# Does Law Enforcement Influence Compliance Behaviour of Business Zakat among SMEs?: An Evidence via Rasch Measurement Model

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## Abstract

Law enforcement is one of the factors determining compliance behaviour of zakat as revealed by a number of studies. However, there is lack of study focused on law enforcement and compliance behaviour of zakat especially in the business zakat scenario. Hence, the main objective of this study is to identify whether law enforcement influence compliance behaviour of business owners towards business zakat. A total of 276 questionnaires managed to be collected from SMEs entrepreneurs in Selangor. Rasch Measurement Model was employed to analyze the data. The construct was found reliable with Cronbach Alpha of 0.84. The statistical indicators such as mean square (MNSQ), Z-standardized (ZSTD), point measure correlation (PtMea Corr) and Person Item Distribution Map (PIDM) revealed that among 276 respondents, 92 respondents comply with business zakat payment influenced by law enforcement, 87 respondents did not comply with business zakat payment and probably not influenced by law enforcement and 97 respondents were identified as misfits situation. The implication of this paper provides evidence of the usefulness of Rasch Measurement Model in identifying the compliance behaviour of zakat payment among businesses. It is also able to explain that law enforcement really influenced Muslim business community to comply with business zakat payment.

**Keywords:** Compliance Behaviour; Business Zakat; Rasch Measurement Model; Law Enforcement

## Introduction

Zakat is one of the pillars of Islam and part of the *ibadah* required of all Muslim individuals. Throughout the years, the concept of zakat has been revolutionized and it is now considered as one of the important sources of Islamic economic development, acting as a source of financial seed to jump-start the economy of the Muslim community (Anita et al., 2011). As such, it is mandatory that every Muslim individual who satisfies the required conditions pays zakat, to ensure that zakat is able to fulfil its role in the development of the economic in the Muslim community. Generally, Muslims pay serious attention to the obligation to pay zakat *al-fitr* (Hasan & Sahnaz, 2004; Mohd Shah, 2011) and readily fulfil this obligation since it has long been associated with the traditional practices of *Ramadhan* (Mohamed et al., 1995). However, the same cannot be said about paying zakat on wealth, especially for business zakat as there are various issues which are still hotly debated among zakat practitioners (Ram Al-

Jaffri , 2010a).

Among the issues that need to be clarified include law enforcement of zakat payment, the company status or entity, the rules and regulations especially *fatwa* and other matters related to business zakat. Even though the obligatory payment of business zakat is clearly stated in the Holy Qur'an and other sources, some Muslims business community still lack awareness or are still confused about the subject of zakat obligation. Hence, the prevailing question that needs to be answered is why Muslim community appears to be resisting payment of business zakat. It also poses why this happens in Malaysia as the obligation to abide by business zakat is explicitly stated in the Holy Qur'an (Halizah et al., 2011) and religious experts (*ulama'*) concord on the obligation.

In Malaysia scenario, there are various factors that influence Muslim individuals to pay zakat as revealed by previous studies (Kamil, 2002, 2004, 2009; Raedah et al., 2011; Sanep et al., 2011; Sanep & Zulkifli, 2010; Zainol & Kamil, 2008; Zainol et al., 2009; Zulkifli Daud, 2011). The familiar factors frequency discussed in the scenario of zakat is law enforcement, since it is to ensure compliance among individuals and is an important method in safeguarding the ruling organization's jurisdiction.

With a number of acts have been gazetted in order to attract many more Muslim individuals and business entrepreneurs to comply with paying zakat as required in Islam, most studies have revealed the relationship between law enforcement and compliance behavior of zakat on income (Kamil, 2002, 2004; Mohamad Alayuddin, 2008). However, in the scenario of compliance behavior of business zakat, the issue needs to further clarification either law enforcement influence Muslim business community to comply pay business zakat since lack of study focused on this issue. As such, this study assumes that the law enforcement has a positive influence on compliance behaviour of business zakat. Yet, the relationship has not been empirically investigated due to the scope of studies by previous researchers that mainly focused on zakat on income. Hence, the purpose of this study is to identify either religious practices influence compliance behaviour of business zakat among SMEs.

**Zakat Laws in Malaysia**

According to Clause 74(1) (2) of the Federal Constitution, the Parliament and the State Legislature Body have the power or authority to regulate the laws associated with Islamic religious matters including zakat. From this clause, the laws of zakat have been codified in the State Islamic Religious Administration of every state. For Wilayah Persekutuan, these laws were admitted under the Islamic Administration Law Act (Wilayah-Wilayah Persekutuan) 1993 (Act 505) (Pusat Pungutan Zakat, 2007). Accordingly, the state government is vested with the authority to develop a centre for the management of related religious issues including zakat management. This means the federal government has no power and responsibility on all zakat matters in the states except for those states without Sultans presiding over them.

