



THE RELATIONSHIP BETWEEN ANTECEDENTS OF
*ZAKAT*PAYERS' TRUST AND *ZAKAT*PAYMENT
CHANNEL PREFERENCES

BY

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A dissertation submitted in fulfilment of the requirement for
the degree of Master of Science in Accounting

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ABSTRACT

Awareness on the immediate need of financial assistance to the poor has been a factor for determining the direct payment of *zakat* to the eligible party. However, this method of *zakat* distribution may be ineffective. *Zakat* can be made more effectively and efficiently managed when paid through a professional *zakat* institution. This will maximize the assistance rendered to the poor. However, to achieve this, *zakat* payers' trust and confidence in *zakat* institutions must be cultivated and maintained. This study examined the perceptions of selected Universiti Malaysia Kelantan's (UMK) staff in Kelantan on the antecedents of *zakat* payers' trust and its relationship with the attitude (preference) of paying *zakat* through *zakat* institutions. The main finding of the study suggests that the antecedents of *zakat* payers' trust are significantly and positively associated with the payment of *zakat* through *zakat* institutions. This indicates that there is a possibility of *zakat* payers to pay *zakat* directly to the recipients if they have low level of trust and confidence in *zakat* institutions. This study helps in ensuring optimal proficiency of *zakat* institutions and maximization of *zakat* benefit to the widest possible range of eligible recipients.

ملخص البحث

توعية الحاجة الفورية من المساعدات المالية بين الفقراء عاملا لتحديد الدفع المباشر للفئات المؤهلة . على اي حال هذه الطريقة من توزيع الزكاة غير فعالة، ويمكن إجراء الزكاة أكثر فعالية وكفاءة مع دفع عن طريق مؤسسة الزكاة المهنية. ومن هذا سوف تزداد المساعدة المقدمة الى المحتاجين . للوصول الى ذلك يجب زرع الثقة لدافعي الزكاة والثقة بمؤسسات الزكاة والمحافظة عليها . لتحقيق هذا الهدف، درست في هذه الاطروحة تصورات الموظفين المختارين من قبل (الجامعة الماليزية كيلنتان) على ثوابت الثقة لدافعي الزكاة وعلاقته مع موقف (التفضيل) من دفع الزكاة من خلال مؤسسات الزكاة . و النتيجة الرئيسية لهذه الدراسة يبدو أنه يشير إلى أن سوابق الثقة لدافعي الزكاة ' بشكل ملحوظ وإيجابي المرتبط بدفع الزكاة من خلال مؤسسات الزكاة . هذا يدل على أن هناك احتمال لدافعي الزكاة لدفع الزكاة مباشرة إلى المستلمين إذا كان لديهم مستوى منخفض من الثقة بمؤسسات الزكاة . هذه الدراسة هي خطوة نحو ضمان الكفاءة المثلى بمؤسسات الزكاة وتعظيم الاستفادة من الزكاة على أوسع نطاق ممكن من المتلقين المؤهلين.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Accounting.

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Siti Afiqah Binti Zainuddin

Signature

Date.....

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**THE RELATIONSHIP BETWEEN ANTECEDENTS OF ZAKAT PAYERS'
TRUST AND ZAKAT PAYMENT CHANNEL PREFERENCES**

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In the name of Allāh, the Most Gracious,
the Most Merciful. I would like to dedicate
this dissertation to my parents, father,
Zainuddin Bin Yaakob, and mother,
Rahaizan Binti Yusof.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This chapter provides an overview of the present study and is divided into six sections. Section 1.2 offers a background, followed by the motivation and objectives in Section 1.3 of the chapter. Section 1.4 highlights the research methodology and Section 1.5 addresses the significance of the study. Finally, Section 1.6 explains the organization of this dissertation.

1.2 BACKGROUND OF THE STUDY

In the context of economy and society, *zakat* seeks to achieve economic and social equality by promoting equitable distribution of wealth. In other words, economists consider *zakat* as a tool to enhance social justice, especially in reducing poverty (Wahab and Abdul Rahman, 2011; Ahmed, 2008; Hassan and Khan, 2007; Muhammad, 2008). At a macro level, the government could utilize this money for other developmental or social expenditures as *zakat* funds can increase the taxation potential of the government through the improvement of productivity, employment and output, where it can reduce poverty in a more broader setting (Hassan and Khan, 2007).

Though there has been some progress in reducing poverty through the assistance of *zakat*, there is an emerging consensus that many development programs aimed at poverty reduction failed to achieve their intended results (Ahmed, 2008). This may be due to insufficient collections of *zakat* that therefore lead to the its

decreased distribution by *zakat* institutions (Muhammad, 2008). The lack in *zakat* collection may be because of *zakat* payers prefer to pay *zakat* directly to whom they feel are eligible rather than paying through *zakat* institutions (Ghazali, 1989). However, this individual distribution was argued to be an ineffective means of *zakat* distribution as the amount is usually smaller along with a smaller sphere of recipients thereby neglecting other eligible recipients. In this regard, Al-Qardawi (1999) and Bakar and Ghani (2011) argue that an individual is incapable of ensuring the proper mechanism and management of *zakat*. Therefore, there is a need for a team of administrators who are credible and capable to manage *zakat* funds effectively and efficiently, so that the aim to mitigate poverty is achieved (Bakar and Ghani, 2011; Ahmed, 2008; Al-Qardawi, 1999; Muhammad, 2008).

In the case of Malaysia, as enacted by Article 3 of the Malaysian Constitution, any matters regarding religious substances including *zakat* administration fall under state ordinances. Accordingly, all religious affairs including the collection and distribution of *zakat* are administered by the State Islamic Religious Council (SIRC), a body established in each states to focus on religious affairs (Muhammad, 2008). This council is headed by the ruler of the state.

Recent evidence from the Malaysian federal government welfare department known as *Jabatan Kebajikan Masyarakat* (JKM) has shown several states in Malaysia (i.e. Sarawak, Sabah, Johor, Kedah, Terengganu and Kelantan) recording a high demand in welfare assistance for at least 30,000 individuals in each state, which has increased year by year (JKM, 2012). Apparently, states like Kelantan and Terengganu having the majority of Muslims residents were also ranked among the highest states in receiving JKM financial assistance (JKM, 2012). As the poor and destitute are a group of *zakat* beneficiaries (*asnaf*), their problems should not be ignored by *zakat*

administrators. Although apart of this 30,000 individuals may not qualify for *zakat* assistance, it is nevertheless believed that the number of eligible persons to receive *zakat* remains high. In addition, although some of these welfare recipients may also receive *zakat* assistance, they receive additional support from JKM as their initial assistance was insufficient and was received directly from individual *zakat* payers.

Evidently, the statistics on *zakat* show that the proportion of Muslims in Malaysia paying *zakat* through *zakat* institution channels remains low (Muhammad, 2008; Ahmad et al., 2005; Ghazali, 1989). For example, there are more than 1.27 million Muslims in Kelantan but only 1.77 percent or 22,576 individuals in 2011 paid *zakat* to Kelantan SIRC which is also known as *Majlis Agama Islam Kelantan* (MAIK) (MAIK, 2013). While in 2012, 2.34 percent or 29,815 individuals paid *zakat* to MAIK. These figures may suggest that a chunk of *zakat* funds are still not channeled through authorized institutions. In other words, it seems that *zakat* payers still prefer to pay directly to *zakat* beneficiaries (Muhammad, 2008). It is believed that the number of eligible persons to pay *zakat* on earned income is more than what was recorded by MAIK (Muhammad, 2008). Perhaps, there is also a reason to explain *zakat* payers' preference in channeling *zakat* payment.

Establishing laws regulating the role of *zakat* institutions has proved to provide no guarantee that *zakat* payers will use these institutions (Zulkifli and Sanep, 2010). This is because from the Islamic perspectives, *zakat* does not have to be institutionalized and can be paid through several mediums to several categories of people so long as the obligation to pay *zakat* is met (Zulkifli and Sanep, 2010; Muhammad, 2008). Many therefore believe that paying *zakat* directly to the recipient is similar or better than paying through the *zakat* institution (Zulkifli and Sanep, 2010).

It was argued by Muhammad (2008) that good *zakat* management should be able to secure public trust and attract *zakat* payment through *zakat* institutions. To a larger extent, institutions with excellent performance are reflected by elements of public trust towards them (Huda et al., 2012; Torres-Moraga et al., 2010, Sargeant and Lee, 2002; 2004). Therefore, since *zakat* payers' trust and confidence are crucial in attracting *zakat* payment through *zakat* institution channel due to certain reasons (i.e. in addressing wider issue of poverty and ensuring sufficient amount of *zakat* allocation to different household (productive and unproductive) without bias), there is a need to understand the factors that affect *zakat* payers' trust and confidence.

1.3 MOTIVATIONS AND OBJECTIVES OF THE STUDY

To recapitulate, the goal of addressing the issue of poverty could not be achieved without efficient and effective *zakat* management (Ahmed, 2008; Muhammad, 2008). In this regard, if there is *zakat*, the best body in managing *zakat* is the *zakat* institution (Ahmed, 2008; Muhammad, 2008; Hassan and Khan, 2007; Bakar, 1998; Al-Qardawi, 1999).

In Malaysia, *zakat* payers have two options of either to pay *zakat* directly to the recipient or through *zakat* institution since there is no rule regarding this issue (Muhammad, 2008). In this regard, *zakat* institutions have put efforts to ensure *zakat* payers pay *zakat* through them. For example, *zakat* institutions have focused on continuous campaign, roadshows, and even a few states such as Selangor, Johor and Negeri Sembilan have corporatized its collection and distribution of *zakat* to ensure *zakat* is managed efficiently and effectively. Nevertheless, the existing studies by Zulkifli and Sanep (2010), Muhammad (2008), Ahmad et al. (2005) and Ahmad and Wahid (2005) have shown *zakat* payers prefer to pay *zakat* directly to *zakat* recipients

due to their personal satisfaction and lack of trust and confidence towards *zakat* institutions. As a result, it is presumed that this individual distribution of *zakat* causes the poor and destitute to receive insufficient amount of *zakat* and the distribution is restricted only to a certain number of recipients considered eligible. Although paying *zakat* directly to recipients gives more satisfaction, it is intended here that, paying *zakat* through the institution channels is anticipated to have more effective distribution to *zakat* recipients.

Perhaps, by measuring the opinion of *zakat* payers towards *zakat* institutions, the *zakat* institutions will be able to enhance the *zakat* system particularly in the way it attracts *zakat* payers. It is vital to measure how *zakat* payers perceive *zakat* institutions in order to determine their considerations when determining the channels to pay *zakat* or consider suitable for that purpose (Muhammad, 2008). Such an endeavor will help explain *zakat* payers' level of trust towards *zakat* institutions. In other words, the more *zakat* payers trust *zakat* institutions, the more they feel satisfied and opt to pay *zakat* through the provided channels.

Thus, to understand what factors may influence the extent *zakat* payers trust *zakat* institutions and why they want to choose paying *zakat* through *zakat* institution channels, the current study seeks to achieve the three research objectives (RO) as follows:

RO1: To investigate the antecedents of *zakat* payers' trust.

RO2: To examine whether there is a relationship between the antecedents of *zakat* payers' trust with *zakat* payers' preferences on *zakat* payment channels.

RO3: To ascertain the most influential antecedents of *zakat* payers' trust through a confidence index.

In achieving the objectives of this study, the following research questions (RQ) were developed:

RQ1: What are the antecedents of *zakat* payers' trust?

RQ2: What is the relationship between antecedents of *zakat* payers' trust with *zakat* payers' preferences of *zakat* payment channels?

RQ3: What are the most influential antecedents of *zakat* payers' trust?

1.4 METHODOLOGY

To answer the research questions in the preceding section, Muslim academics and administrative staff of Universiti Malaysia Kelantan (UMK) are selected as respondents for this study. These individuals are selected with the belief that they have the knowledge, understanding, and involvement in the area of *zakat*. Hence, it is expected that the respondents would provide relevant information sought by the study. Three hundred questionnaires were distributed in three locations of the UMK branches. Prior to that, this study first reviewed the literature on the antecedents of *zakat* payers' trust and the antecedents of donors' trust. Further, the study reviewed literature on *zakat* institutions to gain insights into the institutional framework and socio-economic roles of *zakat* as well as the distribution and collection issues surrounding the institution. The review also covers *zakat* experiences in selected Muslim countries. This assessment is mainly descriptive in nature. Thus, data collection involved two stages in order to meet the requirements of the study. The first stage was the administration of a questionnaire (see Appendix B). Prior to this, a pilot study was undertaken by administering the questionnaire in Universiti Malaysia Kelantan (UMK) and International Islamic University Malaysia (IIUM).

1.5 SIGNIFICANCE OF THE STUDY

This study is expected to contribute to both the theory and the current practices of *zakat* management. To the best of the researcher's knowledge, there has yet to be a study conducted on the perceptions of *zakat* payers on the antecedents of *zakat* payers' trust in Malaysia. By examining the eight antecedents of *zakat* payers' trust, namely (i) Capacity of board capital/management, (ii) Organizational model, (iii) Role Competence, (iv) Familiarity, (v) Reputation, (vi) Perceived opportunism, (vii) Stakeholders management and (viii) Disclosure practice, this study would be contributing towards understanding what are *zakat* payers influencing factors in paying *zakat* through *zakat* institutions.

In regards to theory, the researcher relates the Theory of Planned Behavior with the area of *zakat*. As explained by Ajzen (1991), the theory states that attitude toward behavior, subjective norms, and perceived behavioral control, together shape an individual's behavioral intentions and behaviors. Extrapolating TPB in the context of this study, it study suggests that the preference on paying *zakat* through *zakat* institutions' channel is shaped by antecedents of *zakat* payers' trust. Whereby, the antecedents of *zakat* payers' trust are formed by *zakat* payers' perception on self-attitude (attitude towards behavior), other person perception on *zakat* payers' action (subjective norms) and *zakat* payers' perceived ease or difficulty of performing the particular behavior (perceived behavioral control). To be more precise, the antecedents of *zakat* payers' trust are the elements of *zakat* payers' normative¹ belief and behavioral² belief. The normative and behavioral belief basis for *zakat* payers behave in certain ways. Thus, these antecedents of *zakat* payers' trust will explain the

¹ Normative belief: an individual's perception of social normative pressures, or relevant others' beliefs that he or she should or should not perform such behavior (Ajzen, 1991).

² Behavioral belief: an individual's belief about consequences of particular behavior. The concept is based on the subjective probability that the behavior will produce a given outcome (Ajzen, 1991).

reason why some *zakat* payers prefer to use *zakat* institutions' channels to discharge their *zakat* obligation. It is therefore hoped that this study will fill the lacuna in *zakat* and management accounting literature, particularly in relation to the theory of planned behavior.

In terms of the contribution to the current practice of *zakat*, this research will provide some empirical data on the perception of UMK staff as a group of *zakat* payers towards *zakat* institutions and their preferred *zakat* payment channels. Such information is expected to be useful for the relevant authorities in improving the *zakat* administration in Kelantan. In addition, this study provides information on UMK staff confidence level that would assist SIRC in its strategic planning for *zakat* management.

1.6 ORGANIZATION OF THE STUDY

This research consists of six chapters:

Chapter One on introduction offers a general introduction and overview of the study, in addition to elaborating its motivations significance.

Chapter Two on literature review reviews the relevant prior literature on trust and *zakat* management. Contemporary issues in *zakat* are highlighted and the issues will be themed into several prominent a category in which gap in the literature is also identified.

Chapter Three on theoretical framework and hypotheses development explains the theoretical framework, hypotheses development, research questions as well as the theory of planned behavior as the theoretical framework of this research.

Chapter Four is on research methodology discusses the research design and method adopted by this study including measured variables, sample characteristics

and data analysis procedures.

Chapter Five is on research findings and analyses presents and analyzes the results of the study.

Chapter Six is on conclusion and recommendation concludes the study by discussing and synthesizing the overall findings. It recognizes several limitations of the study, draw s conclusions, and offers suggestions for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter consists of eight sections. Section 2.1 introduces the chapter and followed by the overview of poverty and poverty eradication scheme in Islam in Section 2.2. While in the next section, the overview of zakat in Islam and zakat administration in Kelantan are discussed in Section 2.3 and 2.4, respectively. This is followed by the *zakat* on income, trust, antecedents of *zakat* payers' trust in Section 2.5 and 2.6, 2.7 respectively. Section 2.8 identifies the gap in the literature with an emphasis on the Malaysian context. Section 2.9 concludes the chapter.

2.2 AN OVERVIEW OF POVERTY

According to Hassan and Khan (2007), poverty is regarded as a multidimensional economic phenomenon that has both social and political implications. It exists throughout generations and societies irrespective of cultural affiliation and geographical boundaries. Hassan and Khan (2007) asserted poverty persists in both developed and developing economies and even most awful in both rural and suburban areas alike.

Poverty can be best described from few dimensions (Schubert, 1994). In terms of place of living, poverty is less extensive in urban than in rural areas, as chances of employment and income growth in urban areas are higher (Schubert, 1994; Ghazali, 1989). As the communities in rural and remote areas work in agriculture-based activities, their income is associated with the uncertainty of natural disasters and

climatic cycle, so the poor in rural area suffer from poverty of a seasonal nature. On the other hand, in urban areas, the poor generally engage in low-skilled and low-paying jobs such as contract clerk, factory labor, part-timer and cleaner. These types of jobs offer low salaries that are often insufficient for them to sustain their livelihood. In addition, Hassan and Khan (2007) agrees the relationship between family size and poverty, in which larger families are more likely to suffer from severe poverty than smaller ones. Furthermore, in terms of literacy rate, the poor with lack of education leads to a low level of human capital and capacity rather than people with good education (Schubert, 1994). In general, poverty density is relatively higher in localities that lack infrastructure and facilities.

2.2.1 Zakat as a Tool for Poverty Alleviation

Islam establishes *zakat* as a compulsory charity tool that can be used on eight purposes and one of the main purposes is the alleviation of poverty through assistance to the poor and the needy (Hassan and Khan, 2007; Muhammad, 2008). *Zakat* can be used as part of a long-term strategy for poverty alleviation. International *Shari'ah* Board on *Zakat* (ISBOZ) explained that *zakat* funds could be used in undertaking development projects, health care services, and educational services as long as the beneficiaries of such projects fulfill the criteria to be recipients of *zakat* (Hassan, 2010).

Zakat funds could be used to create a pool of funds which for financing development activities and can replace government expenditures (Bakar, 1998; Al-Qardawi, 1999, Muhammad, 2008). Hassan (2010) asserted in Bangladesh, *zakat* funds could have contributed up to TK³ 30,683 million (21%) of the Annual Development Plan (ADP) in 1983/1984 and up to TK 220,000 million (43%) of ADP

³ The Taka (Bengali: টাকা, sign: ₳ or Tk, code: BDT) is the currency of Bangladesh.

in 2004/2005. If *zakat* funds were properly managed, it could assist the poor and therefore significantly reduce the poverty (Hassan and Khan, 2007).

2.3 AN OVERVIEW OF ZAKAT

According to the Al-Quran, *zakat* was decreed as far back as the time of Prophet Abraham (PBUH) as stipulated in the chapter *al- 'Ankabuut*, verse 73,

"We made them (Abraham and his sons) caliph who guided in accordance with our commandments, and we taught them how to work righteous, and how to observe the prayer (*salat*) and the *zakat*. To us, they were devoted worshipers."

Zakat is alms-giving payable under certain circumstances to the *zakat* beneficiaries. The importance of *zakat* is not just to ease the burden of the poor and needy but to address social and economic imbalance. *Zakat* is not simply a religious and spiritual duty; it is a practical tool in support of equitable income and expenditure.

2.3.1 The Meaning of Zakat

Zakat is derived from the Arabic root word of *zaka* which means prosper, blessed, pure, grow and kind (Al-Qardawi, 2007). One who gives *zaka* is therefore performing an act of kindness. The root word of *zakat* is used extensively in Al-Quran and Al-Hadith which are the primary sources of laws in Islam. According to Al-Qardawi (2007), the root word of *zakat* refers to growth and something that develops overtime. *Zakat* is one of the religious obligations of Muslims. In Islam, *zakat* is the third of the five pillars of Islam. It is payable on various sources and can be computed from revenues, assets, gold and silver, and savings, among others. Gambling and Karim (1986) describe '*Zakat*' or '*Zakah*' as a means of purification and not just an obligation between one Muslim and another. The word *zakat* and *zakah* are used

interchangeably in many literatures (e.g. Dutton, 2011; Khafidz and Subri, 2012; Sarif, Kamri and Ali, 2013; Ansari, 2011). Purification refers to one's satisfaction from rendering assistance to others. It is not just purification of wealth, but also the heart.

Consistent with Al-Qardawi (2007), the Federal Territory Islamic Religious Council, Kuala Lumpur (MAIWP) views *zakat* literally as “to grow” (in goodness), “increase”, “purifying” or “making pure”. Thus, the act of giving *zakat* means purifying one's wealth to gain Allah's blessing and to make it grow in goodness.

