Business Zakat Compliance Behaviour in Malaysia:

Insights from SME Owners

Nurul Asmira Md Saad[1], Mohd Taufik Mohd Suffian[2], Masetah Ahmad Tarmizi[2], Liyana Ab Rahman[2], Siti Marlia Shamsudin[2] & Dityawarman El Aiyubbi[3]

[1] Faculty of Accountancy, University Teknologi MARA, Selangor Branch, Puncak Alam Campus, 42300 Puncak Alam, Selangor, Malaysia

[1] MBA Al-Falah Sdn. Bhd., 11-1 Jalan Bidara 7/1, Saujana Utama 3, 47000 Sungai Buloh, Selangor, Malaysia

[2] Faculty of Accountancy, University Teknologi MARA, Perak Branch, Tapah Campus, 35400, Tapah Road, Perak, Malaysia

[3] Faculty of Business and Economics, Universitas Islam Indonesia, Gedung Ace Partadiredja, Ring Road Utara, Condongcatur, Sleman Yogyakarta 55283, Indonesia

Correspondence: Mohd Taufik Mohd Suffian, Faculty of Accountancy, University Teknologi MARA, Perak Branch, Tapah Campus, 35400, Tapah Road, Perak, Malaysia. E-mail: taufik815@uitm.edu.my

Abstract

This study investigates the factors influencing business zakat compliance behaviour among SME owners in Selangor, focusing on the components of the Theory of Planned Behaviour. The independent variables analysed include self-efficacy, peer influence, incentives, and knowledge level, while zakat compliance behaviour serves as the dependent variable. Utilizing a quantitative approach, data were collected through questionnaires distributed to Malay business owners registered with the Selangor Malay Chamber of Commerce (DPMMNS). Empirical analysis conducted via SPSS reveals that self-efficacy, incentives, and knowledge level have a significant positive impact on zakat compliance, whereas peer influence exerts a negative effect. Despite zakat being a well-established religious obligation, the collection of business zakat remains disproportionately low compared to income zakat, as highlighted in a 2022 report by Lembaga Zakat Selangor. The findings emphasize the need for policymakers and zakat institutions to address these factors by developing targeted strategies to improve zakat compliance among SMEs, thereby enhancing zakat contributions and supporting the broader Muslim community.

Keywords: business zakat compliance behaviour, self-efficacy, peer influence, incentives, level of knowledge

1. Introduction and Background

Zakat is an essential pillar of Islam and is a form of obligatory almsgiving designed to purify wealth and assist the less fortunate. As stated in Al-Quran and Hadith, zakat holds a central role in Islamic economic and social justice. Prophet Muhammad Pbuh was established for wealth distribution and communal welfare. The criteria of zakat including qualifying assets which depend on types of zakat and the calculation of zakat rate which is 2.5% are the guidelines in Islamic jurisprudence.

Combating poverty is the world's top priority. The United Nations has established 17 sustainable development goals (SDG) in the 2030 Agenda for Sustainable Development. The primary aim of the agenda is to eradicate poverty with the slogan "End poverty in all its forms everywhere". This slogan demonstrates the seriousness with which this problem has been addressed in the global platform. This question had been posted repeatedly in different research, with varying responses (Zou et al., 2019; Wang & Peng, 2021; Quang Pham et al., 2021).

The government's agenda always includes addressing the problem of poverty. Government effectiveness in promoting equality by promoting a lower poverty rate that needs to be consistent with the nation's growth (Kusairi et al., 2021). To eradicate poverty, zakat plays a main role in assisting the Government in supporting poor and needy people by giving them financial needs (Zulkifli et al., 2021). According to Husin (2022), he found that Malaysia displayed excellent performance in the collection of zakat in 2021 when zakat statistics showed that the total collection increased

year by year over the past six years. The collection of zakat is mostly derived from zakat harta such as income, business, saving, gold and silver, stock and investment, treasure, plants, livestock, and EPF.

Furthermore, Malaysia has made a significant contribution to the growth of social development on the Zakat fund (Saad, 2019). In general, Selangor is the most developed state in Malaysia, and it is expected that the collection of zakat is greater than the other states. Umar & Abu Bakar (2021) reported that Selangor experienced tremendous growth in terms of zakat collection from RM 11.5 million to RM 855.1 million. It can be proven when the distribution of zakat has increased dramatically from RM 14 million in 1994 to RM 1,049.3 million in 2022 (Lembaga Zakat Selangor, 2022).

Besides, zakat collections received by Amil through zakat institutions in every state are distributed to eight categories of eligible Asnaf and social programs such as education, management, human development, religious institution development, and economic development. Lembaga Zakat Selangor (2022) reported that the total zakat collections on 12 types of zakat were RM 1,067.9 million and RM 1,049.3 million have been distributed by zakat institutions to all asnaf and social development of Muslim's program such as 'Sumbangan Pendidikan Zakat Anak Selangor', 'Bantuan Makanan Bulanan', 'Bantuan Khas Keperluan Hidup' and many more (Rosli, 2022).

When the zakat collection is efficiently managed, it becomes a powerful instrument in transforming the lives of Muslims, particularly those who are poor and in need, as noted by Rahman et al. (2019) and Mohamad (2021). The optimal administration of zakat has the potential to significantly contribute to the eradication of poverty, serving as a crucial means of social and economic welfare within the Islamic economic framework. In this way, zakat emerges as a formidable force in alleviating poverty and promoting overall well-being, demonstrating its pivotal role in fostering a more equitable and compassionate society.

2. Problem Statement

Based on Berita Terkini (2022), Selangor has the highest population consisting of 7 million residents, and 1.5 million of that population are eligible to pay zakat. However, only 0.346 million are paying zakat in various types of zakat but, the number of zakat payers is still low. This shows that the awareness of fulfilling the third obligation of Islamic pillars is still low (Yaakub, 2021). Zakat is not a new thing that every Muslim needs to study or learn as this topic has been learned since secondary school. Even though the obligation to pay zakat has been mentioned many times in Quran and zakat institutions also advertised the importance of it on social media, television, and radio, the issues of business zakat still become a hot topic to be debated among zakat practitioners (Saad et al., 2016; Saad et al., 2010).