Presently, two states, Kedah and Sabah, have been granted the status specifically on zakat (Kamil, 2002; Pusat Pungutan Zakat, 2007) and both these states used the Zakat State Enactment in managing the zakat issues. Kedah introduced the *Enakmen Zakat Kedah 1374 (1955) (N0.4 1955)* while Sabah introduced the *Enakmen Zakat dan Fitrah Sabah 1993 (No.6 1993)*. Kedah's enactment has received several amendments while Sabah's enactment is the most organized and systematic (Pusat Pungutan Zakat, 2007). The purpose of the implementation of zakat enactment is to ensure the Muslim community fulfils their responsibility by paying the zakat. In addition, several subsidiary legislations were established by every state in Malaysia to ensure constancy in zakat matters such as the Perak Regulations of Zakat and Fitrah 1975, Johor Regulations of

Zakat and Fitrah 1962, Negeri Sembilan Fitrah Methods 1962 and others. To date, Selangor has declared 17 enactments regarding zakat and *fitr,* while Pahang has yet to declare any zakat enactments.

## Law Enforcement and Compliance Behaviour of Zakat

Law enforcement acts as a mechanism to ensure compliance with the rules and regulations enforced by the authorities. It is also closely related with the discussion regarding compliance behaviour as various studies have revealed the significant relationship between law enforcement and compliance behavior either in zakat (Kamil, 2002, 2004; Kamil & Ahmad Mahdzan, 2001; Mohamad Alayuddin, 2008; Nur Azura et al., (2005) or taxation (Allingham & Sandmo, 1972; Chan et al., 2000; Fischer et al., 1992). According to Kamil (2002) the purpose of law enforcement is to control and ensure that all individuals act in accordance with the law. The positive perceptions held by Muslim individuals about zakat law affect compliance in zakat. However, it must be implemented effectively because without effective law enforcement such as imposing penalties and fines; instructions or regulations from the organization would not be taken seriously by the individual. Other than that, as implementers, the authorities need to enforce laws that are concise and easily understood by the general public. This is because if the law is too complicated, understanding will be affected thus increasing non-compliance (Brand, 1996). This is especially true for individuals who possess low knowledge levels (Kirchler et al., 2008). Regulations that are unclear further complicate the system which ultimately contributes to non-compliance (Kamil, 2002). Because of this, the implementation of law enforcement must be effective in order to positively influence compliance (Riahi-Belkaoui, 2004).

Most studies have revealed the relationship between law enforcement and compliance behaviour and it is noted that law enforcement is a determining factor in zakat compliance behaviour (Kamil, 2002, 2009; Mohamad Alayuddin, 2008). As suggested by Mohamad Alayuddin (2008) without specific laws on zakat, the already diminishing zakat collection will decrease further. This emphasizes the important role that law enforcement plays in influencing zakat compliance in the Muslim community. However, to ensure that law enforcement influences individuals to comply with zakat, law enforcement must be implemented clearly; encompassing all types of zakat, fines and penalties. This is because individuals will comply with regulations if they know they will charge with penalties and fines if caught evading zakat. As a consequence, the level of compliance amongst Muslim individuals will increase (Kamil, 2004).

Even though previous studies showed that law enforcement is a factor influencing zakat compliance, Zulkifli (2011) revealed that law enforcement is insignificant in influencing zakat compliance through official channels. In his view, law enforcement cannot be viewed as the main factor in influencing compliance and may not be the best strategy to increase compliance among individuals. As it is believed, most individuals are knowledgeable about the obligation of Muslims to pay zakat, knowledge on zakat coupled with high religiosity levels are viewed as stronger influencers on compliance, if compared to law enforcement. This has been supported by Ram Al-Jaffri (2010a) who demonstrated no relationship between law enforcement and compliance behaviour of business zakat in Kedah.

## Methododology

In terms of research design, a quantitative approach was adopted for the analysis of data collected. These factors were measured through multi-item measurement using the five-point Likert rating scale adapted from previous studies. The population of this study consists of a group of small and medium business owners in Selangor registered with the Malaysian Selangor

Malay Chamber of Commerce (DPMMNS) in nine territories and representing six major categories. The sampling technique applied in this study is the proportionate stratified random sampling technique which was conducted on nine territories in Selangor. The population was divided into groups based on districts in Selangor. This technique was chosen due to the large numbers of small and medium entrepreneurs in Selangor and because they were geographically dispersed. After the population had been stratified based on district, a sample of members of each district was selected based on simple random sampling. This is because in simple random sampling, all respondents in the population have a chance to be selected. In collecting data for this study, the instrument used was a set of questionnaires delivered to all selected respondents. A total of 600 questionnaires were distributed. The data was then analyzed using descriptive statistics and Rasch Measurement Model.

