FACTORS THAT INFLUENCE BUSINESS ZAKAT COMPLIANCE AMONG SMALL AND MEDIUM ENTREPRENEURS

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ABSTRACT

The purpose of this paper is to examine factors that influenced business zakat compliance among small and medium entrepreneurs. The factors are role of zakat administrator, business profitability, length of business establishment and entrepreneurs’ zakat attitude. The study adopts mixed methods approach. 47 Muslim owners of small and medium enterprises participated in the study. They completed a survey and explained their business zakat compliance experience through interviews. The survey data were analyzed using the Mann-Whitney and logit regression analysis. Then, the interview data provided in-depth understanding about respondents’ zakat attitude and opinion on role of zakat administrator. The results show the majority (72.3 percent) of the respondents paid business zakat. The factors that influence zakat business compliance were the business owners’ zakat attitude and business profitability. The interview data supported the findings; respondents who paid zakat understood the responsibility and importance of business zakat payment. However, some of them regularly paid zakat directly to the poor and needy because they have doubts on zakat administrator’s credibility in distributing zakat to asnaf. On the other hand, respondents who did not pay zakat declared that they did not know other types of zakat other than zakat fitr. This shows that the role of zakat administrator in promoting business zakat should be made more extensive. Zakat administrator also can introduce a scheme where zakat payers can personally distribute zakat to asnaf using the money they paid to zakat administrators. This could encourage entrepreneurs to pay zakat and increase the numbers of zakat payers.

Keywords: Business zakat, zakat compliance, small and medium enterprise

INTRODUCTION

Zakat compliance is a critical issue to zakat administrators. A viable, efficient and sophisticated zakat collection and distribution system that has been implemented by a zakat administrator may not be successful if zakat payers do not cooperate. Understanding zakat payers’ compliance behaviour is important for zakat administrators to strategize its resources according to zakat payers’ needs and overcome any weaknesses in their administration. One of zakat payers that require attention by zakat administrator is business owners. In a developing country like Malaysia, the government encourages business development especially among Muslims residents. The number of Muslim entrepreneurs in Malaysia is increasing every year (Khamis et al., 2011). Accordingly, business zakat collection also has increased by 50 percent (Alias, 2013). However, there is still a big
gap between the numbers of business zakat payers with the numbers of companies owned by Muslims. The gap shows that there is an issue of zakat compliance among entrepreneurs.

Studies of entrepreneurs’ zakat compliance behavior are dearth, particularly to the small and medium entrepreneurs. Some scholars have tested several variables that influenced business zakat payer’s compliance behavior, for example, knowledge, law enforcement and length of business establishment (Al-Jaffri, 2010; Md Arif et al., 2011). However, the studies show different results which require further studies. Furthermore, a majority of the studies used quantitative methodology, which limits the respondents’ true opinion. This study examines internal and external factors (i.e. role of zakat administrator, business profitability, length of business establishment and entrepreneurs’ zakat attitude) that influenced business zakat compliance among small and medium entrepreneurs. The study adopts mixed methods approach. 47 Muslim small and medium entrepreneurs participated in the study. Each entrepreneur completed a survey and explained his/her business zakat compliance experience through interviews.

This study contributes to the limited literature on zakat compliance among small medium entrepreneurs. The zakat administrators can better understand zakat payers’ behavior and identify weaknesses in administering zakat collection. Improvement in promoting business zakat and educating entrepreneurs, particularly in calculating business zakat, are essential to increase business zakat compliance level. Increase in zakat collection can benefit asnaf in improving their standard of living.

LITERATURE REVIEW

Business Zakat
Zakat is one of the pillars in Islam and described by Allah in the holy Quran. The obligation to pay zakat is linked with the order to perform prayer as stated in surah At-Taubah:

“Of their goods take alms, that so thou mightiest purify and sanctify them; and pray on their behalf, verily thy prayers are a source of security for them”.

(9:103)

Zakat is an act of distributing one’s wealth to the lawful beneficiaries, who are the asnaf. It is essentially an act of worship through which Muslims can purify their wealth, cleanse their souls and benefit themselves as well as others. Muslims who pay zakat are expected to get returns not just in the present life but in the hereafter as well (Abu Bakar and Abd Rahman, 2007).

