 1, allows for the classification of SME entrepreneurs into two distinct groups based on their adherence to zakat payment. This categorization is determined by their positioning in relation to the *PersonMean*. Specifically, the group denoted as "C" comprises SME entrepreneurs positioned above the *PersonMean*, signifying their compliance with paying business zakat, which is influenced by government incentives. On the other hand, the group labeled as "D" consists of SME entrepreneurs situated below the *PersonMean*, indicating their non-compliance with paying business zakat. Interestingly, this group was not influenced by government incentives in their decision-making process. Within the compliant group labeled as "C," one particular SME entrepreneur (**207-4222**) stood out with the highest level of agreement on the measurement items related to government incentives. This individual demonstrated a remarkable level of compliance behavior, as evidenced by their person measures reaching $+4.72logit$. The participant in question belongs to the Eastern area. On the other hand, within the non-compliant group labeled as "D," there was one SME entrepreneur

(183-1121) from the Northern area (1) who exhibited low agreement on the measurement items assessing government incentives. Their person measures were recorded at -2.31_{logit} , indicating a lack of compliance with paying business zakat and suggesting that government incentives may not have influenced their behavior in this regard. Furthermore, 43.3 percent (107 out of 247, or $107/247 \times 100$) of SME entrepreneurs were situated above the $Mean_{Person}$ threshold (group "C"), signifying their compliance with paying business zakat as determined by their person measures and difficulty logit. However, the remaining 56.7 percent (140 out of 247, or $140/247 \times 100$) of SME entrepreneurs were positioned below the $Mean_{Person}$ threshold (group "D"), indicating their non-compliance with paying business zakat based on the person measures and difficulty logit. This data suggests that a majority of SME entrepreneurs do not adhere to paying business zakat, and it appears that government incentives do not have a significant influence on their decision-making.

In addition to identifying the agreeability of individuals, the study also assessed the level of common practices regarding the items used to measure government incentives. This examination was based on item endorsability, which indicates the extent to which SME entrepreneurs tend to agree on the items being measured. As a result, the seven items used to assess government incentives were classified into two difficulty groups. Those with low item endorsability were located above the $Mean_{Item}$, while the easy items with high item endorsability were positioned below the $Mean_{Item}$. Among the five items, three of them (**GI04**, **GI07**) were deemed challenging to agree with, as indicated by their low item endorsability and their placement above the $Mean_{Item}$. Based on the item logit measures, item **GI04** was identified as the most difficult item for agreement by the SME entrepreneurs at $+1.21_{logit}$ measure with low item endorsability at 640. The remaining three items (**GI02**, **GI05**, **GI03**) were located as easy items for agreement as a result of high item endorsability and located below $Mean_{Item}$. Item **GI03** was found to have a logit value of -0.92 , indicating that it was the least challenging item for SME entrepreneurs to agree with. It demonstrated a higher level of item endorsability at 927. Interestingly, both SME entrepreneurs with high ability and those with a lower ability were able to provide accurate responses to the items that were easily agreeable. Within the set of challenging tasks identified in the measurement of government incentives, there was one item (**GI07**) positioned between the $Item_{Mean}$ and $Person_{Mean}$. Items falling within this range are commonly regarded as representative of typical practices when measuring government incentives. However, the perception of these tasks as common practice varies based on the abilities of individual respondents. If the logit capability of the respondents surpassed the logit difficulty of the items, they were able to respond accurately to those particular items. Among the five items utilized for measuring government incentives, 17.8 percent ($44/247 \times 100$) of SME entrepreneurs demonstrated consistent practice of all the items, which influenced their compliance behavior with regards to business zakat, as observed in group "A". Conversely, 6.1 percent ($15/247 \times 100$) of the SME entrepreneurs did not exhibit consistent practice of all the items related to government incentives, as evidenced by their placement in group "B". The group can be seen as not being influenced by government incentives at all in complying with paying business zakat.