Data analysis in this study involved a two-stage process. The first stage of data analysis was conducted through descriptive statistics and the second stage through Rasch Measurement Model in order to fulfil the objective of this study. Based on the 600 sets of questionnaires distributed, 315 sets of questionnaires were returned. A total of 39 sets of questionnaires were rejected due to incomplete answers and unanswered questionnaires. As such, just 276 sets of questionnaires were analyzed. This number is satisfactory for the purposes of factor analysis as suggested by Coakes and Ong (2011) who mentioned a sample size of more than 200 as adequate.

*Descriptive Statistics*

Table 1 shows the descriptive statistics for the demographic variable presented by the business profile. This variable comprises the following: business location which is represented by nine districts in Selangor, the age of the firm which is divided into four groups, business sector which is divided into six major business sectors as

classified by DPMMNS and business category which is represented by four main categories based on classification by DPMMNS. Out of 276 respondents, 22.8 percent (the majority) operated their businesses in Kuala Selangor. With regard to the age of a firm, 38.8 percent (the majority) respondents had operated their business for more than 10 years. 34.4 per cent (the most) respondents were in the services and utilities sector and 64.9 per cent (the majority) respondents operated their businesses as enterprises compared to other business categories.

Table 1: Descriptive Statistics for Respondents' Profile

| Business Profile | Frequency | Percent |
|---|---|---|
| **Business Location** | | |
| Northern | 85 | 30.8 |
| Southern | 49 | 17.8 |
| Eastern | 34 | 12.3 |
| Western | 108 | 39.8 |
| **Age of Firm** | | |
| Below 3 years | 78 | 28.3 |
| 4 years to 6 years | 36 | 13.0 |
| 7 years to 9 years | 55 | 19.9 |
| Above 10 years | 107 | 38.8 |
| **Business Sector** | | |
| Services and utilities | 95 | 34.4 |
| Agricultural | 25 | 9.1 |
| Property and building | 45 | 16.3 |
| Technology | 17 | 6.2 |
| Manufacturing | 20 | 7.2 |
| Retailing and wholesaling | 74 | 26.8 |
| **Business Category** | | |
| Enterprise | 179 | 64.9 |
| Partnership | 36 | 13.0 |
| Sole Proprietor | 56 | 20.3 |
| Cooperative | 5 | 1.8 |

## Rasch Measurement Model

The second process of data analysis in this study employed the Rasch Measurement Model. At this stage, the analysis only focused on several aspects to achieve the objectives of this study. These include analyses on the items and persons fit. The outcomes were projected in the form of summary statistics and Person Item Distribution Map (PIDM).

### Summary statistics

The results of the 276 responses to the assessment survey were tabulated and analyzed. The summary statistics in Table 2 shows a total of 2192 data points from 276 respondents on

the eight items measured. The 2192 data points described was large enough to remain useful and stable as person measure estimates and to obtain useful and stable item calibrations.

This generated a chi-square value of 4010.08 with degree of freedom of 1908 and p=0.000. The Cronbach alpha (α) value was at 0.83 which is considered sufficient and acceptable since the required value of Cronbach alpha is 0.50 (Churchill, 1979; George & Mallery, 2003; Helmstadter, 1966; Marino & Stuart, 2005; Nunnally, 1967). The person reliability was at 0.78 which is deemed 'fair' reliability (Fisher, 2007) and explains the stability and validity of the person responding. Item reliability was at 0.98 which is about 'excellent' reliability and describes that the assessment task can be classified according to the person ability and difficulty of the task for law enforcement. Other than that, person separation index was at a low index at 1.91, showing the spread of persons along a range and item separation index was at 6.65 which is 'excellent' separation index, indicating a larger range of items than for persons, and a broader range of item difficulty.

Table 2: Summary Statistics for Law Enforcement

Persons Measured

| | Total Score | Count | Measure | Model error | Infit | | Outfit | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | MNSQ | ZSTD | MNSQ | ZSTD |
| Mean | 26.7 | 8.0 | .72 | .58 | 1.01 | -.3 | 1.00 | -.3 |
| S.D | 4.3 | .0 | 1.47 | .05 | 1.01 | 1.7 | .99 | 1.7 |
| Max | 39.0 | 8.0 | 6.16 | 1.08 | 6.47 | 5.3 | 6.43 | 5.3 |
| Min | 9.0 | 8.0 | -5.68 | .53 | .53 | -2.9 | .14 | -2.9 |

| | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Real RMSE | .68 | | True SD | 1.30 | Separation | 1.91 | Person Reliability | .78 |
| Model RMSE | .59 | | True SD | 1.35 | Separation | 2.30 | Person Reliability | .84 |
| S.E. of Person MEAN = .10 | | | | | | | |

