Reputation, Satisfaction of Zakat Distribution, and Service Quality as Determinant of Stakeholder Trust in Zakat Institutions

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ABSTRACT
Zakat is one of the five basic pillars in Islam and it is obligatory to all Muslims. Zakat is a system that can alleviate poverty in order to decrease the gap among rich and poor. If zakat can be managed effectively, the collection of zakat can be maximized compared to income tax collection. Thus, this article is an early study proposing a research model to examine the factors that influence stakeholder trust in zakat institutions. This is due to the lack of previous studies about stakeholder trust in zakat perspective. An extensive literature review method was utilized to identify and analyze the relevant literature in order to propose the model. This paper is discussing three factors which are reputation, satisfaction of zakat distribution, and service quality. Theoretical and practical of the paper as well as suggestions for future research were also discussed.

Keywords: Trust, Zakat Institutions, Reputation, Satisfaction of Zakat Distribution, Service Quality

JEL Classifications: I3, O15

1. INTRODUCTION
Zakat is one of the financial instruments and Islamic economic development resources. Zakat fund is able to help individual or community in need. Therefore, the responsibility of paying zakat is part of worship and duties on each of the Muslims. The objectives of Zakat fund is to minimize economic gap between communities. This objective can achieved when zakat collection in zakat institutions is high level. In Malaysia, zakat fund is managed by zakat institutions that established in every state wherein a whole there are 14 zakat institutions. According to the Malaysian Constitution, Clause 97 (3), management of zakat in each state is under the jurisdiction and responsibility of the respective states (Federal Constitution, 2006). Majlis Agama Islam Negeri is responsible for collecting and distributing zakat funds. The issue of “pay zakat outside the local area” and “pay zakat directly to the asnaf” arise because there is no legal provision stipulated that the payer must pay to the authority where they earn income.

In addition, there is no legal provision that prevents them to pay directly to eight asnafs. However, in Malaysia, the trend of zakat collection annually showed an increment but it was not in line with the Muslim population which are 61.3% from 30.1 million of Malaysians (Jabatan Perangkaan Malaysia, 2014). At 2014, the statistic of zakat collection recorded had reached 2.46 billion, compared to the year 2013 which is only RM2.24 billion. This data shows that the zakat collection had increased more than RM2 million or 8.41% (Ringkasan Laporan Zakat PPZ-MAIWP 2013, 2014). Conversely, total collection of tax in year 2014 was RM134 billion. However, if compared to the tax and zakat collection, they have a big gap. Eventhough these collection are different, but the total of tax collection can be as bench mark to zakat collection because Islamic population is high than other religious.

Nevertheless, this gap occurred because of some problems that happened such as inefficiency in the distribution of zakat as well as the surplus of zakat funds that are not distributed to the eligible
as if you were reading it naturally.

Most of the studies conducted on zakat in Malaysia concentrated in various areas including theoretical (Mujaini, 1995; Mujitahid, 2003), legal and compliance, accounting (Rahim, 2003; Saad, 2010) and Muslim awareness and payment behavior (Abioye, 2012; Mohd et al., 2004; Sanep and Hairunnizam, 2005a). However, there are very limited studies that observe the trust in zakat institutions. Moreover, study of Nigerian Zakat Institutions and Role of Governance on Zakat Payers Trust had done by past researcher (Abioye, 2012). So, it can be seen that there is still limited study that comprehensively examines the stakeholder trust in Malaysian zakat institutions. Hence, this study tries to fill this gap by embarking a study focusing on the determinants that contributes to the stakeholder trust in Malaysia’s zakat institutions.

The paper structured as follows. Section 2 highlights the literature review and hypothesis development related to this paper. Then, the proposed research model is illustrated. The paper ends with the discussions, conclusion, implication and suggestion for further research.