In term of Islamic jurisprudence (*fiqh*), *zakat* means a particular amount of property obliged by Allah to be distributed to eligible people (Al-Qardawi, 2007). The donated wealth is called *zakat* and serves to purify the wealth and soul of the *zakat* payer.

2.3.2 Type of *Zakat*

There are two types of *zakat* in Islam, namely *zakat* on wealth or property (*zakat al-mal*) and *zakat fitr*. *Zakat fitr* is required of every Muslim both male and female who has fulfilled certain conditions as indicated by Islam (Junus, 1966). *Zakat al-fitr* is disbursed during the month of *Ramadhan*⁴ before the *eid al-fitr* prayer is over upon which the fasting period comes to an end and the month of *Syawal*⁵ begins. Similar to *zakat* on wealth, *zakat al-fitr* is payable to the eight beneficiaries (*asnaf*) of *zakat* as stipulated in the following verse: “(i) the poor, (ii) the needy, (iii) the collectors of the al-fitr, (iv) those whose hearts are to be reconciled, (v) captives who are to be set free, (vi) debtors who are to be set free, (vii) fighters for the cause of Allah and, (viii) wayfarers” (chapter *al-A'raaf*: verse 60).

⁴*Ramadhan* is the ninth month in Islamic calendar which is based on lunar.

⁵*Syawal* is the tenth month in Islamic calendar which is based on lunar.

In contrast, *zakat* on wealth can be paid at any time at the rate of 2.5 percent over total assets. In other words, 2.5 percent of the total wealth is the right of the eight recipients eligible to receive *zakat* (Abu Bakar, 2007). However, *zakat* is not limited to the aforementioned sources. Prophet Muhammad (PBUH) identified different *zakat* sources according to contexts. Recently, several contemporary types of *zakat* that have been adopted by MAIWP, (i) *Zakat* on income, (ii) *Zakat* on business, (iii) *Zakat* on savings, (iv) *Zakat* on shares, (v) *Zakat* on employee provident fund, (vi) *Zakat* on gold and silver, (vii) *Zakat* on agriculture, (viii) *Zakat* on livestock (MAIWP, 2013).

2.4 ZAKAT ADMINISTRATION IN KELANTAN

This section provides a review of *zakat* administration in Kelantan. The review covers current collection and distribution of *zakat* in Kelantan.

Kelantan was chosen as a study sample because it was the first state to establish a body to manage *zakat* matters, which was later adopted by other states in *Tanah Melayu* (Ab Rahman et al., 2012). Since Kelantan was the first state to formally establish the institution of *zakat*, perhaps the level of awareness on this religious obligation (*zakat*) among its community is relatively higher in comparison to other states in the country. The statistic from National Statistic Department (NSD) reveals that Muslims are the majority residents in Kelantan and this information is supposed to indicate that *zakat* would be more relevant to address the issue of poverty in the state. However, Hassan and Khan (2007) opined poverty will always exist in remote villages and rural area, while Ghazali (1989) asserted the phenomenon of paying *zakat* directly to recipients was common in remote areas. Since Kelantan is predominantly rural, it is expected that the traditional means of *zakat* distribution (i.e.

direct to recipients) remains in practice (Enoch, 2012; Ab Rahman et al., 2012; Nik Hassan, 1983).

2.4.1 Institutional Framework of *Zakat* in Kelantan

Religious affairs fall under the state jurisdiction. The SIRC is primarily responsible to administer all matters relating to Islam in each state in Malaysia. Among the responsibilities of the SIRC is collecting and distributing *zakat* to eligible recipients. Prior to 1990, the collection and distribution of *zakat* in Malaysia was not properly managed by the SIRC. Realizing the need for a structured and efficient organization to manage *zakat* collection and distribution, some SIRC had corporatized the function of the collection and distribution of *zakat* to independent entities. For example, the SIRC of Federal Territory, Kuala Lumpur established the Zakat Collection Center (PPZ) in 1991 to manage the collection and distribution of *zakat* in the Klang Valley. This move was later followed by Pahang, and Selangor in 1994, Pulau Pinang in 1995, while Negeri Sembilan and Melaka established zakat collection centers in 2000.

The SIRC of Kelantan, however, is yet to corporatize the collection and distribution of *zakat*. Until today, the collection and distribution of *zakat* in Kelantan is still directly managed by the SIRC. The organizational structure of *zakat* collection and distribution in Kelantan are depicted in Figure 2.1.

The SIRC of Kelantan maintains the old organizational structure where a specific unit under the SIRC is responsible to administer the collection and distribution of *zakat*. By looking at the organizational structure of the SIRC of Kelantan in Figure 2.1, the *Zakat* Unit is a small unit under the Development Department. It has one assistant officer (N27) and five clerks (N17) to monitor the collection of *zakat* in Kelantan. Similarly, the disbursement unit has one assistant

officer (N27) and three clerks (N17). It appears that they have sufficient number of staff to administer the collection and disbursement of *zakat*.

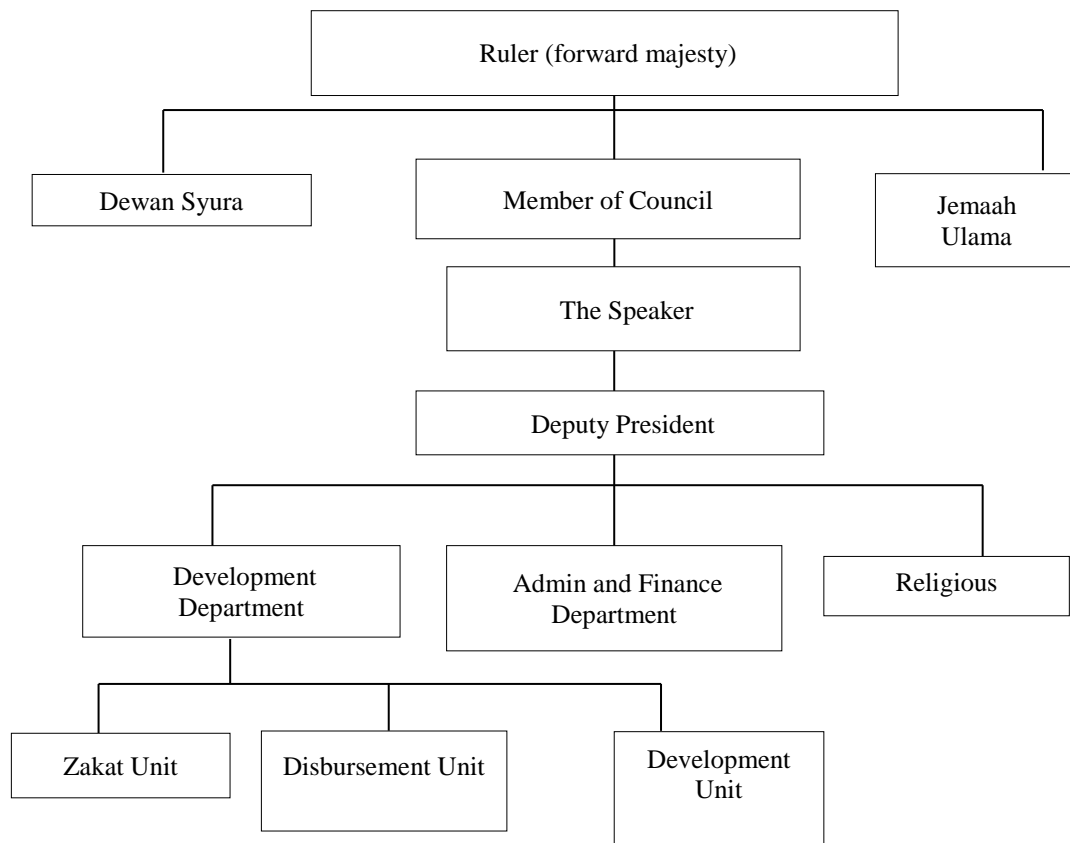


Figure 2.1 Organizational Structure of State Islamic Religious Council of Kelantan
Source: MAIK official website. (www.e-maik.my)

2.4.2 Collection of *Zakat* in Kelantan

The collection of *zakat* in Kelantan covers several types of *zakat* including *zakat* on paddy, income, gold/silver and agriculture. An analysis of the data of *zakat* collection in Kelantan shows an increasing trend from year 2011 to 2012. The SIRC of Kelantan managed to collect RM94 million of *zakat* in 2011 and the collection increased to RM113.1 million in 2012. Table 2.1 illustrates the collection trend from year 2011 to

2012. However, *zakat* collection in agriculture and paddy decreased which may be due to changes in community's profession.

Table 2.1 Collections of Several Types of *Zakat* from 2011 to 2012 in Kelantan

Types of <i>zakat</i>	2011 (RM)	%	2012 (RM)	%
<i>Zakat</i> on paddy	593,059.30	1	560,487.70	0
<i>Zakat</i> fitrah	7,728,948.30	8	7,887,514.42	7
<i>Zakat</i> on saving	5,923,964.91	6	7,124,967.00	6
<i>Zakat</i> on income	49,419,694.91	53	62,670,497.01	55
<i>Zakat</i> on share	195,021.18	0	357,205.94	0
<i>Zakat</i> on business	21,714,415.64	23	23,836,432.01	21
<i>Zakat</i> on gold/silver	234,716.56	0	396,123.39	0
<i>Zakat</i> on properties	8,173,419.25	9	10,196,411.93	9
<i>Zakat</i> qadha	97,585.94	0	128,365.30	0
<i>Zakat</i> on agriculture	650.00	0	0	0
<i>Zakat</i> on livestock	2,000.00	0	5,000.00	0
TOTAL	94,083,475.87	100	113,163,004.70	100

Source: MAIK official website. (www.e-maik.my)

There is an interesting trend on the amount of *zakat* collection from each type of *zakat*. Although Kelantan is well known for its agricultural and entrepreneurial activities, the figures of *zakat* collection from both types of *zakat* are smaller than *zakat* collection from employment income. *Zakat* on earned income is a prominent contribution to *zakat* institution. For the year 2012, the SIRC of Kelantan collected RM62.6 million in *zakat* on earned income representing 55 percent of the total

collection of RM113.1 million. Due to the substantial portion of income compared to other types of *zakat* collected by MAIK, it will be the focus of this study.

The implementation of the flexible method in paying *zakat* on earned income such as salary deduction might have contributed to the higher collection of such *zakat* (Kamil, 2005 and Hairunnizam et al., 2005). Still, to make a decision on whether to use the salary deduction method as one way to discharge *zakat* obligation may depend on the *zakat* payers' observation of the *zakat* institutions' initiative in managing *zakat*.

For example, *zakat* payers might argue that the effectiveness of *zakat* distribution in socio economic development is not just determined by the size of *zakat* allocation to the poor and destitute, rather more on how *zakat* contributes to reduce poverty and income equality in the society by targeting appropriate recipients of *zakat*.

Some *zakat* payers in Kelantan have been living in the same neighborhood with poor people who did not receive sufficient care and attention by *zakat* institution. This experience of *zakat* payers may have created some kind of negative perception on *zakat* institutions by these payers, which may result in a lack of trust in *zakat* institutions by them.

2.4.3 Disbursement of *Zakat* in Kelantan

As can be seen in Figure 2.2, in 2012, the destitute or poor people received the highest allocation of 67.2 percent or RM67.6 million from the *zakat* fund compared to other groups. This was followed by those working in God's way (*Fisabillah*) group with the allocation of 17.3 percent or RM17.4 million. The amount allocated for representative officer (*'amil*) was reported to be 4.2 percent or RM14.3 million from the total disbursement of *zakat* in 2012. The SIRC of Kelantan allocated RM 12 thousand to the wayfarers (*ibnu sabil*) group.

Since the highest allocation of *zakat* was allocated to destitute and poor people, the issue of inequality and poverty in Kelantan should have been the priority of the *zakat* institution. Based on this observation, it is probable that there may be some factor that could explain this scenario which should be further discussed and examined. Figure 2.2 concerned the allocation of *zakat* funds to several group of *asnaf*⁶ that exist in Kelantan.

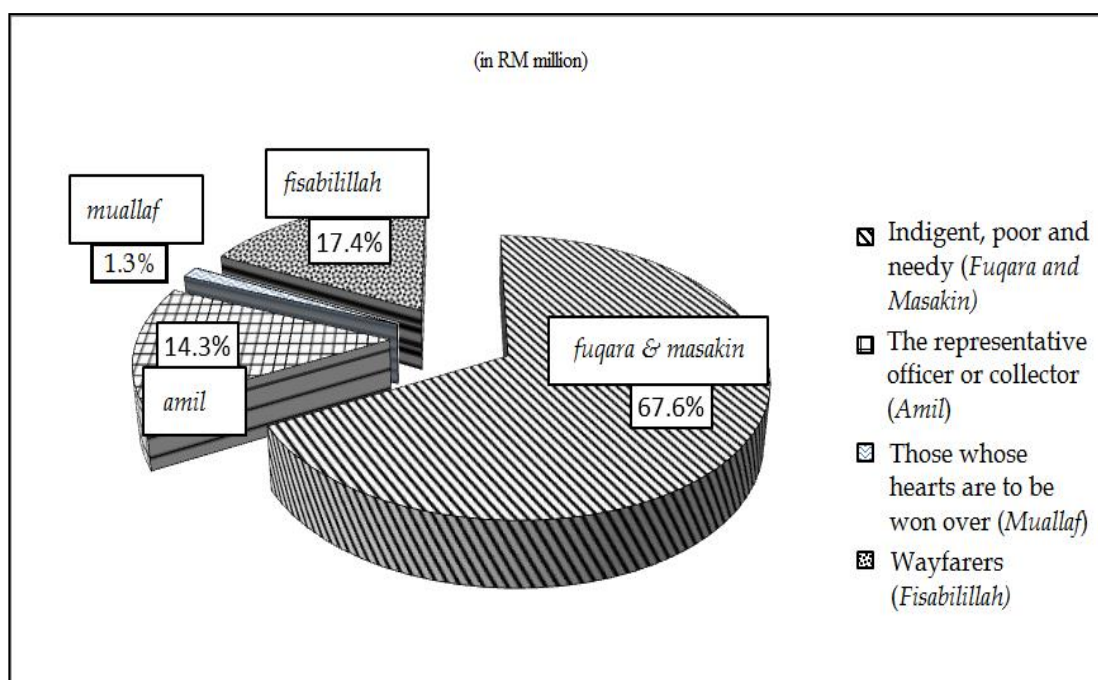


Figure 2.2 Allocation of *Zakat* in Kelantan in 2012

Sources: MAIK official website. (www.e-maik.my)

2.5 *Zakat* on Earned Income

Subsequent to the implementation of *zakat* on wealth and property, *zakat* on earned income was introduced in the reign of Muawiyah and Caliph Umar bin Abdul Aziz (Qaradawi, 1987).

⁶ A specific group of people that have right to receive *zakat* (Amirul et al., 2013).

There are two common methods to calculate *zakat* on earned income. The first method is by multiplying 2.5 percent (*zakat* rate) on gross income for a year with the consideration that the yearly income must exceed the *nisab*⁷ (Dhar, 2013). The second method is by paying *zakat* after deducting allowable expenses. For instance, in Malaysia, the allowable expenses consist of subsistent expenses (RM8000), spouse (RM3000), children (RM1000 for each child), Employee Provident Fund (EPF) contribution, pilgrimage contribution and parent's expenses. The deduction of *zakat* from the salary has been practiced since the caliphate of Uthman *r.a* (Muhammad et al., 2012).

According to Mohd Nor et al. (2004), rendering *zakat* on earned income compulsory upon all Muslim is yet to be agreed upon by all Muslim scholars. Despite this, there are countries or state that obliges Muslims to pay *zakat* on earned income such as Sudan, Pakistan, Brunei and Malaysia (Mohd Nor et al., 2004).

2.5.1 Collection and Disbursement Channels for *Zakat* on Income

Muhammad et al. (2012) enumerated the variety of *zakat* collection methods implemented by the SIRC of the Federal Territory, namely salary deduction, e-payment, mobile payment by Automated Teller Machines (ATM) and Cash Deposit Machine (CDM), payment through Short Messaging Service (SMS), online banking “standing instruction”, and kiosk machine at mosques and petrol station. The analysis takes place from 2003 until 2009. The objective of the study was to analyze the *zakat* collection method by *zakat* collection center of the Federal Territory, Kuala Lumpur (so called PPZ-MAIWP). From the analysis, PPZ-MAIWP has recorded positive

⁷ *Nisab* is the minimum amount of wealth owned by an individual for one year that obligates the individual to pay *zakat* or a laid down limit which this minimum amount of wealth is separately defined for each category of wealth (Mek-Work and Syed-Sikandar, 2008).

trends of *zakat* collection. The progressive trend was driven by PPZ-MAIWP initiative to schedule a variety of payment mechanisms based on current needs and technological changes. These efforts by PPZ-MAIWP constitute an exemplary model for other *zakat* institutions in terms of providing updated payment mechanisms to *zakat* payers.

According to Muhammad et al. (2012), two concepts are mostly used to diversify the *zakat* payments method (channel) in order to facilitate Muslims to meet their obligations. The two concepts are *rukhsah* (easiness) and *takhfif* (mildness), which are also applicable to *solat* or prayer in Islam. The application of these two principles has enabled the element of innovation and improvement to be incorporated into *zakat* practice to ease Muslims to perform *zakat* obligation.

The findings from Muhammad et al. (2012) show that salary deduction, PPZ-MAIWP counters, postal mail and banking counters have been consistently used as collection methods between 2003 until 2009. The use of post office counters for *zakat* collection began in 2005 and followed by cheque deposit machines and credit cards in 2006. Alternatives such as mobile money⁸, collection agents, kiosks, debit cards, post-dated cheque and special account were applied from 2007 onwards. The findings also showed that mobile money was ineffective as it failed to collect any *zakat* in 2009.

Therefore, as asserted by Muhammad et al. (2012), there is no excuse for the *zakat* payers to ignore the obligation of paying *zakat* as there are many facilities provided to facilitate *zakat* payment. However, sophisticated *zakat* payment facilities are not a panacea for improving the collection and distribution of *zakat*. Other prominent factors include the form of *zakat* payment (Kuran, 1986) and the intention of paying *zakat* directly to the *zakat* recipients (Bakar and Ghani, 2011).

⁸ Mobile money is a service that enable user of mobile phone to do payment via their mobile phone call credits (Nishtar et al., 2010).

2.6 TRUST

Sargeant et al. (2006) argued that trust levels would encourage higher levels of payers' commitment towards charity institutions. Trust is important especially for intangible services (Coleman, 1990). Trust is particularly relevant in the charitable sector where donation services are intangible (Polonsky and Macdonald, 2000) and charity organizations are depended upon to deliver donations to recipients (Hansmann, 1980). Trust refers to the extent of donor belief that a charity will behave as expected and fulfill its obligations (Sargeant and Lee, 2004) while commitment, according to Moorman et al. (1992) drives endurance to maintain a valued relationship. Sargeant and Lee (2004) inferred that an increase of trust will result in increased giving behavior.

2.6.1 Definition of Trust and confidence

McKnight et al. (1998) define trust as one's belief and dependency on another party. They claimed that trust can be categorized into two constructs, namely trusting intention (meaning that one is willing to depend on the other person in a given situation) and trusting belief (meaning that one believes the other person is benevolent, competent and honest or predictable in a situation). In accordance to the psychological view on trust, trust refers to "a person's trustworthiness as that person's preference for upholding social and behavioral norms, such as honesty and fairness, in situations in which the trusting party will benefit from the adherence to those norms" (Slapnicar, 2009).

Meanwhile, Tutko and Tosi (1976) as cited in Jim and Gregory (2005) defined confidence as believing in one's ability, having faith in one's talent, accepting

challenges that test limits, knowing strengths and weaknesses, going all out to achieve a desired result and not engaging in second guessing.

Cook and Gronke (2005) studied about trust in government and confidence in institutions. They opined trust and confidence are differs methodologically and conceptually. Similarly, Luhmann (2000) proposed trust and confidence is two distinct subjects as it depends on perception and attribution. If a certain action taken regardless of consequences arises from conducting the action, whether it is positive or negative, that situation is regarded as trust. However, in other situation if an action taken is assumed to have more positive than negative consequence that will merely regarded as confidence (Luhmann, 2005). On the other hand, even trust and confidence have been pronounced to be separated, Siegrist et al. (2003) argued trust and confidence have its similarities by considering some circumstances such in its function on interacting sources of cooperation. Hence, in this study, the main focus is regards to the function of trust and confidence that exist in one's attitude, subjective norm and perceived behavior control to determine the intention of respondents on conducting certain action.

2.6.2 Trust in *Zakat* Management

Trust is always a key element in a contract that involves two or more parties. In *zakat* management, trust of *zakat* payers should be the top priority of *zakat* institutions. Being a trusted body it is important for *zakat* institutions as it may improve *zakat* collection and this consequently provide dynamism in the fiscal management of a country (Nik Hassan, 1987).