Person RAW SCORE-TO-MEASURE CORRELATION = .99

CRONBACH ALPHA (KR-20) Person RAW SCORE "TEST" RELIABILITY = .83

Items Measured

| | Total Score | Count | Measure | Model error | Infit | | Outfit | |
|---|---|---|---|---|---|---|---|---|
| | | | | | MNSQ | ZSTD | MNSQ | ZSTD |
| Mean | 925.8 | 276.0 | .00 | .10 | .99 | -.4 | 1.00 | -.3 |
| S.D | 70.4 | .0 | .69 | .00 | .25 | 2.8 | .69 | 2.8 |
| Max | 1043.0 | 276.0 | .78 | .10 | 1.55 | 5.6 | 1.58 | 5.8 |
| Min | 845.0 | 276.0 | -1.18 | .10 | .75 | -3.2 | .73 | -3.5 |
| Model RMSE | .10 | True SD | .69 | Separation | 6.94 | | Item Reliability | .98 |
| Model RMSE | .10 | True SD | .69 | Separation | 6.94 | | Item Reliability | .98 |
| S.E. of Person MEAN = 0.76 | | | | | | | | |

2192 Data points. Log-likelihood Chi-square: 4010.08 with 1908 d.f p=.000

## Items polarity and misfit

Item polarity is an indicator used to show the items are in line with the construct measurement and it is based on point measure correlation (PtMea Corr). The measurement with a positive index for all items shows correlation with the construct. Measurements with a negative index highlight the items that need to be re-examined for removal or rephrasing as it has elicited careless responses (Mohd Kashfi, 2011). In addition, the analysis to identify the misfit items, three indicators such as point measure correlation value (PtMea Corr), mean square (MNSQ) and Z-standardized (ZSTD) are utilized. According to Azrilah Abdul Aziz (2011) there are three criteria to be considered in examining the outfit data. The items are considered to be misfit with the model if the point measure correlation (PtMea Corr) is larger than 0.4 and less than 0.85 (0.4 <PtMea Corr < 0.85), the outfit mean square (MNSQ) is larger than 0.5 and less than 1.5 (0.5<MNSQ<1.5) and the outfit Z-standard (ZSTD) is larger than -2 and less than +2. The three criteria must be fulfilled in identifying the outfit or outliers in the data. Hence, based on the item polarity and misfit as shown in Table 3 revealed that all eight items constructed with the positive value of point measure correlation coefficient (PtMea Corr) indicating that all items measured were in the same direction in the development of the construct. For item misfit, none of the eights items were identified as misfits as they did not fulfill the three criteria of misfit responses. This indicated that all the respondents' responses fit with the Rasch Measurement Model.

Table 3: Item Polarity and Misfit for Law Enforcement

| Entry No | Outfit | | PtMea Corr (PMC) | Item |
|---|---|---|---|---|
| | MNSQ | ZSTD | | |
| 6 | 0.97 | -0.2 | 0.75 | LE06 |
| 5 | 0.95 | -0.4 | 0.72 | LE05 |
| 7 | 1.33 | 2.8 | 0.56 | LE07 |
| 3 | 0.88 | -1.1 | 0.73 | LE03 |
| 2 | 0.81 | -1.8 | 0.77 | LE02 |
| 8 | 1.28 | 2.4 | 0.61 | LE08 |
| 1 | 0.77 | -2.2 | 0.73 | LE01 |
| 4 | 0.94 | -0.5 | 0.63 | LE04 |
| Mean | 0.99 | -0.1 | | |
| S.D. | 0.19 | 1.7 | | |

*Person Misfit*

Person misfit was conducted to identify any respondents in misfit situations. This analysis ensured that the 276 respondents' responses were in fit conditions and response accurately. Based on criteria for misfit respondents; point measure correlation (PtMea Corr) is larger than 0.4 and less than 0.85 (0.4 <PtMea Corr < 0.85), the outfit mean square (MNSQ) is larger than 0.5 and less than 1.5 (0.5<MNSQ<1.5) and the outfit Z-standard (ZSTD) is larger than -2 and less than +2 (Azrilah, 2011). The results on person misfit revealed 97 respondents as misfit respondents since they fulfilled the three indicators of misfit persons as shown in Table 4. This meant that the 97 misfit respondents could not have their perceptions precisely measured by the items in measuring law enforcement. Thus, from the 276 respondents, only 179 respondents fit with the Rasch Model.