According to the Companies Commissions of Malaysia (2022), there were 10,279,976 companies and businesses registered under The Companies Commission of Malaysia (CCM). However, there is a discrepancy between the percentage of zakat payers on business zakat compared to the total number of businesses and companies registered under CCM. Understanding that zakat is an obligation that all Muslims need to perform but the collection of zakat is still low and not optimal even though there are many businesses in Malaysia and the zakat collection funds are effective (Sanusi, 2019). Even though there are a lot of businesses carried out in Malaysia, the total collection of business zakat is still lower than income zakat (Ariff et al., 2011).

As we can see from data statistics derived from Lembaga Zakat Selangor (LZS) from 2018 until 2022, the trend of income zakat collection is constantly increasing, meanwhile, business zakat collection was slightly decreased in 2021 due to the Covid-19 pandemic. According to Berita Harian (2020), zakat collections especially on business zakat expected to shrink due to business losses from the Covid-19 pandemic. In addition, as we can compare the trend of zakat payments, we see that income zakat is higher than business zakat payments. This shows that the awareness of businesses and companies, especially SMEs to pay business zakat is still low. Table 1 shows the number of income and business zakat payers based annual report 2018 until 2021 and e-Buletin 2022 of Lembaga Zakat Selangor (LZS).

Table 1. Number of Zakat Collections from 2018 until 2022.

Year	2018	2019	2020	2021	2022
	RM	RM	RM	RM	RM
Income Zakat	479,873,502	512,529,703	528,771,379	570,677,780	612,500,000
Business Zakat	151,884,609	159,534,408	178,021,119	174,900,171	166,800,000

Note: Adopted from Annual Report 2018 – 2021 and e-Buletin 2022 from Lembaga Zakat Selangor

If we can compare with Lembaga Zakat Negeri Kedah (LZNK), the payment on business zakat is still low even though the number of small business owners in Kedah is increasing. This is because the collection on business zakat in 2021

was more than RM49.6 million which is far compared to the potential collection of RM248 million per year. Another report by Pusat Pungutan Zakat Wilayah Persekutuan (2022), discovered that 4,559 Muslim businesses pay zakat business despite the annual growth of Muslim businesses of more than 20,000 in Malaysia.

In addition, most nations have relied on taxes as their primary funding of operations by making taxes an obligation paid by every locality. Throughout the Islamic government's history, the second source of state money has been to the country's developments. According to Ridwan (2016), there are several types of taxes (dharibah) that have been imposed throughout Islamic history such as kharaj (land tax), jizyah (protection tax), usyur (exercise or trade tax) and nawaib (tax levied on the wealthy to make up for shortages).

Due to that, the study conducted by Abdullah et al. (2021) found that Muslim entrepreneurs in Kelantan prefer to pay tax compared to business zakat. This is because Malaysia's legislation on tax payment is very strict, especially on penalties imposed on businesses that fail to pay business tax. In contrast, there are no rules or legislation applied by the Government for businesses to pay zakat and no penalty has been punished to businesses who fail to pay business zakat (Rahman et al., 2019). According to Shariah laws and regulations, business zakat is obligated to all Muslim businesses that meet the requirements and conditions as prescribed by Shariah laws. The Shariah laws have stated clearly that zakat is one of the obligations that must be performed by every Muslim as it is one of Islam's basic five pillars.

Lastly, there is a lack of studies on business zakat in Malaysia as most previous studies focused on zakat on income (Kamal & Hidayah, 2022; Ghazali & Ibrahim, 2022; Khamis, Salleh & Nawi, 2011; Saad, 2010; Saad et al., 2019; Saad et al., 2016). Apart from that, zakat issues on contemporary public finance about social security entitlements and welfare state-based social assistance disbursements still need a call for research on zakat Islamic nations. This is because this topic is understudied (Bin-Nashwan, 2020).

3. Review of Literature

3.1 Zakat Compliance Behaviour

Behaviour is known as a person's attitude which can be recognized, voluntarily, and emulated. Abshah et al. (2018) defined behaviour as observable, deliberate, and imitable personnel attitudes that are required for deliberate behaviour. According to Bray (2018), people are more favourable to performing their work when there is least effort. However, the behaviour concept contradicts zakat compliance behaviour. Based on the study conducted by Suhaila, Shahnaz, & Noraini (2015) clarifies that religious behaviour is closely related to zakat compliance behaviour and it was supported by Aziz (2015). This is because zakat is the obligation that all Muslims need to perform. If they do not pay zakat, they will be considered as disobeying their obligations.

According to Tsala et al. (2019), compliance means submissions in which the action of a person based on religious faith is required by Shariah provision. It can be explained that compliance is the obedient behaviour towards rules and regulations and laws that result in one's discipline. In the context of the behaviour of paying zakat and compliance, it is connected. This means that Muslims understand that compliance is submission, obedience, and implementing the obligation of zakat worship which makes them pay zakat. Moreover, zakat compliance behaviour is an action shown by zakat payers to zakat institutions (Sanep et al., 2011; Noor & Saad, 2016). According to Abioyea et al. (2011), zakat payers' compliance behaviour is important especially to charity institutions because many Muslims have a political agenda in organizing charitable organizations which creates scepticism to them. Hence, zakat compliance behaviour portrays Muslims' behaviour in discharging his or her obligations towards Allah's command and regulations to pay zakat to zakat institutions (Saad, Farouk & Abdul Kadir, 2020).

3.2 Self-efficacy

According to Ajzen (1991), self-efficacy can be defined as the ability of a person to act based on their level of confidence. The ability of a person is measured based on easy or difficult, self-confidence, and assurance to discharge the obligation (Ajzen, 2005). According to Bandura (1994), self-efficacy can be derived from mastery experience and substitute experience through social models, social persuasion, and reduced stress reactions of a person. Self-efficacy can be developed in a person's personality by gaining expertise and obtaining fictitious experiences through social role models, social persuasion, and lowering stress reactions (Bandura, 2004).

