



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

BY

SITI AFIQAH BINTI ZAINUDDIN

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

Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

JUNE 2014

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.

.....
Siti Alawiah Binti Siraj
Supervisor

I certify that I have 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.

.....
Muslim Har Sani B. Mohamad
Examiner

.....
Nur Barizah Bt. Abu Bakar
Examiner

This dissertation was submitted to the department of Accounting and is accepted as a fulfilment of the requirement for the degree of Master of Science in Accounting.

.....
Noraini Bt. Mohd Ariffin
Head, Department of Accounting

This dissertation was submitted to the Kulliyah of Economics and Management of Science and is accepted as a fulfilment of the requirement for the degree of Master of Science in Accounting.

.....
Nik Nazli Bt. Nik Ahmad
Dean, Kulliyah of Economics
and Management Sciences

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.....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AFFIRMATION OF FAIR USE
UNPUBLISHED RESEARCH**

Copyright © 2014 by Siti Afiqah Binti Zainuddin. All Rights Reserved

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

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below:

1. Any material contained on or derived this unpublished research may only be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in retrieval system and supply copies of this unpublished research if requested by other universities and research libraries.

Affirmed by Siti Afiqah Binti Zainuddin

.....
Signature

.....
Date

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.

ACKNOWLEDGEMENTS

Praises to Allah (S.W.T) for His guidance and help throughout the process of completing this dissertation. Without His kindness and compassion, the completion of this dissertation would not have been possible.

The major appreciation and special thanks definitely belongs to my supervisor, Assistant Professor Dr. Siti Alawiah Bt. Siraj and the co-supervisor, Assistant Professor Dr. Suaniza Bt. Mamat. The completion of this dissertation was only conceivable with their positive synergy, valuable comments, precious time spent, and patience to supervise me. Their dedication in supervising this dissertation is admired and unforgettable. Apart from that, sincere gratitude is also due to Associate Professor Dr. Suhaiza Bt. Ismail, Assistant Professor Dr. Ros Aniza Bt. Mohd Shariff, Associate Professor Dr. Muslim Har Sani B. Mohamad and Dr. Nur Barizah Bt. Abu Bakar because of their willingness to share their expertise and experience of how to be a researcher.

Furthermore, I would like to convey my appreciation to all the professors, lecturers and administrative staff in IIUM, particularly those who had conducted the lectures, namely, Professor Dr. Abdul Rahim Bin Abdul Rahman, Assistant Professor Dr. Noraini Bt. Mohd Ariffin, Assistant Professor Dr. Norhayati Bt. Alwi, Associate Professor Dr. Fatima Bt. Abdul Hamid, Associate Professor Dr. Nazli Anum Bt. Mohd Ghazali, Assistant Professor Dr. Hairul Azlan B. Annuar, Assistant Professor Dr. Sherliza Bt. Puat Nelson and Assistant Professor Dr. Gholamreza Zandi Pour Joopari. Thank you so much for all contributions to my master programme in IIUM. The same appreciation is dedicated to Assistant Professor Dr. Ahmad Zamri Bin Osman @ Hussin, who provided me with useful comments on ideas regarding my research area.

In addition to the above, my thanks go to Jabatan Perkhidmatan Awam (JPA/SLAB) and the University Malaysia Kelantan (UMK) for the financial assistance as well as funding for my study. The same goes to Pn. Yasmoon Bt. Mohamed, Islamic Religious Affairs Officer at the Publication Unit of MAIK, who provided information on the current practice for my area of research. Also I shall record my sincere appreciation to all respondents of this research; without their cooperation, the study would not be accomplished. Thank you so much for all the contributions towards this research.

Next, my sincere appreciation also is dedicated to all the colleagues and friends in IIUM especially my classmates, Tahirah Bt. Abdullah, Noor Muafiza Hj. Masdar, Rosnani Mohamed, Fairuz Mohd Rusdi, Siti Nurul Shuhada Deraman, Siti Rohana Mohammad, Nur Farahiah Azmi and others. It is great to have your assistance, sharing and companionship along my study.