Table 4: Person Misfit for Religious Practices

| Entry No | Outfit | | PtMea Corr (PMC) | Person |
|---|---|---|---|---|
| | MNSQ | ZSTD | | |
| 4 | 0.19 | -2.4 | 0.00 | 1221 |
| 6 | 3.97 | 3.7 | -0.18 | 4121 |
| 9 | 0.15 | -2.6 | 0.00 | 1121 |
| 15 | | Maximum Measure | | 4122 |
| 17 | 2.74 | 2.6 | 0.08 | 3121 |
| 18 | 0.16 | -2.7 | 0.00 | 4221 |
| 19 | | Maximum Measure | | 4222 |
| 21 | 2.62 | 2.4 | 0.08 | 3121 |
| 24 | 0.15 | -2.6 | 0.00 | 3221 |
| 28 | 2.38 | 2.2 | 0.17 | 3114 |
| 29 | 0.15 | -2.6 | 0.00 | 1221 |
| 38 | 0.19 | -2.4 | 0.00 | 1214 |
| 39 | 0.22 | -2.2 | 0.92 | 2114 |
| 42 | 0.21 | -2.3 | 0.89 | 1211 |
| 43 | | Maximum Measure | | 1224 |
| 44 | 2.30 | 2.1 | -0.11 | 2224 |
| 46 | 2.73 | 2.5 | 0.34 | 4221 |
| 49 | | Maximum Measure | | 3223 |
| 50 | 2.73 | 2.5 | 0.34 | 3221 |
| 52 | 0.15 | -2.6 | 0.00 | 1121 |
| 53 | 0.22 | -2.2 | 0.92 | 3123 |
| 55 | | Maximum Measure | | 1121 |
| 56 | | Maximum Measure | | 2222 |
| 57 | 0.19 | -2.4 | 0.00 | 1221 |
| 62 | 0.22 | -2.2 | 0.92 | 4221 |
| 63 | 0.22 | -2.2 | 0.92 | 4223 |
| 72 | | Maximum Measure | | 4222 |
| 79 | | Maximum Measure | | 4121 |
| 80 | 2.48 | 2.3 | 0.02 | 4121 |
| 84 | | Maximum Measure | | 4123 |
| 86 | 0.22 | -2.5 | 0.00 | 1121 |
| 88 | 0.15 | -2.6 | 0.00 | 4221 |
| 90 | 0.19 | -2.4 | 0.00 | 1123 |

| 91 | | Maximum Measure | | 3123 |
|---|---|---|---|---|
| 93 | 0.19 | -2.4 | 0.00 | 2224 |
| 95 | 0.15 | -2.6 | 0.00 | 3224 |
| 96 | 0.19 | -2.4 | 0.00 | 4224 |
| 98 | | Maximum Measure | | 4214 |
| 100 | | Maximum Measure | | 3224 |
| 103 | 0.15 | -2.6 | 0.00 | 4224 |
| 104 | | Maximum Measure | | 4224 |
| 106 | | Maximum Measure | | 1223 |
| 109 | | Maximum Measure | | 4224 |
| 110 | | Maximum Measure | | 4221 |
| 111 | 5.86 | 4.9 | -0.11 | 4123 |
| 112 | 0.14 | -2.9 | 0.89 | 1221 |
| 119 | 0.14 | -2.8 | 0.92 | 1212 |
| 123 | 0.14 | -2.9 | 0.89 | 1223 |
| 124 | 0.14 | -2.8 | 0.92 | 1211 |
| 135 | 2.88 | 2.7 | 0.35 | 3222 |
| 139 | 2.88 | 2.7 | 0.35 | 3222 |
| 142 | 2.88 | 2.7 | 0.35 | 3222 |
| 143 | 2.88 | 2.7 | 0.35 | 3121 |
| 144 | 2.88 | 2.7 | 0.35 | 3222 |
| 147 | 2.88 | 2.7 | 0.35 | 3222 |
| 149 | 2.88 | 2.7 | 0.35 | 3222 |
| 150 | 0.19 | -2.4 | 0.00 | 2221 |
| 152 | 2.88 | 2.7 | 0.35 | 3222 |
| 156 | 2.88 | 2.7 | 0.35 | 3222 |
| 158 | 2.88 | 2.7 | -0.13 | 4121 |
| 159 | | Maximum Measure | | 4124 |
| 160 | 0.15 | -2.6 | 0.00 | 1121 |
| 161 | | Maximum Measure | | 4123 |
| 162 | 0.19 | -2.4 | 0.00 | 2123 |
| 174 | 2.53 | 2.4 | 0.16 | 1121 |
| 176 | 0.15 | -2.6 | 0.00 | 1123 |
| 177 | | Maximum Measure | | 2123 |
| 182 | | Maximum Measure | | 1213 |
| 184 | 2.54 | 2.5 | -0.13 | 1123 |
| 185 | 2.55 | 2.4 | 0.27 | 2224 |
| 186 | 0.15 | -2.6 | 0.00 | 4123 |
| 187 | | Maximum Measure | | 1223 |
| 196 | 0.19 | -2.4 | 0.00 | 4121 |
| 200 | 0.22 | -2.2 | 0.92 | 1223 |
| 201 | 0.19 | -2.4 | 0.00 | 3121 |
| 204 | 0.22 | -2.2 | 0.92 | 4123 |
| 207 | 0.19 | -2.4 | 0.00 | 4222 |
| 210 | 0.15 | -2.6 | 0.00 | 4123 |
| 211 | | Maximum Measure | | 1123 |
| 218 | | Maximum Measure | | 3111 |
| 219 | | Maximum Measure | | 2121 |
| 223 | 0.19 | -2.4 | 0.00 | 3123 |
| 225 | | Maximum Measure | | 4121 |
| 227 | | Maximum Measure | | 3221 |

