

# 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