In completing this dissertation, I am indebted to my beloved family members for being supportive all the time especially my parents, Zainuddin B. Yaakob and Rahaizan Bt. Yusof and siblings (Muhd 'Izzat, Muhd Zahid, Siti Radhiah, Siti Hanis and Muhd Amin). An incomparable gratitude is also expressed to all others who have been directly or indirectly involved in this dissertation, thanks a lot for your assistance, may Allah (S.W.T) accept and reward your kindness in the hereafter.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration	v
Declaration of Copyright	vi
Dedication	vii
Acknowledgements.....	viii
List of Tables	xi
List of Figures	xiii
CHAPTER 1: INTRODUCTION.....	1
1.1 Introduction	1
1.2 Background of the Study.....	1
1.3 Motivations and Objectives of the Study	4
1.4 Methodology	6
1.5 Significance of the Study	7
1.6 Organization of the Study	8
CHAPTER 2: LITERATURE REVIEW.....	10
2.1 Introduction	10
2.2 An Overview of Poverty	10
2.2.1 <i>Zakat</i> as a Tool for Poverty Alleviation.....	11
2.3 An Overview of <i>Zakat</i>	12
2.3.1 The Meaning of <i>Zakat</i>	12
2.3.2 Type of <i>Zakat</i>	13
2.4 <i>Zakat</i> Administration in Kelantan.....	14
2.4.1 Institutional Framework of <i>Zakat</i> in Kelantan.....	15
2.4.2 Collection of <i>Zakat</i> in Kelantan.....	16
2.4.3 Disbursement of <i>Zakat</i> in Kelantan.....	18
2.5 <i>Zakat</i> on Earned Income	19
2.5.1 Collection and Disbursement Channels for <i>Zakat</i> on Income	20
2.6 Trust	22
2.6.1 Definition of Trust and confidence	22
2.6.2 Trust in <i>Zakat</i> Management	23
2.6.3 Confidence and Trust	26
2.7 Antecedents of <i>Zakat</i> Payers' Trust.....	28
2.8 Literature Gap	37
2.9 Conclusion.....	38
CHAPTER 3: THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT	39
3.1 Introduction	39
3.2 Studies in Trust and Perceived Behavior of Individual	39
3.3 Theoretical Framework	40
3.4 Hypotheses Development.....	46

3.5 Conclusion.....	51
CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY	53
4.1 Introduction	53
4.2 Overview	53
4.2.1 Research Objectives and Research Questions.....	54
4.3 Data Collection Method	55
4.3.1 Questionnaire Design	57
4.4 Population and Sample.....	58
4.4.1 Respondents' Background and Sample Selection.....	58
4.5 Pilot Test	61
4.6 Data Analysis	62
4.7 Conclusion.....	65
CHAPTER 5: FINDINGS AND DISCUSSION	66
5.1 Introduction	66
5.2 Response Rate and Demographic Profile.....	66
5.3 Non-Response Bias Test	67
5.4 Validation and Reliability Test	69
5.5 Demographic Analysis	70
5.6 Statistical Analysis for Each of Research Questions	73
5.6.1 Research Question One	74
5.6.2 Research Question Two	80
5.6.3 Research Question Three	85
5.6.4 Summary of the Results	93
5.7 Conclusion.....	95
CHAPTER 6: CONCLUSION AND RECOMMENDATION	97
6.1 Introduction	97
6.2 Summary for Each Research Question	97
6.2.1 Research Question One	98
6.2.2 Research Question Two	98
6.2.3 Research Question Three	99
6.3 Limitations of the Study.....	102
6.4 Contributions of the Study	102
6.5 Suggestions for Future Research.....	104
BIBLIOGRAPHY	107
APPENDIX A	116
APPENDIX B	117

LIST OF TABLES

<u>Table No.</u>		<u>Page No.</u>
2.1	Collections of Several Types of <i>Zakat</i> from 2011 to 2012 in Kelantan	17
2.2	Collection and distribution of <i>zakat</i> in Selangor and Kelantan in 2014	38
4.1	The Population and Sample Size	60
5.1	Response Rate from Three UMK Campuses	67
5.2	Non-Response Bias Test (Independent T-test)	69
5.3	Respondents' Age and Gender	71
5.4	Respondents' Educational Background and Current Position in UMK	72
5.5	Respondents' Annual (Net) Income and Experience in Paying <i>Zakat</i> on Earned Income	73
5.6	The Perception of Respondents on Antecedents of <i>Zakat</i> Payers' Trust	76
5.7	Correlation between Perception on Trust towards <i>Zakat</i> Institution and Perception of Paying <i>Zakat</i> through <i>Zakat</i> Institution Channels	81
5.8	Coefficients - Univariate Regression	82
5.9	Coefficients - Multivariate Regression	84
5.10	Multicollinearity Test	85
5.11	Frequency and Average Score on the Capacity of the Board of Management in <i>Zakat</i> Institutions	86
5.12	Organizational Model of <i>Zakat</i> Institutions	88
5.13	Disclosure Practices by <i>Zakat</i> Institutions	89
5.14	Management of Stakeholders by <i>Zakat</i> Institution	90
5.15	Role Competence of <i>Zakat</i> Institutions	90
5.16	Familiarity with <i>Zakat</i> Institutions	91
5.17	Perceived Opportunism of <i>Zakat</i> Institutions	92

5.18	Reputation of <i>Zakat</i> Institutions	92
5.19	Cumulative Staffs Confidence index	93
5.20	The Summary of the Result	94
5.21	The Summary of the Result	95
6.1	The Summary of the Findings	100

LIST OF FIGURES

<u>Figure No.</u>		<u>Page No.</u>
2.1	Organizational Structure of State Islamic Religious Council of Kelantan	16
2.2	Allocation of <i>Zakat</i> in Kelantan in 2012	19
3.1	The Theory of Planned Behavior	42
3.2	The Relationship Model (Overall Picture)	44
3.3	The Proposed Framework for the Study	45

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.