To summarize, the construct verification process was conducted and yielded reliable results with acceptable values for measuring government incentives. This is supported by the satisfactory Cronbach's alpha value of 0.60, person reliability index of 0.65, and item reliability index of 0.98. These findings affirm the reliability of all assessment tasks in accurately

measuring government incentives, which is one of the factors influencing the compliance behavior of business zakat among SMEs in the state of Selangor. Therefore, out of the 276 respondents, the responses of 247 individuals were found to align with the Rasch Measurement Model. Additionally, the person agreeability and item endorsability were examined to identify respondents with varying abilities in responding to the items measuring government incentives. These findings were visually represented through the person item distribution map. The map visually depicts the items utilized for measuring government incentives, revealing two distinct groups based on their level of difficulty. **GI04** and **GI07** were classified as difficult tasks since they were positioned above the $Mean_{Item}$, whereas **GI02**, **GI05**, and **GI03** were identified as easy tasks, located below the $Mean_{Item}$. The person's agreeability on the items was also classified into two groups, distinguishing those who comply and those who do not comply based on the $Mean_{Person}$ value. Within these groups, one respondent (**207-4222**) exhibited a remarkably high ability to agree and displayed the highest level of compliance with paying business zakat. Conversely, another respondent (**183-1121**) was identified as having a limited ability to agree and displayed a lack of compliance with paying business zakat.

DISCUSSION AND CONCLUSION

In fulfilling the objectives, the findings through Rasch Wright Map give an early indication of the group whether government incentives influence business owners to comply with paying business zakat. Based on the map, it can be observed that 43.3 percent ($107/247 \times 100$) of SME entrepreneurs demonstrate compliance with paying business zakat, as indicated by the person measures and difficulty logit. On the other hand, a majority of SME entrepreneurs, accounting for 56.7 percent ($140/247 \times 100$), do not adhere to paying business zakat according to the same measures. This finding indicates that a larger portion of SME entrepreneurs does not comply with the requirement of paying business zakat, and it suggests that their decision-making is not influenced by government incentives. In addition, the findings on the SME entrepreneurs' behavioural responses could also be seen either as high or low agreement on the items used to measure the government incentives influencing the compliance behaviour of business zakat. This indicates that SME entrepreneurs with high levels of agreeability have a higher level of compliance influenced by government incentives than those with lower agreeability. Based on the logit ruler in the Rasch Wright Map, SME entrepreneurs could be grouped as those who comply or do not comply with paying business zakat as they are located above and below $Mean_{Person}$ on the logit ruler respectively. Figure 1 shows some SME entrepreneurs contend that government incentives do not influence them to comply with business zakat payments. This is evidenced by the low agreeability scores on the factor influencing compliance with business zakat. Responses from SME entrepreneurs also show their low agreeability on the influence of government incentives in making them comply with business zakat. Even though zakat organizations have strategized and developed various approaches to attract entrepreneurs to comply with business zakat and various seminars have been conducted to disseminate information, is not a criterion for increasing compliance amongst SME entrepreneurs. This may also be attributed to the fact that these entrepreneurs have other alternatives to paying zakat such as paying directly to asnaf without going through zakat institutions. To them, the most important thing is they can share their wealth with other people who are really in need and at the same time, receive blessings from Allah SWT.

In general, the objective of this study has been achieved through the Rasch Measurement Model analysis with interesting findings. This is because the review of literature on the compliance

behaviour of business zakat shows a lack of explanation on this issue since they do not identify how to classify the respondents based on their responses and do not examine the common practices regarding the factors determining zakat compliance behaviour. This study provides new perspectives on the SME compliance behaviour of business zakat through an analysis of their response behaviours since they have different abilities and practices. Other than that, behaviour responses analysis was conducted to differentiate the good responses for carrying out a good and more meaningful analysis. However, the major limitation of this study is the difficulty in obtaining accurate data on the profitability of the companies being analyzed. Many private companies do not disclose their financial information publicly, making it challenging for researchers to access data that is reliable and comprehensive.