| | | | | |
|---|---|---|---|---|
| 230 | 0.19 | -2.4 | 0.00 | 1224 |
| 237 | 4.81 | 4.2 | -0.78 | 4123 |
| 240 | | Maximum Measure | | 4123 |
| 251 | | Maximum Measure | | 3222 |
| 254 | 0.19 | -2.4 | 0.00 | 1221 |
| 257 | | Maximum Measure | | 4221 |
| 266 | 3.21 | 3.0 | 0.36 | 4122 |
| 267 | 2.68 | 2.5 | 0.18 | 2124 |
| 268 | 3.07 | 2.9 | 0.31 | 4121 |
| 270 | 0.15 | -2.6 | 0.00 | 4122 |
| 273 | 0.19 | -2.4 | 0.00 | 4224 |
| 274 | 0.22 | -2.5 | 0.00 | 4224 |
| 275 | 0.22 | -2.2 | 0.92 | 4123 |

Moreover, after the misfit respondent identification process, a new analysis should be conducted to identify whether some aspects showed better value compared to those before. The new analysis represented in Table 5 reveals that the value of Cronbach's alpha was higher at 0.84 compared to before (0.83) which is considered acceptable reliability in measuring law enforcement as one of the factors determining compliance behaviour of business zakat. The person reliability index was given at 0.83 which is a good reliability value (Fisher, 2007) and item reliability index was at 0.99 which denotes excellent reliability value. This indicates that the assessment of law enforcement can discriminate between the person capability and difficulty of the task. Both values increased from 0.78 to 0.83 and 1.91 to 2.23 respectively. The 2.23 for Person separation index showed the spread of persons along a range. Item reliability and separation index was at 0.99 and 8.11 respectively, higher than the index value before removal of misfit responses. The 8.11 for item separation index which is considered 'excellent' infers a larger range of items than for persons, and a broader range of item difficulty.

Table 5: Final Analysis for Law Enforcement

| | Before identifying misfit respondents | After identifying misfit respondents |
|---|---|---|
| Cronbach Alpha | 0.83 | 0.84 |
| Person Reliability Index | 0.78 | 0.83 |
| Person Separation Index | 1.91 | 2.23 |
| Person Mean | 0.72 | 0.80 |
| Person S.D | 1.47 | 1.75 |
| Person Max | 6.16 | 7.21 |
| Person Min | -5.68 | -6.83 |
| Item Reliability Index | 0.98 | 0.99 |
| Item Separation Index | 6.65 | 8.11 |
| Item Mean | 0.00 | 0.00 |
| Item S.D | 0.69 | 1.13 |
| Item Max | 0.78 | 1.37 |
| Item Min | -1.18 | -1.78 |