Self-efficacy is a behaviour that enables individuals to self-generate motivation to command their intentions (Bandura, 1991, 2012; Kuhl, 2000). To be more precise, when an appropriate opportunity to carry out an intention presents itself, an individual will generate a positive effect to get over inhibition behavioural, change into a high-motivation state, and become action-oriented (Diekhof & Gruber, 2010; Kazen, Kashel & Kuhl, 2008; Kuhl & Kazen, 1999). Moreover, this self-motivation is supported by self-efficacy because it allows people to project optimistic performance expectations for the future based on recollections of pertinent prior experiences. There are numerous studies on

self-efficacy such as Gielnik, Bledow & Stark (2020) showing that the variability of self-efficacy will have a positive effect on entrepreneurs. Meanwhile, Srimulyani and Hermanto (2021) stated that self-efficacy has strongly influenced business owners in MSEs in Madun City, Madiun Regency, and Magetan Regency to achieve business success. Meanwhile, Garaika and Margahana (2019) said that self-efficacy, self-personality, and self-confidence together with education and role models can affect the intention of young entrepreneurs.

According to Shaheen & Al-Haddad (2018), self-efficacy has a significant positive effect on the behaviour of entrepreneurs. In the context of zakat compliance behaviour, Bidin (2008) found that self-efficacy was an important aspect in the context of zakat compliance behaviour. Haji-Othman & Nayan (2019) and Haji-Othman, Sheh Yusuff & Badrolhisham (2020) supported that self-efficacy was a significant compelling factor of zakat business compliance behaviour through their study. Based on previous studies, it has been reported that there is a positive significant relationship between self-efficacy and compliance behaviour. Saad et al. (2019) found that entrepreneurs pay business zakat when he or she have a high level of confidence compared to those who have a low level of confidence. According to Saad et al. (2020), entrepreneurs are more influenced to pay zakat if they have high self-efficacy compared to those who have low self-efficacy and tend to abandon their obligations.

3.3 Peer Influence

Bobek et al. (2013) define peer influence as social pressure from close contacts, such as friends, family, and business partners, which can shape decision-making. Social influence theory asserts that human behaviour is shaped, intentionally or not, by the surrounding environment (Kelman, 1985). Studies by Davis et al. (2013) found that observing non-compliant behaviour among peers can encourage similar conduct, while Abdul Jabbar et al. (2019) emphasized that peers strongly impact Islamic practices, positively or negatively. This suggests that peer influence is crucial in individual decision-making, especially for economic choices.

People tend to consider others' behaviours before making decisions (Gatcher, Gerhands & Nosenzo, 2017). For zakat compliance, SME business owners who interact with peers may be influenced by their advice or practices regarding zakat. When comfortable with friends or business partners, individuals may imitate behaviours such as zakat payment, perceiving it as beneficial. Andam & Osman (2017) found that family, peers, and religious figures significantly boost zakat compliance.

Research by Bin-Nashwan, Abdul Jabbar et al. (2019) underscores the role of social norms, including peer and family influence, in fulfilling zakat obligations. Saad et al. (2019, 2020) found that peer influence significantly impacts entrepreneurial attitudes towards zakat, often encouraging compliance through advice or observation. However, studies reveal contradictory results: Bin-Nashwan, Abdul Jabbar, & Aziz (2019) reported a negative relationship between peer influence and zakat compliance among Yemeni business owners, suggesting low-compliance peers may deter zakat adherence.

Similarly, Hakimi et al. (2021) found that close relationships did not significantly affect zakat intentions among Indonesians, mirroring findings from Alon & Hageman (2013) and Frey & Torgler (2007), which indicated that peer influence sometimes correlates negatively with compliance. Social psychology suggests that observing non-compliance in peers may encourage similar behaviour, even in typically honest individuals (Chan et al., 2000; Spicer & Becker, 1980).

3.4 Incentives

Incentives are an initiative provided by the government to increase compliance of individuals to pay tax generally. In terms of zakat, the government provides zakat reduction and tax rebates to encourage Muslim individuals and Muslim businesses to pay income zakat and business zakat. According to Siswantoro et al. (2022), incentives such as rebates and tax reductions become factors that motivate Muslims to pay zakat. Bardai (2001) found that most Muslim businesses are more compliant to pay zakat when they receive incentives. Moreover, Muslim individuals also comply to pay zakat by utilizing incentives given by the Government such as tax rebates (Mahmood, 2007).

For Muslim individuals, a tax rebate is given to individuals who pay zakat on income as it has been stated in section 63 (A), Income Tax Act 1967. Meanwhile, for Muslim businesses, the treatment of incentive is zakat reduction. The main reason for this incentive is to reduce costs or tax expenses that businesses need to pay and the amount of deductions of zakat in corporate tax shall not exceed 2.5 percent of aggregate income. Based on the above statement, this incentive gives benefits for businesses to comply with zakat obligations (Barjoyai, 2001). Hence, businesses can make decision-making to pay zakat business because of the incentives factor which makes them pay less in tax due to rebates or tax reductions. In addition, Mahamood (2007) stated that a tax rebate is an incentive given by the Government that can be utilized to reduce income paid by Muslim individuals. Government incentives also play a vital role in

influencing people in decision-making on zakat payment compliance. Numerous conversations have emphasized the important role that incentives, for instance, tax refunds can be utilised in encouraging the Muslim population to comply with zakat contributions. As a result, Muslim individuals can claim tax rebates to pay less on tax income and eventually, this incentive can reduce their financial burden. From that, more Muslim individuals comply with paying zakat which will increase the number of zakat payers and zakat collections.

According to the study conducted by Khamis & Kamarudin (2022), compliance behaviour on zakat business among SMEs in Selangor is influenced by Government incentives which results in a positive and significant relationship. This variable has been supported by previous studies. Saad (2010a) stated that tax rebates create a perceived behavioural control which results in a positive relationship among business zakat payers in Kedah to comply with zakat payments. However, the relationship between incentives and compliance behaviour on business zakat needs to be clarified. This is because the treatment of incentives for businesses might differ from the treatment of individual income. According to Khamis & Kamarudin (2022), the more incentives given by the Government, the higher the tendency for SMEs to pay business zakat.

3.5 Level of Knowledge

Knowledge is characterised as a base based on information and experience that may be applied as a tool to give an answer or solve a problem (Goldstein, 1993). Knowledge can be known as information or fact obtained through experience and education (Harun et. al., 2015). Islam places a high value on knowledge to the extent that it mandates that all actions are based on knowledge. In addition, Islam encourages everyone to acquire knowledge in all activities they do. When people, especially Muslims possess knowledge, their faith will be elevated in status (QS; 58:11). According to Saad et al. (2020), when an individual knows the requirements of paying zakat, he or she will comply with paying zakat by Islamic principles. A Muslim must be familiar with the fundamentals of zakat including its definition, legal foundation, and various forms, especially in zakat calculation and nisab and zakat advantages (Sudarsono, Nugrohowati, & Tumewang, 2021).