Malaysia is one of the Muslim countries that require Muslim entrepreneurs to pay business zakat when they have fulfilled certain conditions. Obligation to pay business zakat is based on the evidence in the Quran:
“O you who have believed, spend of the good things which you have earned and from which We have bring forth for you from the earth. And do not aim toward the defective there from, to spend thereof in charity while you would not take it [yourself] except with closed eyes. And know that Allah is free of need and Praiseworthy”.

(2:267)

This is supported by a hadith; Jundap r.a. said “Whereas Prophet urged us to pay zakat on products that we offer for sale” (narrated by Abu Daud).

Business is defined as the process of property development by way of sale and purchase to obtain gains and accompanied with the intention of trading. It also includes every transaction (i.e. contract) using the exchange system with the purpose of making a profit with participation intentions. Business zakat is calculated based on the business assets obtained from business transactions (Othman & Adnan, 2014). This means that business zakat is payable irrespective of whether the business operation is running at loss or profit as long as the company has a positive working capital. Business owners (i.e. sole-proprietors, partnerships, cooperatives) are liable to pay business zakat when they fulfil the following conditions:

1. **Muslim.** Zakat only can be imposed on Muslim. If the business’ shares consist of Muslim and non-Muslim contributions, only the Muslim’s share is subjected to zakat.

2. **Compulsory on halal asset only.** Zakat is not only assessed based on the profit gained by owner, but also assets of the business. Assets that are subjected to zakat must be halal and acquired through the right method that has been specified in sharia principle.

3. **Haul.** Haul can be defined as the periodic term of the income or the asset subjected to zakat. Haul is based on asset calculated from the initial inception or start of business until the completion of one whole year, according to Hijrah (355 days) or Gregorian (365 days) calendar or in the other word the asset or the income must reach one year of its periodic term to be subjected to zakat.

4. **Nisab.** Nisab can be defined as the minimum amount of fully owned wealth possessed by a person.

5. **Full ownership (al-Milk at-tam).** Assets subjected to zakat are either it is fully owned physically (hiyazah) or the person has full management control of the assets (tasaruff). Fully owned physically can be defined as any asset possessed by the owner and it is in the hand of the owner to be subjected to zakat. Some assets may not be directly possessed or owned but the person has full management.

6. **Compulsory for productive assets (an-Nama’).** The assets must have growth potentials. The wealth should be of a productive nature, from which can be derived profit or benefits such as merchandise for business, gold, silver and livestocks.

7. **Intentions to do business (urud at-tijarah).** The intention or purpose for business must be made when an asset becomes part of the business that is conducted in order to gain profit. Assets that are used other than business purposes are not subjected to zakat (Alias, 2013, Othman & Adnan, 2014).
In general, there are two business zakat calculation methods – urfiyyah and syariyyah. Urfiyyah method is also known as the adjusted growth capital, which considers the equity of ownership in a particular company and other financial sources. While the syariyyah method, which is also known as the adjusted working capital, considers current assets and deducts current liabilities and the necessary adjustments by adding or deducting clarified items, for example, dividends received from subsidiaries and donations at the end of the zakat assessment period (haul) (JAKIM, 2001; Hamat, 2009). Most of the states in Malaysia use the syariyyah method.

SME in Malaysia
SMEs in Malaysia play an important role in the country’s economic development. SMEs are a source of input for large companies, account for about 99 percent of total business establishment and contribute to approximately 31 percent of the Malaysia’s domestic product (SME Corp., 2011). SMEs business activity is diverse including services, manufacturing and construction. In general, Malaysian SMEs can be defined according to size, turnover and activity that fall into two categories:

a) Manufacturing, manufacturing-related services and agro-based industries, which have either:

- fewer than 150 full-time employees; or
- An annual sales turnover of less than RM25 million.

b) Services, primary agriculture and information and communication technology (ICT), which have either:

- fewer than 50 full-time employees; or
- An annual sales turnover of less than RM5 million (Saleh & Ndubisi, 2006).

The number of SMEs in Malaysia is increasing every year. Statistics from the Companies Commission of Malaysia (CCM) shows 332,723 new businesses (i.e. sole-proprietors and partnerships) registered in 2014 compared to 329,895 new businesses in 2013 (CCM, 2015). The increasing number of new SMEs reflects the country’s economic stability which subsequently should increase the amount of business zakat collection in Malaysia.

