

WHAT INFLUENCE ENTREPRENEUR TO PAY ISLAMIC TAX (ZAKAT)?

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ABSTRACT

This study was carried out to examine the determining factors of knowledge, self-efficacy, service quality and frequency of interaction between staff of Zakat institution and Entrepreneur (Zakat payers) on Zakat on business income compliance behaviour. A survey questionnaire was administered to 700 respondents out of which 227 usable questionnaires were used for analysis purposes. The measure of the adequacy of the sample, Kaiser-Meyer-Olkin (KMO) and internal consistency using Cronbach Alpha value was applied to assess the validity and reliability of the variables. For the purposes of hypothesis testing, multiple regression analysis was performed. Findings revealed that knowledge, self-efficacy and frequency of interaction influenced compliance behaviour of Zakat on business income. Based on the findings, it can be concluded that any strategy to be implemented by the authorised institutions to improve the collection of Zakat in the near future should focus on increasing Entrepreneur's knowledge and self-confidence as well as increasing the number of interactions between staff and entrepreneur.

Keywords: Islamic Economic, Behavioral Research, Zakat on Business Income, Malaysia.

INTRODUCTION

Zakat giving is one of the pillars in Islamic faith. Its significance to the national and community development is inevitable. The development of the country and the community could be implemented actively if Zakat funds could be effectively raised. Similarly, in countries like Malaysia, the Zakat fund has contributed a lot to the development of the community as a whole and this cannot be denied by any party (Saad & Sawandi, 2016; Saad, et al. (2017); Othman & Fisol, 2017). However, compliance behaviour of Zakat is still an issue in many Islamic countries especially in Malaysia as it is said to suffer from poor collection amongst Muslim entrepreneurs who are eligible to pay Zakat on business income but fail to do so (Saad & Haniffa, 2014). Many factors have been proposed as determinants of compliance behaviour in the previous literature. However, little has been said about determinants of Zakat on business income compliance behaviour.

To improve Zakat collection, the institution of Zakat has implemented various measures to attract people to Zakat responsibility as well as to increase public confidence towards the institution (Azman et al., 2012; Zainal et al., 2016). However, several reports and studies show that the collection of Zakat especially Zakat on business income is very disappointing (Billah, 2016; Farhana et al., 2016; Hamat, 2016). This shows that there are

many Zakat payers who ignore the law obliged to pay Zakat. For example, for the Federal Territory an area which recorded the highest collection of Zakat in Malaysia, there is only about 30% of entrepreneur pay Zakat to the authorized institution (Ghazali et al., 2016).

There are two primary objectives of this study. First, we investigate the current level of knowledge, self-efficacy, perceived service quality and frequency of interaction between Zakat staff and Zakat payers among Muslim entrepreneur with regard to business Zakat payment in Malaysia. Second, this study examines the influence of these four factors on Zakat on business income compliance behaviour.

The remainder of this paper is organized as follows: in the next section prior research on the influence of each variable in this study are discussed and hypotheses are developed. Then, it proceeds with a methodology and followed by the results of the study. Finally, it discusses the results and conclusions were drawn in the last section.

LITERATURE REVIEW

This section describes the previous literature on knowledge, self-efficacy, service quality, frequency of interaction and their influence on compliance behaviour. Hypothesis development and conceptual model are also discussed.

Previous studies in various fields show that the factors that influence the compliance behavior of an individual are divided into two, namely internal and external factors (Jackson & Miliron, 1986; Bobek & Hatfield, 2003; Organization for Economic Co-operation and Development [OECD], 2010). Internal factors refer to factors inside the individual, such as knowledge and self-efficacy, while external factors refer to factor outside individuals (or known as environmental factors) such as economic agents, service quality of an organization, frequency of interaction between staffs and clients and others. In the case of Zakat, this study believes that both of these factors will play an important role in shaping entrepreneur's behaviour towards Zakat payment. Internal factors such as knowledge and self-efficacy will be significantly related to Zakat compliance behaviour. This is due to the fact that the assessment of Zakat is complex and requires a high knowledge and ability of individual especially in the current business environment. Entrepreneur who lack of knowledge and understanding on Zakat is believed will face difficulties in determining the amount of Zakat that should be paid to the institutions and this will influence their decision on Zakat payment.