References

- [1] Mustapha, M. Z., *A comparative analysis on zakah and conventional taxation*. Jurnal Syariah, 2005. 13(1), 65-79.
- [2] Shamsul Hamri, S., *Sumber-sumber utama BaitulMal negara Islam Madinah*. Iktisad, 2006. 6, 34-38.
- [3] Afandi, M. F. M., Zubairi, M. I. N., Hashim, M. J., & Khamis, M. R., *The role of zakat in reducing income inequality among Muslim society in Selangor*. Global Business & Management Research, 2021. 13(4)
- [4] Khamis, M. R., Kamarudin, M. F., Hashim, M. J., & Muhamad Arifin, N. A., *Length of business operation and its relationship with compliance behaviour of business zakat among owners of SMEs*. Journal of Emerging Economies & Islamic Research, 2018. 6(3), 1-14.
- [5] Saad, R. A. J., *Gelagat kepatuhan zakat perniagaan: Apakah penentunya*. Paper presented at the The 4th ISDEV International Islamic Conference (IDMAC 2010), Universiti Sains Malaysia, Pulau Pinang, 2010.
- [6] Shariff, A. M., Jusoh, W. N. H. W., Mansor, N., & Jusoff, K., *A robust zakah system: Towards a progressive socio-economic development in Malaysia*. Middle-East Journal of Scientific Research, 2011. 7(4), 550-554.
- [7] Saad, R. A. J., Farouk, A. U., Wahab, M. S. A., & Ismail, M., *What Influence Entrepreneur To Pay Islamic Tax (Zakat)?*. Academy of Entrepreneurship Journal, 2019. 25, 1-13
- [8] Saad, R. A. J., Wahab, M. S. A., & Samsudin, M. A. M., *Factors Influencing Business Zakah Compliance Behavior Among Moslem Businessmen In Malaysia: A Research Model*. Procedia-Social and Behavioral Sciences, 2016. 219, 654-659
- [9] Mohd Shah, A. C., *Zakat bukan bebanan tetapi pelaburan*. Utusan Malaysia, 2011, December 28. p. 26.
- [10] Abu Bakar, A., *Kesedaran bayar zakat perniagaan masih rendah*. Berita Harian, 2016.
- [11] Hasan, B., & Mohd Shahnaz, S., *Kajian Terhadap Faktor Yang Mempengaruhi Pembayaran Zakat Perniagaan Di Kalangan Usahawan: Kes Kajian Terengganu*. In Seminar Ekonomi dan Kewangan Islam, ESSET Bangi, Selangor, 2005.
- [12] Mohamed, M. W., Al-Junid, S. A. H., Mohd Azmi, O., Aidit, G., Jamil, O., & Arif, M., Case studies in Malaysia In Ahmed Abdel-Fattah El-Ashker & Muhammad Sirajul Haq (Eds.), *Institutional Framework of Zakah: Dimensions and Implications*, 1995. (pp. 297-347). Kuala Lumpur: Islamic Research and Training Institute, Islamic Development Bank.
- [13] Abdul Wahab, A., & Borhan, J. T., *Kepatuhan Zakat Oleh Syarikat Tersenarai Awam Di Malaysia (Zakat Compliance among Public Listed Companies in Malaysia)*. The Journal of Muamalat and Islamic Finance Research, 2015. 04(3695), 1-16.

