



A Conceptual Framework for Examining Trust towards Zakat Institution

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ABSTRACT

This paper aims to propose a research conceptual framework for examining trust towards zakat institution amongst Moslem business owners. An extensive literature review method was utilized to identify and analyze the relevant literatures in order to propose the framework. This paper identified four factors that influence the trust, namely, shared values, communication, non-opportunistic behaviour and perception on distribution. Theoretical and practical implications of the paper as well as suggestions for future research were also discussed.

Keywords: Zakat, Trust, Business, Conceptual Framework

JEL Classification: L00

1. INTRODUCTION

Zakat is one of the five main pillars of Islam and it has been stated 30 times in the Qur'an (Al-Qardawi, 2000). Zakat literally means clean, pure, grow, multiply, and mercy (Al-Qardawi, 2000). It is also recognized as blessing, holy and fertile (Syed et al., 2005). The main objectives of zakat are to physically help the underprivileged and to cleanse the soul of the tax payers. These are mentioned in Surah at-Taubah verse 103 (Al-Quran, 1994). At the early reign of Caliph Abu Bakr al-Siddiq, he had ordered the army to fight those Moslems who refused to pay zakat, as it is a religious obligation, which was implemented during the life of Prophet Muhammad (peace be upon him) (Ibrahim and Musaini, 2010).

Zakat is important to achieve justice and socio-economic status amongst Moslems (Patmawati, 2008). In this sense, it would assist the poor and needy to obtain financial resources and improve their life (Suprayitno et al., 2013). In Malaysia, since the privatization of zakat institution, the overall zakat collection and distribution has improved tremendously (Muhammad et al., 2015; Wahid et al.,

2005). The improvement is also contributed by introduction of various zakat payment channels such as online transfer, salary deduction and short messaging services. Unfortunately, despite all the advances made, only a small percentage of Moslem business owners paid their zakat to zakat institution or through formal channel. On average, the collection of the zakat amongst them in the country only covers 20% of overall potential zakat revenue (Alias, 2013). In Johor, only 4.5% or 3983 out of 87,617 Moslem business owners paid zakat through the state's zakat institution in 2012 (Razaly et al., 2014). This problem is also observed in the federal territory since only 30% of them paid the zakat formally (Bernama, 2013). Despite such problem, there are still limited options available to address this issue (Wahab and Borhan, 2014). Thus, this paper aims to propose a research conceptual framework for examining the trust towards zakat institution amongst Moslem business owners in Malaysia.

This paper has the following structure: Section 2 highlights the relevant literature review and hypotheses development. Then, a discussion of the framework is illustrated. The paper ends with conclusion, implication and suggestion for further research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Zakat Practices and Trust towards Zakat Institution

Zakat is consistent with the other four pillars of Islam (shahadah, prayer, fasting and pilgrimage) since it contains element of the relationship with god (hablum minallah). It also requires interaction amongst Moslems (Singer, 2013). Zakat is levied on money, investments (for income generation), animals, agriculture, trade and business. Zakat on business income which is the focus of this paper is levied on the business net asset at the rate of 2.5% (Jabatan Zakat Negeri Kedah, 2015). Proceeds from the collection of zakat is one of the methods in Islam to confront and improve the welfare of the Moslem community (Johari et al., 2014). This practice is in line with Malaysia's Government Transformation Plan to propel the nation towards a developed and high-income countries (Pemandu, 2011). Thus, zakat contribution does not merely fulfill the religious obligation but it also contributes to the overall prosperity of the country.

Although total collection of zakat has increased over the past decades, zakat payment through its institution amongst Moslem business owners remains less encouraging. In 2012, zakat collected from the business segment amounted to RM470 million and it was the second largest contributor of the total zakat collection. But, this accounts merely 20% of its potential zakat revenue from this segment (Alias, 2013). The remaining 80% of uncollected business zakat or about RM1.85 billion remains as a huge potential for the authorities to have their share. One of the possible causes for the low collection is due to some Moslems businessmen who opt to pay directly to the recipients. As specified in the Quran, Surah at-Taubah verse 60 "Zakat is for the poor and the needy and those who are employed to administer and collect it, and for those whose hearts are to be won over, and for the freeing of human beings from bondage, and for those who are overburdened with debts and for every struggle in God's cause, and for the wayfarers: This is a duty ordained by god, and god is the all-knowing, the wise" (Al-Quran, 1994).