For external factors, the administration and management of Zakat institution (economic agents) has been attracting the attention of society and directly influence entrepreneur decisions in relation to the payment of Zakat (Farouk et al., 2018). As an economic agency or institution that is responsible for the services in the affairs of Zakat, many services are provided to ensure management of Zakat is running smoothly and efficiently. Among the services provided are counter services, payment facilities, information services and etc., with the purpose to facilitate the community to pay Zakat. Thus, the services provided by Zakat institutions are open to public evaluation (Sulaiman & Jamil, 2015; Azura & Saad, 2016). A good review will give a good image and thus can influence compliance behavior in a positive way and vice versa.

Knowledge and Compliance behavior

Knowledge is a prevalence with someone or something which may include facts, information, evidence or skills acquired through experience or education. In taxation, the concept of knowledge is used to denote values or information about tax rules with the financial knowledge to calculate the economic consequences for taxpayers (Fallan, 1999).

Thus, this study defines knowledge as information possess of a person (Zakat payers) through education, either formal or informal (experience).

Level of knowledge about Zakat, especially Zakat on business income is expected to influence entrepreneur's decision on Zakat payment. This is because compliance behaviour to a particular law or regulation is said closely related to an internal factor (Sutinen & Kuperan, 1999) and knowledge is a prerequisite to perform behaviour (Koufaris, 2002). Thus, the level of knowledge of entrepreneur is the internal factors that can determine the extent to which they have control over the compliance behaviour of business Zakat. Entrepreneur need to understand clearly on the foundations of knowledge about Zakat, i.e. knowledge about Zakat conditions, perfect title, nisab, haul, type of property subject to Zakat, Zakat calculation, Zakat recipients, Zakat law and current Zakat jurisprudence based on the current situation (Mohd Safri, 2006). Based on several aspects of this knowledge that must be understood by every businessman, it is believed that entrepreneur who has high degree of knowledge about business Zakat will have high awareness about Zakat payment than those who had low knowledge.

Literature has revealed the relationship between knowledge and behaviour. In the field of taxation, Fallan (1999) and Hungerford & Yolk (1990) reported that the high degree of knowledge about the tax will increase tax compliance behaviour. Their finding is supported by Palil & Mustapha (2011) where they found that tax knowledge has significant impact on tax compliance. In the area of Zakat, Kamil (2002) and Kamil et al. (2006) found that knowledge about the Zakat on employment income influence Muslim worker to pay Zakat on employment incomes. Mohd Ali et al. (2004) also reported a significant relationship between Zakat payment and religious knowledge. Zainol (2008) also revealed that knowledge is an internal source of Muslim worker, which become a factor that led to the formation of intention to pay Zakat on employment income.

In the field of business Zakat, as far as researchers' concern, there is limited literature that describes the relationship between knowledge and compliance behaviour. However, the level of business knowledge related to its assessment is very disappointing. Syed Mohd Ghazali Wafa (2004) reveals that many business entities do not understand the method of calculating and determining amount of Zakat that should be paid.

Self-efficacy and Compliance Behavior

Self-efficacy is an important component that forms the compliance behavior of a person. According to Bandura (1986), self-efficacy is referred as the ability of a person to do things. To Ajzen (1991), self-efficacy is a level of confidence of a person on his ability to act. The ability or the capacity is evaluated from several aspects such as easy or difficult, self-confidence and assurance of a person to commit behaviour (Ajzen, 2005). In the case of Zakat, self-efficacy is a businessman's ability, confidence and certainty about Zakat payment.

Entrepreneur must have a high degree of self-efficacy for Zakat payment as business environment is complex and requires a deep understanding about Zakat and other information such as business and accounting (Mohd Safri, 2006). High self-efficacy will be able to encourage entrepreneur to pay Zakat because the business about Zakat payment to be easy for them. However, entrepreneur who have low self-efficacy will face difficult for them to do so.