Business Zakat Compliance
Business zakat collection in Malaysia is gradually increasing. Table 1 shows business zakat collection in Malaysia from 2010 to 2012. It seems that business zakat collection in 2012 (RM469.39 million) has increased by 50 percent since 2010 (RM301.78 million).

However, Alias (2013) argued only 0.17 percent of Muslim entrepreneurs in Wilayah Persekutuan Kuala Lumpur (WPKL), which is

<table>
<thead>
<tr>
<th>Table 1: Business Zakat Collection in Malaysia from 2010-2012</th>
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<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>Business Zakat Collection (RM Million)</td>
</tr>
</tbody>
</table>

Source: Alias (2013)
Factors that Influence Business Zakat Compliance

Studies on factors that influence business zakat compliance among small and medium entrepreneurs are dearth. Many researchers have been focusing on relationship between zakat payers’ compliance behaviour with other types of zakat, for example, zakat fitr and employment zakat (e.g. Md Idris, 2005; Sapingin et al., 2011) and the majority of the research adopted the quantitative research method.

Khamis et al. (2014) examined whether small and medium entrepreneurs pay business zakat and relationship between religious and business zakat compliance behaviour. Religiousity is one of the factors that explain human behaviour and in Islam it refers to individual practices or actions based on three basic principles of life – sharia (Islamic law and regulation), aqidah (basic belief) and akhlak (morals and values). Good Muslims with akhlak based on aqidah and sharia will be compliant with Islamic obligations including payment of zakat. Khamis et al. (2014) adopted a quantitative approach in this study; they collected 276 questionnaires from respondents in Selangor and analysed the data using the Rasch Measurement Model. The study found that the majority of SMEs paid business zakat. However, religiousity does not influence zakat business zakat compliance behaviour.

Al-Jaffri (2010) and Jogeran et al. (2015) have similar research objectives; they explored factors that influence business zakat among small and medium entrepreneurs. Both studies adopted quantitative research method and focused on two different states; the former study was conducted in Kedah, while the latter study was conducted in Malacca. The authors distributed questionnaires to small and medium entrepreneurs in the respective states and analysed the data using the binomial logit model. Al-Jaffri (2010) found that knowledge, self efficacy (both are the internal factors) and interaction with amil (the external factor) influenced business zakat payment. Jogeran et al. (2015) supported Al-Jaffri’s (2010) result maintained that knowledge has significant relationship with business zakat payment behaviour. They also found that business ownership significantly influenced small and medium entrepreneurs’ zakat compliance. The authors suggested that zakat collection authority should adopt a public approach more often in delivering business zakat information. Another factor that has not been widely tested is the role of zakat administrator. Al-Jaffri (2010) examined a slightly similar factor, which was the interaction with amil. He found that interaction with amil was a significant factor that influenced zakat compliance.

Rather than focusing on small and medium entrepreneurs, Md Arif et al. (2011) examined business zakat payment by sharia
listed companies in Bursa Malaysia. 281 companies were selected and the following information were abstracted from the companies’ annual reports - percentage of Muslim directors in the company, majority of shareholder in the company, type of industry, profitability of the company and size of the company. A Mann-Whitney test and logistic regression were used to determine if there were any significant differences between the variables with the companies’ payment/non-payment of business zakat. The study found percentage of Muslim directors and types of industry have a significant relationship with business zakat payment. However, there is no further research to support the findings.

Scholars suggest other factors that may influence business zakat compliance. Alayuddin (2008) mentioned entrepreneurs may avoid paying business zakat during the first three years of business operation as those are the most critical time in managing business activities. Tax incentives such as rebate or higher percentage of allowable expenses from payment of business zakat may motivate entrepreneurs to pay business zakat (Syed Adwam Wafa, 2013). Currently, the government allows only 2.5 percent of deduction from company’s aggregate taxable income for zakat paid to zakat authorities in Malaysia. Zakat scholars suggest that the government should allow higher business zakat deduction to encourage more companies to pay business zakat (Othman, 2013). While the accounting scholars urge government for an accounting pronouncement that would improve the comparability of reported financial information on zakat (Abdul Kadir, 2013; Syed Adwam Wafa, 2013).