Moreover, Muslims especially business owners must have the ability to understand the required tithing law imposed on zakat businesses. In the case of zakat, the level of knowledge plays an important role in influencing compliance behaviour among Muslim individuals, especially in zakat business, and has a positive relationship between both variables (Saad et al., 2020; Rahman et al., 2019; Hassan & Mohd Shahnaz, 2005; Idris, 2002; Alayuddin, 2008; Daud, 2011). This shows that Muslim individuals are more compliant when they have a high level of knowledge of zakat business in terms of calculating zakat business, nisab, and haul. Not only conditions when paying business zakat that Muslim individuals need to know, but knowledge of the benefits of zakat has a positive effect on society as a whole will encourage them to pay zakat. Based on research conducted by Sadallah & Abdul-Jabbar (2022), they said that individuals' level of knowledge on zakat can be measured through their understanding of zakat conditions such as nisab, haul, types of wealth, and others related to zakat.

Based on a study conducted by Sudarsono, Nugrohowati, & Tumewang (2021), knowledge of subjective norms is significant in influencing one's intention to pay zakat. This instance demonstrates the growing awareness of public and private officers discussing zakat among close friends and co-workers. The information regarding zakat is acquired via networks such as Google and Yahoo and social networks like Facebook, TikTok, Whatsapp, and many more. This can increase zakat knowledge and influence them to perform zakat obligations. In contrast, Muslim individuals who have little knowledge of zakat are more likely to avoid paying zakat (Mahat, 2006). In a study conducted by Mohd Shah (2011), he reported that when individuals have limited knowledge of zakat, they will get confused about the types of zakat and only know one popular zakat that every Muslim will pay for it during Ramadhan until the first Syawal which is zakat fitr. He concluded that a low level of knowledge will result in low compliance of business zakat. Moreover, if Muslims especially Muslim business owners know various types of zakat, they are obliged to pay not only focusing on zakat fitr.

Therefore, this study hypothesized that:

H$_1$: Self-efficacy positively influences zakat business compliance behaviour among SMEs owners in Selangor.

H$_2$: Peer influence negatively influences zakat business compliance behaviour among SMEs owners in Selangor.

H$_3$: Incentives are positively influencing zakat business compliance among SMEs owners in Selangor.

H$_4$: Level of knowledge is positively influencing zakat business compliance among SMEs owners in Selangor.

4. Theory of Planned Behaviour

Ajzen's Theory of Planned Behaviour (1991) posits that behaviour is shaped by three elements: behavioural beliefs, normative beliefs, and control beliefs. Behavioural beliefs reflect expectations and outcomes of an action, normative beliefs involve perceived social norms, and control beliefs concern confidence in controlling influences on behaviour. Suciu et al. (2013) suggest that perceived control enhances the likelihood of action, underscoring self-efficacy's role in turning intentions into behaviour.

Ajzen's framework describes behaviour as a function of attitude, subjective norms, and perceived behavioural control. Behavioral beliefs yield positive or negative attitudes, normative beliefs form subjective norms, and control beliefs govern perceived control. Extensively used in social psychology, the TPB predicts behaviour with modifiable elements (Ajzen, 2005). The TPB has been applied across fields, including tax compliance (Alabade, 2012; Bobek & Hatfield, 2013) and ethical behaviour in banking (Kashif et al., 2017). For zakat compliance, Saad et al. (2020) found the TPB effective in analysing factors that shape zakat payment.

This study applies the TPB to examine business owners' zakat payment decisions, focusing on attitudes, subjective norms, and perceived behavioural control as key influences. The attitude component, involving self-efficacy, reflects the confidence and perceived benefit of zakat payment for business and society (Saad et al., 2019). Subjective norms, represented by peer influence, capture perceived social pressure from family, friends, and associates (James et al., 2019; Sareye & Othman, 2017). Finally, perceived behavioural control encompasses incentives, such as zakat rebates, and knowledge levels, both of which have been linked to compliance in past studies (Hasan & Mohd-Shahnaz, 2005; Saad et al., 2020).

5. Research Methodology

The scope of this research refers to the study conducted by Saad et al. (2022), the population being used is the Malaysian Selangor Malay Chamber of Commerce (DPMMNS) database of Malay businesses registered under this agency in nine districts in Selangor and conducted with various types of businesses category.

This study employs a combination of stratified sampling and simple random sampling, both falling under the umbrella of probability sampling techniques, to ensure a robust and representative sample. Stratified sampling was utilized by dividing the population into nine distinct groups, stratified based on the geographical distribution of districts in Selangor.

After the population was stratified, simple random sampling was conducted for each district to select a sample size for this study. Firstly, all respondents were listed in the data sheet based on their districts. After being listed, the respondents will be selected by using simple random sampling. This sampling technique uses Statistical Packages for Social Science (SPSS) version 29 to select the sample size for each district. The result from the sampling will show which respondents from each district have been selected.

The data for this study will be gathered by using primary data. The data was obtained by distributing questionnaires to all selected respondents. The questionnaires were generated by using Google Forms and distributed to the respondents via messaging applications like WhatsApp and Telegram.

Table 2. Measurement of Variables

Variables	Operational Definition	Measurement	Reference
Peer Influence	SMEs owners should behave based on whom they refer.	SMEs who live within zakat payers' society shirked the obligation.	Nashwan et. al. (2019)
Self-efficacy	Level of self-confidence of business owners, and SMEs to know the obligation to pay business zakat and their ability to perform it.	Frequency in paying zakat business by SMEs.	Saad et. al. (2019)
Incentives	Refers to a rebate and deduction which can motivate SMEs owners to pay zakat and not burden them to pay extra expenses such as Islamic obligations and government obligations.	Zakat rebate from zakat payments.	Mohd Rahim et. al. (2016)
Level of Knowledge	Refers to the understanding of SMEs owners to pay business zakat based on zakat knowledge.	Knowledge of the zakat business.	Sadallah & Abdul-Jabbar (2022)
Compliance Behavior	Refers to the rationale of a business owner as a decision maker who considers satisfaction in the two dimensions of life.	SMEs paid business zakat or never paid business zakat.	Zulkifli & Sanep (2010)

6. Analyses and Findings

6.1 Descriptive Statistic

From the 432 respondents, the majority (45.1%, or 195) operated in Kuala Selangor, with the lowest representation in Sabak Bernam (0.7%, or 3 respondents). Most businesses have been in operation for over 10 years (32.6%), primarily in services and utilities (42.36%), followed by retail and wholesale (26.39%), manufacturing (17.36%), technology (5.56%), agriculture (4.86%), and property (3.47%). Business types include enterprises (41.67%), sole proprietorships (30.56%), companies (24.31%), and partnerships (15%).