Previous studies have reported a positive significant relationship between self-efficacy and compliance behavior. Ajzen (1991) found that high self-efficiency has a positive relationship with the behavior of an individual. Pavlou & Fygenon (2006) reported that the effectiveness of self-behavior has a significant relationship to online purchasing behaviour. It is also supported by Hagger & Chatzisarantis (2005) in their study on the behavior of weight loss and exercise. Rhodes & Courneya (2003) also reported a positive influence on the

effectiveness of self-exercise behavior. Research in information technology also found a positive relationship between self-efficacy and technology adoption (Bolt et al., 2001; Taylor & Todd, 1995a:1995b).

Despite a number of studies have provided support of the effect of self-efficacy on behaviour, however, researches in tax and Zakat have neglected these variables. By recognizing the importance of this factor in understanding behaviour, then this study is an early attempt to examine the relationship between the latter and business Zakat compliance behaviour.

Perceived Service Quality and Compliance Behavior

The role of Zakat institutions in providing quality of service to the community is an important factor to attract and encourage people to pay Zakat. According to Parasuraman et al. (1985), a service is said to be of quality, if the operations of an organization to meet customer expectations before and after receiving services. This is consistent with the disconfirmation theory which stated that the consumer was satisfied with the experience of a service if the service experience meets or exceeds their expectations (Bitner, 1990). Thus, Muslim entrepreneur will feel satisfied with the services of Zakat institutions if the services provided are exceeding their expectations.

Previous studies have reported the effects on the perception of service quality on behaviour. Zeithaml & Berry (1996) found that the perception of service quality has a significant relationship with an attitude and behavioral intention. Devaraj et al. (2002) and Gotlieb et al. (1994) made the perception of service quality and customer satisfaction as one of the variables in explaining behavioral intentions. Cronin & Taylor (1992) reported that the perception of service quality and satisfaction was positively correlated with repurchase behaviour. Even though there is still lack of study conducted about this relationship in the area of tax, however Feld & Frey (2007) report that friendly treatment of taxpayers from the tax office in auditing processes increases tax compliance.

Despite various expansions to the behavioural model, nothing much is known empirically about the influences of perceived Zakat service quality on Zakat compliance behaviour. Even more surprisingly, this variable has also been neglected in the tax compliance behaviour study. This study is undertaken primarily to expand compliance behaviour model by incorporating perceived service quality for better understanding of the compliance behaviour of individual Zakat payers in Malaysia. Just like any other public sector organizations, the issue of service quality is also critical to Zakat institutions since they provide numerous services to Zakat payers.

Frequency of Interaction between Zakat Staff and Entrepreneur and Compliance Behavior

Some countries such as Australia and the United Kingdom (UK) have implemented various measures to improve the quality of the interaction between taxpayers with the tax authorities to improve tax compliance behaviour (Kirchler et al., 2006). This is because any improvement in the interaction between tax officials and taxpayers can increase cooperation and voluntary compliance among community towards tax (Alm et al., 2004). Interaction between these two parties also is a prerequisite for the taxpayer to cooperate and comply with the tax law (Murphy, 2004a:2004b). Several studies reported that the frequency of contact and interaction between tax staffs and taxpayers will increase tax payers' intention and their compliance behaviour towards tax law. According to French and Raven (as cited in Kirchler et al., 2006), frequency and good communication can influence the acceptance of expert

advice and tax officials by taxpayers. It can also enhance the readiness and willingness of tax payer to pay tax (Murphy, 2004a:2004b).

The same thing should exist in the compliance behaviour of business Zakat which is quite unique where awareness campaigns and promotion becomes a core to encourage people to pay Zakat. Form and frequency of communication and interaction between Zakat staffs and entrepreneur (Zakat payers) is the core in raising awareness and adherence to the business Zakat. It also contributes to the formation of a strong intention to pay Zakat. Among the aspects of communication that are believed to influence the behaviour related to business Zakat is a reminder, encouragement, sharing of knowledge, Zakat staff help Zakat payers to calculate the amount of Zakat, and to provide information relating to the administration and management of Zakat.