In addition, the efficient *zakat* management of *zakat* institution is one of prerequisite that may attract *zakat* payers' trusts. A study by Nik Hassan (1987)

affirmed that there is a need for ensuring efficient *zakat* distribution as a means to compromise the trust bonding between the *zakat* institution and *zakat* payers. In compromising the *zakat* payers' trust toward *zakat* institution, the study found few things that should be followed by *zakat* institution; (i) the collection of *zakat* should be disbursed immediately to the *zakat* recipients as it is their rights to have it and they are obviously in need of the *zakat* assistance, (ii) the *zakat* collection in a particular area should preferably be disbursed to the *zakat* recipient in that particular area of collection, ensuring a good bond of brotherhood and healthy atmosphere for strong cooperation in that particular area, (iii) the *zakat* fund should be disbursed to maximize the benefits of the *zakat* recipients economically and spiritually so that they will someday become a *zakat* payer and not remain as *zakat* recipients, (iv) being the most important fiscal instrument for Muslims, *zakat* expenditure must aim to achieve the objectives of economic equity, growth and stability (Nik Hassan, 1987). With regard to the contribution of *zakat* to the economic development of Muslims, efficient *zakat* management helps in developing a positive perception of *zakat* payers toward *zakat* institutions. Such positive perception suggests the important role and competence of the *zakat* institution which this may probably strengthen the trust bonding among the *zakat* institution's stakeholders.

Neu (1991) explored the role of trust and the ways in which trust is created within the prospectus process. Trust is a necessary condition for economic exchange and must exist prior to contracting. In addition, Tomkins (2001) argues that trust is a vital element in the inter-personal contract. Zaheer and Venkatraman (1995) studied the importance of the role of trust in economic exchange. Applying this empirical evidence in *zakat* institutions, *zakat* payer would trust *zakat* institutions if the *zakat* institutions manage to perform their role accordingly.

Seal and Vincent Jones (1997) and Baldvinsdottir et al. (2011) opined that the significance of trust becomes obvious when there is a strong decline in trust. They suggested a need for future research on trust and accounting, as the accounting users (i.e. organizations, regulators and governments) would benefit from a better understanding on which accounting choices and disclosures that may help increase trust, and which ones may decrease trust. Thus, research on trust and accounting helps accountants and researchers to understand not only the role of trust in accounting processes, but also how trust can come about by means of accounting.

Moreover, continuous theoretical and empirical researches have pointed out the significant role of trust in defining both the credibility and legitimacy of charity organizations (Sargeant and Lee, 2004). *Zakat* payers' decision is very important in the contribution of *zakat* funds as individual payers constitute the largest *zakat* source (77%) from the total fund collected by MAIK other than *Waqf* and proceeds from donations of general resources (MAIK, 2010). MAIK (2010) also reported that the largest (36%) portion of *zakat* collection is from *zakat* on earned income, followed by *zakat* on business, *zakat fitrah*, *zakat* on property, *zakat* on savings, *zakat* on paddy, *zakat* on shares, *zakat qadha*, *zakat* on gold and silver, *zakat* on livestock, and *zakat* on agriculture (MAIK, 2010). Hence, the need of *zakat* payers' trust is inevitable as the amount of *zakat* collection by *zakat* institutions is to a certain extent determined by the credibility in *zakat* management.

Most likely there are factor of trust that stimulate the increase and decrease of *zakat* collection by MAIK and is therefore the motivation of this study. Moreover, the report from MAIK and MAIWP showed that *zakat* on earned income is the largest portion of *zakat* collection in 2011 (as discussed in section 2.4.2 earlier). This favorable contribution of *zakat* payers to the collection of *zakat* offers greater

opportunities to address poverty issues (Abu Bakar and Abdul Rashid, 2010). As it is important to have good *zakat* collection, it is crucial for *zakat* institutions to have and maintain strong trust and confidence of *zakat* payers to attract more collection of *zakat* through its provided channels. Thus, it becomes a responsibility of *zakat* institutions to portray a positive image to develop positive perceptions among *zakat* payers.

2.6.3 Confidence and Trust

Trust and confidence are very subjective elements in any contract and yet very fragile element. The preferences and perceptions of people are unpredictable due to the issues of trust and confidence. A study by Salleh and Ahmad (2011) on staff of Universiti Kebangsaan Malaysia (UKM) sought to develop a staff confidence index on management services at Selangor Zakat Board (LZS). The confidence index was later measured by Technometrica Institute of Policy and Politics (TIPP) indices.

The respondents to this instrument consisted of 50 employees which comprise professionals, lecturers, and staff. From the analysis, Salleh and Ahmad (2011) found that 52 percent of the respondents pay *zakat* to *zakat* institutions, namely LZS, while 24 percent of the respondents pay *zakat* to *zakat* institutions other than LZS including *zakat* institutions in their hometown. Sixteen percent of the respondents pay *zakat* directly to the *zakat* recipients due to doubts in the *zakat* institutions especially in regards to *zakat* distribution.

Moreover, Salleh and Ahmad (2011) identified 32 variables to be tested and grouped them into six groups, namely (i) non-human factor, (ii) human factor, (iii) *zakat* distribution management, (iv) *zakat* collection management, (v) image and corporate mission, and (vi) external factors. From the study, Salleh and Ahmad (2011) found that the overall confidence index for UKM staffs were 66.44 percent. This

specifies that UKM staffs are fairly satisfied with the management service by LZS. The most satisfied variable is human factors with a confidence index of 70.71 percent and the least satisfied variable is *zakat* distribution management factors. Salleh and Ahmad (2011) concluded that the quality service by LZS is of a vital factor in improving the level of *zakat* payers' confidence.

Luhmann (2000) who studied the distinction between trust and confidence found that confidence and trust may influence each other. The study asserted a viewpoint of confidence and trust from an economic perspective; as a participant in the economy a person necessarily must have confidence in money. Otherwise that person would not accept it is a part of everyday life without deciding whether or not to accept it. But that person also needs trust to keep and not to spend his money, or to invest it in one way and not the other. Based on this viewpoint, confidence in *zakat* administration is a crucial element for *zakat* institutions to maintain positive perceptions and trust of *zakat* payers.

Bart et al. (2005) drew similar conclusions as Luhmann (2000). However, contrary to the earlier study, which was theoretical, the latter is an empirical research on trust in online industries. The study opined trust implies a party's willingness to accept vulnerability but with confidence that it can rely on the other party. Additionally, in the context of online industries, the study affirmed that online trust includes consumer perceptions of how the site would deliver on expectations, how believable the site's information is and how much confidence the site commands. Based on the above findings, it can be concluded that confidence of *zakat* payers towards *zakat* institutions induce a strong trust between *zakat* payers and *zakat* institutions.

2.7 ANTECEDENTS OF ZAKAT PAYERS' TRUST

Zakat payers generally have the freedom to choose how they would pay *zakat*, either through *zakat* institutions or directly to the recipients. Perhaps, the freedom of choosing to pay *zakat* through the *zakat* institution is similar to the choice to donate to charities in terms of giving behavior. There are several antecedents of *zakat* payers' trust that increase the level of trust of *zakat* payers towards *zakat* institutions.

Abioyea et al. (2013) investigated the factors underlying the inclination of *zakat* payers to trust a particular *zakat* institution. Generally, there are several factors that influence *zakat* payers' decision to pay *zakat* and these might be the reasons of declining *zakat* collection faced by *zakat* institutions. The factors are known as the antecedents of *zakat* payers' trust as it causes *zakat* payers to trust *zakat* institutions. A specific context questionnaire instrument was distributed to Muslim professional who became a proxy for *zakat* payers. Muslim professionals from public and private sectors in Nigeria were selected as respondents of the study. Muslim professionals who observed religious seclusion in the last ten days of the Islamic fasting month (*i'tiqaf*) were considered the best alternative Muslims who will voluntarily pay *zakat* (Abioyea et al., 2013). The study found that the capacity of board capital/management, disclosure practices, organizational model of *zakat* institution, and stakeholders' management are the antecedents of *zakat* payers' trust through structural equation modeling (Abioyea et al., 2013).

In the context of strategic management, Hillman and Dalziel (2003) introduced the idea of board capital as the ability to effectively deliver on their board duties. Board members are often influential factors on firm behavior due to their supervisory roles. This is particularly true in their identification and setting of the company's goals and objectives and the ability to meet them. Given the diversity of individuals, board

members introduce a diverse range of skills and values (Jensen and Zajac, 2004), which is likely to influence the organization's values and priorities. In light of this, board capital is set to be a critical determinant of stakeholder management practices. The importance of the social and financial status of the board and its ability to provide resources has implications for *zakat* institutions. Committed boards should be able to attract more *zakat* to *zakat* institutions. The implication of this in regards to payee trust is evident.

With regards to the organizational model, Muhamat et al. (2013) surveyed the recipients of *zakat* for small businesses under the scheme of entrepreneurial *zakat* recipients. This study argued that the status of the Selangor *zakat* collection center was elevated to become Selangor *zakat* board due to its broad functions and capabilities, which saw increased public trust and confidence in the organization. It further observed that board capital plays a significant role in the commercial success of *zakat* recipients.

Stakeholder management pertains to how resources are used for the intended beneficiaries (Berman et al., 1999). In the context of *zakat* institutions, the resource allocation encompasses both time and other material resources. In the application of planned and behavior theory subjective norms suggest that most *zakat* payers will expect (normative belief) better treatment of the *zakat* beneficiaries. How this treatment affects their trust in *zakat* institution has, however, not been empirically tested.

With regards to disclosure practice, Abioyea et al. (2013) argues that trust is based on strategic communications targets toward specific organizational audience and encourages participation of the organizational stakeholders. Given these critical roles for a balanced and positive relationship among stakeholders, *zakat* institutions'

management should ensure that the issue of trust is secured at every step of its operations. Information disclosure is therefore an important mechanism for promoting acceptance among *zakat* payers.

This is supported by research on tax payment behavior which found that local taxpayers were more willing to pay tax when information was disclosed as to how the tax was used (Tayib and Ameen, 1999). In the case of *zakat*, payers have the option not to pay through official channels if they believe that *zakat* money will be used inappropriately.

According to Baharum (1989), the lack of information disseminated to the public is the reason for poor public confidence in *zakat* administration. As a result, it may lead to the payment of *zakat* directly to the recipients. *Zakat* administrators should be more transparent to the *zakat* payers by providing information about the collection and distribution of *zakat*. Providing such information will create a good perception to the payers that *zakat* administrators are accountable and transparent in managing *zakat* fund. Baharum (1989) also asserted that the report on expenditure should be made available to the public. It is believed that if the *zakat* administrator can increase the level of confidence of the public towards the institution, *zakat* payers will pay *zakat* through official channels (Ahmad and Wahid, 2005).

The organizational model of *zakat* institutions can be categorized into governmental and non-governmental model (i.e. corporate model) (Abioyea et al., 2011). The establishment of a *zakat* center as a structured and professional body has been regarded as another proactive action to ensure the smooth functioning of *zakat* management. In Malaysia, the establishment of a *Zakat* Collection Center in Federal Territory of Kuala Lumpur in January 1991 was the first form of corporatization. This corporatization was followed by the establishment of Penang *Zakat* Management

Center in June 1994, Selangor *Zakat* Center in 1992, Negeri Sembilan *Zakat* Center in September 1998, Pahang *Zakat* Center and Melaka *Zakat* Center in 1996 (Kaslam, 2011). However, the idea of establishing a corporate model of *zakat* institution is not concerned with the establishment of the professional body for the *zakat* institution. In contrast, Kelantan and Terengganu maintain the conventional approach of managing *zakat* by adopting the governmental model of *zakat* institution managed by the SIRC.

Public perception regarding public and private management of organizations vary with a tendency to view private sector organizations as more efficiently managed as compared to governmental organizations. There are studies in support of this perception (Hassan, 2007; Scoth, 1985) but the result were not conclusive. Therefore, there is a need to determine a more accurate perception of public trust in *zakat* institutions.

Therefore, in the late 1990's, some *zakat* researchers in Malaysia focused on the issue of corporatization of *zakat* collection and distribution. Tahir and Majid (1999) for example studied the performance of *zakat* collection and distribution in Malaysia. The objective of the study is to examine the effect of corporatization to the *zakat* collection and distribution. The findings of Nor et al. (2001) is consistent with Tahir and Majid (1999) where the latter examined the effect of corporatization on the collection of *zakat*. Tahir and Majid (1999) compared the performance of *zakat* administration in pre and post corporatization in Federal Territory, Selangor, Pahang and Penang. Tahir and Majid (1999) found that the increase in *zakat* collection is insignificantly related to corporatization. Hence, based on the findings of the two studies, the initial notion of improved *zakat* administration through corporatization does not seem to be supported.

The role competence is an antecedent of trust that should be possessed by

zakat institutions which explains that only a structured and professional institution would be able to earn trust and confidence of *zakat* payers. Role competence may be defined as “the degree to which the nonprofit has the necessary skills, abilities and knowledge for effective task performance” (Sargeant and Lee, 2002). For example, Sargeant and Lee (2002) explored the individual and contextual antecedents of trust. The study identifies four variables which are attitude towards philanthropy, organizational judgment, perceived role competence and delivered service quality as the antecedents of trust. This study concluded that all four variables develop the degree of trust which is grounds for the public approval of *zakat* institutions.

Abdul Lateff and Palil (2011) studied the association of trends in *zakat* collection and information disclosure as reported by MAIWP. The research was conducted in the context of Malaysia with two main objectives, namely, to identify the factors influencing the Muslim community in Malaysia to pay *zakat*, and secondly to examine how far the incentive of tax rebates given by the government motivate the Muslim community in Malaysia to pay *zakat* rather than their personal income tax. The study identified the enforcement of government policies and regulations such as the incentives of tax rebates the main factor which may contribute towards the increased participation in *zakat* collection by MAIWP. This finding suggests the importance of public institutions’ capability such as governmental *zakat* institutions’ role in enforcing policies and regulations in attracting *zakat* payers to participate in centralized *zakat* collection.

In addition, Ahmad Nadzri et al. (2012) conducted a study on the roles of *zakat* institutions in Malaysia. The objective of the study is to provide a conceptual study on the role of *zakat* in alleviating poverty in Malaysia by examining both the theory and the practical aspects. It is suggested that the effectiveness of *zakat* institutions may be

improved by collaborating with other institutions such as financial institution that offer micro financing products.

Based on the above finding, it is suggested that the *zakat* institutions' role is to be a mediator between *zakat* payers and financial institution. To move from poverty to a better standard of living is not the only sole-responsibility of *zakat* recipients. It is also among the responsibilities of *zakat* institutions via the management of public trust and confidence. However, to what extent the role of competence of *zakat* institutions is associated with *zakat* payers' preference to use *zakat* payment channels is yet to be empirically tested.

Opportunism is believed to have an analytic relation with giving behavior and trust. Opportunism can be defined as "self-interest seeking with guile" (Williamson, 1975). Additionally, forbearance opportunism is regarded as another indicative trust behavior (Sargeant and Lee, 2004). It can be defined as the extent to which the donor resists opportunities to invest their funds elsewhere. Extending their earlier study, Sargeant and Lee (2004) explored the relationship between trust, relationship commitment, and giving behavior. Similar to Abioyea et al. (2013), the study uses the technique of structural equation modelling to determine that trust directly affects giving behavior. The strength of a donor's commitment to a nonprofit organization has been shown to be a function of a complex causal structure driven by trust (as evidenced by four key behaviors, namely relationship investment, mutual influence, forbearance from opportunism and communication acceptance). The study hypothesized that there is a positive causal link between the degree of forbearance from opportunism and donor-giving behavior mediated by commitment. The study concluded that forbearance from opportunism and communications acceptance made the strongest contribution to giving behavior.

Karim et al. (2004) studied the performance of *zakat* distribution in several states in Malaysia such as Perak, Kedah, Negeri Sembilan, and Selangor. The objective of the study is to compare the trend in *zakat* distribution in these selected states for the year covering 1990 to 2001. Based on the financial reports, it was found that each respective SIRC only distributed 69 percent to 80 percent of the annual amount of *zakat* collection. For instance, RM133.12 million of *zakat* was collected in Selangor in 2005 but only RM101.5 million or 76.2 percent was distributed to the beneficiaries. According to Karim et al. (2004), SIRC/*zakat* administrator has complete data on the collection and distribution of *zakat* for the past few years. If they can forecast the amount that they are going to get and plan the amount that they are going to distribute in the following year, it would improve the distribution of *zakat* by 90 percent. However, SIRC/*zakat* administrator did not express the reason why they only distribute part of *zakat* collection for that year instead of distributing it fully. This issue might create a bad perception on how they manage *zakat* distribution and allocation.

In addition, Karim et al. (2004) affirmed the findings of Othman and Mohd Noor (2012) that the *zakat* collection was not fully distributed to the *zakat* recipients in the same financial year. The study reported only half of 14 *zakat* institutions distributed on average less than 80% of their 2003 to 2010 *zakat* funds. *Zakat* distributed on average is 77 percent and the remaining funds of 23 percent from the *zakat* were not distributed within the same year (Othman and Mohd Noor, 2012). The impact of a charity fund that is not distributed causes a negative perception and confusion among both the *zakat* payer and the recipient. This causes public suspicion of negligence in the administration of charity institutions, particularly in terms of the distribution of alms. This situation may have encouraged *zakat* payers to distribute

zakat directly to eligible recipients. Thus, Othman and Mohd Noor (2012) emphasized that *zakat* institutions should systematically monitor the disbursement of *zakat* to *zakat* recipients and at the same time retain updated and adequate information about the *zakat* recipients. *Zakat* payers would trust *zakat* institutions if they are provided with information on the management of *zakat* funds.

In addition, Torres-Moraga et al. (2010) argues the existence of opportunism in the charity sector. The study claimed charity organizations become opportunistic when seeking advantages from donors or other stakeholders. For example, organizations become opportunistic when collecting money from donors and spend them for their personal benefits, as opposed to the stakeholders' benefits, or when collecting money for proclaimed intentions that are not the organization's true intentions.

Besides, Romar (2004) highlights opportunism is strongly related to deceptive behaviors such as hiding, revealing only incomplete or distorted information, consciously leading others to errors, covering up others, or confusing others. Thus, opportunism is a vital antecedent of trust that requires *zakat* institutions to take precautions in dealing with *zakat* payers' perceptions. In the context of *zakat*, opportunism impacts on *zakat* payers' preference of *zakat* payment channels but has yet to be empirically tested.

Torres-Moraga et al. (2010) explains the donors' trust in charities within the context of an emerging charity sector. Four key factors were identified and used to propose a model of donor trust in an organization's reputation, donor's familiarity with the charity, donor's perception of the organization's opportunism, and donor's perception of the organization's communication effectiveness. The particular model was tested in an emerging charity sector in Chile. The study found that the first three

factors as mentioned above have a direct effect on donor trust and are accordingly known as antecedents of donors' trust. However, only communication effectiveness has an indirect effect through its influence on the organization's reputation and donor's familiarity with the sector. Doney and Cannon (1997) define reputation as people's perceptions of an organization's honesty and concern for its stakeholders. Whereby, familiarity relates to the experience and the knowledge of a brand, product or organization. Regarding this, Sargeant and Lee (2002) opined that familiarity with a specific area of charity is strongly related to the donor's knowledge of a charity's activities pertaining to the organization's social role.

Sulaiman (2003) as cited in Othman and Mohd Noor (2012) promotes the importance of publicizing and transparency of *zakat* collection and *zakat* distribution information to the public. It is important to disclose relevant information pertaining to *zakat* to the public as it could promote familiarity among public with their *zakat* institution. Although such action is voluntarily done *zakat* institution, it nevertheless helps *zakat* payers as well as *zakat* payees to be more familiar with the current information on *zakat* and thus clarify their perception towards the integrity of *zakat* institution in managing *zakat* funds. With a clear picture on how *zakat* institutions manage *zakat* fund, the perceived opportunism of *zakat* payers towards *zakat* institutions could also be managed by *zakat* institutions. The disclosure of *zakat* information to the public might foster *zakat* knowledge among Muslims and encourage them to pay *zakat* to a transparent and reliable institution. Building a bond of trust between the public and *zakat* institution might positively improve the *zakat* institution's reputation and image.

2.8 LITERATURE GAP

Previous studies on trust and confidence levels and their association with the payers' perception focused on charitable and *zakat* institutions both in Muslim and non-Muslim environments to build a model of both donors' trust and *zakat* payers' trust (i.e. Sargeant and Lee, 2002; Sargeant and Lee, 2002; Torres-Moraga et al., 2010; Abioyea et al., 2013). However, very limited attempt has been made to test the antecedents of *zakat* payers' trust in Muslim country such Malaysia where *zakat* collection and distribution are actively implemented.

Although Salleh and Ahmad (2011) did include Malaysia in measuring the confidence index as factors underlying the inclination of *zakat* payers to trust a particular *zakat* institution, their focus was limited on UKM staff, where it is located in urban area of Selangor and the sample size used was very small. Therefore, a different set of result may be derived from this study as Selangor has corporatized its collection and distribution of *zakat* which is contrast to Kelantan that is still adopting traditional model of *zakat* institution. Moreover, most of the communities in Kelantan live in rural and sub-urban area where they may be practicing a relatively different culture. For example, Muhammad (2008) did recognize the uniqueness of the society in Kelantan where they have close social interaction among the residents in their neighborhood. Besides, Kelantan, the so-called corridor of Mecca (*serambi mekkah*⁹) symbolizes the power and influence of Islam in life of people in the state which reflect a strong brotherhood among its community as well as awareness of religious duty such alms giving (*zakat*) (Saman and Hasim, 2012; Nik Hassan, 1983).

