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Extending the Entrepreneurial Event Model to Explain Business *Zakat* Payment Behaviour among Muslim Sole Proprietors in Kedah

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Abstract

Business *zakat* is a critical pillar of the Islamic socio-economic system, functioning as a mechanism for wealth redistribution, poverty alleviation, and social welfare enhancement. Despite steady growth in total *zakat* collection in Malaysia, business *zakat* remains underrepresented, particularly among sole proprietors with substantial economic potential. This study extends the Entrepreneurial Event Model (EEM) by adding zakat-related knowledge as a fourth antecedent, alongside perceived desirability, perceived feasibility, and propensity to act, to explain business *zakat* payment behaviour among Muslim sole proprietors in Kedah. Using a quantitative cross-sectional design, the study collected data via structured questionnaires from registered Muslim sole proprietors and analysed them using Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings reveal that perceived desirability, perceived feasibility, propensity to act, and knowledge significantly influence intention to pay business *zakat*, and that intention, in turn, significantly predicts actual payment behaviour. Intention mediates the relationship between all four antecedents and business *zakat* behaviour, with substantial explanatory power (R^2 for intention = 0.808; R^2 for behaviour = 0.734). The study contributes theoretically by extending EEM into a religious fiscal compliance context and practically by offering evidence-based insights for *zakat* institutions to design targeted interventions that enhance compliance among Muslim entrepreneurs.

Keywords: Business Zakat Payment Behaviour, Entrepreneurial Event Model, Muslim SoleProprietors, Zakat-related knowledge

Introduction

Zakat plays a fundamental role in the Islamic socio-economic framework as both an act of worship and an instrument of wealth redistribution and poverty alleviation (Hassan & Noor, 2021). In Malaysia, institutional reforms, digitalisation, and improved governance have led to substantial increases in total *zakat* collections, with national figures exceeding RM4 billion annually (JAWHAR, 2024). However, this growth is driven largely by income *zakat*, while business *zakat* remains significantly below its potential, especially among sole proprietors and small business entities (Abdullah et al., 2024). In Kedah, total *zakat* collection has demonstrated a robust upward trend, rising from RM178.5 million in 2018 to RM303.3 million in 2024 (Lembaga *Zakat* Negeri Kedah [LZNK], 2024). Business *zakat* collections increased from RM25.95 million in 2015 to RM53.58 million in 2024, but still represent a relatively modest share of total collections given the large number of eligible Muslim entrepreneurs. Empirical evidence suggests that only about 10–20% of eligible business entities pay business *zakat*, pointing to a substantial compliance gap between potential and actual collections (Sanep et al., 2018; Abdullah et al., 2024). Existing literature attributes low business *zakat* compliance to behavioural and psychological factors, including knowledge deficiencies, low awareness, weak religiosity, and limited trust in *zakat* institutions, as well as institutional issues related to governance and transparency (Punding et al., 2024; Ahmad et al., 2025). However, few studies have systematically explored these determinants using robust behavioural models. This study addresses this gap by applying and extending the Entrepreneurial Event Model (EEM) of Shapero and Sokol (1982) to business zakat payment behaviour among Muslim sole proprietors in Kedah (Shapero & Sokol, 1982). The central aim is to investigate how perceived desirability, perceived feasibility, propensity to act, and *zakat*-related knowledge shape the intention to pay business *zakat* and how this intention translates into actual payment behaviour. By doing so, the study offers a theoretically grounded explanation of business *zakat* behaviour and provides practical recommendations for improving compliance and collection performance.

Literature Review

Business Zakat and Compliance Behaviour

Business *zakat* refers to *zakat* imposed on wealth generated through commercial activities, including inventory, cash, receivables, and profits, subject to the conditions of *nisab* and *haul* (Ismail et al., 2022*).* Compared with individual zakat, business zakat assessment is more complex, requiring systematic accounting practices and financial literacy, which many sole proprietors lack because of informal management and merged personal and and business finances (Hanefah et al., 2024). Studies in Malaysia consistently show that misunderstanding of calculation methods and insufficient knowledge are major barriers to compliance among entrepreneurs (Saad et al., 2016; Hanefah et al., 2024). Despite its complexity, business *zakat* is a high-value segment: a relatively small number of payers contribute disproportionately large amounts, indicating that marginal improvements in compliance can yield significant gains in collection (LZNK, 2024). However, behavioural factors such as perceived importance, feasibility, and readiness to act, alongside religious and institutional influences, continue to suppress participation rates.

Entrepreneurial Event Model (EEM)

The Entrepreneurial Event Model, introduced by Shapero and Sokol (1982), explains intentional behaviour through three key constructs: perceived desirability, perceived feasibility, and propensity to act. Perceived desirability reflects the attractiveness of a particular behaviour, perceived feasibility captures the perceived capability to perform it, and propensity to act represents the individual's disposition to translate intention into action. Later reformulations integrated entrepreneurial intention explicitly into the model, positing that when an individual perceives an act as both desirable and feasible and has sufficient propensity to act, intention forms and increases the likelihood of behaviour (Krueger, Reilly,

& Carsrud, 2000). In this study, business *zakat* payment is conceptualised as an intentional behaviour that, although driven by religious obligation, shares structural similarities with entrepreneurial decisions in terms of effort, risk, and resource commitment.