2. LITERATURE REVIEW

2.1. Trust in Zakat Institutions

Previous researchers from various fields of discipline such as sociology, psychology, management, economics, and political science give a definition of trust according to their perspectives (Armstrong and Yee, 2001; Mayer et al., 1995; Robinson, 1996; Rotter, 1967). Therefore, the trust has a different meaning depending on the individual, and each purpose may have different effects and implications (Triiyuwono, 2004). Trust plays an important role in a society (Abdul-Rahman and Hailes, 2000) individual, group, or system (Cook and Wall, 1980). Previous researchers give definitions of trust as “general trust toward others.” In addition, (Rotter, 1967) gives definition of the trust as “words, promises, oral or written statement stands the individual or group is reliable.”

Mayer et al. (1995) defines trust as desire a party to look forward to another party to do something important to him without control of that party. This definition is also given by Curall and Inkpen (2002) as the willingness of an individual to accept or exposed to with hope against the intentions or conduct of any other person beyond his control. Similarly, (Robinson, 1996) refers to trust as expectations, assumptions or beliefs of an individual about the possibility of action by other parties who can bring good, or at least not to the detriment of himself. Meanwhile, Buchel et al. (2013) was also define trust as the cultural norm formed as a result of good management and occurs due to the implications of the trusted party of a reliability, honest and kind. So, cultural norms can be formed and nurtured the trust to make space and more opportunities to interact and communicate among stakeholders and zakat institutions.

As mentioned 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 hearts 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 (Syarif, 2000).” This phenomenon can create an imbalance between other states. One of the reasons that contribute to this phenomenon is the low on trust in zakat institutions.

2.2. Reputation and Trust in Zakat Institutions

The reputation is refers to the degree to which an institution seen high in the eyes of customers (Weiss et al., 1999). Reputation is the overall perception of stakeholders in the performance of the company from time to time (Richard and Zhang, 2012). According to the Concise Oxford Dictionary, reputation can be defined as “Reputation is what generally said or believed about a person’s or thing’s character or standing.” This means that reputation is what is being said publicly or trust in a feature or position. Therefore, reputation can be achieved through information from around or other sources. This is because the customers does not have direct experience of the organization nor the seller. Positive information can enhance the trust of customers. This is the same with Abratt and Kley (2012) which states that the past experience of the product and the reputation lead citizen to trust the company. Therefore, the reputation of a company is the final determinants in meeting the expectations and demands of consumers (Abratt and Kley, 2012) and as an assessment to what extent an organization is highly regarded by them. Reputation can be linked based on group or individual. A group can be evaluated by outsiders based on the reputation of its members or of the Group’s overall average (Josang et al., 2007; Malaga, 2001).
Past research by Moorman et al. (1993) supports that the institution’s reputation and efficiency are fundamental of the trust. The finding shows that there was a significant relationship between reputation and trust supplier. In another field, the research about internet banking also found that consumers consider the reputation of the bank before using the services provided (Kotler and Armstrong, 2009). Therefore, this proves that the reputation is the most important factor for trust. When the reputation of a bank is highly regarded, then they will be more trusted and the consumers will like to use the services offered. On the contrary, when the reputation is underestimated, then the user will not use the service. It is similarly the equation with the payers of zakat. They choose the channel to pay zakat based on the reputation of the zakat institution itself. A good reputation represents the institution is reliable and it can reflect the efficiency (Barber, 1983; Powell, 1996) or trust other people, good value (Dasgupta, 1988), and the foreseeable future. A person shall be deemed to be competent individuals due to its group member is competent or due to actions (Dasgupta, 1988). Therefore, individuals with a good reputation is easy to trusted by others even without experience (McKnight et al., 1998). Thus, we can conclude that the reputation can be used as a measure of trust. In an environment of zakat, positive attitude of society towards zakat institutions can increase the number of total collections of zakat payers. However, negative attitudes cause people to pay zakat to informal channels (Eza and Mohd, 2011). Hence, the researchers assume that the reputation is a factor to build the stakeholder trust towards zakat institutions. Therefore, the following hypothesis is formed as below.

\[ H_1: \text{Reputation should have a significant positive relationship with stakeholder trust in zakat institutions.} \]

2.3. Satisfaction of Zakat Distribution and Trust in Zakat Institutions

According to Mujaini (2012) customer satisfaction is the level of expectation and buyers hope towards a product. Hence, satisfaction is a feeling of happy or sadness arising from the comparison between the perceptions and expectations of the customers (Mujaini, 2012). Apart from that, to maintain the performance of the zakat, the satisfaction of zakat distribution must be improved in order to encourage the Muslim to pay zakat through zakat institutions (Eza and Mohd, 2011). Based on the previous research, there are several findings regarding the satisfaction of zakat distribution (Sanep and Zulkifli, 2010).