Mean scores for key variables were: self-efficacy (4.13), peer influence (3.75), incentives (4.13), and level of knowledge (4.16), indicating general agreement on self-efficacy, incentives, and knowledge's positive influence on zakat compliance. However, peer influence's score suggests a neutral effect. The mean score for zakat compliance behaviour was 3.80, indicating neutral to agree views on zakat's impact on wealth. The mode was 5.00, showing strong agreement across responses, with a median of 4.00.

Skewness and kurtosis, per Curran et al. (1996), confirm data quality, with skewness ranging from -0.95 to -0.47 and kurtosis between -0.72 and 0.76. Self-efficacy, incentives, and knowledge were positively skewed, while peer influence and compliance behaviour showed negative skewness.

Table 3. Summary of Descriptive Analysis

Variables	Mean	Median	Mode	Skewness	Kurtosis
Self-efficacy	4.13	4.00	5.00	-0.47	-0.75
Peer Influence	3.75	4.00	5.00	-0.72	-0.16
Incentives	4.13	4.00	5.00	-0.67	0.09
Level of Knowledge	4.16	4.00	5.00	-0.95	0.76
Business Zakat Compliance Behaviour	3.80	4.00	5.00	-0.71	0.05

6.2 Normality Assumption

The normality assumption was conducted to ensure that the distribution of scores on the dependent variable did not violate the assumptions of normality. According to Osborne & Waters (2003), a normality test is vital to be performed otherwise the outcome could not be reliable and could distort the significance and relationship. In this study, the normality test which is the Kolmogorov-Smirnov Test, and the Shapiro-Wilk Test is conducted. As a result, the p-value for each item is 0.00 which is below 0.05. This shows that the data is not normally distributed. Table 4 shows each variable being tested on the normality test.

Table 4. Normality Test of Variables

Variables	Kolmogorov-Smirnov	Shapiro-Wilk
Self-efficacy	0.00	0.00
Peer Influence	0.00	0.00
Incentives	0.00	0.00
Level of Knowledge	0.00	0.00
Business Zakat Compliance Behaviour	0.00	0.00

Even though the data are not normally distributed, the normality test in this study will be assessed through skewness and kurtosis. Hair et al. (2010) and Bryne (2010) argued that the data is considered normal data when the skewness is between -2 to +2 and kurtosis within -7 to +7. Based on the result shown in table 4.4, the data considered as normal distribution due to skewness is -2 to +2 and kurtosis within -7 to +7. The skewness for independent variables (self-efficacy, peer influence, incentives, and level of knowledge) are -0.47, -0.72, -0.62, and -0.95 meanwhile, for the dependent variable (business zakat compliance behaviour) is -0.71. This result shows that these variables fall below -2 which reflects that the data is in normal distribution.

Moreover, for kurtosis, the independent variables (self-efficacy, peer influence, incentives, and level of knowledge) result in -0.75, -0.16, 0.09, and 0.76, meanwhile for the dependent variable (business zakat compliance behaviour) is -0.71. These indicate that all variables are within the range of -7 to +7 which produces a normal distribution.

Table 5. Summary of Skewness and Kurtosis of Variables

Variables	Skewness	Kurtosis
Self-efficacy	-0.47	-0.75
Peer Influence	-0.72	-0.16
Incentives	-0.67	0.09
Level of Knowledge	-0.95	0.76
Business Zakat Compliance Behaviour	-0.71	0.05

6.3 Reliability Test

After analyse the descriptive statistics, a reliability test is vital to be conducted to assess the internal consistency between each item (Sekaran & Bougie, 2009). According to Zikmund et al. (2013), the reliability test used in the study is to measure the internal consistency of variables with a minimum Cronbach's Alpha accepted 0.60 meanwhile below 0.60 is considered poor. Therefore, the range of very good reliability is when Cronbach's Alpha value ranges from 0.80 to 0.95; good reliability is when Cronbach's Alpha value ranges from 0.60 to 0.70; and poor reliability is when Cronbach's Alpha value is less than 0.60.

To ensure the reliability of the measuring items, a comprehensive reliability test was carried out using data collected from 432 questionnaires. The outcomes of this rigorous examination revealed that all measuring items demonstrated a high level of reliability, underscoring the robustness of the questionnaire. Specifically, the reliability test indicated that the self-efficacy dimension exhibited the lowest Cronbach's Alpha value ($\alpha = 0.74$), while peer influence displayed the highest Cronbach's Alpha value ($\alpha = 0.93$). These findings, detailed in Table 6, provide a comprehensive summary of the reliability test results, instilling confidence in the dependability and consistency of the measurement instruments employed in the study.

Table 6. Reliability of Variables (N = 432)

Variables	Items	Cronbach's Alpha
Self-efficacy	4	0.74
Peer Influence	4	0.93
Incentives	4	0.85
Level of Knowledge	4	0.82
Zakat Business Compliance Behaviour	4	0.91

6.4 Validity Analysis

According to Hair et al. (2010), a Kaiser-Meyer-Olkin (KMO) value above 0.6 is necessary to justify factor analysis, while Tabachnick & Fidell (2007) state that Bartlett's test of Sphericity should be significant ($p < 0.05$) for this method to be suitable. In this study, the KMO for all five variables is 0.82, indicating adequate sampling, and Bartlett's test shows a significant p-value of 0.000, confirming item correlation. Additionally, each variable demonstrates a variance explained above 50%. Table 7 summarizes the KMO and Bartlett's test results for these variables.