The relationship or the frequency of interaction between Zakat staffs and entrepreneur can be seen as the availability of resources and opportunities that can strengthen the perceived behavioural control on the entrepreneur on compliance behaviour of Zakat. In the interaction process, many questions and grievances that arise can be explained in detail. This explanation can reduce psychological barriers of entrepreneur (Zand, 1972) either on the institutions and/or on business Zakat. This is one element in the construct of perceived behavioral control as described by Ajzen (2005) in the theory of planned behaviour. Frequency of interactions is an example of external factors that encourage the perception that facilitate the implementation of Zakat payment behaviour. If the frequency of interaction between the two parties is less, then the psychological barrier will be a factor that discourages the formation of intention to pay Zakat. Therefore, the communication and interaction between Zakat staff and entrepreneur are expected to influence the perception and acceptance of payment of Zakat. This also strengthens their intention to pay Zakat on business income.

Based on the literature review and the hypothesized relationships the conceptual model for this study is as shown in Figure 1.

Hypotheses and Conceptual Model

Based on the above discussion, the following hypotheses were formed:

H₁: Knowledge about Zakat is positively related to Zakat on business income compliance behaviour.

H₂: Self-efficacy is positively related to Zakat on business income compliance behaviour.

H₃: Perceived service quality is positively related to Zakat on business income compliance behaviour.

H₄: Frequency of interaction between Zakat staff and entrepreneur is positively related to Zakat on business income compliance behaviour.

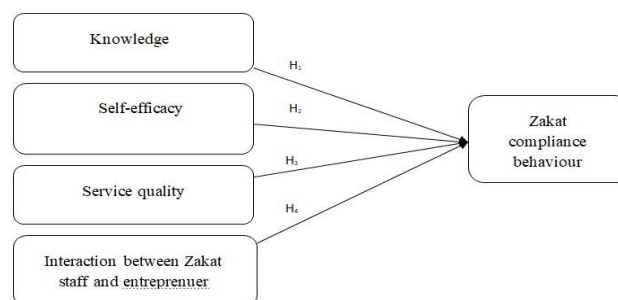


FIGURE 1
THE CONCEPTUAL MODEL OF ZAKAH ON BUSINESS INCOME COMPLIANCE BEHAVIOR

METHODOLOGY

The units of analysis in this study consisted of sole proprietors and partnerships in Kedah state in Malaysia. Sampling frame consisted of an active Muslim merchants conduct business. The sample was selected using simple random sampling method. The questionnaires were sent to the addresses of selected entrepreneur by post.

Overall, the items to measure the variables in this study are modified from previous studies. Items to measure knowledge were adapted from Kamil (2002) which consists of seven questions. For each correct answer for each item, a score will be given except for items about Zakat deduction allowable which carries a maximum score of five points. Examples of the items were "*Nisab Zakat for the state is ...*" The total maximum score is 11, while the minimum score is 0. Maximum score showed that the respondents have a very high level of knowledge about business Zakat. In contrast, the minimum score shows the level of knowledge of respondents were very low on business Zakat.

Meanwhile, self-efficacy was measured by adapting instrument from Chen et al. (2001). There are 9 items in total, but after some modifications made to suit with the environment of business Zakat, the number of items reduced to five items. All items were measured using a five point Likert scale. An example of the questions was "*I was able to achieve all the goals I set, including in the case of payment of Zakat.*" For each item given a score of 1 as the answer "*strongly disagree*" to score 5 to answer "*strongly agree*". To answer that produces the highest score of 25 points (5 items×5 points) represents that the businessman has a very high level of self-efficacy. Instead, very low self-efficacy was obtained when the total minimum score of 5 points (5 items×1 point).

Entrepreneur's perception towards service quality of Zakat institutions was measured using questions from Kamil (2002) which was originally developed by Gotlieb et al. (1994). There is a 10 item scale basis in the form of semantic differential performance presented in the questionnaire to measure the five dimensions of service quality, namely apparent, reliability, service, security and empathy. Each item was measured using a score of 5 points and consists of a pair of opposite nature. For example, apparent dimension measured as "*There is the old equipment*" with a pair of opposite question "*There is new equipment*". In this example, the word "*old*" and "*new*" is ambivalence. The highest total score is 50 points (10 items×5 points) which represent a very positive perception of businessman towards quality of service provided by Zakat institutions. In contrast, the lowest score of 10 points (10 items×1 points), reflecting a very negative perception of businessman on service quality.