⁹*Serambi Mekkah* or the expansion of Mecca was the terminology given by Malays to some places and states within the Malay Archipelago in 19th century. The terminology was given due to uniqueness of being the focal points for students in the South East Asian region in getting and learning the fundamental Islamic education before furthering their studies in Mecca. In the 16th and 17th century former to Kelantan, Aceh also was known as *Serambi Mekkah* due to the similar uniqueness features in Kelantan (Omar et al., 2008).

Hence, this research gap in the area inspired the current study to identify and explain the antecedents underlying the relatively small amount of *zakat* collection by *zakat* institution in Kelantan (Please refer to Table 2.2). Moreover, this study aims to observe the relationship between the identified antecedents of trust with actual behavior of selecting *zakat* payment channels and to rank the identified antecedents of trust through a confidence index.

Table 2.2 Collection and distribution of *zakat* in Selangor and Kelantan in 2014

	Selangor	Kelantan
Collection	RM 92, 004, 846	RM 32, 006, 813. 99
Distribution	RM 176, 604, 416	RM 34, 840, 773. 47

Source: MAIK and LZS official website.

2.9 CONCLUSION

This chapter reviewed the literatures relevant to the issue of the antecedents of trust in the context of *zakat*. The determinants of attitude that affect public perception of *zakat* institutions may also affect the preferences of *zakat* payers to pay *zakat* through *zakat* institutions. Since the issue is material to the development of *zakat* management, this study aims to conduct a thorough investigation of this issue. The next chapter discusses the theoretical framework and hypothesis development.

CHAPTER 3

THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

3.1 INTRODUCTION

The preceding Chapter Two provided a review of the relevant literature. This chapter focuses on the theoretical framework and development of hypotheses. This chapter is organized into five sections. Section 3.2 discusses trust and perceived behavior of individuals. Section 3.3 describes the theoretical framework. Sections 3.4 and 3.5 focus on hypotheses development and conclusion, respectively.

3.2 STUDIES IN TRUST AND PERCEIVED BEHAVIOR OF INDIVIDUAL

Accounting research on trust and confidence have been conducted in various organizations such as *waqf* institutions, charity organizations, audit firms, non-government organizations (NGOs), foundations, universities, schools as well as religious institutions (e.g. Das and Teng, 1998; Dietz and Den, 2006; Kuran, 2001, 2003, 2004; Handy, 2000; Sargeant and Lee, 2002). However, only a few studies researched into trust in the context of *zakat* (e.g. Abioyea et al., 2013). Similarly, studies of *zakat* that have applied the theory of planned behavior (TOPB) are lacking. Although there are studies on TOPB measuring efficiency of *zakat* institutions, the number is very limited (e.g. Bidin and Idris, 2009). TOPB is very useful in explaining the behavior of individuals based on their normative and behavioral beliefs (Huda et al., 2012). This is supported by shifts in mainstream accounting research (Hofstede and Kinard, 1970). Researchers begin to realize the ontology of accounting is more analogous to the social science as compared to the natural science (Hofstede, 2003).

Accounting itself is a social science, a study that covers human behavior, belief, attitude, and other critical perspectives (Hofstede, 2003). This also explains that TPB is much more suitable to be employed in this study for explaining the behavior of *zakat* payers towards an organization through the aegis of trust whereby high level of trust represent effectiveness and efficiency on management of *zakat* by *zakat* institution.

For the purpose of this study, TOPB is used to explain the attitude of *zakat* payers in determining the channels through which to pay *zakat* by considering the influence of normative and behavior beliefs in antecedents of *zakat* payers' trust.

3.3 THEORETICAL FRAMEWORK

Perceptions towards *zakat* institutions are constructed by belief. Fishbein and Ajzen (1975) asserted the basis for the formation of attitude towards an object is provided by the belief about the object. Belief is defined as the subjective probability of a relation between the object of the belief and some other object, value, concept, or attribute. Beliefs also refer to a person's subjective probability judgments concerning himself and his environment. Thus an individual may believe that he possesses certain attributes (e.g. that he is brilliant, trustworthy, prudence) and that a given behavior will lead to certain consequences (Fishbein and Ajzen, 1975). In other words, individual belief is used to measure attitudes.

Belief can be categorized into normative belief and behavior belief (Ajzen, 1991). Normative belief refers to an individual's perception of social normative pressures, or relevant others' beliefs that he or she should or should not perform such behavior. On the other hand, behavioral belief describes an individual's belief about consequences of a particular behavior. The concept is based on the subjective

probability that the behavior will produce a given outcome.

Additionally, trust can be one of the objects or attributes that a person could have to measure his/her attitudes. Antecedents of trust may vary into normative and behavioral belief. Langfield and Smith (2008) studied how managers effectively use behavioral controls in developing trust in alliances and in partners. The study found that trust is used to measure behavioral belief between alliances and partners in an organization. Thus in the context of this study, the antecedents of *zakat* payers' trust is also an attribute or object recognized in normative and behavioral belief to measure *zakat* payers' attitude or behavior.

According to Ajzen (1991), TOPB predicts the attitude, subjective norms and perceived behavioral control of people before the intention towards the object being observed is engaged. Once the intention is engaged, the person may exercise the actual behavior or attitude. Attitude is the extent to which an individual intends to perform a specific behavior (Ajzen, 1985). Shook and Bratianu (2010) asserted that an individual attitude is formed based on his belief in the possible outcomes. The more favorable belief that he has on a particular object, the more positive attitude he has regarding that object. Similarly, the less favorable belief that he has on a particular object, a less positive attitude will be shown.

TOPB also explains that the normative belief is measured by the subjective norm and perceived behavioral control, while behavioral belief is measured by attitude towards the behavior. Subjective norm can be defined as the extent to which individuals think that significant others (e.g. parents, friends, spouse and teachers) want them to engage in the behavior (Ajzen, 1985). Whilst perceived behavioral control is defined as an individual's perceived ease or difficulty of performing the particular behavior (Ajzen, 1991). Whereby, attitude toward behavior refers to an

individual's positive or negative evaluation of self-performance of the particular behavior. Ajzen (1991) summarized these relationships in a model (refer to Figure 3.2).

In addition, this theory is an expandable theory of reasoned action proposed in 1980 by Ajzen. In prior theory of reasoned action, the element of perceived behavioral control is not yet included. Ajzen (1991) as cited in Huda et al. (2012), proposed a model that reflects the components in TOPB with the intention and behavior. Figure 3.1 shows the organizational behavior and human decision process with the application of planned behavior theory.

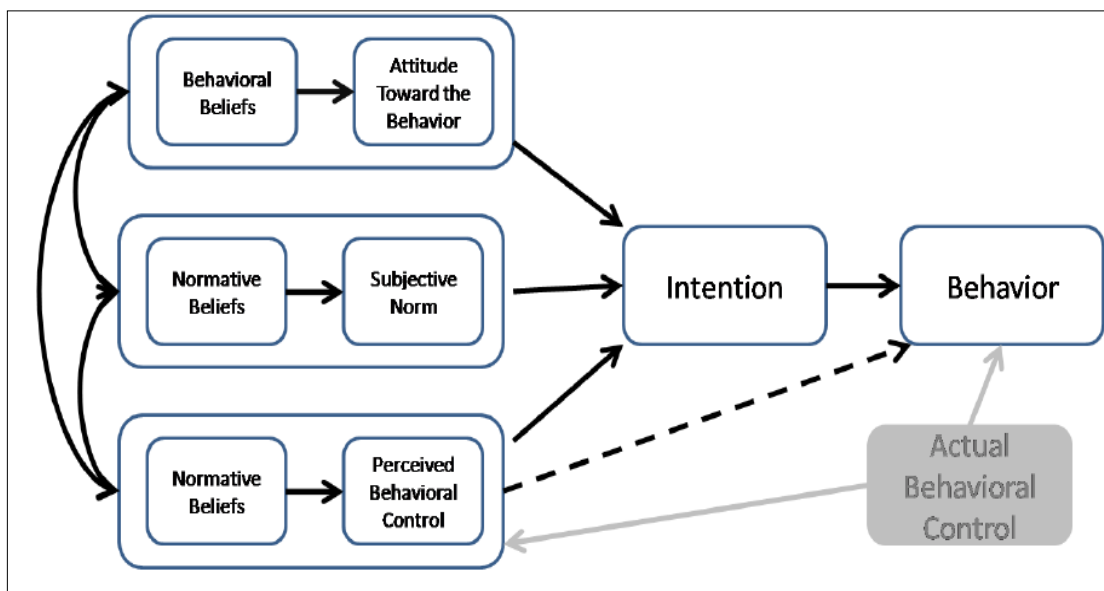


Figure 3.1 The Theory of Planned Behavior

Source: Ajzen, I. (1991). The theory of planned behavior. *Organizational behavior and human decision processes*.

Based on the model by Ajzen (1991) as in Figure 3.2, the relationship of behavioral beliefs and normative beliefs are interconnected and influence the attitude toward the behavior of an individual (ATB), subjective norm (SN) and perceived behavioral control (PBC). These elements influence an individual's intention, which

directly affect the behavior intention. Thus, behavior intention will finally determine the actual behavior.

This model also shows how external and internal factors of the organization can build bias in an individual's decision making process. The internal and external factors from the organization can simply be classified under normative and behavioral belief. This study identifies the antecedents of *zakat* payers' trust which consist of board capital, organization model, reputation, familiarity, perceived opportunism, disclosure practice, role competence and stakeholders' management, as the internal and external factor for *zakat* institutions. They are also known as the attributes of the *zakat* institution. These attributes are later observed by *zakat* payers' beliefs (normative and behavior).

According to TOPB, normative and behavioral belief will guide the *zakat* payers' action through three perspectives before actual behavior is performed. The three perspectives are attitude toward the behavior, subjective norm, and perceived behavior control. Based on the perspective of attitude toward the behavior, *zakat* payers will form their psychological tendency in evaluating certain *zakat* institutions' operations and activities (Eagly and Chaiken, 1993). On the other hand, the perspective of subjective norms describes how *zakat* payers consider the expectations of *zakat* recipients towards their actions (Fishbein and Ajzen, 1975). While the perspective of perceived behavior control indicates *zakat* payer's belief that they are able to perform the action of paying *zakat* to any channel they prefer. The three perspectives of behavior are expected to be utilized fully or partially by *zakat* payers in their decision to perform their action. In other words, the three perspectives will lead to a decision to select the *zakat* disbursement channel preferred by them and finally perform the actual behavior. Figure 3.2 has been developed to illustrate the

relationship of each item according to the application of TPB. The figure illustrates both explicit and implicit process for *zakat* payers lead to certain action.

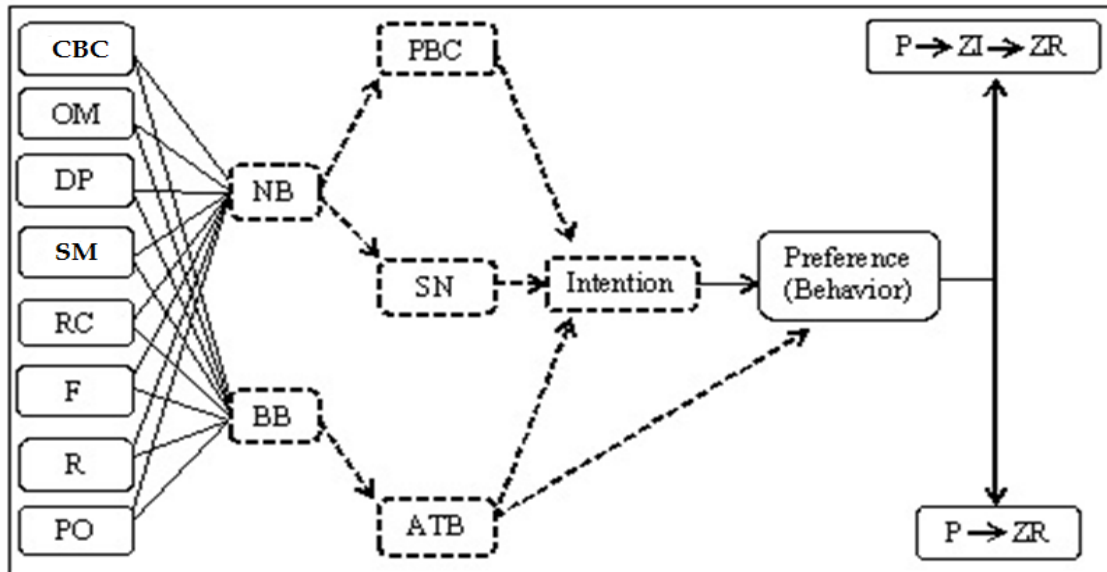


Figure 3.2 The Relationship Model (Overall Picture)

Where:

CBC=Board Capital/Board Management

OM=Organizational Model

DP=Disclosure Practice

SM=Stakeholder's Management

RC=Role Competence

F=Familiarity

R=Reputation

PO=Perceive Opportunism

NB=Normative Behavior

BB=Behavioral Belief

P=Payer

ZI=*Zakat* Institution

ZR=*Zakat* Recipient

Furthermore, Figure 3.3 illustrates the proposed framework for this research based on the model developed by Ajzen (1991). The same model has been adopted by Huda et al. (2012) to explain the application of TOPB in describing the organizational

behavior and human decision processes.

To recapitulate, the proposed framework shows the actual behavior of *zakat* payers after deciding the channel of *zakat* payment. In addition, the element of attitude, subjective norm and perceived behavioral control are producing an intention to engage with preference on choosing channel for *zakat*. However, the process of building intention until the preference of *zakat* payers is determined was executed in transparent manner. This is called implicit process where this process in which the process could not be seen physically. In the illustration, the implicit process is highlighted with dash line. At this stage, a high level of trust and confidence in individual *zakat* payers toward *zakat* institutions may lead them to choose *zakat* institution channels (dependent variables) to pay *zakat*, while a bad result of low level of trust and confidence may direct their behavior to not choose the *zakat* institution channel for *zakat* payment.

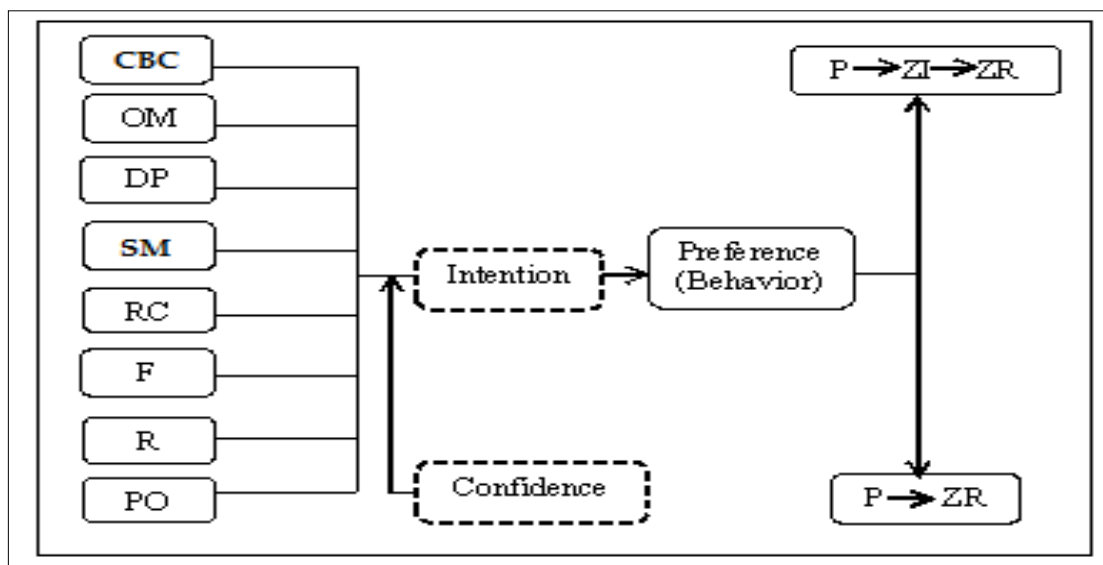


Figure 3.3 The Proposed Framework for the Study

Where:

CBC=Board Capital/Board Management

OM=Organizational Model
DP=Disclosure Practice
SM=Stakeholder's Management
RC=Role Competence
F=Familiarity
R=Reputation
PO=Perceive Opportunism
P=Payer
ZI=*Zakat* Institution
ZR=*Zakat* Recipient

3.4 HYPOTHESES DEVELOPMENT

Presently, *zakat* payers have the option of paying *zakat* directly to the recipients of *zakat* or through *zakat* institutions. This decision may be influenced by internal and external factors of *zakat* institutions. In regard to this study, antecedents of *zakat* payers' trust have been identified as the factors.

A study found that board capital plays a significant role in helping *zakat* recipients succeed in businesses, which then translates into a better standard of living (Muhamat et al., 2013) In addition, Abioyea et al. (2013) proposed that when a *zakat* institution has a board that comprises of reputable members from different functional and educational backgrounds, it is likely that Muslims, particularly *zakat* payers would perceive the board members as a signal that such an institution abides the *shari'ah*.

Hillman and Dalziel (2003) opined that board members are often influential factors on firm behavior due to their supervisory roles. This is particularly true in their identification and setting of the company's goals and objectives and the ability to meet them. Supporting the above arguments, given the diversity of individuals, board members introduce a diverse range of skills and values (Jensen and Zajac, 2004). These diverse skills and values are likely to influence the organization's values and

priorities. In light of this, board capital is expected to be a critical factor of stakeholder management practices. Social and financial status of the board members and their ability to provide resources has implications for *zakat* institutions. Prestigious and committed boards should be able to attract more *zakat* to *zakat* institutions. Based on the arguments by previous literature, the first alternative hypothesis was framed as follows:

H1: The Board Capital/Board Management (CBC) of a *zakat* institution is associated with the *zakat* payer's preferences on paying through *zakat* institution's channels.

Furthermore, it is argued that sufficient disclosure of relevant information on *zakat* allocation and collection may secure public trust on *zakat* institution (Abioyea et al., 2013; Ahmad and Wahid, 2005). In other words, curiosity among *zakat* payers may be developed if relevant information about *zakat* funds is not adequately disclosed to the *zakat* payers. Tayib and Ameen(1999) asserted when information was clearly disclosed as to how the trusted fund was allocated, the payers were more willing to pay. In the case of *zakat*, the payers have the option of not to pay through official channels (i.e. *zakat* institutions) if they believe that *zakat* money will not be used in accordance to *shari'ah* prescriptions.

Baharum (1989) established that the lack of information disseminated to the public is the reason for limited public confidence towards *zakat* administration. This may lead to the payment of *zakat* directly to the recipients. In that sense, *zakat* administrators should be more transparent to the *zakat* payers by providing information about the collection and distribution of *zakat*. Such actions indicate that *zakat* administrators are accountable and transparent in managing the *zakat* fund and are expected to create a strong trust among the *zakat* payers. Therefore, the second

hypothesis is as follows:

H2: Disclosure Practices (PDP) of a *zakat* institution is associated with the *zakat* payer's preferences on paying through *zakat* institutions.

Abioyea et al. (2013) suggested that *zakat* payers would trust *zakat* institutions if the institutions treat *zakat* recipients and other stakeholders in a favorable manner. This is an indicator of sound stakeholder's management. Berman et al. (1999) refers to the management of stakeholder's management as how the management uses the resources economically for intended beneficiaries. Applying the TOPB to *zakat* sector, subjective norms proposed that most *zakat* payers expects *zakat* institutions to be treating the *zakat* beneficiaries in a favorable way. Therefore, the third hypothesis is developed as follows:

H3: The stakeholder's management (SM) by a *zakat* institution is associated with the *zakat* payer's preferences on paying through *zakat* institutions.

Muslims in general would perceive the approval of laws to establish a *zakat* institution or grant an approval to an organization as a signal of legitimacy to manage *zakat* collection and distribution. It is assumed that governmental ownership should evoke trust as *zakat* institutions are expected to be managed by a structured body such government (Abioyea et al., 2013).

However, the corporatization of *zakat* collection and distribution has changed the perception of *zakat* payers in which they tend to view corporate sector organizations as more efficiently managed as compared to governmental organizations (Hassan, 2007; Scoth, 1985). Contrary to this, studies by Tahir and Majid (1999) and Nor (2001) found corporatization is not a main factor that contributes to the increase of *zakat* collection. Based on these studies and arguments the fourth hypothesis is as follows:

H4: The Organizational Model (OM) of a *zakat* institution is associated with the *zakat* payer's preferences of paying through *zakat* institutions.