- [14] Khamis, M. R., & Yahya, N. C., *Does Law Enforcement Influence Compliance Behaviour Of Business Zakat Among SMEs? An Evidence Via Rasch Measurement Model*. *Global Journal Al Thaqafah*, 2015. 5(1), 19-32.
- [15] Khamis, M. R., Mohd, R., Salleh, A. M., & Naw, A. S., *Do Religious Practices Influence Compliance Behaviour of Business Zakat Among SMEs?* *Journal of Emerging Economies and Islamic Research*, 2014. 2(2), 25-40
- [16] Khamis, M. R., & Kamarudin, M. F., *Factors Determining Compliance Behavior of Business Zakat among SMEs: A Logistic Regression Analysis Approach*. *Journal of Entrepreneurship, Business and Economics*, 2022. 10, 71-108.
- [17] Kamal, S., & Hidayah, N., *Expectations of Paying Zakat on Profession during the Pandemic*. *Journal of Positive School Psychology*, 2022. 6(2), 4795-480
- [18] Ghazali, R., & Ibrahim, P., *Intention determinant factors of Muzakki to pay zakat during Covid 19 Pandemic 2020 In Wilayah Persekutuan*. *International Journal of Zakat & Social Finance*, 2022. 85-102.
- [19] Khamis, M. R., Salleh, A. M., & Naw, A. S., *Compliance Behavior of Zakat on Business among Small and Medium Entrepreneurs (SMEs): A Preliminary Study*. Paper presented at the The World Universities 1st Zakat Conference 2011 (WU1ZC 2011), 2011. Putra World Trade Centre (PWTC), Kuala Lumpur, 22nd - 24th November 2011
- [20] Arif, H. M., Alwi, K., & Tahir, A. M., *Factors influence company towards zakat payment: An explanatory study*. In *Second International Conference on Business and Economic Research (2nd ICBER 2011)* 2011, Proceeding
- [21] Abdullah, M., & Sapiei, N. S., *Do Religiosity, Gender and Educational Background Influence Zakat Compliance? The Case of Malaysia*. *International Journal of Social Economics*, 2018.
- [22] Wahid, H., Ahmad, S., & Noor, M. A. M., *Kesedaran membayar zakat pendapatan di Malaysia*. *Islamiyyat*, 2007. 29(1), 53-70
- [23] Salamzadeh, A., Azimi, M. A., & Kirby, D. A., *Social entrepreneurship education in higher education: insights from a developing country*. *International Journal of Entrepreneurship and Small Business*, 2013. 20(1), 17-34
- [24] Noor, M. A. M., Wahid, H., & Nor, N. G. M., *Kesedaran Membayar Zakat Pendapatan Kakitangan Profesional: Kajian Kes Di Universiti Kebangsaan Malaysia*. In *Prosiding Seminar Dasar Awam Dalam Era Globalisas: Penilaian Semula Kearah Pemantapan Strategi*, 2003. Fakulti Ekonomi Universiti Kebangsaan Malaysia, hlm (pp. 397-404)
- [25] Muda, M., Marzuki, A., & Shahrudin, A., *Internal and external factors influencing individuals' participation in zakat: Preliminary results*. *Journal of Muamalat and Islamic Finance Research*, 2005. 2(1), 77-92
- [26] Ahmad, S., & Daud, Z., *Model gelagat pematuhan dan pengelakan zakat: Suatu tinjauan teori*. In *Seventh International Conference-The Tawhidi Epistemology: Zakat and Waqf Economy*, 2010. (pp. 501-516)
- [27] Bidin, Z., *Faktor-faktor penentu gelagat kepatuhan zakat gaji*. Unpublished PhD Thesis, 2008. Universiti Utara Malaysia
- [28] Daud, Z., *Gelagat kepatuhan pembayaran zakat pendapatan melalui Baitulmal di Aceh*. Unpublished PhD Thesis, 2011. Universiti Kebangsaan Malaysia
- [29] Amelia, S., & Jamilah, S., *The influence of income level, religiosity, and social environment on Muzakki's decision to pay zakat*. *Jurnal Ekonomi Trisakti*, 2022. 2(1), 15-2