Frequency of interaction between staff of Zakat institutions and entrepreneur (Zakat payer) was measured by adapting the intensity of the interaction index introduced by Crosby et al. (1990). Due to the fact that the index is related to the behavior of the purchase of goods, then these questions had been modified so that it's in line with Zakat environment. A total of 5 items using semantic differential 5-point scale presented in the survey. An example of these questions is "*How often you have been contacted by Zakat staff about Zakat payment*". A scale score of 1 point for answering "*never*", 2 points "*rarely*", 3 points "*sometimes*", 4 points "*often*", and 5 points "*always*". The answer that has the lowest score (5 items×1 point=1) reflects the unprecedented interaction between these two parties. In contrast, the highest score of answer (5 items×5 points=25) reflects the interaction usually occurs between them.

Items to measure compliance behavior were adapted from Kamil (2002) which consists of five questions. Each item was measured using a score of 5 points. An example of the questions was "*I pay Zakat to Lembaga Zakat Kedah.*" The highest total score is 25 points (5 items×5 points) which represent a very high compliance behavior. In contrast, the lowest score of 5 points (5 items×1 points), reflecting a low level of compliance behavior.

Items in the questionnaire were tested in the pilot study (pre-test) to assess the level of reliability and validity before being released to the respondents (Creswell, 2014). Based on pilot study results, one of the items in the perception of service quality was dropped because it has a low correlation (<0.3). Items for the other variables are maintained and distributed to the subjects under study by post.

RESULTS

A total of 700 questionnaires were sent to the subjects. Of these, only 290 questionnaires were returned by respondents. However, only 227 usable questionnaires were used for analysis purposes. Respondents were from 55% male and the remaining 45% were women. The average age of respondents was 43 years old and the average age business was 9 years. The majority of the respondents were married (68%) and the rest were single (20%) and other (12%).

All four variables in this study except knowledge, namely compliance behaviour, self-efficacy, perception of service quality and frequency of interaction had gone through reliability and validity tests. Tables 1 and 2 displayed the test results. In general, reliability of items for each variable is good when Cronbach Alpha values above 0.70 (Hult et al., 2014). To assess the validity of the variables, the measure of the adequacy of the sample Kaiser-Meyer-Olkin (KMO) was applied. KMO value should be at least 0.50 and above to justify the suitability of using factor analysis (Hair et al., 2006). The analysis for each variable in this study shows the value of more than 0.50 with the percentage of variance explained over 60%. This finding is in line with the recommendations of (Hair et al., 2014) for validity if the constructs.

Constructs	No. of Item	Cronbach Alpha
Compliance behavior	5	0.84
Self-efficacy	5	0.84
Service quality	9	0.92
Interaction between Zakat staff and entrepreneur	4	0.89

Constructs	Variance Explained (%)
Compliance behavior	61.84%
Self-efficacy	61.58%
Service quality	63.58%
Interaction between Zakat staff and entrepreneur	70.75%

Note: KMO value=0.83.

Multiple Regression Analysis

For the purposes of hypothesis testing, regression analysis was performed. Overall, the model includes four independent variables, namely knowledge, self-efficacy, service quality and frequency of interaction and one independent variable, namely Zakat compliance behaviour. Results show that this model produced a satisfactory prediction of Zakat compliance when the predicted rate of compliance was 14% (adjusted $R^2=0.14$). This means that 14% of variance in compliance behavior can be explained through these four variables. Table 3 below reports the results of multiple regression analysis in this study.

Model	Unstandardized coefficient		Standardized coefficient	t	Sig.
	B	Standard error	Beta		
(constant)	6.109	1.409		4.335	0
Knowledge	0.205	0.096	0.135	2.135	0.034*
Self-efficacy	0.264	0.061	0.282	4.35	0.000**
Service quality	0.019	0.036	0.035	0.539	0.59
Frequency of interaction	0.162	0.053	0.191	3.079	0.002*

Note: a. Dependent variable: Compliance behaviour, b). Adjusted *r square* = 0.14, c).

*Significant at $p < 0.05$, **Significant at $p < 0.001$, and d). F value = 10.321 (significant = 0.000).