According to Kamil and Ahmad (2002), distrust towards zakat institutions, especially in terms of transparency and inefficiency in zakat distribution management led to non-compliance. The higher of satisfaction to zakat institutions, the higher of zakat compliance. Consistent with the above arguments, it is expected that a stakeholder who has a high level of satisfaction on the zakat distribution would contribute to a greater trust in zakat institutions and vice versa. Therefore, the following hypothesis is offered:

\[ H_2: \text{Satisfaction of zakat distribution should have a significant positive relationship with stakeholder trust in zakat institutions.} \]

2.4. Service Quality and Trust in Zakat Institutions

Service quality has been defined by some researchers, but one of the most widely accepted definition is the difference between expectation and actual performance (Grönroos, 1984; Parasuraman et al., 1994), or an overall assessment of the advantages/preference of a product or services (Zeithaml, 1988). In the context of customer service, good quality is a package of services rendered include the quality of a product, service and also the environment in which goods and services is given (Brady and Cronin, 2014). This is service quality led quality management. Initial results have shown that the good quality and consistent service will create trust among customers (Hazra et al., 2009; Kantsperger and Kunz, 2010). In addition, the trust is able to maintain a good long-term relationship between organizations and customers (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Therefore, customers trust is a key element in maintaining and building relationships (Berry and Parasuraman, 1991; Ndubisi et al., 2007). In conclusion, high trust can be achieved through sincere and consistency (Grönroos, 1984).

According to a study by (Sahidi, 2013), the role of zakat institution in providing a service quality to the community is an important factor to attract and encourage entrepreneurs to pay zakat. He also stated that the service quality is considered as well when an organization meet the customer expectations before and after services. Moreover, (Saad et al., 2009) showed empirical evidence that by improving the service quality, compliance towards zakat will be better. In congruence with the above discussion, it is assumed that service quality of zakat institutions will determine the stakeholder trust in zakat institutions. Thus, the proposed hypothesis is:

\[ H_3: \text{Service quality should have a significant positive relationship with stakeholder trust in zakat institutions.} \]

3. CONCEPTUAL MODEL

Based on the hypotheses development in the previous subsection, the research model is then shown in Figure 1. The model postulates that trust in zakat institution is influenced by reputation, satisfaction of zakat distribution and service quality factors. The framework also postulates that the independent variables are expected to have a direct positive influence on the dependent variable of this paper. This means that the greater the reputation, satisfaction of zakat distribution and service quality factors, the higher the trust of stakeholder in zakat institutions and vice versa.

**Figure 1:** Research model of stakeholder trust in zakat institutions
4. CONCLUSIONS, IMPLICATION AND FUTURE RESEARCH

The purpose of this paper is to propose a research model of factors influencing stakeholder trust in zakat institutions. Review of the relevant past studies indicated that reputation, satisfactions of zakat distribution and service quality influence trust. This paper has several implications for theory and practice. The theoretical implication of this paper is it integrates prior trust literature in sociology, management and economy as well as science politic to explain stakeholder trust in zakat institution. Another theoretical implication is the proposed research model can be used to conduct further research on this issue. The practical implication is the information about the influencing factors can be utilized by zakat institutions to encourage eligible Muslim zakat stakeholder to increase the level of their trust. This is, in turn, would maximize zakat fund in the near future. This paper is conceptual in nature, therefore, no empirical evidence is provided. Further research could validate and examine the predictive power of the proposed model using mail survey approach. This approach is considered more appropriate compared to other approaches (for instance, case study) due to issues such as convenience, cost, time and accessibility.

REFERENCES