According to the National Council of Fatwa, it is mandatory for Moslems to pay their zakat to the institution while any direct distribution of zakat to the eligible recipients is permissible but considered as sinful, for disobeying the country's Islamic government decision. Yet, this failed to curb the practice of direct distribution as zakat payers have been dissatisfied with the inefficiency of zakat distribution by the institutions (Wahid et al., 2009). This has prompted some individuals to take action to pay their zakat directly to the recipients (Wahid et al., 2009; Wahid et al., 2010). If this trend continues, it will further jeopardize the institution's reputation in carrying out their responsibilities. For example, leakages due to the direct distribution of tithe (zakat fitrah) in Selangor within the past 16 years (1995-2011) has increased from RM1.8 to RM5.2 million which has spiraled to almost 300% (Muhammad et al., 2015). Thus, it can be implied that zakat payers have a lack of trust towards the institution especially in its capability to help the poor and destitute (Sinar, 2014).

From the sociological perspective, trust is defined as a dependency of a party towards the behaviour of the other party to perform a particular task (Sztompka, 1999). This interpretation is also suitable to describe the roles and responsibilities of zakat institution in collecting and distributing zakat to the eligible recipients. When the trust became suspect, zakat payers will eventually choose to transfer their contribution to the indirect channel (Muhammad et al., 2015; Wahid and Ahmad, 2014; Ismail et al., 2011). For instance, The National Audit Department has reported a sum of RM13.85 million from a state's zakat institution was used as a preliminary payment for the construction of an office building complex (Jabatan Audit Negara Malaysia, 2010). This has certainly caused a concern about the integrity of the institution in managing public's fund. Humans are rationale, observant and learned from past experience (Bandura, 1986), and the outcome of their interaction enable them to pass judgement about the service provider's trustworthiness. Zakat institution must come up clean as a trust towards an institution greatly influences contributors' confidence to continuously contribute and remain committed in supporting the entity (Torres-Moraga et al., 2010).

2.2. Hypotheses Development

Trust has received widespread attention in various disciplines such as business, social and economy. It is described as an element that functions like a lubricant in public relations and very instrumental in people's everyday life (Putnam, 2000). Based on the review of relevant literature, this paper suggests four factors that can influence trust towards zakat institution. The following subsections discuss the influencing factors which are consistent with the commitment-trust theory (MacMillan et al., 2005).

2.2.1. Shared values

Shared values have been proposed as being a direct precursor to both trust and relationship commitment that are commonly accepted to both supplier and dealer in terms of behaviours, goals and policies (Morgan and Hunt, 1994). The values are influential in the development of trust and commitment on both parties. An identical result is also evidenced when existence of shared values drive funders to trust and place commitment towards their preferred non-profit organizations (MacMillan et al., 2005).

Likewise, zakat institutions should stress on creating the common shared values with zakat payers towards developing trust and commitment. When zakat payers perceived that the institutions are doing well in helping the eligible recipients, it is more likely that the trust will be greater amongst them. Thus, the following hypothesis is proposed:

H₁: Shared values will have a positive influence on trust towards zakat institution amongst Moslem business owners.

2.2.2. Communication

An effectiveness of a two-way communication has affected the level of trust amongst donors in the charity sector (Torres-Moraga et al., 2010). This can be even further strengthened when the

donors are informed how the funds raised would be used (Kelly, 2012). A good communication flow would include the willingness of the charity to listen and seeking information about the funders needs through enthusiast frontline staff. A timely communication (Moorman et al., 1992) will also help to minimize any dispute or misunderstanding. In addition, a stronger relationship with donors is attainable when they are well-informed by the charity on the work undertaken and still undergoing (Bennett and Barkensjo, 2005).

At present, a lack of literature that explains communication between zakat institution and zakat payers warrants a further investigation whether a good communication between both parties is more likely to increase the trust or vice versa. Thus, the following hypothesis is suggested:

H₂: Communication between zakat institution and zakat payers will have a positive influence on trust towards zakat institutions amongst Moslem business owners.

2.2.3. Non-opportunistic behaviour

This factor is based on the concept of opportunistic behavior reported in prior literature. It is also coined as “self-interest-seeking with guile” (Morgan and Hunt, 1994; Williamson, 1993). In this study, this factor is constructed oppositely as non-opportunistic behavior to reflect the positive side of such behavior (MacMillan et al., 2005). When a partner perceived to be engaging in a rightful (non-opportunistic) behaviour for a mutually beneficial long-term relationship, this will lead to a positive response by the other partner through higher level of trust in their dealings. Ultimately, a trust in partner helps not only to reduce the risk of opportunistic behaviour (Hödl and Puck, 2014; Madhok, 2006), but also reduces cost-relating factors in dealing with the likelihood of opportunism (Dyer, 1997).