Based on results reported in Table 3, it was found that the relationship pattern in the model of study is consistent with that purported in the previous literature. The relationship between knowledge and compliance behaviour (H_1), frequency of interaction and compliance behaviour (H_4) were significant at $p < 0.5$ and self-efficacy and compliance behaviour (H_2) was significant at $p < 0.001$ in which self-efficacy contributed the highest standardized coefficient (0.282). However, it was found that there was no significant relationship reported between perceived of quality of services and Zakat compliance behaviour ($p = 0.590$). This means that H_3 was not supported.

DISCUSSION OF RESULTS

The present study attempts to investigate the level of knowledge, self-efficacy, perceived service quality and frequency of interaction among entrepreneur and Zakat officer in Malaysia towards business Zakat compliance behaviour. In addition, it also attempted to examine the relationship between these four factors (knowledge, self-efficacy, perceived Zakat service quality, frequency of interaction) and Zakat compliance behaviour. To achieve these research objectives, data were collected using a survey approach from entrepreneur (Zakat payers) in the state of Kedah, Malaysia. This study provides new information on the influence of self-efficacy, perceived service quality and frequency of interaction on compliance behaviour which have been neglected in previous Zakat literature.

Based on the results, the position of knowledge, self-efficacy, service quality and frequency of interaction among entrepreneur was mixed. With respect to internal factor, the study has shown that the level of entrepreneur's knowledge was at a moderate level while other results show that their level of self-efficacy towards Zakat payment was high. This is in line with previous studies in Zakat environment (Kamil et al., 2006; Syed Mohd Ghazali Wafa, 2004) where the found that knowledge among Muslim worker towards zakat was low. The findings give the impression that entrepreneur have not enough knowledge and information about business Zakat, but at the same time they have the ability and confidence towards Zakat payment. Due to the importance of knowledge and self-efficacy have on Zakat compliance behaviour, the findings have important implications on Zakat authorities, especially in term of strategies development to increase the number of Zakat payers in the future. This is due to the fact that Zakat payment is a voluntary act and its compliance is hundreds percent based on an individual's decision to pay or not to pay Zakat to the institutions. Hence, if Zakat payers' knowledge about Zakat and their level of capability and confident towards Zakat payment were at high level, it will increase the compliance level amongst them since it has been reported in the result that this factors are important in shaping behavior of entrepreneur.

For external factor, the present study reveals that perceived Zakat service quality and frequency of interaction between Zakat staff and Zakat payer were at very low level. In the aspect of service quality, the majority of respondents view that the quality of services in Zakat institutions as incredible, incapable, unresponsiveness, not easy to contact, not knowing the customer, and has a communication problem where they are not able to inform their customers in a language which customers are able to understand. This finding means that Zakat institutions should give serious attention on the effort to increase their service offered to Zakat payer. This is because business accomplishment and survival depend on the ability to deliver quality service. In addition, quality is a key factor for business survival and would increase Zakat payers' satisfaction towards Zakat institutions.

In another aspect, the finding discloses that very rare occurrence of the interaction between Zakat staff and Zakat payers. Because of lack of interaction between these two parties, Zakat institutions should take more proactive action in order to increase the number of interactions with their customers. The frequency of interaction will provide many benefits to the institution. Among them is it will be able to raise Zakat contributors' awareness towards Zakat as well as it can reduce the psychological barriers that can hinder their intention to pay Zakat.

With respect to the second objective, the findings show hypothesized outlined have been largely supported except for the effect of perceived service quality towards Zakat compliance behaviour. For examining the influence of knowledge, self-efficacy and frequency of interaction on Zakat compliance behaviour, the current study has managed to support such hypothesized effect. The finding reported seems to be consistent with those reported in previous literatures (Mohd Ali et al., 2004; Saad & Haniffa, 2014; Farouk et al., 2018). Since there are significant positive effects of these factors on Zakat compliance behaviour, the results have important implications on strategies that should be taken by Zakat institutions as a collection agent in order to increase Zakat payers' behaviour towards Zakat payment in the future. In this study, internal factors, namely entrepreneurs' knowledge towards Zakat and self-efficacy have been found to play an important role in building Muslim businessman behaviour in paying Zakat. External factors, namely the frequency of interaction also plays its role. This shows that as consistent with other compliance behaviour studies setting such as tax compliance, factor inside and outside individual play a significant role in shaping behaviour of Muslim with respect to matters related to religion duties.