*Person Item Distribution Map (PIDM)*

In the meantime, the appropriate calibration of person responses on the law enforcement can be identified through the Person Item Distribution Map (PIDM) as shown in Table 5. The table shows the $Mean_{item}$ was at 0.00*logit* and the $Mean_{person}$ was at 0.80*logit*. In calculating the respondents' ability when the $Mean_{item}$ is at 0.00*logit*, substituting the measurement into Rasch formula of probability yielded equation (39) at 0.6891. This indicates that on average 68.91 percent of the 179 SMEs entrepreneurs had the ability to successfully complete the measurement instrument used to measure law enforcement. The table also shows person maximum value was at +7.21*logit* and the minimum was -6.83*logit* while item maximum value was +1.37*logit* and the minimum value was -1.78*logit*. The length of persons measurement became +7.21*logit* - (-6.83*logit*) =14.04*logit* and the scale for item at +1.37*logit* - (-1.78*logit*) = 3.15*logit*. It indicates that the scale of persons measurement was larger than the scale of items measurement and the lack of scale person measurement for item measure was at 14.04*logit*-3.15*logit*=10.89*logit*. The 14.04*logit* difference between maximum and minimum person over a standard deviation was at 1.75. The *logit* value illustrates a huge spread of SME entrepreneurs with expected compliance behavior. On the other hand, the 3.15*logit* difference between maximum and minimum items was over a standard deviation of 1.13. This shows the spread of items where some of the items were out of target. This indicates that none of the SME entrepreneurs responded to the assessment tool in measuring law enforcement, a non-response otherwise known as being person free. This can be shown through the person item distribution map as in Figure 1.
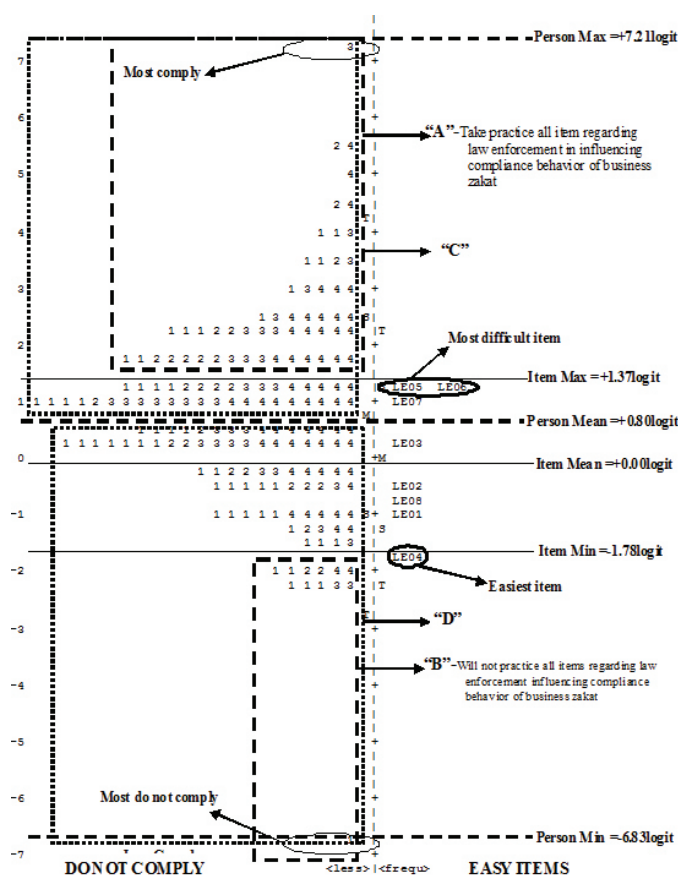


Figure 1: Person Item Distribution Map for Law Enforcement

The Person Item Distribution Map (PIDM) as shown in Figure 1 reveals that SME entrepreneurs could be divided into two categories; those who comply or do not comply based on the $Person_{Mean}$. SMEs entrepreneurs who are above the $Person_{Mean}$ constitute the group who comply with business zakat payment influenced by law enforcement (see group "C"). Conversely, the SMEs entrepreneurs below $Person_{Mean}$ constitute the group who do not comply with business zakat payment and probably not influenced by law enforcement (see group "D"). Group "C" has 92 SMEs entrepreneurs or 51.4 percent (92/179 x 100) who comply with business zakat payment, while group "D" has 87 SMEs entrepreneurs or 48.6 percent (87/179 x 100) who do not comply with business zakat payment. Group "C disclosed one SME entrepreneur (*27-3221*) who operated the business in the southern area with the highest degree of agreement on the items measuring law enforcement. With the person measure at +7.21*logit* the entrepreneur showed a high level of compliance behaviour of business zakat. This indicates that SME entrepreneurs recognize the role of law enforcement in compliance behaviour of business zakat. In contrast, one SME entrepreneur (*183-1121*) from the northern area (*1*) indicated low agreement on the items measuring law enforcement with person measures at -6.83*logit*, thus, not complying with business zakat payment. From the explanation, it can be surmised that more SMEs entrepreneurs comply with business zakat payments as influenced by law enforcement.

Besides identification on person agreeability, the level of common practices on items measuring law enforcement by SMEs entrepreneurs was another analysis necessary to be examined based on item endorsability. This is because it could represent the tendency for SME entrepreneurs to agree on the items. Therefore, the eight items measuring law enforcement were divided by two groups of difficulties which were item measures above the $Mean_{Item}$ and easy items below the $Mean_{Item}$. From the eight items, four items (*LE05, LE06, LE07, LE03*) were located in the difficult tasks with lower item endorsability above the $Mean_{Item}$. Based on the item *logit* measures, item **LE06** was at 1.37*logit* with lowest item endorsability at 512. This indicates that **LE06** is the most difficult item for agreement by the SME entrepreneurs. The remaining four items (*LE02, LE08, LE01, LE04*) were located as easy tasks with higher item endorsability and located below the $Mean_{Item}$. From the four items (*LE02, LE08, LE01, LE04*), item **LE04** was at -1.78*logit* with higher item endorsability at 689. This indicates that **LE04** was the easiest item for agreement by the SME entrepreneurs. From the group of difficult items in measuring law enforcement, one item (*LE03*) was located in between the $Item_{Mean}$ and $Person_{Mean}$. Items located in the between area are considered common although it depends on the ability of the respective respondents. If their capability *logit* is above the *logit* difficulty of the items, they are able to respond to those items accurately. Of the eight items measuring law enforcement, 30.2 percent (54/179 x 100) SME entrepreneurs regularly practiced all items regarding law enforcement influencing compliance behaviour of business zakat as shown in group "A" whereas, 6.7 percent (12/179 x 100) SME entrepreneurs did not practice all items regarding law enforcement as shown in group "B". In the other words, group "B" was not influenced by law enforcement at all in compliance behaviour of business zakat.