Understanding zakat payers’ compliance behaviour is important for zakat administrator to strategise its resources according to zakat payers’ needs and overcome any weaknesses in its administration. The limited number of studies on business zakat compliance shows that more studies should be conducted particularly involving the small and medium entrepreneurs. While the internal and external factors that had been tested need to be justified, new factors that may influence business zakat compliance should be explored to better understand the entrepreneurs’ zakat compliance behaviour. Furthermore, prior studies have adopted only the quantitative method that may not provide respondents’ true view. As such, this study aim to examine internal and factors that influence business zakat compliance among small and medium entrepreneurs using the mixed-method research approach.

**RESEARCH METHOD**

This study examines internal and external factors that influence business zakat compliance among small and medium entrepreneurs. The internal factor is entrepreneurs’ zakat attitude and the external factors are role of zakat administrator, business profitability and length of business establishment. To achieve the objectives, this study adopted the mixed-method research approach. The quantitative methodology was adopted to examine the relationship of all variables with entrepreneurs’ zakat compliance behaviour. Questions from the literature (i.e. Jaafar et al., 2011; Arif et al., 2011) were adopted to construct the questionnaire. Measurements of each variable are shown in Table 2 below:
The questionnaire was divided into three parts – Part A, B and C. Part A consists of three questions on business zakat payment. Part B contains 9 items for 2 factors, which are entrepreneurs’ attitude and zakat administrators’ role. The respondents had to indicate their agreement to the statement from the Likert of “1” (strongly disagree) to “5” (strongly agree). Part C contains demographic variables including respondent’s education background, 2013 business profitability, length of business establishment and type of ownership. For the qualitative methodology, semi-structured interview questions were constructed to understand respondents’ opinion and experience on business zakat particularly on the role of zakat administrator and respondent’s attitude.

Convenience sampling method was adopted in this study. Enumerators approached small and medium entrepreneurs around Nilai, Negeri Sembilan for their agreement to participate in this research and meeting dates were set. During the meeting, the respondents completed the questionnaire and explained their opinions and experience on business zakat. Upon the respondents’ approval, the enumerators received a copy of their 2013 business income statements.

**Data Analysis**

**Quantitative Data**

The Business Zakat Compliance Model for this study is explained as follows:

\[
\text{Logit}_i = \ln \left( \frac{p}{1-p} \right) = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4
\]

(1)

where:

- \( p = 1 \) for paid zakat (yes) and 0 for did not pay zakat (no)
- \( x_1 \) = entrepreneurs’ zakat attitude
- \( x_2 \) = role of zakat administrator
- \( x_3 \) = business profitability
- \( x_4 \) = length of business establishment

As the distribution data of this study are ordinal, a Mann-Whitney test was used to determine if there are any significant differences between the independent variables. Consequently, a logit regression
analysis was used to test the theoretical model of the equation. Logit regression analysis is suitably used in this study because the number of respondents for each variable is more than 10 (Peduzzi et al., 1999).

**Qualitative Data**

The interviews were tape-recorded and transcribed. The data were analysed using the content analysis, which is a “technique for making inferences by objectively and systematically identifying specified characteristics of message” (Holsti, 1969). The researcher focused on three factors that may influence zakat compliance which are respondents’ attitude, knowledge and opinion on the role of zakat administrator. The interview data were categorised into common points. Subsequently the researcher compared notes and reconciled any differences that show up on the notes. Finally, revisions of the categories tightened up the point that maximizes mutual exclusivity and exhaustiveness (Weber, 1990).