-
- [30] Saad, R. A. J., Farouk, A. U., & Kadir, D. A., *Business zakat compliance behavioral intention in a developing country*. Journal of Islamic Accounting and Business Research, 2020.
- [31] Rahman, S. M., Zakaria, M., Shaari, R., Nawawi, N. A., & Zain, N. A. M., *Perceived corporate credibility, service quality, knowledge and self-efficacy with business zakat compliance*. Journal of Islamic, Social, Economics and Development, 2019. 4(21), 125-133
- [32] Idris, K. M., *Gelagat kepatuhan zakat gaji di kalangan kakitangan awam*. Unpublished Ph. D Tesis, 2002. Universiti Utara Malaysia
- [33] Alayuddin, M., *Pematuhan zakat dan cukai di kalangan syarikat-syarikat bumiputera*. In Seminar Persidangan Zakat dan Cukai Peringkat Kebangsaan, 2008.
- [34] Sadallah, M., & Abdul-Jabbar, H., *Business zakat compliance in Algeria: an ethical perspective*. International Journal of Ethics and Systems, 2022.
- [35] Ahmad, S., & Wahid, H., *Persepsi agihan zakat dan kesannya terhadap pembayaran zakat melalui institusi formal*. Jurnal Ekonomi Malaysia, 2005. 39(17), 53
- [36] Karim, Z. A., Zaidi, M. A. S., & Wahid, H., *Pendapatan dan sasaran perbelanjaan dana zakat: pengalaman di Negeri Perak, Kedah, Selangor dan Negeri Sembilan: Isu dan Cabaran*. A. G. Ismail, & HMT (Eds.), Zakat: Pensyarikatan, perekonomian & perundangan, 2006. 138-143
- [37] Siswantoro, D., Nurzaman, M. S., Nurhayati, S., Munandar, A., Ismail, A. G., & Mohamad, N., *Factors Determining zakat rebate preferences in Malaysia: Zakat as tax deduction*. Academic Journal of Interdisciplinary Studies, 2022. 11(2), 115
- [38] Idris, K. M., *Gelagat kepatuhan zakat pendapatan penggajian*. Sintok: Penerbit Universiti Utara Malaysia, 2009.
- [39] Bardai, B., *Zakat perniagaan: Implikasinya terhadap cukai korporat*. Paper presented at the Konvensyen Zakat Kebangsaan, 2001. Putrajaya, Kuala Lumpur
- [40] Mahmood, S. M., *Sistem perundangan zakat di Malaysia: Antara realiti dan harapan*. Kertas kerja dibentangkan di Persidangan Zakat dan Cukai Peringkat Kebangsaan, 2007. PWTC Kuala Lumpur
- [41] Makhtar, A. S., & Wahab, A. A., *Pengurusan zakat di Negeri Selangor: Isu dan cabaran*. Prosiding Konvensyen Kebangsaan Perancangan & Pengurusan Harta dalam Islam, 2010. UKM.
- [42] Feld, L., & Frey, B. (2007). *Tax compliance as the result of a psychological tax contract: The role of incentives and responsive regulation*. Law & Policy, 2007. 29(1), 102-120
- [43] Manaf, A., Aziah, N., Hasseldine, J., & Hodges, R., *The determinants of Malaysian land taxpayers' compliance attitudes*. eJournal of Tax Research, 2005. 3(2), 206-221.
- [44] Choudrie, J., & Lee, H., *Broadband development in South Korea: institutional and cultural factors*. European Journal of Information Systems, 2004. 13(2), 103-114.
- [45] Diamond, D., *The impact of government incentives for hybrid-electric vehicles: Evidence from US states*. Energy Policy, 2009. 37(3), 972-983
- [46] Ghazali, R., *Implikasi zakat terhadap sistem percukaian negara*. Annual report Pusat Pungutan Zakat, 2007. 139-147.
- [48] Sekaran, U., *Research Methods for Business: A Skill-building Approach* (4th ed.), 2006. Singapore: John Wiley & So
-

- [49] Andrich, D., *A rating formulation for ordered response categories*. *Psychometrika*, 1978. 43(4), 561-573
- [50] Fox, C. M., & Jones, J. A., *Uses of Rasch modeling in counseling psychology research*. *Journal of Counseling Psychology*, 1998. 45(1), 30.
- [51] Wright, B. D., & Masters, G. N., *Rating Scale Analysis*. *Rasch Measurement*, 1982. Chicago: MESA Press
- [52] Huang, Y., & Page, A. L., *Using Rasch modeling to improve the measurement of service quality: An illustration*. Paper presented at the American Marketing Association, 2002
- [53] Vasilyeva, M., Ludlow, L. H., Casey, B. M., & Onge, C. S., *Examination of the Psychometric Properties of the Measurement Skills Assessment*. *Educational and Psychological Measurement*, 2008. 69(1), 106-130
- [54] Churchill, G. A., *A paradigm for developing better measures of marketing constructs*. *Journal of Marketing Research*, 1979. 16(1), 64-73
- [55] George, D., & Mallery, M., *Using SPSS for Windows step by step: A simple guide and reference*. 11.0 update (11th ed.), 2003. Boston, MA: Allyn & Bacon
- [56] Helmstadter, G. C., *Principles of psychological measurement*, 1966. London: Methuen & Co Ltd
- [57] Marino, R., & Stuart, G. W., *The validity and reliability of the Tertiary Student Values Scale (TSVS)*. *Medical education*, 2005. 39(9), 895-903
- [58] Nunnally, J. C., *Psychometric theory*, 1967. United States of America: Tata McGraw-Hill Education
- [59] Fischer, C. M., Wartick, M., & Mark, M. M., *Detection probability and taxpayer compliance: A review of the literature*. *Journal of Accounting Literature*, 1992. 11(1), 1-46.
- [60] Mohamad Saladin, A. R., Arifin, M. S., & Abdul Ghafar. *Incorporating zakat into the national taxation system: Its effect to the Malaysia government revenue*. *IKaZ International Journal of Zakat*, 2008. 1(1)