In summary, the verification on the construct was done and produced reliability in measuring law enforcement. This was confirmed through the value of Cronbach's alpha at the acceptable value (0.84), person reliability was at 0.83 and item reliability was at 0.99, indicating that all assessment tasks are reliable in measuring law enforcement as one of the factors determining compliance behaviour of business zakat among SMEs in Selangor. From the analysis of misfit respondents, 97 respondents were identified as misfits and 179 respondents were deemed as fit. Other than that, it was necessary to identify person agreeability and item endorsability as respondents have different ability levels to respond to the items measuring law

enforcement. This is shown through the person item distribution map. From the map, items measuring law enforcement can be classified into two groups; difficult and easy items based on the Mean$_{Item}$ measure. Four (**LE05, LE06, LE07, LE03**) items were in the group of difficult items due to their located above Mean$_{Item}$ whilst four (**LE02, LE08, LE01, LE04**) items were in the easy item group as they were located below the Mean$_{Item}$. The person agreeability on the items was also categorized into two groups; those who comply and do not comply with paying business zakat based on the value of the Mean$_{Person}$. Accordingly, the method identified one respondent with very high ability to agree (**27-3221**) that showed high level of compliance and another respondent with lack of ability to agree (**183-1121**) that does not comply most with paying business zakat.

## Results & Discussion

In fulfilling the objective, the Person Item Distribution Map (PIDM) was constructed to show the group of SME entrepreneurs and the items construct. The map gives an early indication of the group of respondents that need to be identified; whether they comply or did not comply with the business zakat payment. The result shows that law enforcement influence SMEs entrepreneurs to comply with business zakat payments. This is evidenced from the high agreeability scores on these factors in relation to the compliance of business zakat payment. The findings indicated that even though zakat law enforcement is still not stringent, its implementation encourages SMEs entrepreneurs to comply with paying business zakat besides establishing mechanism for checking zakat compliance and payment. Most of the entrepreneurs agreed that legal action and punishment should be imposed to those who avoid paying business zakat, appropriate punishment should be imposed to those whom did not pay zakat on business besides routine inspections by authorizing bodies compulsory. This finding synchronized with previous studies in the scenario of zakat of income (Kamil,

2002, 2004; Kamil & Ahmad Mahdzan, 2001; Mohamad Alayuddin, 2008; Zainol Bidin, 2008). However, this new finding conflict with previous studies discovered by Zulkifli (2011) who mentioned law enforcement is insignificant in influencing zakat compliance behaviour.

More importantly, even though the results of this study showed the same findings with previous studies, it comes from different scenario with previous studies. This highlights the relevance of law enforcement as a variable and the necessity to discuss it with regard to the obligatory practices of Islam such as zakat. Issues regarding non-compliant behaviour of zakat are also challenging due to their delicate nature and their interdependence with the Muslim individual's awareness. Given this, the findings of this study are the first to provide valuable insight into and empirical evidence on the relationship between law enforcement and compliance behaviour in business zakat.

While these findings provide valuable implications, the limitations could be associated with the issue of generalizability. This is because the study was conducted only in Selangor and among small scale SMEs. Therefore, future study should endeavour to cover other business groups, specifically big scale organizations garnering high income business activities. From an organizational perspective, it would be interesting to compare the effects of the law enforcement on zakat compliance behaviour of larger business groups. In addition, it is also useful to broaden the scope of the current study on other factors of compliance behaviour to produce more valuable findings and deepen our understanding on compliance behaviour of business zakat among Muslim entrepreneurs throughout Malaysia and in other Islamic countries.

## Conclusion

In general, this study can be concluded as that majority of SMEs comply with business zakat payment and law enforcement is one of the

criteria of business zakat compliance behaviour. Based on Rasch Measurement Model, it provides information about how many respondents are stated as the misfitting, how many items measured what they are supposed to measure of the respondent's response patterns, through the Person Item Distribution Map (PIDM). All the information shows how the law enforcement are located in the area of high agreement level thus, indicating as factors that influence compliance behaviour of business zakat among SMEs.

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