Extending EEM with Zakat Knowledge

The original EEM does not explicitly account for domain-specific knowledge (Shapero & Sokol, 1982), yet in the context of business *zakat*, knowledge of rules, calculation methods, and institutional procedures is indispensable. Prior research indicates that knowledge deficiencies significantly impede *zakat* compliance, particularly among small business owners (Saad et al., 2016; Yusoff et al., 2020). Accordingly, this study extends EEM by integrating *zakat*-related knowledge as a fourth antecedent of intention, alongside perceived desirability, perceived feasibility, and propensity to act (Abdullah et al., 2024). The conceptual expectation is that higher *zakat*-related knowledge enhances perceived feasibility (through better understanding of practical requirements), strengthens perceived desirability (through clearer appreciation of socio-economic and spiritual benefits), and increases propensity to act by reducing uncertainty and perceived risk.

Research Methodology

Research Design and Sample

A quantitative cross-sectional survey design was employed, targeting Muslim sole proprietors registered with the Companies Commission of Malaysia (SSM) in Kedah. The unit of analysis is the business entity operated as a sole proprietorship, focusing specifically on business zakat obligations rather than personal *zakat* categories. We distributed structured questionnaires to sole proprietors across Kedah's districts, using a sampling frame based on official statistics of registered businesses. A pilot study involving 114 respondents (entrepreneurs, students, and educators in Kedah) was conducted to refine the instrument and establish reliability and validity.

Measurement and Analysis

Perceived desirability, perceived feasibility, propensity to act, *zakat*-related knowledge, intention, and behaviour were operationalised using multi-item Likert scales adapted from entrepreneurship and Islamic finance literature and aligned with the EEM framework. We screened the data, ran descriptive analyses, and conducted diagnostic tests to assess missing values, outliers, normality, multicollinearity, common method variance, and non-response bias. Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to evaluate the measurement and structural models, following procedures recommended by Hair et al. (2022) and Henseler et al. (2009) for assessing outer loadings, composite reliability, average variance extracted (AVE), discriminant validity (including HTMT), path coefficients, R^2, effect sizes (f^2), and predictive relevance (Q^2).

Discussion

Measurement Model

The measurement model demonstrated satisfactory reliability and validity. Outer loadings met recommended thresholds; items below 0.40 were removed, and items between 0.40 and 0.70 were retained only when they contributed positively to composite reliability and AVE. Composite reliability values exceeded 0.70, and AVE values were at or above 0.50 for all constructs, indicating adequate convergent validity. Discriminant validity was confirmed through the Fornell-Larcker criterion and HTMT analysis.

Structural Model

The structural model exhibited strong explanatory power. The R^2 value for intention was 0.808 (adjusted R^2 = 0.803), and for behaviour it was 0.734 (adjusted R^2 = 0.734), suggesting that the four antecedents and intention collectively explain a substantial proportion of variance in business *zakat* payment behaviour. Path coefficients indicated that perceived desirability, perceived feasibility, propensity to act, and knowledge all have significant positive effects on intention. Intention, in turn, strongly and significantly affects behaviour, with an effect size (f^2) of 2.764, classified as strong. Effect sizes for knowledge and propensity to act on intention were moderate, while those for perceived desirability and perceived feasibility were small but significant. Mediation analysis showed that intention mediates the relationships between perceived desirability, perceived feasibility, propensity to act, and knowledge, and business *zakat* payment behaviour, consistent with the extended EEM framework.

Theoretical Implications

The findings support the suitability of the Entrepreneurial Event Model in explaining business *zakat* payment behaviour when extended with domain-specific knowledge (Shapero & Sokol, 1982; Krueger et al., 2000). The strong mediating role of intention confirms that business *zakat* compliance is not merely a function of external enforcement or institutional facilitation, but fundamentally a behavioural process shaped by perceptions and knowledge. Including zakat-related knowledge as a fourth antecedent significantly enhances the model's explanatory power, underscoring the centrality of knowledge in religious financial behaviour (Yusoff et al., 2020; Abdullah et al., 2024). This extension enriches the EEM literature by demonstrating that intention-based models can be successfully applied in religious fiscal compliance domains beyond entrepreneurship.

Practical Implications

For *zakat* institutions, particularly Lembaga *Zakat* Negeri Kedah, the results highlight the need to design interventions that simultaneously improve perceived desirability, perceived feasibility, propensity to act, and *zakat*-related knowledge among sole proprietors. Communication strategies should emphasise the socio-economic and spiritual benefits of business *zakat* to enhance desirability, while educational programmes and guidance tools should reduce perceived complexity and strengthen feasibility perceptions. Targeted training, digital calculation tools, and personalised advisory services can increase knowledge and the propensity to act, thereby reinforcing intention and behaviour. Segmenting entrepreneurs by knowledge level, as done in this study, allows for tailored messaging and support that address specific gaps and barriers.

Limitations and Future Research

The study's cross-sectional design limits the ability to capture temporal changes in intention and behaviour, suggesting the value of longitudinal or mixed-method approaches in future research. The exclusive focus on sole proprietors in Kedah constrains generalisability to other states and business forms, and the omission of variables such as profitability, trust in *zakat* institutions, and policy incentives indicates further avenues for extending the model. Future studies could compare EEM-based explanations with alternative models such as the Theory of Planned Behaviour, incorporate institutional trust and governance constructs, and expand the sample to include partnerships and corporations across multiple regions.

Conclusion

In conclusion, this study provides compelling empirical evidence that behavioural perceptions and *zakat-related* knowledge are critical determinants of business *zakat* payment behaviour. By extending the Entrepreneurial Event Model, it offers a theoretically rigorous and practically relevant framework for understanding voluntary business *zakat* compliance. The findings not only enrich the literature on Islamic behavioural finance and entrepreneurship but also provide evidence-based guidance for strengthening *zakat* governance and enhancing the effectiveness of *zakat* institutions in achieving sustainable socio-economic development.

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