In view of this, Moslem businessmen expect that zakat institution to uphold high standards of ethical practice in managing zakat fund and less likely to act opportunistically. Therefore, the suggested hypothesis is:

H₃: Non-opportunistic behaviour will have a positive influence on trust towards zakat institution amongst Moslem business owners.

2.2.4. Perception on distribution

The distribution of zakat fund to the eligible recipients differs from the practice of other charity or non-profit organization as the money collected must be distributed to eight different categories. Each category will received one-eighth of the zakat fund including zakat institution as the amil (administrator/caretaker). However, when there are cases of prevalent destitute and poor being highlighted in the local media, contributors are beginning to feel suspicious on the usage of their money intended to help the needy ones. Previous studies have indicated a problem of inefficiency in relation to the distribution of zakat recipients, giving rise to a negative perception of the zakat institution and vice versa (Saad and Abdullah, 2014).

In relation to this, it was reported that about 57.1% of tax payers were not satisfied with zakat institution especially

in the distribution of alms to the needy (Ahmad and Wahid, 2005; Wahid and Ahmad, 2014). In short, zakat payers' perception on the distribution efficiency will determine the level of trust towards zakat institution. Thus, the developed hypothesis is:

H₄: Perception on distribution will have a positive influence on trust towards zakat institution amongst Moslem business owners.

3. RESEARCH CONCEPTUAL FRAMEWORK

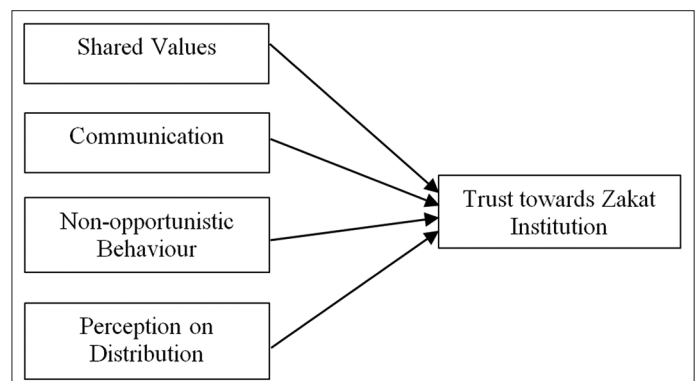
The research conceptual framework is illustrated in Figure 1. The framework postulates that shared values (H₁), communication (H₂), non-opportunistic behavior (H₃) and perception on distribution (H₄) are the influencing factor towards the trust. This is consistent with the commitment-trust theory (MacMillan et al., 2005) and prior zakat literature (Saad and Abdullah, 2014; Ahmad and Wahid, 2005; Wahid and Ahmad, 2014). The framework also proposes a positive relationship between the independent and dependent variables. Such relationship is also supported by other scholars (Torres-Moraga et al., 2010; MacMillan et al., 2005; Morgan and Hunt, 1994).

4. CONCLUSION, IMPLICATION AND FUTURE RESEARCH

This paper proposes a conceptual framework for examining trust towards zakat institution amongst Moslem business owners. The commitment-trust theory is utilized as the underpinning theory. An extensive literature review found that shared values, communication, non-opportunistic behavior and perception on distribution are the potential factors that influence trust towards zakat institution. Thus, there are included in the proposed conceptual framework.

This paper has several implications in terms of theory and practice. Theoretically, this paper integrates the commitment-trust theory in the zakat context. Most of prior zakat studies applied theory of planned behaviour to study issues regarding

Figure 1: Research Conceptual Framework for Examining Trust towards Zakat Institution



zakat (Ajzen, 1991). This paper also expands zakat literature since it suggests the influencing factors on the trust. These factors were consistently reported in other non-profit organizations and charity-giving related studies (Sargeant and Lee, 2004; Sargeant and Woodliffe, 2007; Naskrent and Siebelt, 2011). In terms of practical aspect, the information about the influencing factors can be used by zakat institution to take appropriate actions in improving the trust amongst the business owners. Such trust is critical to encourage them to pay their zakat through the institution. This paper is conceptual in nature, therefore, no statistical analyses and empirical evidence are provided. Further research could examine the extent to which the proposed factors influence the trust using mail survey approach. Therefore, more conclusive empirical evidence would be provided.

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