Table 7. Validity of Variables (n=432)

Variables	Variance Explained (%)
Self-efficacy	57.64%
Peer Influence	84.08%
Incentives	68.58%
Level of Knowledge	64.88%
Zakat Business Compliance Behaviour	79.14%

Note: KMO value = 0.82

6.5 Correlation Coefficient Analysis

This study uses correlation analysis to examine relationships, association strengths, and interaction types between independent and dependent variables. The Pearson correlation coefficient (r) measures these relationships, ranging from -1.00 to +1.00 (Zikmund et al., 2013). A value of +1.0 indicates a perfect positive relationship, -1.0 a perfect negative, and 0 no correlation. Results show that self-efficacy has a strong positive effect on business zakat compliance ($r = 0.66$), peer influence has a moderate positive effect ($r = 0.41$), incentives have a strong positive effect ($r = 0.59$), and knowledge level shows the strongest positive effect ($r = 0.70$). Table 8 summarizes these correlation coefficients.

Table 8. Correlation Coefficient between the Factors Affecting on Business Zakat Compliance Behaviour

Variables	1	2	3	4	5
Self-efficacy	1	0.31**	0.51**	0.66**	0.66**
Peer influence	0.31**	1	0.49**	0.34**	0.41**
Incentives	0.51**	0.49**	1	0.49**	0.59**
Level of Knowledge	0.66**	0.34**	0.49**	1	0.70**
Zakat Business Compliance Behavior	0.66**	0.41**	0.59**	0.70**	1

Correlation is significant at the 0.01 level (2-tailed).

6.6 Multiple Regression Analysis

The study showed that the result of R square indicates that the variation in the independent variables (self-efficacy, peer influence, incentives, and level of knowledge) accounted for 61.6% of the zakat business compliance behaviour among SMEs owners in Selangor. Meanwhile, another 38.4% is obtained by other factors which have not been measured in this study. Table 9 indicates the model summary of variables.

Table 9. Model Summary of Variables

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.758[a]	.616	.612	.64280

When the p-value for all variables is less than 0.01, the regression model achieves statistical significance. Self-efficacy demonstrates a notable influence on compliance behaviour with business zakat among SME owners in Selangor (β = 0.249, p = 0.000). Similarly, peer influence significantly affects compliance behaviour (β = 0.085, p = 0.014), albeit to a lesser extent. Government incentives also have a meaningful impact (β = 0.230, p = 0.000). Notably, the level of knowledge emerges as the most substantial predictor of compliance behaviour (β = 0.399, p = 0.000), indicating it is the strongest contributor among all variables. Conversely, peer influence, with the lowest beta value (β = 0.085), contributes the least. In summary, this study shows that self-efficacy, peer influence, incentives, and knowledge level significantly influence compliance behaviour with business zakat among SME owners in Selangor. Table 10 presents the detailed multiple regression analysis results.

Table 10. Multiple Regression Analysis Results

Variables	Standard Beta (β) Coefficients	T	Sig. Value
(Constant)		-6.193	.000
Self-efficacy	.249	5.988	.000
Peer Influence	.085	2.457	.014
Incentives	.230	5.933	.000
Level of Knowledge	.399	9.641	.000

Since the p-values for each independent variable is <0.05, indicates that all proposed hypotheses have been tested and accepted. Table 11 displays the results of hypothesis testing.

Table 11. Results of Hypotheses Testing

Hypotheses	Results
H1: Self-efficacy positively influences zakat business compliance behaviour among SMEs owners in Selangor.	Supported
H2: Peer influence negatively influences zakat business compliance behaviour among SMEs owners in Selangor.	Rejected
H3: Incentives are positively influencing zakat business compliance among SMEs owners in Selangor.	Supported
H4: Level of knowledge is positively influencing zakat business compliance among SMEs owners in Selangor.	Supported

The data in Table 11 reveal a positive relationship between self-efficacy and business zakat compliance, supporting Hypothesis 1. The findings underscore that as SME owners' self-efficacy rises, so does their likelihood of zakat compliance, emphasizing self-confidence as a factor in fulfilling zakat obligations. This aligns with studies by Gielnik et al. (2020), Srimulyani & Hermanto (2021), and Shahen & Al-Haddad (2018), who show that self-efficacy positively influences entrepreneurial intentions and compliance behaviours. Ajzen's (1991) theory on behaviour supports these findings, as self-efficacy motivates zakat compliance among SMEs. Similarly, Saad (2010) and Bidin (2008) corroborate that self-efficacy significantly influences compliance, especially when zakat is perceived as beneficial, reinforcing SME owners' Islamic faith commitments.

Peer influence has a moderate positive relationship with business zakat compliance but does not support Hypothesis 2. This finding contrasts with prior studies (Hakimi et al., 2021) suggesting that close peers have little impact on zakat compliance, particularly when zakat knowledge is limited. However, studies in Indonesia (Afandi et al., 2022) show that peer networks among business owners can foster compliance through shared understanding, especially in structured business associations. For zakat institutions, transparent zakat management is crucial to building public trust, thus improving peer-driven compliance.

In line with Hypothesis 3, government incentives show a positive relationship with zakat compliance among SMEs. Studies by Khamis & Kamarudin (2022) find that tax deductions and zakat rebates effectively encourage compliance by providing financial benefits. These incentives help to ease the tax burden, reinforcing SME owners' commitment to zakat payments (Siswantoro et al., 2022).

Knowledge of zakat also positively correlates with compliance behaviour, supporting Hypothesis 4. Prior studies (Saad et al., 2019; Hakimi et al., 2021) confirm that zakat knowledge enhances compliance, as informed business owners better understand zakat principles and are more likely to adhere. Surah An-Nur (24:54) underpins this, reminding Muslims to follow Islamic laws. Studies (Sudarsono et al., 2021) show that zakat knowledge fosters compliance by educating business owners on zakat requirements, thus leading to higher adherence to Islamic financial practices.

In summary, self-efficacy, peer influence, government incentives, and zakat knowledge are pivotal in promoting business zakat compliance among SMEs in Selangor, with implications for enhancing zakat awareness and institutional transparency.