Further, reputation of *zakat* institutions is one of antecedents of *zakat* payers' trust that influences *zakat* payers' preference. Root and Waseem (1997) argue the factors that may lead to the misrepresentation of *zakat* institutions' reputation include misallocation of *zakat* funds, unfair distribution of *zakat*, and ineffective *zakat* management. The public should be paying *zakat* through *zakat* institutions channel if the abovementioned factors are not attributable to the institutions. Nevertheless, *zakat* institution is known as a credible, trustworthy, and reputable in managing *zakat* for the state (JAKIM, 2013).

Zakat institutions should attract *zakat* payers to pay directly through the channels provided by them. Although *zakat* collection and distribution by *zakat* institutions is considered successful as the statistics show increases in collection, the figures may not offer much in regards to the level of trust and confidence in *zakat* institutions. This means, the positive shift in the collection and distribution of *zakat* may not necessary reflect the payers' level of trust and confidence in *zakat* institutions.

A good reputation is still a very important factor to attract payers to pay through *zakat* institutions (Torres-Moraga et al., 2010; Doney and Cannon, 1997; Othman and Mohd Noor, 2012). However, the problem of misallocation of funds and unfair distribution of *zakat* will give drawbacks to the *zakat* institutions to uphold their reputation in the eyes of *zakat* payers. Therefore, based on the prior literature and the above argument the fifth hypothesis is developed as follows:

H5: Reputation of *zakat* institutions (R) is associated with the *zakat* payer's preference of paying through *zakat* institutions.

Familiarity with a charity is strongly related with donor's knowledge of a charity's activities pertaining to the organization's social role (Sargeant and Lee, 2002). In the context of *zakat*, it is the responsibility of the *zakat* institution to clarify the perception of *zakat* payers and *zakat* recipients by truthful management of *zakat* funds in addition to providing information about *zakat* (Sulaiman, 2003; Othman and Mohd Noor, 2012). Therefore, the sixth hypothesis is:

H6: Familiarity (F) with a *zakat* institution's activities is associated with the *zakat* payer's preference of paying through *zakat* institutions.

Karim et al. (2004) argue that the ignorance of SIRC/*zakat* administrator in communicating the reasons why they only distributed part of *zakat* collection for a particular year might create a negative perception of *zakat* payers on *zakat* management. This information is important as it may justify why *zakat* payers should have to pay through the appointed institutions' channels rather than paying via other channels (Sargeant and Lee, 2004).

Othman and Mohd Noor (2012) ascertained the impact of a charity fund that is not distributed as a negative perception and confusion among both the *zakat* payers and the recipients. This would lead to public suspicion of negligence in the administration of charities, particularly in the allocation and distribution of alms. This negligence would be an eye-opener particularly among the Muslim communities in Malaysia and encouraged them to distribute *zakat* directly to eligible recipients.

Romar (2004) argued opportunism is strongly related to deceptive behaviors such as hiding, revealing only incomplete or distorted information, consciously leading others to errors, covering up, or confusing others. Additionally, Torres-Moraga et al. (2010) claimed charities become opportunistic when seeking advantages from donors or other stakeholders in disregard of the interest or concerns of the latter.

Root and Waseem (1997) and Ahmad et al. (2005) affirmed that several cases of ineffective *zakat* management, dissatisfaction with *zakat* distribution, misallocation of *zakat* funds and corruption in management of *zakat* funds may badly affect the image of *zakat* institutions, and lead to distrust, doubt and suspicion. Naser et al. (2001) and Ghazali (1989) also asserted that *zakat* payers doubted *zakat* institutions as to whether the funds will reach the eligible recipients. Based on these arguments, the seventh hypothesis is:

H7: The organizations' opportunism (OO) is associated with the *zakat* payer's preference of paying through *zakat* institutions.

Role Competence (RC) refers to the degree to which the nonprofit organization has the necessary skills, abilities, and knowledge for effective task performance (Sargeant and Lee, 2002). Abdul Lateff and Palil (2011) opined that role competence is needed in enforcing policies and regulations that attract *zakat* payers to participate in *zakat* collection. In addition, Ahmad Nadzri et al. (2012) asserted that *zakat* institutions' role competence is to be a mediator between *zakat* recipients and financial institution in providing larger financial assistance particularly to the recipients. However, to what extent the role competence of *zakat* institution is associated with *zakat* payers' preference of *zakat* payment channel has yet to be empirically tested. Thus the eightieth hypothesis is as follows:

H8: The Role Competence (RC) of a *zakat* institution is associated with the *zakat* payer's preference of paying through *zakat* institutions.

3.5 CONCLUSION

The chapter describes the theoretical framework, the research framework and the development of hypotheses. The framework provides an overview of the study along

with the hypotheses that are to be tested in reference to the antecedents of *zakat* payers' trust identified from the literature review. The next chapter discusses the research design and methodology.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter discusses in depth the research designs, research methods and approaches adopted in this study. Only relevant methods are selected to answer the research questions, thus the results are more reliable, rigorous and portraying an original image of events that occurred in the research environment.

This chapter proceeds as follows. First, Section 4.2 would elaborates research objectives and research questions of this study. Second, Section 4.3 discusses the method of data collection of this study. Third, Section 4.4, explains the population and the sample selection. In Section 4.5, the chapter proceeds with describing the pilot testing which was done to identify the weaknesses of the questionnaire and further improve it before sending it to the respondents. In Section 4.6, data analyses are then discussed accordingly. Finally, the chapter ends with a conclusion in Section 4.7.

4.2 OVERVIEW

Bryman and Cramer (2001) asserted there are basically two types of research design: experimental design and survey or correlational design. The study also indicates in a survey or correlational design, the researcher does not manipulate any of the variables of interest and data relating to all variables are collected simultaneously whereby with an experimental design, the researcher manipulates aspects of a setting, either in the laboratory or in the field situation, and observes the effects of that manipulation on experimental subjects.

This study for instance uses survey design where the researcher cannot manipulate the variables and instead collect the data on the variables concurrently. As the objectives of the study is to investigate the antecedents of *zakat* payers' trust in Kelantan, which is not yet explored by other studies in this new context, hence this study is not just investigating the antecedents of *zakat* payers trust but also examine whether there is a relationship between antecedents of *zakat* payers' trust with *zakat* payers' preferences on *zakat* payment channels.

4.2.1 Research Objectives and Research Questions

The discussion in the previous chapters revealed a clear absence of empirical studies specifically addresses the main issues of the impact of antecedents of *zakat* payers' trust on the *zakat* payers' preferences on channeling *zakat*. Despite its importance in the current scene as evidenced by not so encouraging growth in *zakat* collection by SIRC/*zakat* institutions, there remains restricted number of study to examine this issue.

The study attempts to answer three research objectives. First, to investigate the antecedents of *zakat* payers' trust. Second, to examine whether there is a relationship between antecedents of *zakat* payers' trust with *zakat* payers' preferences of *zakat* payment channels. Third, to ascertain the most influential antecedents of *zakat* payers' trust through a confidence index. Specifically, this research aims to explore the perceptions of university staff as a group of *zakat* payers with regards to the issues on antecedents of *zakat* payers' trust. It is the vision of the researcher that the opinions derived from the study *zakat* administration will be helpful further improve and develop *zakat* administration in addressing larger socio economic issues such poverty and income inequality in Malaysia, particularly in Kelantan.

To accomplish the above objectives, three research questions are formulated as follows:

1. What are the antecedents of *zakat* payers' trust? This question encompasses the investigation on the antecedents of *zakat* payers' trust from the preliminary studies and review of literature.
2. What is the relationship between antecedents of *zakat* payers' trust with *zakat* payers' preferences of *zakat* payment channels? This question seeks to observe the relationship/association between antecedents of *zakat* payers' trust and *zakat* payers' preference from specific test, and its impact on the preferred channel for payment of *zakat*.
3. What are the most influential antecedents of *zakat* payers' trust? This question seeks to identify the most influential antecedents of *zakat* payers' trust of the respondents through a confidence index.

4.3 DATA COLLECTION METHOD

One of the major elements in the research approach is the specific methods of data collection and analysis. The choice of methods by a researcher depends on whether the intent is to specify the type of information to be collected in advance of the study or to allow it to emerge from participants in the research project. As a rule of thumb, quantitative methods are used when the researchers wants to cover large samples, conduct statistical analysis, or seek precision where the data is obtained through questionnaire survey (Bryman and Cramer, 2001).

Research data may be obtained from primary or secondary sources. Sekaran and Bougie (2010) define primary data as the information obtained firsthand by the researcher on the variables of interest for a specific purpose of study. The sources of

primary data may come from individuals, focus group or group of respondents from whom the researcher intend to seek their opinion. On the other hand, secondary data is the information gathered from the existing sources which may be obtained from the company records or archives, publications, industry analysis, and so on.

This study uses primary data which is questionnaire as the nature and objective of the study is to examine the perceptions of certain groups of *zakat* payers which are closely related to the subject of this study. As highlighted in the above introduction, one of the ways to observe the relationship between the variables of this research (i.e. antecedents of *zakat* payers' trust and *zakat* payers' preference) is to seek the opinion of the experts and knowledgeable individuals either the academicians or administrative staff.

Consistent to the quantitative research approach, the researcher used questionnaire to test the hypothesis and answer the research questions. This study follows the same approach of previous studies that also used questionnaire to collect data (e.g. Seale, 2004). On reason for choosing this method is that questionnaire collect information from a geographically dispersed sample without too much cost as highlighted above by Sekaran and Bougie (2010). It involves observations of perceptions through the questionnaire to determine the level of trust and confidence. Data obtained via questionnaire survey may not be as rich or as detailed as qualitative methods, but it is relatively easy to administer, able to include a large number of questions, able to yield large samples, and emphasize reliability. The description of questionnaire design and procedure of administering the questionnaire are briefly discussed in the following paragraph.

4.3.1 Questionnaire Design

The term ‘questionnaire’ has been used in different ways. Some practitioners reserve the term exclusively for self-administered and postal questionnaire, while others include interview schedules (administered face-to-face or by telephone) under the term ‘questionnaire’ (Brown, 2001; Oppenheim, 2001).

McClelland (1994) illustrates that there are two types of survey questionnaire: standardized and custom designed (original). While the questions in a standardized questionnaire usually have been developed over a period of time and tested in terms of validity and reliability, on the other hand custom designed questionnaire needs substantial work in designing and testing the reliability and validity of the questions.

This research used standardized and structured questionnaire that direct the respondents to produce same standard answer without bias. The questionnaire from Abioyea et al. (2013), Torres-Moraga et al. (2010), and Sargeant and Lee (2002) has been adopted and revised to suit to the new context and geographical location. The researcher had numerous discussions with the supervisors in producing the questionnaire.

Various measurement scales consist of nominal and likert-scale have been utilized to effectively gauge the answers from each question. The scaling for each question has been carefully analyzed so that meaningful answers can be obtained through the survey. For example, Torres-Moraga et al. (2010) used the Likert scale in measuring the perception of donors and in this case is the *zakat* payers, the scale value was designed as 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree. Furthermore, the Likert scale is among the most commonly used scale. Cooper and Schindler (2006) asserted this scale is among the reliable scales that provide a greater volume of data compared to other scales.

The questionnaire is divided into three sections. The first section, Part A, aims at answering the first research question of the study that mainly investigating the antecedents of *zakat* payers' trust, indicating the agreement to antecedents of *zakat* payers' trust that has been identified from prior literature.

The second part of the questionnaire, Part B, attempts to gauge the perceptions of the respondents on the extent of trust towards *zakat* institutions, which is the second research question. This is done by requesting the respondents to indicate the *zakat* payment channel that they prefer based on their trust towards *zakat* institution.

The final part of the questionnaire, Part C of the questionnaire aims at identifying the demographic background of respondents. The questions in the third section enquire of the respondents' age, education level, annual income, experience of paying *zakat*, current job status and awareness of *zakat* institution information. This section is important to ensure the eligibility of the respondents to give valid responses for the study.

In addition, each of the questionnaires is attached together with the introductory letter so that respondents will be able to understand the broader purposes of the research. The questionnaires are distributed personally by the researcher with the hope of enhancing the response rate and reducing technical issues associated with postal mail, online questionnaire or any other distribution method.

4.4 POPULATION AND SAMPLE

4.4.1 Respondents' Background and Sample Selection

Quantitative studies tend to rely on multiple settings and relatively geographically dispersed samples from which more reliable information is collected (Seale, 2004).

Only the Universiti Malaysia Kelantan (UMK) is chosen as the subject for this study

for several reasons. First, UMK is able to provide geographically dispersed location for the research conducted in Kelantan as the UMK branch is located in three different population group (urban, sub-urban and rural). The location of UMK; Jeli, Bachok and Pengkalan Chepa which is the place of residence of the researcher, is well-known for its unique cultures and traditions as mentioned by Enoch (2012), Ab Rahman et al. (2012) and Nik Hassan (1983). Second, the SIRC of Kelantan was the first to establish a body to manage *zakat* matters, which was later adopted by other states in *Tanah Melayu* (Ab Rahman et al., 2012). Being the first make the society equipped with a better understanding on matters related to *zakat* and much more experience in dealing with structured institution that focus on managing *zakat*. These factors are believed to contribute positively to the selection of UMK as the subject for the study.

Several steps have been taken in identifying the respondents' background. First, the researcher searched the official website of UMK to identify the listing of academic and administrative staff available and exclude those who are on study leave or on exchange programs with other universities. Second, the researcher searched the listing of UMK staff of each campus in its respective website to identify the total population of this group. In deriving the total population, non-Muslim university staffs have been excluded accordingly. Third, the researcher employed simple random sampling in obtaining the sample. The simple random sampling has the least bias and offers the most generalizability of findings (Sekaran and Bougie, 2010). The derivation of sample for UMK staff is presented in Table 4.1.

The targeted respondents are identified and segregated into two groups, namely academic and non-academic staff located in three UMK campuses, City Campus (CC), Jeli Campus (JC) and Bachok Campus (BC). The staff numbers identified from the UMK official website shows more than 500 employees work in the three locations.

Therefore, the population of academicians comprehensively covers diverse places in Kelantan that might influence the respondents' openness in their way of thinking according to their place of living and urbanization status. Hence, it is expected that the respondents would provide the relevant information sought by the study.

Table 4.1 The Population and Sample Size

UMK Branches	Population (N)	Sample (n)	Percentage (%)
UMK City Campus	180	100	56%
UMK Bachok	222	100	45%
UMK Jeli	139	100	72%
TOTAL	541	30	

Source: www.umk.edu.my(population size)

It is noted here that the number of employees is still small compared to other public universities in Malaysia as UMK is among the more recent public universities established in Malaysia. It was established in 2006. Bartlett et al. (2001) suggested that a sample of over 147 is needed for continuous data and over 286 samples for categorical data if the population size is larger than 500 (29% and 57% respectively), while Sekaran and Bougie (2010) suggest a sample of 260 is adequate for such a sample population. For this study, questionnaire was distributed to 300 UMK staff, which represents 60 percent of respondents from an approximate population of 500.

However, the study does not aim to measure the openness of the respondents' thinking, but to focus on the perception of these respondents towards the management and operation of *zakat* institutions that might influence their level of trust and

confidence.

4.5 PILOT TEST

Prior to the distribution of the questionnaire, a pilot test was first conducted to verify the adequacy and clarity of the questions as suggested by Chua (2006). The pilot test serves as a mechanism to test for possible future challenges and to facilitate a smooth data collection procedure.

Questionnaire construction will always consist of an element of bias and therefore never be perfect irrespective of the efforts taken to ensure otherwise (Schwab,2005). As such, prior to substantive research, a pilot test is necessary to ensure greater validity and is more representative. It is conducive to a better response rate, validity, and reliability (Saunders et al., 2003), in addition to ensuring an effective structure and design (Oppenheim, 2001).

In regard of the above notion, a pilot test for this study was conducted in August 2013. The pilot questionnaire were distributed to ten (10) individuals, consist of seven academician and three administrative staff at the UMK respectively. All respondents responded within a week.

Overall, the responses were positive and some respondents were even willingly sparing their times to discuss in depth about the pilot questionnaire. Most of the respondents took about 10 to 20 minutes to answer. Except for a few questions, in general the questions and instructions were understandable and clear and the respondents believe that the content of the survey meets the objective of the study and it has been covered to an appropriate degree of breadth.

Following the pilot test, the content of the questionnaire has not been significantly changed even though the modifications have been done to the survey

title, its instructions, measurement scale of some questions and the overall layout of the questionnaire. In addition, the cover letter has also been modified to accommodate the comments received during the pilot test.

4.6 DATA ANALYSIS

This study utilizes several statistical analyses. Non-response bias test was conducted to ensure that there is no difference in the response by those who have not answered. Validity and reliability tests were also used to analyze the soundness of the data and the consistency of the responses. In order to analyze the association between independent and dependent variables a multiple regression technique was adopted. The findings were analyzed using softwares, namely, SPSS version 11.0 and Microsoft Excel in order to tabulate and graph the results.

Cooper and Schindler (2006) suggested that in order to have a suitable test and analysis techniques, the study needs to consider the type of measurement scale used, sample, and nature of the population.

Research questions were explored using appropriate statistical tests. The researcher uses descriptive statistics to measure the frequencies, and central tendency particularly in answering the first research question and analysis of demographic data.

According to Sekaran and Bougie (2010), an appropriate statistical technique largely depends on the number of independent and dependent variables to be examined, the scale of measurement (metric and non-metric) of the variables and the normality of the data. Since the data are normally distributed, as suggested by Sekaran and Bougie (2003), parametric statistical techniques are appropriate to test the relationship of the continuous variables.

However, in this study, the focus is not to test the correlation between the

independent variables but to see if there is any relationship between the antecedents of *zakat* payers' trust (AZPT) with the *zakat* payment channel as preferred by *zakat* payers. Therefore, the researcher used the univariate and multivariate regression on the independent variables (AZPT) to determine its association with the *zakat* payers' preference of choosing *zakat* institutions' channels to pay *zakat* (ZIC PAYMENT).

The univariate regression model is displayed below:

$$\text{ZIC PAYMENT} = \alpha + \beta_1 \text{AZPT} + \varepsilon$$

The multivariate regression model is displayed below:

$$\text{ZIC PAYMENT} = \alpha + \beta_1 X + \varepsilon$$

Where:

ZIC PAYMENT = payment of *zakat* through the *zakat* institutions' channels

X = Capacity of the Board Capital/Management (CBM), Organizational Model (OM), Disclosure Practice (DP), Stakeholders Management (SM), Role Competence (RC), Familiarity (F), Reputation (R), Perceived Opportunism (PO).

α = is a constant, represents the amount of the dependent variable when all the independent variables are 0.

β_1 = is the regression coefficients, representing the average amount the dependent variable changes when the independent increases one unit and other independents are held constant.

ε = is an error term.

AZPT = Sum of Capacity of the Board Capital/Management (CBM), Organizational Model (OM), Disclosure Practice (DP), Stakeholders Management (SM), Role Competence (RC), Familiarity (F), Reputation (R), Perceived Opportunism (PO).

For the purpose of achieving the third objective and answering the final research question, the researcher will adopt the *Technometrica Institutes of Politics and Policy* (TIPP) index to analyze the Staff Confidence index (SC_i) of UMK staffs' sentiments towards the SIRC attributes. Curtin (2007) studied the consumer sentiment that explains the consumer expectation will lead to changes in the future economy by using the TIPP index. In this case, it is able to predict current decision making for future benefits and strengthen the findings from the regression test. This method was calculated using two approaches. The first approach needs the following formula:

$$SC_i = 50 + 0.5 (P^+ - P^-)$$

This approach is adopted if there are three Likert-scales used to measure the level of *zakat* payers (staff) confidence, where P^+ refers to the most satisfied scale (strongly agree) and P^- is refer to the most dissatisfied scale (strongly disagree). Additionally, if the items are questioned using five Likert-scales, the following approach is applicable:

$$SC_i = 50 + 0.5 [(P1^+ - P1^-) \%] / N + 0.25 [(P2^+ - P2^-) \%] / N$$

The above measures the level of *zakat* payers confidence, where $P1^+$ is the most satisfied scale (strongly agree) and $P1^-$ is the most dissatisfied scale (strongly disagree). In addition, $P2^+$ refers to satisfied scale and $P2^-$ refers to dissatisfaction scale, while N is referring to total of respondents.

Both approaches are determined by the value of 0 until 100. If the value of SC_i is equal to 0, it shows that the *zakat* payer are totally dissatisfied with the services (e.g. activities, disclosure practice and management of stakeholders) offered by *zakat* institutions. On the other hand, if the value of SC_i equals to 100 it shows that the *zakat* payer are completely satisfied with the services offered by *zakat* institutions. In addition, if the SC_i is equal to 50, the satisfaction or confidence level of *zakat* payer is

considered natural. The SC_i value of greater than 50 shows a favorable confidence level and vice versa, if the SC_i value is below than 50, it shows unfavorable confidence level. Moreover, the Cumulative Staff Confidence index (CSCi) is computed from the average of confidence level for the whole aspects.

$$CSCi (ZI) = (1/N) \sum SC_i$$

N here is the total aspect that comprise of CBM, DP, OM, SM, RC, F, R, PO, while CSCi is the average of all the aspects.