**Results and Discussions**

47 small and medium entrepreneurs participated in this study. Table 3 shows the

<table>
<thead>
<tr>
<th>Table 3: Demographic Information</th>
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<tr>
<td><strong>Information</strong></td>
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<tr>
<td><strong>Gender</strong></td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td><strong>Type of Business Ownership</strong></td>
</tr>
<tr>
<td>Sole-proprietor</td>
</tr>
<tr>
<td>Partnership</td>
</tr>
<tr>
<td>Sdn. Bhd.</td>
</tr>
<tr>
<td><strong>Level of Education</strong></td>
</tr>
<tr>
<td>Secondary school</td>
</tr>
<tr>
<td>Bachelor Degree</td>
</tr>
<tr>
<td>Master Degree</td>
</tr>
<tr>
<td>PhD or Professional Qualification</td>
</tr>
<tr>
<td><strong>Business Profit in 2013</strong></td>
</tr>
<tr>
<td>Loss – RM 0</td>
</tr>
<tr>
<td>RM1 – RM100,000</td>
</tr>
<tr>
<td>RM100,001 – RM200,000</td>
</tr>
<tr>
<td>RM200,001 – RM300,000</td>
</tr>
<tr>
<td>RM300,001 – RM400,000</td>
</tr>
<tr>
<td>More than RM500,000</td>
</tr>
<tr>
<td><strong>Length of Business Establishment</strong></td>
</tr>
<tr>
<td>1 – 5 years</td>
</tr>
<tr>
<td>6 – 10 years</td>
</tr>
<tr>
<td>11 – 15 years</td>
</tr>
<tr>
<td>16 – 20 years</td>
</tr>
<tr>
<td>More than 20 years</td>
</tr>
<tr>
<td><strong>Business Zakat Payment</strong></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>
demographic information of the respondents. The table shows the majority of the respondents were male (74.5 percent), sole-proprietors (63.8 percent) and had a bachelor degree (51.1 percent). The respondents’ business industries include retail, food and beverages and services. The majority of the respondents made a profit between RM1 to RM100,000 in 2013 (59.6 percent) and their businesses have been established more than 5 years (61.7 percent). A total of 34 respondents (72.3 percent) paid business zakat in 2013 that shows high zakat compliance among the SMEs.

Results for relationship analysis between the independent variables and dependent variable using the Mann-Whitney test are shown in Table 4. The results show that there was no significant differences on the independent variables between entrepreneurs who paid and did not pay business zakat.

The logit regression analysis was carried out to maximum likelihood estimating procedure; it applies a logarithmic transformation to the dependent variable and summarizes the Business Zakat Compliance Model. The results from the Hosmer and Lemeshow Test (Table 5) show that the model is fit and reliable with chi-square value of 6.748 with a significant level of .456. This value is larger than .05, therefore indicating support for the model.

The results show that the major factors that influenced business zakat compliance were entrepreneurs’ zakat attitude and profit earned by the company with a .10 significant level. The positive B-value shows that the factors have positive relationship with business zakat compliance among small-medium entrepreneurs. It means that the more zakat responsibility attitude among entrepreneurs, the more likely the entrepreneurs pay business zakat. The result is consistent with studies by Baharom & Saidu (2005), Kamil & Ayob (2002) and Sapingin et al. (2011) which found that attitude as one the significant factors influencing Muslim individuals to pay zakat.

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**Table 4:**

Results for Mann-Whitney Test: Differences on Independent Variables between Entrepreneurs Who Paid and Did Not Paid Business Zakat

<table>
<thead>
<tr>
<th>Independent Factors</th>
<th>Mann-Whitney U</th>
<th>Wilcoxon W</th>
<th>Z</th>
<th>Asymp. Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur’s Attitude</td>
<td>87.000</td>
<td>178.000</td>
<td>-3.209</td>
<td>.001</td>
</tr>
<tr>
<td>Role of Zakat Administrator</td>
<td>182.500</td>
<td>273.500</td>
<td>-.925</td>
<td>.355</td>
</tr>
<tr>
<td>Length of Business Establishment</td>
<td>166.500</td>
<td>257.500</td>
<td>-1.371</td>
<td>.171</td>
</tr>
<tr>
<td>2013 Business Profit</td>
<td>90.500</td>
<td>181.500</td>
<td>-3.504</td>
<td>.000</td>
</tr>
</tbody>
</table>

**Table 5:**

Results for the Hosmer and Lemeshow Test

<table>
<thead>
<tr>
<th>Step</th>
<th>Chi-square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6.748</td>
<td>7</td>
<td>.456</td>
</tr>
</tbody>
</table>
The business profit variable result also shows that high business profit encourages entrepreneurs to pay business zakat. The result is inconsistent with a study by Md Arif et al., (2011). The inconsistency may due to different respondent groups. Md Arif et al. (2011) examined corporate taxpayers’ zakat compliance which the authors collected 281 companies financial data from the Bursa Malaysia’s website. The authors found that profitability of the company was not a significant factor that influenced business zakat payment. The same result was initially expected in this study because business zakat was not calculated based on profit earned every year. Instead, business zakat is calculated on surplus wealth-based either the growth capital method or the working capital method (Ismail et al., 2013).