This study investigated the influence of knowledge, self-efficacy, service quality and frequency of interaction between staff of Zakat institution and entrepreneur (Zakat payers) on business income Zakat compliance behavior. The results obtained from the multiple regression analysis conducted confirmed the influence of knowledge, self-efficacy and frequency of interaction on Zakat compliance behavior. The findings are consistent with the findings of similar studies in other areas such as taxation and information technology (Sulaiman & Jamil, 2015).

For instance, it was established from the literature that knowledge about Zakat on business is a necessity in order to pay Zakat. It was expected that the higher the entrepreneurs' knowledge about Zakat, the higher their tendency to pay Zakat. However, despite the fact that the results from the multiple regression on the hypothesis testing was supported, it has also been confirmed from the descriptive statistics that entrepreneurs' knowledge about Zakat was low, especially on Zakat assessment. This position reflects that the existing mechanism is less effective to educate entrepreneur about business Zakat. Therefore, it is the responsibility of the institutions to organize a more effective educational program on an ongoing basis about Zakat to the community. For example, the organizing workshops on Zakat assessment on a regular basis should be done so that entrepreneur could get exposed to business Zakat.

The results on the self-efficacy of business owners also indicated its substantial impact on business Zakat compliance. Entrepreneur who have high confidence have the tendency to pay Zakat than those with lower self-confidence. This result is consistent with previous studies that reported a positive relationship between behavior and self-efficacy (Bolt et al., 2001; Pavlou & Fygenson, 2006; and Rhodes & Courneya, 2003). Hence, it could be concluded that entrepreneur are more likely to pay Zakat if they have high self-efficiency, while the tendency of entrepreneur to pay Zakat will decrease when they have low self-efficacy. It is therefore recommended for government, particularly the Zakat institution to reduce the psychological barriers for entrepreneur to improve on their self-confidence by providing advice and guidance on an ongoing basis on aspects such as the method of calculation and assessment of Zakat, because of the complexity and high knowledge required in its determination. It is believed that this will make them feel less burdened and more confident in complying with the provisions of the law concerning Zakat.

Findings from this study also confirmed that frequency of interaction between entrepreneur and zakat manager (amil), is also an important factor in influencing the compliance behavior for business Zakat. The result is consistent with previous findings, which revealed that the frequency of interaction can enhance cooperation and voluntary compliance among taxpayers (Alm et al., 2004). The current position shows that the interactions between entrepreneur and the officials of the Zakat institutions are extremely rare, as more than 30% of respondents never had any interaction with the Zakat institutions staff. However, findings from the results of the multiple regression analysis indicated that frequency of interaction between the business owners and the officials of the Zakat institutions influences Zakat compliance behavior. It is therefore, envisaged that such interaction shall facilitate acceptance of expertise advice from officers of the Zakat institutions to the business owners and therefore increase their willingness to pay Zakat. This finding is similar with the case of the payment of tax (Murphy, 2004b). Thus, due attention should be given by the institution of Zakat on this aspect. This could be achieved by taking measures through frequent visits to business premises, contact by phone, by e-mail, etc. getting more familiarity between the business owners and the Zakat officers to further improve compliance through the creation of readiness to pay Zakat.

In a nutshell, the results from this study can be utilized by various parties to create voluntary willingness to pay Zakat, improve Zakat compliance and consequently boost its collection. Any effort to be undertaken should emphasize on the level of knowledge of business owners and their self-efficacy. Furthermore, aspects of the interaction between amil and the business owners also need to be among priority areas in formulating policies on business income Zakat compliance behavior. If these aspects can be improved and enhanced, it is possible that the readiness to pay Zakat as well as its collection can be enhanced with more significant positive results.

Although this study has shed some light on Zakat compliance behavior, the findings should be interpreted with caution. The scope of this study only focused on four variables only. There are several others factors that might be important in shaping behavior towards zakat payment such as perceived towards zakat law and perceived towards zakat law enforcement. Beside that this study only focused on Kedah, Malaysia. Thus, it is recommended that future studies be conducted covering other states in the country.

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