4.7 CONCLUSION

The primary objective of this chapter was to discuss the research design, which also highlighted the research methodology, method of data collection and analysis appropriate for this research. The analysis included the descriptive and inferential tests, which lead to the development of the regression models. The next chapter discusses the findings and analysis of this research.

CHAPTER 5

FINDINGS AND DISCUSSION

5.1 INTRODUCTION

This chapter presents the data analysis and research findings. The chapter is structured in the following manner. First, it illustrates the response rate of the questionnaire in Section 5.2. Second, it presents the non-response test in Section 5.3. Thirdly, validation and reliability test are discussed in Section 5.4. This is then followed by discussion on the demographic background of the respondents in Section 5.5. Before the conclusion, the statistical analysis for each research question is accordingly presented and discussed in Section 5.6. This chapter ends with conclusion.

5.2 RESPONSE RATE AND DEMOGRAPHIC PROFILE

A total of 300 questionnaires were self-distributed to the respondents in the three branches of UMK. Each of the three branches was distributed with 100 questionnaire (please refer to the previous chapter Section 4.4 for details of sample derivation). All 300 questionnaires were distributed in three UMK branches during the five working days in Kelantan (Sunday to Thursday).

Out of the total 300 questionnaire distributed, the researcher received overall responses of 110 (35%) at the end of the collection period. Overall, all the returned questionnaire are usable for the data analysis since there are no unanswered question by the respondents. Table 5.1 provides the summary of the overall response rate for each UMK branch.

The response rate and usable data for the total distributed questionnaire are

depicted in the table below:

Table 5.1 Response Rate from Three UMK Campuses

	Distribution of Questionnaire		Questionnaire Received		Questionnaire not Received		Usable Questionnaire	
	No.	%	No.	%	No.	%	No.	%
City campus	100	100.0	52	52.0	48	48.0	52	52.0
Bachok campus	100	100.0	31	31.0	69	69.0	31	31.0
Jeli Campus	100	100.0	22	22.0	78	78.0	22	22.0
Total	300	100.0	105	35.0	195	65.0	105	35.0

The table shows 52 percent of received questionnaire in UMK City campus while the return rate for UMK Bachok and Jeli campuses were 31 percent and 22 percent, respectively. Overall, a total of 105 responses were received, which results in an overall response rate of 35 percent. According to studies done by Akbar et al. (2012); Sharfman et al. (2000); Vitelland and Paolillo (2004) and Ramasamy and Ting (2004), such percentage is accepted for analysis of the findings. In other words, it is a reasonable return for making inferences about the implications of the study.

5.3 NON-RESPONSE BIAS TEST

Non-response bias has been claimed as one of the pitfalls of the questionnaire. The issue is significant to the research because if individuals whose respond differ significantly from non-respondents, it would subsequently prevent the generalization of the results of the study to the population. There are several approaches available in dealing with non-response bias (Armstrong and Overton, 1977). For instance, to reduce the non-response, to sample the non-respondents, and to estimate the effects of non-response. The third approach was adopted for this study due to cost consideration

and time constraints.

In estimating non-response bias, three methods were taken into consideration, namely comparisons with known values for the population, subjective estimate and extrapolation (Armstrong & Overton, 1977). In the third method, extrapolation methods are based on the assumption that subjects who respond late are more like non-respondents. “Late” has been defined as answering later caused by lack of support to answer. Ronmark et al. (2009) identified “time trend” is the most vital basis in extrapolation method. It is reported that lack of time was the most commonly reported reason of non-response followed by having no memory of receiving the questionnaire and considering the study of little or no importance (Ronmark et al., 2009). Hence, this study adopted “time trends” for non-response bias test, whereby persons responding later are assumed to be identical to non-respondents and produced similar responses.

The first step to conduct this test is by grouping together 10 earliest responses as one group and 10 very late responses in one group. The second step takes place by comparing the two groups using two sample t-tests, SPSS version 12.0. This statistical tool is a parametric alternative to test the differences between two independent groups on continuous variables (Chan, 2003). Except for demographic section, all items of the questionnaire have been selected for the purpose of this test. The results of the test are displayed in Table 5.2. It can be seen that out of 39 items tested in Section A and B, only two items are found to have statistical differences between the 10 earliest responses and the 10 very late responses which this has regarded as immaterial and should not influence other items. This can be statistically confirmed by referring to Table 5.2. If the value in the Sig. (2-Tailed) column is above 0.05, there is no significant difference between the two groups (Pallant, 2001). Thus, it can be

concluded that no material non-responses bias exists in this study.

Table 5.2 Non-Response Bias Test (Independent T-test)

No.	Item	Sig. (2-tailed)	No.	Item	Sig. (2-tailed)
Section A			21	5(b)	0.145
1	1(a)	0.174	22	5(c)	0.120
2	1(b)	0.279	23	6(a)	0.063
3	1(c)	0.836	24	6(b)	0.121
4	1(d)	0.021	25	7(a)	0.795
5	1(e)	0.548	26	7(b)	0.830
6	2(a)	0.754	27	7(c)	0.089
7	2(b)	0.476	28	8(a)	0.151
8	2(c)	0.331	29	8(b)	0.626
9	2(d)	0.382	30	8(c)	1
10	2(e)	0.749	Section B		
11	3(a)	0.175	31	9(a)	0.268
12	3(b)	0.077	32	9(b)	0.340
13	3(c)	0.331	33	9(c)	0.019
14	3(d)	0.331	34	9(d)	0.055
15	4(a)	1	35	9(e)	0.065
16	4(b)	0.276	36	9(f)	0.773
17	4(c)	0.382	37	9(g)	0.169
18	4(d)	0.806	38	9(h)	0.584
19	4(e)	0.673	39	9(i)	1
20	5(a)	0.113			

5.4 VALIDATION AND RELIABILITY TEST

Due to the need to ensure the instrument's contents provides sufficient coverage of the investigative questions guiding the study, the validity and reliability test should be conducted (Cooper and Schindler, 2001). Firstly, as mentioned by Pallant (2003) there are three main types of validity discussed, namely content validity, criterion validity and construct validity. This study for instance has adopted content validity which refers to the measure of the adequacy and representations of items that tap the concept (Sekaran, 2003).

Sekaran (2003) explains that a panel of judges can attest to the content validity of the instrument. As highlighted in the previous chapter in Section 4.5, the questionnaire has been evaluated by 10 individuals, consisting of seven academicians and three administrative staff from UMK. Since these individuals were selected due to their understanding of the field of this study, the content of the instrument of this study can be considered valid and adequate.

As for the reliability analysis, to test the reliability of a measure in terms of its consistency and stability, several different reliability coefficients can be adopted. The most common is the Cronbach's alpha test which indicates how well the items in a set are positively connected between one and another (Sekaran and Bougie, 2010). Pallant (2001) and Botosan (1997) generally indicate the Cronbach's alpha coefficient of 0.6 and above is considered satisfactory internal consistency reliability, whereas reliabilities below 0.6 are considered to be poor. The nearer the result produced by Cronbach's alpha to 1 means the higher the internal consistency reliability (Muhammad, 2008). The overall reliability score of the questionnaire is 0.791. Hence, it can be concluded that the reliability of the measures used in this study are good and reliable.

5.5 DEMOGRAPHIC ANALYSIS

The demographic data were collected from UMK staff. This included information such as gender, age, level of education, current working position and annual net income range.

Table 5.3 Respondents' Age and Gender

Item	Age Range	Frequency	Percentage
Age range	25 and below	27	25.7
	26-35 years old	63	60
	36-45 years old	10	9.5
	46-55 years old	4	3.8
	57 and above	1	1
Gender	Female	64	61
	Male	41	39

As we can see from Table 5.3, 39 percent of the respondents are male and 61 percent are female. In term of the age of the respondents, the majority of the respondents were “between 26 to 35 years” of age which is 63 percent out of 105 respondents. Meanwhile, 27 percent of respondents were in the range of “25 years and below”, and 10 percent were “between 36 to 45 years”. Respondents within the range of “46 to 55 years old” and “57 years and above” were reported as 4 and 1 percent respectively. Eventhough age might not be an absolute indication of level of maturity, these figures somehow reflect that the majority of the respondents in this study are matured (Muhammad, 2008).

In term of the respondents' level of education, Table 5.4 indicates all of the respondents have at least Malaysian certificate of education (SPM); where 39 percent have a Masters degree as their highest level of education and followed by 28.6 percent having diplomas.

Table 5.4 Respondents' Educational Background and Current Position in UMK

Item	Frequency	Percentage	
Highest Education Level	PhD	7	6.7
	Master Degree	41	39
	Bachelor Degree	12	11.4
	Diploma	30	28.6
	Professional Qualification	2	1.9
	Vocational Certificates	4	3.8
	SPM	9	8.6
Current position in UMK	Academic Staff	35	33.3
	Administration Staff	62	59
	Technical Staff	5	4.8
	Professional Staff	3	2.9

Since the respondents have sufficient level of education, the study assumes that they would have some knowledge about *zakat* and understand how it is operated by *zakat* institutions. Since the majority of respondents comprises two major components in UMK, namely, academicians and administrative staff, their opinion can be taken with a high degree of credibility and valid for this research on the basis of the suitability of the position and education of the respondents. Therefore, they are able to understand the questionnaire and provide their opinion on the attributes of *zakat* operations.

In term of the respondents current position in UMK, more than half (59%) of the respondents are administrative staff, 33.3 percent are academicians, 4.8 percent are from technical division and 2.9 percent are holding professional position. Variety of staff positions may enhance the comprehensiveness of respondents convincing different positions in UMK.

Table 5.5 demonstrates 81.9 percent of the respondents have experience in paying *zakat*. This is paramount to strengthening the validity of the responses

provided. In addition, the majority of the respondents have annual net income exceeding the stated *nisab*, which is RM 13,900 (MAIK, 2013). Therefore, those without experience of paying *zakat* in the previous year may pay *zakat* on earned income for this year.

Table 5.5 Respondents' Annual (Net) Income and Experience in Paying *Zakat* on Earned Income

Item		Frequency	Percentage
Annual net income range	Below Than 10,000	33	31.4
	10,000-30,000	37	35.2
	30,000-50,000	29	27.6
	50,000-70,000	1	1
	70,000-90,000	3	2.9
	More Than 90,000	2	1.9
Experience in Paying <i>Zakat</i> on Earned Income	Yes	86	81.9
	No	19	18.1
<i>Zakat</i> Payment Channel Preferred	Pay to <i>Zakat</i> Institution's Channel	79	75.3
	Pay Directly to <i>Zakat</i> Recipient	4	3.8

5.6 STATISTICAL ANALYSIS FOR EACH OF RESEARCH QUESTIONS

The statistical analysis is organized into three sections based on the research questions. The data analysis is conducted in different stages and steps based on the statistical tests. First, the descriptive statistics was conducted followed by the discussion of *zakat* payers' perception on the operation and management of *zakat* institutions. This was supported by using the correlation and regression test to test the hypotheses of this study. Finally, the TIPP index is adopted to measure the respondents' confidence level towards *zakat* institutions.

5.6.1 Research Question One

The first research question is to investigate the antecedents of *zakat* payers' trust. This section focused on results and discussions regarding factors influencing trust of *zakat* payers towards *zakat* institutions.

In Chapter 2, based on the literature review, there are eight possible antecedents of *zakat* payers' trust that influence the level of trust in various countries such as Nigeria and UK. Factors such as the capacity of board capital/management, the organizational model, the stakeholders' management, the role competence, the familiarity of institution, the reputation of institution, the perceived opportunism and the disclosure practice have been identified as the antecedents of an individual's trust to an institution. In this section, these antecedents of *zakat* payers' trust will be analyzed using descriptive statistics.

However, the items under the perceived opportunism variable must first be transformed (referred as reverse coded item) so that all the particular items are oriented in the same direction with other items under other variables that using similar scale. DeCoster (2004) refer reverse coded items are items phrased in the semantically opposite direction in order to encourage respondents to actually pay attention to the questions and to gain better understanding. A similar approach can be found in Yang (2006), Marchand et al. (2005) and Sargeant and Lee (2004).

To reconfirm the findings from prior literature, the respondents were asked to indicate the extent to which each item has been or should be implemented in management of *zakat* on a 5-point Likert scale from 1 to 5. A one (1) was to be assigned if it was totally not applicable for the item to be implemented in management of *zakat* and five (5) was to be assigned if it was totally to be implemented in management of *zakat* to ensure restoration of trust and confidence to *zakat*

institutions. The point two (2) to four (4) were to be used to indicate varying degrees intermediate applicability.

Table 5.6 present the findings for each question investigated and the means for the antecedents of *zakat* payers' trust (AZPT) that have been ranked accordingly. The mean points for a particular item were calculated by assuming the integer values assigned to the item and then dividing that total by the number of individuals who responded to the item. In other words, the mean points for each item was calculated and used as a surrogate for the relative applicability of that item being implemented in management of *zakat*. Since the total mean score for each variable is above 3.50, this suggests all the variables are possible to be antecedents of *zakat* payers' trust and thus are used in this study as independent variables (Shariff, 2003).

Based on the table, the first ranked variable is the Stakeholders' Management (SM) by *zakat* institutions. This is because the total mean score for this variable of 4.06 is the highest among the other variables. Therefore, the management of stakeholders is believed to be the most vital AZPT to build a strong bonding of trust between *zakat* payers and *zakat* institutions. Among the items included in SM are *zakat* institutions should closely monitor the disbursements of *zakat* to *zakat* recipients, which is also the first ranked item in supporting stakeholders' management as one of the AZPT. This item shows *zakat* payers' trust can be developed if they are confident in the strategic monitoring system in *zakat* disbursement activities. Stakeholders' management show *zakat* recipients as one of the prominent groups that may significantly affect *zakat* payers' decision in channeling their *zakat*. A good monitoring system on distribution of *zakat* to the recipients evidently shows a signal in *zakat* payers' trust towards *zakat* institutions. Additionally, *zakat* institutions should also systematically measure the satisfaction of *zakat* payers on a regular basis. On the

stakeholders' management by *zakat* institution, the above finding corresponds to the result of the study by Abioyea et al. (2013) where they found that the perception of stakeholders' management is operationalized as a series of activities that *zakat* payers expect *zakat* institutions to carry out in ensuring fairness to all stakeholders and guarantee their legitimacy.

Table 5.6 The Perception of Respondents on Antecedents of *Zakat* Payers' Trust

No.	Item	Total Mean Score	Rank
1	Perception on the management of stakeholders by <i>zakat</i> institutions.	4.0552	1
2	Perception on the disclosure practice by <i>zakat</i> institutions.	3.8952	2
3	Perception on capacity of the board capital/management in <i>zakat</i> institutions.	3.8762	3
4	Perception on the role competence of <i>zakat</i> institutions.	3.8571	4
5	Perception on the organizational model of <i>zakat</i> institutions.	3.7714	5
6	Perception on the reputation of <i>zakat</i> institutions.	3.7587	6
7	Perception on the perceived opportunism of <i>zakat</i> institutions.	3.7524	7
8	Perception on the familiarity with <i>zakat</i> institutions.	3.4714	8

Disclosure Practice (DP) is ranked second (3.89) among all eight AZPT to show it is important for the *zakat* institution to ensure adequate information related to management of *zakat* funds are presented in financial statements and notes to the accounts. Additionally, the non-financial information should also be reported in other reading materials such as magazines and bulletins so that *zakat* payers remain up dated with current *zakat* information. The first ranked item under DP is *zakat* institution should disclose relevant *zakat* financial information in the financial

statements and notes to the account, disclose its achievement in notes to the account and additional report and finally diverse professional experience in board member were perceived to be strong support for this antecedent. A similar result was found in the study where Abioyea et al. (2013) discovered trust is created when a *zakat* institution is perceived to disclose broad based information to the public especially *zakat* payers.

The third ranked AZPT is the Capacity of the Board Capital/Management (CBC) in *zakat* institutions. This variable clearly has strong support by the respondents, as the mean score for this variable is 3.88. The item that ranked first in measuring CBC is to have *shari'ah* scholars on the board of management. This item has the highest mean of 4.24 compared to other items. Besides, it is important to appoint reputable members in board of management in *zakat* institutions. Additionally, other items such as selecting members with different educational background, having a politically affiliated person in the board and having a representative of *zakat* payers in the board of management of *zakat* institutions strongly support the capacity of the board to be one of the AZPT. The finding of CBC as an antecedent of trust to attract more funds channeled through *zakat* institutions is parallel to the findings of Abioyea et al. (2013) where the latter place CBC as one of the antecedents of *zakat* payers trust that directly influence the trust of *zakat* payers toward *zakat* institutions. Besides, CBC has indirect influence on *zakat* payers' trust through disclosure and stakeholder management practice of *zakat* institution. Abioyea et al. (2013) asserted when a *zakat* institution consist of the right mix of members, it will be expected to formulate policies that will lead to disclosure and stakeholder management practices that will be acceptable to *zakat* payers.

The Role Competence (RC) of *zakat* institutions is ranked fourth. Overall, the

mean for each item for measuring this antecedent was at the scales of 3 and above. This means, all of the items strongly support the role competence of *zakat* institution as one of the AZPT. Consistent with Sargeant and Lee (2002) place RC as one of the antecedents of donors' trust that suggest organizations working in the sector can seek to improve the quality of service delivered to payers and perceptions of their role competence.

The Organizational Model (OM) for *zakat* institutions are ranked fifth AZPT. The measuring items for this variable indicates that the government model of *zakat* institutions would run *zakat* institutions successfully and government ownership would positively influence the trust of *zakat* payers towards *zakat* institutions as the first and second ranked items with of 3.95 and 3.91 respectively. Meanwhile, the third ranked item showed that the respondents agree that the government model would add to the legitimacy of *zakat* institutions (3.84). On the other hand, the item of corporate model of *zakat* institutions would run *zakat* institutions successfully is only ranked fourth (3.81) suggesting corporate model of *zakat* institutions are not really strong in supporting OM of *zakat* institutions to influence *zakat* payers' trust. However, *zakat* payers less agree if non-government organizations would not effectively run *zakat* institutions in a Muslim majority country as this item is ranked fifth (3.34). This gives a positive signal to the establishment of *zakat* institutions through corporatization. Overall, the organizational model of *zakat* institution is considered to be one of the antecedents of *zakat* payers' trust with a total mean score above 3.7714. Tahir and Majid (1999) have a consistent result with this finding where they found that the corporatization is not a main factor that contributes to the increase of *zakat* collection. Additionally, it is similar to Nor et al. (2001) that found the increase in *zakat* collection is insignificantly related to corporatization.

The sixth ranked AZPT is the reputation of *zakat* institutions. The means for each of the items falls between 3.70 – 3.85, which indicates strong support for the reputation of *zakat* institution variable as one of the antecedents of *zakat* payers' trust with the total mean score of 3.76. Reputation of *zakat* institutions is considered vital as the *zakat* institution has to deal with reputational risk. The first ranked item under this variable is that *zakat* institutions have a positive reputation in the management of *zakat* disbursement. This shows that the majority of the respondents agree that *zakat* institutions have a positive image in the eyes of *zakat* payers. The result is also supported by the similar finding of Torres-Moraga et al. (2010) where they affirmed that charity organizations can secure payers' trust by first improving the organization's reputation. Positive reputation will favorably affect payers' trust as it positively work on consumers' trust (Selnes, 1998).

The Perceived Opportunism (PO) of *zakat* institutions is ranked as the seventh antecedent of *zakat* payers' trust. It shows that all three measuring items under this variable has a mean score between 3.23 - 3.46. Overall, all three items show strong support for the perceived opportunism as one of the antecedents of *zakat* payers' trust with the total mean score of 3.75. This finding is consistent with the finding of Torres-Moraga et al. (2010) that perceived opportunism has a direct impact and negative effect on trust. They also suggested because PO has a negative effect on payers' trust, the organization can reduce such effect by minimizing the occurrence of deceptive behaviors, manipulation of the information, dangerous spread of errors, cover-ups and damaging confusion.

Finally, the eighth ranked AZPT is familiarity with *zakat* institutions. There are two measuring items under this variable and both have means of 3.45 and 4.50. Thus, both items show strong support for the perception of familiarity towards *zakat*

institution (F). Since the total mean score for F is 3.47, the familiarity towards *zakat* institution variable is considered one of the antecedents of *zakat* payers' trust. The items under this variable show *zakat* payer are familiar with *zakat* institutions compared to others (i.e. friends and other Muslims). This result is a sign that *zakat* payers are willingly to be familiar with *zakat* institution's activities. This finding corresponds to the findings of Luhman (2000) and Torres-Moraga et al. (2010) who asserted greater payers' experience with an agency's activities would certainly increase payers' trust. This is also similar to Sargent and Lee (2002) who opined charity organizations can influence payers' trust by enhancing payers' exposure to experience and knowledge of the recipient organization's work and actions regarding the organization's mission and social role.

5.6.2 Research Question Two

The second research question is to examine whether there is a relationship between antecedents of *zakat* payers' trust with *zakat* payers' preferences on *zakat* payment channels. This question seeks to identify whether *zakat* payers would choose *zakat* institutions as channel to pay *zakat* if the payers possess high level of trust towards *zakat* institutions. This trust is measured by their perceptions and level of agreement on the antecedents of *zakat* payers' trust in the first section of the questionnaire.