7. Conclusion

The findings of this study contribute significantly to the theoretical understanding of business zakat compliance behaviour, particularly within the framework of the Theory of Planned Behaviour (TPB). This study demonstrates that all the variables—self-efficacy, peer influence, incentives, and level of knowledge—directly affect zakat compliance behaviour among SMEs. Four statistically significant hypotheses were derived from the theoretical framework, all of which received empirical support. These findings underscore the applicability of the TPB in the context of zakat compliance, highlighting how behavioural models can effectively explain the compliance behaviour of business zakat payers, especially in the SME sector.

From a practical perspective, the current findings reveal that addressing these compliance factors could encourage more SME owners to fulfil their zakat obligations. There is a strong link between these factors and zakat compliance, with insufficient knowledge or trust in zakat institutions contributing to non-compliance. When SME owners are confident that their zakat payments will be distributed appropriately and believe they will receive future rewards, they are more likely to comply. Additionally, the provision of zakat rebates, which reduce tax liabilities, further incentivizes zakat payment among businesses. Such incentives, coupled with increased trust and knowledge, can have a substantial impact on business zakat compliance rates.

These findings are particularly relevant to zakat institutions such as Lembaga Zakat Selangor (LZS), which can use them as a benchmark to encourage SMEs to pay zakat. Despite the established obligation of zakat, business zakat compliance lags behind income zakat, as reported by LZS in 2022. To address this, LZS can leverage the identified factors by enhancing direct marketing efforts and educating business owners about zakat rebates and incentives. Moreover, by improving transparency in the management and distribution of zakat collections, LZS can build greater trust among business owners. For instance, demonstrating how zakat funds are used to uplift disadvantaged groups, such as providing job opportunities and educational support to Asnaf families, would foster positive perceptions and encourage greater zakat contributions.

This study has several limitations that should be acknowledged to enhance transparency and credibility. First, the geographical scope is limited to Malaysia, which may restrict the generalizability of findings to other contexts with different cultural or regulatory environments. Additionally, reliance on self-reported data introduces the potential for biases, as participants may inadvertently provide socially desirable responses rather than accurate reflections of their zakat compliance behaviour. Measuring religious behaviour, such as zakat compliance, through surveys also presents challenges, as survey responses may not fully capture the complexity and sincerity of religious motivations. Despite these limitations, the study provides valuable insights that could inform future research on business zakat compliance in diverse settings.

In addition to zakat institutions, the government plays a crucial role in promoting zakat compliance. By publicizing the availability of zakat rebates and offering tax deductions for zakat payments, the government can motivate more businesses, especially larger firms, to contribute. Revising the maximum allowable zakat rebate could also incentivize more zakat payments by reducing the tax burden. Ultimately, this would increase zakat collections, enabling zakat institutions to fund more programs for the underprivileged. The findings of this study emphasize the importance of self-efficacy, peer influence, incentives, and knowledge in shaping zakat compliance behaviour, and future research should explore additional external factors, such as the quality of zakat institutions' services, to gain a more comprehensive understanding of compliance behaviour among various business groups.

References

Affandi, A., Sudarsono, H., Nugrohowati, R. N. I., & Tumewang, Y. K. (2022). The Determinant of Indonesia Entreprenuer's Intention to Pay Zakat: Does Government Support Matter? *Global Review of Islmaic Economics and Business, 10*(2), 83-96. https://doi.org/10.14421/grieb.2022.101-08

Ajzen, I. (1991). Theory of Planned Behaviour. *Organizational Behaviour and Human Decision Process, 50*(2), 179-211. https://doi.org/10.1016/0749-5978(91)90020-T

Bandura, A. (1994). Self-Efficacy. In V. S. Ramachaudran (Ed.), *Encyclopedia of Human Behavior,* (Vol. 4, pp. 71-81). Academic Press.

Bandura, A. (2004). Social Foundations of Tought and Action*: A Social Cognitive Theory for Personal and Social Change by Enabling Media.*

Bidin, Z. (2008). *Faktor-faktor Penentu Niat Gelagat Kepatuhan Zakat Pendapatan Gaji.*

Bryne, B. M. (2010). *Structural Equation Modelling with AMOS: Basic Concepts, Applications and Programming.* New York. Routledge.

Che Cob et al. (2023). Determinants of Zakat Compliance Behavior: A Case of Lembaga Zakat Selangor. *International Journal of Accounting, Finance and Business (IJAFB), 8*(47), 137-151. https://doi.org/10.55573/IJAFB.084713

De Vaud, D. (2009). *Analysis Social Science Data.* Saga Publications Limited.

Field, A. (2018). *Discovering Statistics Using SPSS.* Third Edition. SAGE Publications, Ltd.

Garaika, Hassan., & Helisia Margahana. (2019). Self-Efficacy, Self-Personality and Self-Confidence on Entrepreneurial Intention: Study on Young Enterprises. *Journal of Entreprenuership Education, 22*(1), 1-12.

Gielnik, M. M., Bledow, R., & Stark, M. S. (2020). A Dynamic Account of Self-Efficacy in Entreprenuership. *Journal of Applied Psychology, 105*(5), 487-505. https://doi.org/10.1037/apl0000451

Hair et al. (2010). *Multivariate data analysis.* Seven Edition. Upper Saddle River, New Jersey. Pearson Educational International.

Haji-Othman, Y., & Nayan, M. A. (2019). The Influence of Perception Towards Promotion and Self-Efficacy on Intention and Compliance Behavior of Income Zakat in Kedah. *Malaysia, 2*(2011), 30-41.

Haji-Othman, Y., Sheh Yusuff, M. S., & Abdullah, N. (2021). A Critical Investigation of the Impact of Religiosity, Perception towards Facilities, Service Quality, and Tax Rebate on Compliance Behavior of Income Zakat. *Journal of Contemporary Issues in Business and Government, 27*(2), 6330-6337. https://doi.org/10.47750/cibg.2021.27.02.621

Haji-Othman, Y., Sheh Yusuff, M. S., & Abd. Latib, M. F. (2021). A Re-examination of the Effect of Attitude, Religiosity, Self-Efficacy and Moral Obligation on the Compliance Behavior of Income Zakat. *Journal of Contemporary Issues in Business and Government, 27*(2), 6321-6329.