Therefore, the Zakat Business Model can be written as follows:

$$\text{Logit}_i = \ln \left[ \frac{p}{1-p} \right] = -16.690 + 2.447x_{i(1)} + 0.334x_{i(2)} + 0.682x_{i(3)} + 2.375x_{i(4)}$$

(2)

where:

- $p = 1$ for paid zakat (yes) and 0 for did not pay zakat (no)
- $x_1 =$ entrepreneurs’ zakat attitude
- $x_2 =$ role of zakat administrator
- $x_3 =$ business profitability
- $x_4 =$ length of business establishment

The model summarizes the determinants of small and medium entrepreneurs on business zakat compliance. The role of zakat administrator and length of business establishment are not statistically significant influence entrepreneurs’ business zakat compliance. Nevertheless, entrepreneurs’ zakat attitude in paying zakat and business profit are significantly related to business zakat compliance among small-medium entrepreneurs.

Results of the content analysis from the interview data show that “awareness” and “difficulties” on business zakat explained respondents’ behaviour in business zakat compliance. Some respondents who did not pay business zakat explained that they were unaware of business zakat responsibility. The only zakat that they pay every year is zakat fitr. On the other hand, respondents who paid business zakat explained zakat calculation methods were difficult to understand and confusing.
Hence, they regularly obtained help from friends, accountant, tax consultants or zakat administrator to calculate business zakat. Difficulties to understand business zakat calculation also had contributed to late payment of business zakat or non-payment of business zakat for several accounting cycles.

This study also further examined the role of zakat administrator in influencing zakat compliance. The quantitative and qualitative data analysis found that role of zakat administrator was a not significant that influence entrepreneurs’ business zakat compliance. However, from the interviews, the researcher found that some respondents paid business zakat directly to asnaf (i.e. poor and needy) instead of paying to the zakat administrator. A respondent said:

“I always paid zakat to the poor people in my hometown, Kelant. I feel more satisfy to pay zakat directly to them. Sometimes, I just don’t understand why there are still many poor people in our society despite of millions of dollars zakat collected every year.”
(Respondent 15).

The content analysis results show that “trust to zakat administrator” explained the respondents’ compliance issue. Some respondents had doubt on zakat administrator’s credibility in distributing zakat to asnaf. They were in the opinion that zakat administrator fails to distribute zakat to asnaf efficiently. Furthermore, they believed that many unfortunate families still do not receive financial support from zakat administrator due to red tape issues.

Other than the role of zakat administrator, other factor that also does not have significant influence on business zakat compliance was the length of business establishment. The factor is inconsistent with Alayuddin’s (2008) suggestion – length of business establishment is a factor that influenced on business zakat compliance. This study suggest that entrepreneurs may pay business zakat during the first three years of establishment, which is the critical time for entrepreneurs to manage their business; and entrepreneurs may not pay business zakat even though their businesses have established for many years.

CONCLUSION

This study adopted mixed-method approach to examine factors that influence small and medium entrepreneurs on business zakat compliance. While the quantitative data provided logical conclusion according to their confidence level, the qualitative data provided in-depth understanding on the respondents’ respondents’ opinion and experience on role of zakat administrator. The study found high business zakat compliance among entrepreneurs. Factors that significantly influenced business zakat compliance were entrepreneurs’ attitude and business profitability. Further analysis found that many respondents regularly paid zakat directly to the poor and needy because they had doubts regarding zakat administrator’s credibility in distributing zakat to asnaf. Some respondents also highlighted the issue of difficulties to understand business zakat calculation that contributed to late payment or non-payment of business zakat for several accounting cycles. On the other hand, some respondents declared that they did not know other types of zakat other than zakat fitr.
The results suggest that the role of zakat administrator in promoting business zakat should be widened. Zakat administrator also can introduce a scheme where zakat payers can personally distribute zakat to asnaf using the money they had paid to zakat administrator. This could encourage entrepreneurs to pay business zakat and increase the numbers of business zakat payers. The zakat administrators also should resolve the issue different interpretations and understanding of business zakat calculation. Difficulties to calculate business zakat contribute to late payment or non-payment of zakat resulting to less zakat collection and less distribution to the asnaf.

Generalization of the findings from this study need to be treated with caution due to specific group of business zakat payers (i.e. small and medium entrepreneurs). Future study should re-examine the same factors from a larger group of respondents and examine other internal and external factors, for example, religiosity and enforcement.
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