In this section, testing procedures are conducted to examine and evaluate the relationship between the preferences of *zakat* payers on choosing *zakat* payment channels. The results will be used to determine whether the hypotheses are supported or vice versa. In analyzing the result, the parametric correlation technique was selected based on the normality of the data distribution. Zikmund (2003) indicates if the value of correlation is 1.0, a perfect positive relationship occurred, while if the

value of correlation is -1.0, a perfect inverse relationship occurred. In addition, to further analyze the results based on a model, the univariate and multivariate regression tests are also conducted.

Table 5.7 shows the relationship between perceived level of trust (please refer to the “Trust” scale “a” until “g” in Section B of the questionnaire) and perceived attitude of paying *zakat* through *zakat* institution channels (please refer to the “Payment ZIC” scale “h” and “i” in Section B of the questionnaire) as investigated using Pearson product-moment correlation coefficient. The results show there was a strong positive correlation between the two variables ($r = .655$, $n = 105$, $p < .0005$), with high levels of trust associated with high levels of perceived attitude of choosing *zakat* institution channels provided to pay *zakat*. This result is consistent with the finding of Sargeant and Lee (2004) that suggests an increase in trust would tend to lead to increase in commitment of payers to the organization. Hallen et al. (1991) and Zaher and Venkatraman (1995) argued that of the role of trust is important in influencing relationships between companies and customers in their studies.

Table 5.7 Correlation between Perception on Trust towards *Zakat* Institution and Perception of Paying *Zakat* through *Zakat* Institution Channels

		TRUST	PAYMENT ZIC
TRUST	Pearson Correlation	1	.655**
	Sig. (1-tailed)		.000
	N	105	105

PAYMENT ZIC = the perception of paying *zakat* through *zakat* institution channel.

TRUST = the perception on the trust toward *zakat* institution.

** Correlation is significant at the 0.01 level (1 tailed).

In multiple regression analysis, the researcher attempts to investigate two

aspects. First, how well the AZPT (e.g. perceived capacity of board capital) are able to predict the channel chosen by *zakat* payers, which AZPT are the best in reflecting an outcome. Second, whether that particular AZPT would still able to reflect an outcome when the effect of another AZPT measure are controlled for (e.g. perceived disclosure practice and perceived familiarity). In a univariate regression (refer Table 5.8), a favorable perception on antecedents of *zakat* payers' trust (AZPT) is significantly and positively associated with the attitude of paying *zakat* through *zakat* institutions channels, hence supported all the hypotheses.

Based on the results revealed in Table 5.8, all the eight independent variables are significant, which suggest that they have a significant positive association on the decision of *zakat* payers to pay *zakat* through the *zakat* institutions' channel.

On the other hand, the result from multivariate regression test (please refer Table 5.9) shows only RC and R have a significant relationship between the independent variables and the dependent variable at a 5 percent significance level. In other words, only RC and R have significant positive associations on the decision of *zakat* payers to pay *zakat* through the *zakat* institutions' channels.

Whereby, other independent variables seem to have insignificant relationships. Perhaps when the independent variables were included in the multivariate regression, a more complex relationship between them possibly negated their effect on the decision of choosing *zakat* institution channels to pay *zakat*. This may be due to overlapping of one variable to another variable in the model and may be affected by multicollinearity issue.

Table 5.8 Coefficients - Univariate Regression

$\text{PAYMENT ZIC} = \alpha + \beta_1 \text{TRUST} + \varepsilon$ $\text{PAYMENT ZIC} = \alpha + \beta_1 X + \varepsilon$						
IV*	Standardized Coefficient	T	Sig	Adj R ²	F Value	Sig
	Beta					
CBC	.232	2.423	.017**	.045	5.871	.017
OM	.262	2.760	.007**	.060	7.616	.007
DP	.371	4.054	.000**	.129	16.437	.000
SM	.457	5.215	.000**	.201	27.196	.000
RC	.493	5.749	.000**	.236	33.048	.000
F	.204	2.111	.037**	.032	4.455	.037
R	.464	5.321	.000**	.208	28.316	.000
PO	.421	4.715	.000**	.170	22.229	.000

* Independent variables.

** Relationship is significant at the 0.05 significance level.

PAYMENT ZIC = payment of *zakat* through *zakat* institution channels.

TRUST = perception on aggregate of antecedents of *zakat* payers' trust.

α = is a constant, represents the dependent variable when all the independent variables are 0.

β_1 = are the regression coefficients representing the average amount the dependent variable changes when the independent increases one unit and other independents are held constant.

ε = is an error term.

X = Capacity of the Board Capital/Management (CBC), Perceived Organizational Model (OM), Disclosure Practice (DP), Stakeholders Management (SM), Role Competence (RC), Familiarity (F), Reputation (R), Perceived Opportunism (PO).

Evidently, after comparing all eight independent variables, RC has the largest beta coefficient which is .247. This means that this variable makes the strongest unique contribution to explain the decision of choosing *zakat* institution channel to pay *zakat*, when the variance explained by all other variables in the model is controlled. This is followed by R (beta=.239), DP (beta=.172), SM (beta=.139), OM

(beta=.041), CBC (beta=.036), O (beta= -.021) and F (beta=.003). From the results, F shows the weakest unique contribution to explain the decision of choosing *zakat* institution channel to pay *zakat*.

Table 5.9 Coefficients - Multivariate Regression

PAYMENT ZIC = $\alpha + \beta_1AZPT$						
	Standardize Coefficient	T	Sig	Adj R ²	F Value	Sig
	Beta					
Constant		.288	.774	.325	7.262	.000
CBC	.036	.389	.699			
DP	.172	1.731	.087			
SM	.139	1.212	.228			
OM	.041	.444	.658			
R	.239	2.455	.016**			
F	.003	.034	.973			
PO	-.021	-.232	.817			
RC	.247	2.224	.028**			

Therefore, in answering the second research question, all eight antecedents of *zakat* payers' trust (CBC, DP, OM, F, R, PO, RC and SM) on its own are significant predictor of payment of *zakat* through *zakat* institution's channel. However, in combination with all eight AZPT, only two AZPT are significant, namely *zakat* institution's reputation and role competence. They are significant predictors of payment of *zakat* through *zakat* institutions' channel, while the effect of other AZPT are insignificant.

This is consistent with the findings of Torres-Moraga et al. (2010) where they found the charity can secure donor trust by first improving the organization's reputation. The researcher found sixty percent of the respondents pay *zakat* directly to recipients due to satisfaction issue. Similar findings established by Donny and Cannon

(1997) and Selnes (1998), where a positive reputation will favorably affect donor trust as it positively works on consumer trust.

In relation to the multicollinearity issue, Randall (2005) mentioned that the Variance Inflationary Factor (VIF) can be used to test for multicollinearity. In this context, the VIF for variables are illustrated in Table 5.10.

Table 5.10 Multicollinearity Test

Predictor	Tolerance	VIF
PO	.775	1.289
CBC	.775	1.291
OM	.776	1.289
DP	.660	1.514
SM	.493	2.029
RC	.608	1.645
F	.665	1.503
R	.683	1.464

It is supposed that there is no correlation between variables if VIF values equal 1. In addition, it is suggested that if VIF is greater than 10, there is too much correlation (Randall, 2005). Moreover, Table 5.10 shows there is no multicollinearity problem as the VIF value is from 1.289 (minimum) until 2.029 (maximum). All the variables are tested against each other and the results show VIF values are low. Therefore, no multicollinearity issues should appear in the regression test run earlier and this indicates other issue have affect the regression result earlier (e.g. insufficient of data or respondents).

5.6.3 Research Question Three

The third research question is to examine the most influential antecedents of *zakat*

payers' trust. This question encompasses the investigation on the confidence level of UMK staff and their level of agreement on antecedents of *zakat* payers' trust to determine which of the AZPT contributes more effect to *zakat* payers' behavior. In addition, this confidence index will be measured using an index developed by Technometrica Institute of Politics and Policies (TIPP). In this section, the independent variables (AZPT) will be used to obtain the confidence level of UMK staff towards *zakat* institutions. This confidence level is supposed to strengthen the AZPT identified in the earlier section.

In this analysis, the TIPP index was adopted to measure the respondents' confidence towards *zakat* institution. The analysis was conducted using eight factors (AZPT) affecting respondents' confidence level towards *zakat* institution as they have positive relationships with the decision of choosing *zakat* institution channels to pay *zakat*. The results of the confidence index are discussed below.

In reference to Table 5.11, the variable of having at least one *shari'ah* scholar on the board of management in *zakat* institution is the most influential variable based on UMK Staff Confidence index (SCi) with a score of 80.9 percent. This is followed by four other variables which have only slight differences of scores amount each other namely appointing reputable member for the board of management (76.7%), having different educational background in a board of management in ZI (72.6%), appointing at least a representative of *zakat* payers in the board of management of ZI (68.8%) and a need for a political person to be in the board of ZI (57.6%). Overall, capacity of the board capital/management factor contributes to a good confidence level of *zakat* payers.

Table 5.11 Frequency and Average Score on the Capacity of the Board of Management in *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Various education background	1	6	20	53	25	72.619	
Reputable members	1	11	0	61	32	76.6667	
<i>Shari'ah</i> scholar	1	0	13	50	41	80.9524	
Political person	7	17	30	39	12	57.619	
A representative of <i>zakat</i> payers	0	4	34	51	16	68.8095	
							71.33333

Where:

P1(-) = most dissatisfied (strongly disagree)

P2(-) = dissatisfied (disagree)

P3 = neither satisfied nor dissatisfied (natural)

P1(+) = most satisfied (strongly agree)

P2(+) = satisfied (agree)

SCi = staff confidence index.

Table 5.12 indicates each factor under the organizational model of *zakat* institution is reported to have huge influence on the confidence level on *zakat* institution. The important information obtained from this factor is *zakat* payers have good confidence level in *zakat* institution if the governmental model is adopted by the latter rather than corporate model. This result shows governmental model in *zakat* institution is preferable as it is perceived to have a better management of *zakat* funds and able to secure more *zakat* payers' confidence in its activities. Overall, SCi for organizational model of *zakat* institution is 69.29 percent implying respondents are having good confidence level in the government model in *zakat* institution. This may be an interesting finding which may require further investigation by *zakat* institution.

Table 5.12 Organizational Model of *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Government model would run <i>zakat</i> institutions successfully	0	5	20	55	25	73.8095	
Corporate model would run <i>zakat</i> institutions successfully	0	7	29	46	23	70.2381	
Ineffectiveness of NGO	2	10	51	34	8	58.5714	
Government model improve legitimacy	0	2	31	54	18	70.9524	
Government ownership would influence trust	1	2	23	58	21	72.8571	
							69.28571

Table 5.13 shows the factor of disclosure practice by *zakat* institution obtained 72.4 percent SCi, indicating *zakat* payers have a good level of confidence in the *zakat* institution. The factor of having relevant disclosure of *zakat* financial information in the financial statement and notes to the account is the most influential variable (73.5%) for *zakat* payers' confidence level.

Table 5.13 Disclosure Practices by *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Financial information in financial statement & notes to the account	1	2	24	53	25	73.5714	
Information on achievement in notes to the account	1	4	25	50	25	72.381	
Information on achievement in additional report	1	3	31	50	20	70.2381	
Positive influence on information disclosure by diverse board members	0	2	22	62	19	73.3333	
							72.38095

Table 5.14 indicates stakeholders' management by *zakat* institution as the most influential factor with the highest UMK staff confidence index (76.4%) as compared to the other seven factors. Additionally, this result shows that close monitoring on the disbursement of *zakat* to *zakat* recipients is the most influential variable (81%) that fosters *zakat* payers' confidence on *zakat* institutions.

Meanwhile, the SCi for role competence of *zakat* institution factor is 71.4 percent as presented in Table 5.15. This means the role competence of *zakat* institution has good level of confidence from respondents. The high monitoring activity towards societal needs is the most influential variable (80.5%) under this factor. This supports the monitoring of the needs of *zakat* payers and *zakat* recipients for efficient *zakat* collection and distribution. It is also a good indicator of good *zakat* management.

Table 5.14 Management of Stakeholders by *Zakat* Institution

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Measure satisfaction of <i>zakat</i> payers on regular basis	0	1	18	54	32	77.8571	
Monitor the disbursement to <i>asnaf</i>	0	2	13	48	42	80.9524	
Negative influence on attention to the <i>zakat</i> recipients by diverse board members professional experiences	4	6	34	39	22	66.4286	
Keep basic information of <i>asnaf</i>	0	2	20	42	41	79.0476	
Keep basic information of <i>zakat</i> payers	0	3	18	49	35	77.619	
							76.38095

Table 5.15 Role Competence of *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Failure in reducing the burden of <i>asnaf</i>	2	8	35	47	13	64.5238	
Fully understand the need of <i>asnaf</i>	1	4	31	51	18	69.2857	
Actively involved in monitoring societal needs	1	0	15	48	41	80.4762	
							71.42857

Table 5.16 Familiarity with *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Better knowledge compared to other muslim	5	10	35	43	12	61.1905	
Better knowledge compared to friends and family	3	11	34	45	12	62.381	
							61.78571

For the familiarity with *zakat* institution factor, Table 5.16 shows the overall SCi has 61.8 percent in influencing staff confidence level, which means the staff confidence level is good. It suggest for *zakat* institution to increase its effort on greater publicity through advertising, mobile seminars, internet banners and other advertising channels.

On the other hand, the factor of perceived opportunism of *zakat* institution is the weakest in influencing staff confidence level. Table 5.17 indicates the overall SCi for this factor is only 58.8 percent. However, according to the TIPP index, this result shows respondents have a satisfactory level of confidence. Yet, the *zakat* institution should not take this as an overwhelming result rather increases their efforts to produce better SCL from this factor. This result also corresponds to the finding of Nik Hassan (1991) that *zakat* payers prefer to pay *zakat* independently to various categories of *zakat* recipients whom they consider eligible because *zakat* payers' confidence have negatively affected by elements of opportunism in *zakat* institutions.

Table 5.17 Perceived Opportunism of *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
In reality <i>zakat</i> institution only pursue its own interest	1	11	39	47	7	61.4286	
Less concern in facilitating <i>zakat</i> payers	3	14	40	37	11	59.2857	
Interested in the <i>zakat</i> money that I pay	5	20	36	34	10	55.7143	
							58.80952

Table 5.18 Reputation of *Zakat* Institutions

Measuring items	P1(-)	P2(-)	P3	P2(+)	P1(+)	SCi	Average
Positive reputation in managing <i>zakat</i> disbursement	0	3	26	60	16	71.190	
Consistency in planning and implementation	2	4	28	57	14	68.333	
Always receive public attention in each activity	1	7	27	58	12	67.381	
							68.968

Table 5.18 illustrates the reputation of *zakat* institutions as one of the satisfactory factors with SCi of 68.9 percent. This is because *zakat* payers' believe that *zakat* institutions are managing *zakat* efficiently and effectively by maintaining its performance in accordance to its strategic planning. This achievement always receives public attention.

According to Table 5.19, the SCi for overall aspect is relatively good with 68.8

percent. The results show that respondents are satisfied and feel sufficiently confident in the management and operation of *zakat* institution. In answering the third research question, the most influential factor (AZPT) that affect *zakat* payers' confidence is the stakeholders' management by *zakat* institutions (SCi = 76.4%) and the least influential factor is the perceived opportunism of *zakat* institution (SCi = 58.8%).

This result is consistent with the finding of Ghazali (1989) where he found one of the reasons for *zakat* are not channeled through *zakat* institution is because of less confidence among *zakat* payers in *zakat* institution. However, he found 17 percent of the respondents in that study were not confident in *zakat* institutions in managing *zakat* and the rest have other reasons on doing so.

Table 5.19 Cumulative Staffs Confidence index

Item	Staffs' Confidence index (SCi)	Average
CBC	71.3333	
OM	69.2857	
DP	72.381	
R	68.9683	
F	61.7857	
SM	76.381	
O	58.8095	
RC	71.4286	
		68.7966

5.6.4 Summary of the Results

Table 5.20 and Table 5.21 summaries four tests conducted for this research. The Pearson correlation is conducted to obtain a general view on the relationship between level of trust and behavior of *zakat* payers on choosing *zakat* institutions as the

channel to pay *zakat*. In addition, univariate and multivariate regression are conducted to more rigorously investigate any relationship between dependent and independent variables.

Table 5.20 The Summary of the Result

Test	Results	Explanation	Reference to Hypotheses
Pearson Correlation	Positive relationship	High level of trust in <i>Zakat</i> Institutions (ZI) will lead to the payment of <i>zakat</i> to ZI channels. In other words, low level of trust in ZI leads to the payment of <i>zakat</i> directly to the recipients.	No hypothesis was tested, however result shows trust have a significant positive effect on <i>zakat</i> payers' preference to pay directly to ZI.
Univariate Regression	Significant relationships	More favorable perception on AZPT means higher <i>zakat</i> payers' trust on ZI, hence the more they prefer to pay <i>zakat</i> directly to ZI. In this test, all independent variables and dependent variable show positive significant relationships.	All hypotheses (i.e. H1, H2, H3, H4, H5, H6, H7 & H8) are supported.

Table 5.21 The Summary of the Result

Test	Results	Explanation	Reference to Hypotheses
Multivariate Regression	Insignificant relationship for certain variables and only two variables have significant relationship	In this multivariate test, only two independent variables are significant against dependent variables. This could be due to the existence of a complex relationship when eight independents variables are tested together against dependent variable. However, no issue of multicollinearity occur in the model but the results might affected by a low number of responses.	Only H5 and H8 are supported; while H1, H2, H3, H4, H6 and H7 are not supported
Staff confidence index (SCi)	Good confidence level	SCi value for each variable are over 50, which means the confidence level of respondents is above the satisfactory level.	No hypothesis for this test but the results is use to ascertain the most influential AZPT.

5.7 CONCLUSION

In order to answer research question one, a descriptive analysis have been conducted. From the analysis, management of stakeholders, disclosure practice, capacity of board of director, role competence, organizational model, reputation, perceived opportunism and familiarity have been identified as antecedents of *zakat* payers' trust. The AZPT have been ranked accordingly (please refer to Table 5.6).

The second research question has been answered through multiple regression models. In addition, the researcher have also conduct a Pearson correlation test to examine the association between AZPT and *zakat* payers preference on paying *zakat* through zakat institution's channel. The result of the Pearson correlation shows a significant association between *zakat* payers' trust and their preference on paying

zakat through *zakat* institutions' channels. Furthermore, univariate regression analysis supported all the hypotheses tested. Univariate regression results showed that the perceived reputation of the *zakat* institution and perceived role competence of the *zakat* institution are the two determinants with greatest influence in deciding to pay through *zakat* institutions than other AZPT. However, the multivariate regression analysis did not support H1, H2, H3, H4, H6 and H7. Only H5 and H8 are supported. Most of the hypotheses were rejected in multivariate analysis probably because of the complex relationship between the independent variables and it is also probably because of small response rate that trigger the result inevitably showing the complex association.

The third research question was answered using the TIPP index. The TIPP index was used to compute the confidence index of UMK staff in order to ascertain the most influential AZPT in stimulating *zakat* payer's preference on *zakat* payment channel. The analysis shows the staff confidence index was relatively good (68.8%). In addition, the factor of stakeholders' management appears to be the most influential factor in affecting the confidence level of *zakat* payers in the *zakat* institution (76.4%) and followed by other factor as presented in Table 5.18. This positive sign of staff satisfaction shows a better *zakat* collection and distribution in the future. In summary, the overall findings of the study show that the *zakat* payers' preferences on paying *zakat* through *zakat* institution channels are influenced by their perception on antecedents of *zakat* payers' trust.

CHAPTER 6

CONCLUSION AND RECOMMENDATION

6.1 INTRODUCTION

This chapter summarises the main findings presented in the previous chapter and concludes the study accordingly. The chapter is organized in the following sequence. First, in Section 6.2, it provides the overall conclusion for the study and also the conclusion for each research question. Second, the chapter highlights the limitations of the study in Section 6.3. It then underlines the contribution of the study in Section 6.4. Finally, in Section 6.5, it proposes potential areas for future research in relation to this study.

6.2 SUMMARY FOR EACH RESEARCH QUESTION

Currently, the development of *zakat* administration has become a focus in strategic planning of *zakat* institution in Malaysia. Due to the contribution of *zakat* in reducing poverty, many attempts have been made to increase *zakat* payers' trust towards *zakat* institution. The most explicit improvement for example, *zakat* institutions awareness campaigns conducted through mass media such as television advertisements, radio forums and short advertisement, newspaper banners and electronic banner at many social networking sites. This is particularly to encourage more commitment and participation from *zakat* payers to discharge their *zakat* obligation through *zakat* institution channel. As a result, this attempt has partly enhanced *zakat* payers' familiarity towards *zakat* institution's activities and has been recognized as one of the important efforts to promote a more favorable figure of *zakat* collection.