Hakimi, F., Widiastuti, T., Al-Mustofa, M. U., & Al- Husanaa, R. (2021). Positive Effect of Attitude, Peer Influence and Knowledge Zakat on Zakat Compliance Behavior: Update in Covid 19. *Journal of Islamic Economic Laws, 4*(2), 1-16. https://doi.org/10.23917/jisel.v4i2.13859

Kamarudin, M. F., Khamis, M. R., & Abd Rahman, A. (2023). Behavioral Response Patterns on the Government Incentives Influencing Compliance Behavior of Business Zakat Among SMEs. *Advances in Social Sciences Research Journal, 10*(6.2), 232-247. https://doi.org/10.14738/assrj.106.2.15004

Khamis, M. R., & Kamarudin, M. F. (2022). Factors Determining Compliance Behavior of Business Zakat Among SMEs: A Logistic Regression Analysis Approach. *Journal of Entrepreneurship, Business and Economics, 10*(2S2), 71-108. https://doi.org/10.14738/assrj.106.2.15004

Khamis, M. R., Abdullah, N., & Noranee, S. (2016). Does Government Incentive Influence Compliance Behaviour of Business Zakat among Owners SMEs? An Evidence Via Rasch Measurement Model. *Advances in Business Research International Journal, 2*(2), 1-16. https://doi.org/10.24191/abrij.v2i2.10020

Mahamood, S. M. (2007). *Sistem Perundangan Zakat di Malaysia: Antara Realiti dan Harapan*. Paper presented at Persidangan Zakat dan Cukai Peringkat Kebangsaan PWTC, Kuala Lumpur.

Media Baharu. (2022). Selangor Punyai Bilangan Penduduk Tertinggi Dalam Negara, *Berita Terkini*.

Mohd Shah, A. C. (2011). Zakat Bukan Bebanan tetapi Pelaburan. *Utusan Malaysia*.

Nashwan, S. A., Jabbar, H. A., & Aziz, S. A. (2019). Do Enforcement, Religiosity and Peer Influence Zakat Compliance Behaviour? *International Journal of Financial Research, 10*(6), 42-53. https://doi.org/10.5430/ijfr.v10n6p42

Pusat Pungutan Zakat (PPZ). (2019). Annual Report.

Pusat Pungutan Zakat (PPZ). (2020). Annual Report.

Pusat Pungutan Zakat (PPZ). (2021). Annual Report.

Pusat Pungutan Zakat (PPZ). (2022). Annual Report.

Pusat Pungutan Zakat (PPZ). (2023). E-Buletin.

Quang Pham, A. T., Mukhopadhaya, P., & Vu, H. (2021). Estimating Poverty and Vulnerability to Monetary and Non-Monetary Poverty: The Case of Vietnam. *Empirical Economics*. https://doi.org/10.1007/s00181-020-01991-4

Ramsey, Deborah J. (2009). *Statistics for Dummies.* John Wiley & Sons Australia, Ltd.

Rahman et al. (2021). Corporate Responsibility and Motivating Corporate Zakat Payment. *Advances in Business Research International Journal, 7*(2), 123-137. https://doi.org/10.24191/abrij.v7i2.12070

Rahman, M. A., Sulaiman, Y., Nik Mat, N. K., & Jamadudin, O. (2022). Business Zakat Payment Compliance among Small Business Owners in Kedah, Malaysia: Mediation Effects of Awareness and Attitude. *International Journal of Advanced Research in Economics and Finance, 4*(3), 248-261. https://doi.org/10.55057/ijaref.2022.4.3.22

Saad et al. (2022). Factors Predicting Zakat Compliance Behaviour in Indonesia. *International Journal of Zakat, 7*(1), 47-62.

Saad et al. (2019). What Influence Entrepreneur to Pay Islamic Tax (Zakat)? *Academy of Entreprenuership Journal, 25*(1), 1-13.

Shaharin et al. (2021). An Analysis on The Zakat Distributionat Lembaga Zakat Selangor During The Covid-19 Pandemic. *International Journal of Academic Research, 11*(1), 1-10.

Shaheen, Noor., & Shafig Al-Haddad. (2018). Entrepreneurial Self-Efficacy and Entrepreneurial Behavior. *International Journal of Development and Sustainability, 7*, 2385-402.

Siswantoro et al. (2022). Factors Determining Zakat Rebate Preferences in Malaysia: Zakat as Tax Deduction. *Academic Journal of Interdisciplinary Studies, 11*(2), 115-128. https://doi.org/10.36941/ajis-2022-0039

SriMulyani, V. A., & Hermanto, Y. B. (2021). Impact of Entrepreneurial Self-Efficacy and Entrepreneurial Motivation on Micro and Small Business Success for Food and Beverage Sector in East Jaya, Indonesia. *Economies2022, 10*(1), 10. https://doi.org/10.3390/economies10010010

Sudarsono, H., Nugrohowati, R. N. I., & Tumewang, Y. K. (2021). The Effect of Zakat Institution System and Government Support on Intention to Pay Zakat: Knowledge as A Moderating Variable. *Jurnal Ekonomi Syariah, 9*(2), 253-274. https://doi.org/10.21043/equilibrium.v9i2.11605

Sulistiowati, T. T., Dari, P. W., & Ramadhan, M. F. (2022). Exploration of Trust in Institution Measurement Items on Compliance in Paying Zakat using Rasch Model. *2021: The 5th International Conference of Zakat (ICONZ) Proceeding,* 223-232. https://doi.org/10.37706/iconz.2021

Wang, G., & Peng, W. (2021). Detecting Influences of Factors on GDP Density Differentiation of Rural Poverty Changes. *Structural Changes and Economic Dynamics, 56*, 141-151. https://doi.org/10.1016/j.strueco.2020.10.004

Yakkub, M. Y. (2021, August 18). *Hanya 20 Peratus Daripada 1.5 Juta Penduduk Selangor Bayar Zakat*. Kosmo.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). Business research methods. Cengage Learning. *Business Research Methods, 3*(1).

Zou, C., Liu, J., Liu, B., Zheng, X., & Gang, Y. (2019). Evaluating Poverty Alleviation by Relocation under the Link Policy: A Case Study from Tongyu Country, Jilim Province, China. *Sustainability, 11*(18), 1-20. https://doi.org/10.3390/su11185061

Zulkifli, M. F., Taha, R., & Awang, R. (2021). Combating Poverty in Malaysia: The Role of Zakat. *Journal of Asian Finance, Economics and Business, 8*(5), 505-513. https://doi.org/10.37706/iconz.2021