In preserving the positive perceptions of *zakat* payers towards *zakat* institutions, it is necessary for *zakat* institutions to improve *zakat* payers' trust and confidence levels. The positive perception of *zakat* payers towards *zakat* institutions may attract more collection of *zakat* through this official channel. In other words, a strong level of *zakat* payers' trust and higher level of their confidence may lead towards improving *zakat* institution's collection and distribution.

6.2.1 Research Question One

Based on descriptive statistic, it can be concluded that the eight antecedents of charity giving, namely capacity of board capital, disclosure practices, stakeholder's management, organizational model, perceived opportunism, familiarity, reputation and role competence identified in the literature review in Chapter Two are relevant antecedents of *zakat* payers' trust. Thus, these findings help to answer the first research question and achieved the first research objective.

6.2.2 Research Question Two

The Pearson correlation test concluded that there is a positive relationship between *zakat* payers' trust and the preferences of *zakat* payers regarding channels to pay *zakat*. This finding shows that *zakat* institution, like other charities, operates in low value conflict and high trust environments (Laughlin, 1996).

Moreover, the result of univariate regression test also supports all the hypotheses (i.e. hypothesis 1 to hypothesis 8) suggesting antecedents of *zakat* payers' trust are positively associated with the *zakat* payer's preferences on paying through *zakat* institutions' channels.

On the other hand, the results of the multivariate regression show insignificant

relationship for six out of eight independent variables and dependent variable. There are only two independent variables (i.e. reputation of *zakat* institution and role competence of *zakat* institution) that show significant positive associations with the *zakat* payers' preference on paying *zakat* through *zakat* institution channel. This is despite the fact that all the eight variables are significant in their individual univariate regressions. With this, the multivariate regression had answered the second research question and achieved the second research objective.

6.2.3 Research Question Three

By using the TIPP index, the staff's confidence index shows that the majority of the staffs agreed that *zakat* institutions should maintain and improve the stakeholders' management on top of the other factors. The observed results are that the stakeholders' management appears to be the most influencing factor on *zakat* payers' confidence and satisfaction levels. This is then followed by perceived disclosure practice, perceived role competence, perceived capacity of board capital, perceived organizational model, perceived reputation, perceived familiarity and perceived opportunism respectively. That makes the overall confidence index for UMK staff is above satisfactory level (65%). Hence, this test has answered research question number three and the third research objective was achieved.

In addition, Table 6.1 summarises the findings of this thesis. To recapitulate, the research objectives and research questions are positioned in line with the research findings so that the outline of this dissertation can be clearly reviewed.

Table 6.1 The Summary of the Findings

Research Objectives	Research Questions	Research Findings
To investigate the antecedents of <i>zakat</i> payers' trust in Kelantan.	What are the antecedents of <i>zakat</i> payers' trust in Kelantan?	Eight antecedents of <i>zakat</i> payers' trust have been identified based on descriptive statistic. (i) Capacity Of Board Capital (ii) Disclosure Practice (iii) Stakeholder Management (iv) Familiarity (v) Reputation (vi) Perceived Opportunism (vii) Role Competence (viii) Organizational Model
To examine whether there is a relationship between Antecedents of <i>Zakat</i> Payers' Trust (AZPT) with <i>zakat</i> payers' preferences on <i>zakat</i> payment channels.	What is the relationship between antecedents of <i>zakat</i> payers' trust with <i>zakat</i> payers' preferences on <i>zakat</i> payment channels?	(a) Pearson correlation shows there is a strong positive correlation between trust and payment through <i>zakat</i> institutions. (b) Univariate regression shows all 8 antecedents of <i>zakat</i> payers' trust are having positive significant relationships with <i>zakat</i> payers' preference on paying <i>zakat</i> through <i>zakat</i> institution's channel. (c) Multivariate regression shows only "reputation" and "role competence" are having positive significance relationship with <i>zakat</i> payer's preference on paying <i>zakat</i> through <i>zakat</i> institution's channel due certain reasons.
To ascertain the most influential antecedents of <i>zakat</i> payers' trust through confidence index.	What are the most influential antecedents of <i>zakat</i> payers' trust?	(a) The result shows staff confidence index of 68 percent, which means UMK staffs are satisfied with <i>zakat</i> institution based on the 8 antecedents of <i>zakat</i> payers' trust. (b) Stakeholder's Management is ranked as the most influential AZPT of the UMK staff while Perceived Opportunism is ranked the least influential AZPT.

Overall, the findings show that 51.4 percent of the respondents agreed that with

greater trust in *zakat* institutions to provide quality services to *zakat* recipients, they would choose to pay *zakat* through *zakat* institution. The main reason of not paying *zakat* through *zakat* institutions is the lack of trust in the management of *zakat* fund by *zakat* institutions. Additionally, only 57 percent of the respondents perceived that existing *zakat* institutions are trustworthy especially when disclosing *zakat* fund information.

According to the theory of planned and behavior, attitude, subjective norms and perceived behavior control will influence one's intention. The refusal of *zakat* payers to channel their *zakat* through *zakat* institutions is the result of both normative and behavior beliefs. For example, the normative belief of *zakat* payers is related to the way *zakat* institutions manage its stakeholders in particular the *zakat* recipients. Poor information concerning the predicaments of *zakat* recipients may cause delay in the distribution of *zakat*. This scenario might be observed or experienced by *zakat* payers personally; hence this subjective norm may directly shape *zakat* payers adverse perception on *zakat* institutions which subsequently influence their payment channel decisions. As evidenced from this study, only approximately 4 percent of the respondents (refer to Table 5.5) do not trust *zakat* institution to distribute *zakat* funds to *zakat* recipients if the *zakat* institution has managed to improve their reputation, disclosure of information, have better understanding with the stakeholder and do other improvement on antecedents of *zakat* payers' trust. This small figure indicates *zakat* payers' intention on choosing *zakat* institution channel can be compromised with element in the subjective norms, attitude and perceived behavior control (e.g. antecedents of *zakat* payers' trust). Thus, it can be concluded that the findings of this study are supported by the theory of planned behavior.

6.3 LIMITATIONS OF THE STUDY

This dissertation has two plausible limitations or issues that arise beyond the control of the researcher.

In terms of research instrument, this study focused on using questionnaires to collect data. It is therefore recommended for future studies to use other methods such as focus group discussions or semi-structured interviews to enhance the reliability of the data.

With regards to sampling method, sample size and response rate, the use of simple random sampling and area sampling for this study are not as efficient as stratified sampling methods. Therefore, it is suggested that future research use other sampling methods to increase the efficiency and reduce time used. In addition, the response rate of this study is considered quite low. Even though it is still acceptable, a low response rate could affect the generalization of the result. Apart from that, the population size for UMK staff is relatively small as UMK is only established in 2007. Additionally, a number of the selected UMK staffs did not participate in the study due to certain reason such attending various official programs during the data collection.

Despite the limitations, it is strongly believe that the findings are very useful and relevant for improving the current state of *zakat* management in the country particularly in the state of Kelantan.

6.4 CONTRIBUTIONS OF THE STUDY

This study contributes in various ways. In a broader perspective, the results indicate that the majority of the respondents perceived that the collection and distribution of *zakat* should be effectively managed by *zakat* institutions. However, some respondents may continue to utilize unofficial channels (i.e. paying directly to *zakat* recipients) in

paying out *zakat* due to low levels of trust and dissatisfaction with existing management of *zakat* institutions.

From the perspective of contribution to the current practice, the study contributes significantly in understanding the antecedents of *zakat* payers' trust. Therefore, in order to gain high levels of trust and confidence of *zakat* payers in *zakat* institutions, as well as to secure greater *zakat* collection amount by *zakat* institutions, this study has ascertained the antecedents of *zakat* payers' trust as means to improve the amount of *zakat* collection. The *zakat* institution may have to reconsider the level of public disclosure regarding management of *zakat* funds particularly its financial information. Perhaps such public awareness will result in greater familiarity with the practices of *zakat* institutions thereby fostering greater participation and support. Therefore, greater familiarity and high level of information disclosure to the public may improve positive reputation and acknowledge the *zakat* institutions' role and competence in managing *zakat*.

This study also contributes in highlighting the need for 'independent committees' specifically in monitoring the *zakat* institutions' activities (e.g. external board committee to monitor the process of *zakat* administration inside-out and outside-in). In Kelantan, the boards of capital (board of management) of the *zakat* institution are the appointed members from government agencies, the working style of board members from private agencies may be expected to be relatively different. For example, the board of capital in corporatized *zakat* institution (e.g. Selangor, Penang and Johor *zakat* collection center) may be more competitive in realizing the corporate objectives as they are strictly monitored based on key performance indicators for private sectors. Nevertheless, since the results from the study show that the majority of the respondents agree that the government model of *zakat* institutions manage their

zakat institutions successfully and has increase public trust in *zakat* institutions an independent committee is expected in monitoring governmental model *zakat* institution to meet the acceptable and reasonable standard quality of work.

As for the contribution to the theory, the theory of planned behavior explained the behavior of *zakat* payers towards *zakat* institutions given the antecedents of *zakat* payers' trust. This study suggests that the preference on paying *zakat* through *zakat* institutions is shaped by antecedents of *zakat* payers' trust, whereby, the antecedents of *zakat* payers' trust are formed by *zakat* payers' perception on self-attitude (attitude towards behavior), other person perception on *zakat* payers' action (subjective norms) and *zakat* payers' perceived ease or difficulty of performing the particular behavior (perceived behavioral control). To be more precise, the antecedents of *zakat* payers' trust are the elements of *zakat* payers' normative belief and behavioral belief. The normative and behavioral belief basis for *zakat* payers behave in certain ways. Thus, these antecedents of *zakat* payers' trust are the reasons why some *zakat* payers prefer to use *zakat* institutions' channels to discharge their *zakat* obligation. It is therefore hoped that this study will fill the lacuna in *zakat* and management accounting literature, partly in relation to the theory of planned behavior.

6.5 SUGGESTIONS FOR FUTURE RESEARCH

As the antecedents of *zakat* payers' trust and confidence have empirically shown a positive significant relationship with *zakat* payers' preference on paying *zakat* through *zakat* institutions' channel, there are a number of dimensions to explore within this field. In a more extensive manner, a comprehensive observation via interviews and case studies on the *zakat* payers' commitment and personal satisfaction might be a long overdue assignment for the *zakat* institutions and researchers to undertake.

It is also crucial to investigate the current state of *zakat* administration practices in *zakat* institutions both in Malaysia and in other Muslim countries. A major research can be done through comparative studies of *zakat* administration practices across Muslim or non-Muslim countries. This investigation may substantially contribute towards the identification of the overall antecedents of *zakat* payers' trust, which subsequently leads to the improvement of *zakat* administration in emerging countries such as Malaysia.

On a smaller scope, a case study can be performed to examine the diverse perception of university's staff as a group of *zakat* payers, which might have more unique attributes on giving their perceptions on antecedent of *zakat* payers' trust. It can also be extended to the other university's staff such as the Islamic Science University of Malaysia (USIM) and the International Islamic University Malaysia (IIUM), so that broader results can be captured.

To date, there has been very limited study to analyze the relationship of *zakat* payers' confidence level with payment of *zakat* through institutions' channel by adopting theory of planned behavior as the supportive theory. This is an interesting area of study on giving behavior of *zakat* payers that need further investigation.

There is also an opportunity of conducting research on the same topic but with larger sample size or different groups of respondents and different locations to test the nature of responses across the different groups. The potential groups of respondents might be extended to the bankers, lawyers, accountants and other professional Muslim groups so that the study can obtain the broader *zakat* payers' perception on the issue of antecedents of *zakat* payers' trust and on *zakat* payers' preference on *zakat* payment channel.

It is also possible to examine the opinion of the prominent *shari'ah* scholars or

zakat officers as a group of *zakat* payers in other Muslim countries besides Malaysia. Perhaps the opinion of *shari'ah* scholars and *zakat* officers would also give fruitful ideas to the improvement of *zakat* administration if interviews are to be conducted. With the growing research interest in these *zakat* related area it is hoped that *zakat* collection and distribution will be improved and accomplish the objectives of *zakat*, mainly as a socio-economic mechanism in addressing larger social issues such as poverty. Since *zakat* is an obligation stipulated in Al-Quran and is the third pillar of Islam, it is the responsibility of the Muslim society to ensure that *zakat* is collected and distributed in the most effective and efficient manner.

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APPENDIX A

To whom it may concerned

18 Sept 2013

Assalamualaikum w.b.t

A RESEARCH ON THE PERCEPTION OF THE STAFF OF UNIVERSITI MALAYSIA KELANTAN (UMK) TOWARDS THE RELATIONSHIP BETWEEN THE ANTECEDENTS OF ZAKAT PAYERS' TRUST AND ZAKAT DISBURSEMENT CHANNEL PREFERENCES

The above matter is kindly referred.

I, Siti Afiqah binti Zainuddin, a Master of Science in accounting student at the International Islamic University Malaysia is currently working on my master's research survey. The research survey is entitled 'The relationship of antecedents of *zakat* payers' trust and *zakat* distribution channel preferences'.

Primarily, this survey aims to examine the perception of respondents, particularly the employees of Universiti Malaysia Kelantan (UMK) on eight antecedents of *zakat* payers' trust that may influence *zakat* payers' preferences on the channel when paying out *zakat*; either to an appointed *zakat* institution or paying directly to *asnaf*. We believe, the research is of importance towards the development of *zakat* management in Malaysia.

Thus I would be very grateful if you could spare your valuable time to participate by answering this questionnaire that is expected to take between 10 to 15 minutes. Please be assured that all information will be treated in the **strictest confidence and solely used for academic purposes**. Should you have any query with regards to this survey, please feel free to contact me at afiqahiium@gmail.com or 014-8443015.

I would like to thank you in advance for your kind participation and cooperation in completing this survey. Hopefully the information given will contribute towards having a better understanding on the topic under study.

Kind regards,

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APPENDIX B

A STUDY OF THE RELATIONSHIP BETWEEN ANTECEDENTS OF ZAKAT PAYERS' TRUST AND ZAKAT DISBURSEMENT CHANNEL PREFERENCES IN THE STATE OF KELANTAN.

About the Study:

The primary objective of this study is to empirically examine the existence of pre-requisite factors for *zakat* payers to trust *zakat* institutions for them to pay *zakat*. Muslims are obliged to pay *zakat* once meeting the requirement of *nisab* and *haul* including *zakat* on earned income.

haul: a period of 12 months of ownership.

nisab: a minimum measurement for paying *zakat*.

Instruction:

Please answer each question by placing a tick (√) in the appropriate box. You can be assured that the details you provide will be treated in the STRICTEST OF CONFIDENCE. Any results disclosed will be done so in aggregate form and individual respondents will not be identified.

The following are the scale to measure your perception towards the items raised in the question.

1	Strongly Disagree
2	Disagree
3	Neither Agree nor Disagree
4	Agree
5	Strongly Agree

SECTION A: This section examines your perception towards the management operations of *zakat* Institutions.

1. Capacity of the Board of Management in *Zakat* Institutions

- a. A board of management in *zakat* institutions should have members with different educational background. [1] [2] [3] [4] [5]
- b. It is important for a board of management in *zakat* institutions to appoint reputable members. [1] [2] [3] [4] [5]
- c. It is important to have at least *Shari'ah* scholar on the board of management in *zakat* institutions. [1] [2] [3] [4] [5]
- d. There is need for a political person to be in the board of *zakat* institutions. [1] [2] [3] [4] [5]
- e. A representative of *zakat* payers is to be in the board of management of *zakat* institutions. [1] [2] [3] [4] [5]

2. Management or Operation Model of *Zakat* Institutions

- a. Government model of *zakat* institutions would run *zakat* institutions successfully. [1] [2] [3] [4] [5]
- b. Corporate model of *zakat* institutions would run *zakat* institutions successfully. [1] [2] [3] [4] [5]
- c. Non-Government Organizations would not effectively run *zakat* institutions in a Muslim majority country. [1] [2] [3] [4] [5]
- d. Government model would add to the legitimacy of *zakat* institutions. [1] [2] [3] [4] [5]
- e. Government ownership would positively influence the trust of *zakat* payers towards *zakat* institutions. [1] [2] [3] [4] [5]

3. Disclosure Practices by *Zakat* Institutions

- a. *Zakat* institutions should disclose relevant *zakat* financial information in the financial statements and notes to the account. [1] [2] [3] [4] [5]
- b. *Zakat* institutions should disclose its achievement in notes to the account. [1] [2] [3] [4] [5]
- c. *Zakat* institutions should disclose its achievement in additional reports. [1] [2] [3] [4] [5]

- Diverse professional experiences among board members have a positive influence on the extent of information disclosed by *zakat* institutions. [1] [2] [3] [4] [5]

4. Management of Stakeholders by Zakat Institution

- a. *Zakat* institutions should systematically measure the satisfaction of *zakat* payers on a regular basis. [1] [2] [3] [4] [5]
- b. *Zakat* institutions should closely monitor the disbursements of *zakat* to *asnaf*. [1] [2] [3] [4] [5]
- c. Diverse professional experiences among board members may have a negative influence or attention given to the poor by *zakat* institutions. [1] [2] [3] [4] [5]
- d. *Zakat* institutions should keep basic information of all *asnaf*. [1] [2] [3] [4] [5]
- e. *Zakat* institutions may keep basic information of all its *zakat* payers. [1] [2] [3] [4] [5]

5. Role and Competence of Zakat Institutions

- a. *Zakat* institutions do not always find the best way to ease the burden of *asnaf*. [1] [2] [3] [4] [5]
- b. *Zakat* institutions fully understand the needs of *asnaf*. [1] [2] [3] [4] [5]
- c. *Zakat* institutions should actively involve in monitoring societal needs. [1] [2] [3] [4] [5]

6. Familiarity with Zakat Institutions

- a. I have a better knowledge about *zakat* institutions in comparison to other Muslims. [1] [2] [3] [4] [5]
- b. I have a better knowledge about *zakat* institutions in comparison to my friends. [1] [2] [3] [4] [5]

7. Reputation of Zakat institutions

- a. *Zakat* institutions have positive reputation in the management of *zakat* disbursement. [1] [2] [3] [4] [5]
- b. *Zakat* institutions show consistency between what have been planned and what have been implemented. [1] [2] [3] [4] [5]
- c. *Zakat* institutions always receive public attention in their activities. [1] [2] [3] [4] [5]

8. Perceived Opportunism of Zakat Institutions

- Zakat* institutions seem to perceive that its contribution benefits me while in fact it is only pursuing its own interest. [1] [2] [3] [4] [5]
- If I am a *zakat* payer, I believe *zakat* institutions are less concerned in facilitating me in paying *zakat*. [1] [2] [3] [4] [5]
- Zakat* institutions are only interested in the *zakat* money that I would pay to them. [1] [2] [3] [4] [5]

SECTION B: This section examines your extent of trust towards the *zakat* institutions.

1	Strongly Disagree
2	Disagree
3	Neither Agree nor Disagree
4	Agree
5	Strongly Agree

1. Trust in Zakat Institutions.

- Zakat* institutions provide trustworthy disclosure of information on *zakat* fund. [1] [2] [3] [4] [5]
- Zakat* institutions undertake all activities in accordance with the *shari'ah* principles. [1] [2] [3] [4] [5]
- Zakat* institutions ensure all activities are in compliance with the best practice of the Islamic institution. [1] [2] [3] [4] [5]
- Zakat* institutions appoints reputable individual as its board members. [1] [2] [3] [4] [5]
- Zakat* institutions can be relied on not to allocate *zakat* fund for other activities apart from the stipulated for the *asnaf*. [1] [2] [3] [4] [5]
- Zakat* institutions can be relied on not to exploit the trust of *zakat* payers. [1] [2] [3] [4] [5]
- Zakat* institutions can be relied on not to exploit the trust of *asnaf*. [1] [2] [3] [4] [5]
- Considering items 1(a) to 1(g), *zakat* payers would pay their *zakat* directly to the *zakat* institutions. [1] [2] [3] [4] [5]
- Considering items 1(h), *zakat* payers would trust the *zakat* institutions to represent themselves in distributing *zakat*, instead of directly paying to *asnaf*. [1] [2] [3] [4] [5]

SECTION C: This section gathers your background information.

(√)

1. Gender

Female

Male

2. Age

25 and below

26 – 35 years old

36 – 45 years old

46 – 55 years old

57 and above

3. Please indicate your highest level of education

PhD

Master Degree

Bachelor Degree

Diploma

Professional Qualification

Vocational Certificates

SPM

PMR/SRP

Others (Please Specify)

4. Please indicate your current position

Academic staff

Administration staff

Technical staff

Professional staff

5. Please indicate your (net) income range per year in (RM)

Below than 10,000

10,000 – 30,000

30,000 – 50,000

50,000 – 70,000

70,000 – 90,000

More than 90,000

6. Are you a *zakat* payer?

Yes

No

7. How do you know about *Zakat* Institutions?

Internet/TV/Radio

Articles and Magazines

Newspaper

Newsletters

Relatives/friends

Talk

Road show conducted by State Islamic Religious Council (SIRC)
