



A STUDY ON THE CORPORATE IMAGE OF ZAKAT
INSTITUTIONS

BY

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ABSTRACT

The privatisation of several *zakat* institutions in Malaysia has opened a new phase in *zakat* administration, especially through the introduction and implementation of corporate values, with the aim of improving institutional image. Various activities and promotional efforts have been done in order to achieve this objective. These efforts involve a significant amount of spending and would become a waste if it fails to achieve the intended goals. Therefore, this study was conducted to identify the factors that determine the image of *zakat* institutions among *zakat* contributors and non-contributors. Based on the theory that the basic component of corporate image consist of emotional and functional components, four factors were proposed, which are reputation, corporate communication, access to service and contact personnel. 225 questionnaires were collected and analysed using multiple regression analysis. A 5-point Likert-type scale was used to measure the corporate image of *zakat* institutions. Findings reveal that reputation and contact personnel have a significant relationship with image. Corporate communication and access to service shows a positive relationship with image, but the relationship was not statistically significant. The findings nevertheless have broadened understanding of the concept of image and its antecedent in the context of *zakat* institutions in Malaysia.

خلاصة البحث

لقد أدت خصخصة عدد من مؤسسات الزكاة بماليزيا إلى دخول مرحلة جديدة في طريقة إدارة الزكاة، خاصة من خلال إدخال وتنفيذ القيم المؤسسية بهدف تحسين صورتها. وقد تم القيام بأنشطة وجهود ترويجية مختلفة من أجل تحقيق هذا الهدف، ولكن ذلك قد يؤدي إلى قدر كبير من الإسراف إن لم يتحقق الهدف المطلوب. لذلك تم إجراء هذه الدراسة للتعرف على العوامل التي تحدد صورة مؤسسات الزكاة أمام المساهمين فيها وغير المساهمين. وعلى أساس نظرية أن المكون الرئيسي لصورة المؤسسة يتألف من المكونات العاطفية والوظيفية، فتم اقتراح أربعة عوامل وهي: السمعة، التواصل المؤسسي، الحصول على الخدمة والاتصال المباشر بالأفراد. وقد تم جمع 225 استبياناً وتحليلها باستخدام تحليل الإنحدار المتعدد، استُخدمت فيه خمس نقاط بمقياس من نوع ليكرت لقياس الصورة المؤسسية لمؤسسات الزكاة، وكانت النتائج أن السمعة والاتصال المباشر بالأفراد لهما علاقة وطيدة بتلك الصورة، أما التواصل المؤسسي والحصول على الخدمة فلهما علاقة إيجابية بها إلا أن هذه العلاقة ليست وطيدة كما يتضح من خلال الإحصائيات. وعلى الرغم من ذلك فقد قَدِّمَتِ الدراسة فهُمًا موسعا لفكرة الصورة وعناصرها بالنسبة لمؤسسات الزكاة في ماليزيا.

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 Marketing.

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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 Ngayesah Ab. Hamid

Signature.....

Date

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A STUDY ON THE CORPORATE IMAGE OF ZAKAT INSTITUTIONS

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LIST OF ABBREVIATIONS

p.b.u.h	Peace be upon him
MAIN	Majlis Agama Islam Negeri
PPZ-MAIWP	Pusat Pungutan <i>Zakat</i> Wilayah Persekutuan
LZS	Lembaga <i>Zakat</i> Selangor
PZS	Pusat <i>Zakat</i> Selangor
PUZ	Pusat Urus <i>Zakat</i> Pulau Pinang
PKZ	Pusat Kutipan <i>Zakat</i> Pahang
PZNS	Pusat <i>Zakat</i> Negeri Sembilan
PZM	Pusat <i>Zakat</i> Melaka
SME	Small Medium Enterprises
ATM	Automated Teller Machine
IPTA	Public Higher Learning Institution
IIUM	International Islamic University Malaysia
UKM	Universiti Kebangsaan Malaysia
UPM	Universiti Putera Malaysia
UM	Universiti Malaya
UiTM	Universiti Teknologi MARA
SPSS	Statistical Packages for Social Science
KMO	Kaiser-Meyer-Olkin
PhD	Doctor of Philosophy
SMS	Short Messaging System
Min	Minimum
Max	Maximum
Std.	Standard
i.e.	(<i>id est.</i>): that is
et al.	(<i>et alia</i>): and others
e.g.	(<i>exempligratia</i>): for example

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter will provide an overview of the study, which includes a brief explanation on the background of the study, problem statement, research objectives, research questions, and the significance of the study. The chapter will also highlight the definition of key terms and the organisation of chapters.

1.2 BACKGROUND OF THE STUDY

Malaysia has a total population of 29.3 million people, 60.4% of whom are Muslims (Department of Statistics Malaysia, 2012). Islam is the official religion of the country, but other religions are free to be practised. As a majority Muslim country, Malaysia has established and pioneered the formation of various Islamic institutions, one of which is the *zakat*¹ institution. The establishment of this *zakat* institution is significant as *zakat* is one of the pillars of Islam. The inclusion of *zakat* in the Islamic principle is stated in a *hadith*² narrated by Abdullah the son of Umar that he heard the Prophet Muhammad (p.b.u.h³) said:

“Islam is built on five (pillars): testifying that there is no god but Allah and Muhammad is the messenger of Allah, performing the *solat* (prayer), paying the *zakat*, fasting in Ramadhan and making the pilgrimage to the House”. (Al Imam Nawawi, Terjemahan hadis Shahih Bukhari, vol. 1, ed. 1977: 16).

¹ A charitable donation, or understood by some as a form of obligatory Islamic social tax, imposed on those who own wealth which is more than the minimum amount (*nisab*) in a given period of time (*haul*)

² A collection of Prophet Muhammad (p.b.u.h) sayings and actions

³ Peace be upon him

The meaning of *zakat* in language is “growth” or “increase” or “purity”. The word “purity” in the language refers to the act of purifying an individual’s wealth and soul from greed and selfishness. From the perspective of *Shariah* or Islamic law, *zakat* refers to an obligation of every Muslim who has reached a legal age, has a sound mind and has full freedom in disposing his/her belongings (Shawal, 2011) to give a proportion of his/her wealth to certain recipients known as *asnaf*⁴. The group of *asnaf* is clearly mentioned in verse 60 of *Surah*⁵ *At-Taubah* which could be divided into eight as below:

“*As-Sadaqat* (here it means *zakat*) are only for the *Fuqara*’ (poor), and *Al-Masakin* (the poor) and those employed to collect (the funds); and for to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah’s cause (i.e. for *Mujahidun* – those fighting in the holy wars), and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise.” (Qur’an, *at-Taubah*: 60).

In general, there are two types of *zakat* which are *zakat-al-fitr* and *zakat-al-mal*. *Zakat-al-fitr* is obligatory for every Muslim to be paid during the month of Ramadhan, while *zakat-al-mal* or *zakat* on wealth must be paid by Muslims who own wealth above a minimum threshold (*nisab*⁶) annually. During the time of Prophet Muhammad (p.b.u.h) there were eight types of wealth which were collected *zakat* i.e. camels, cows, sheep, wheat, barley, date, silver and gold (Baharuddin, 2011). However, over the years, new types of *zakat-al-mal* evolved, among others, including *zakat* on income which has only been introduced recently based on the *ijtihad*⁷ of the modern *ulama*⁸ (Baharuddin, 2011; Mujaini, 2005; Qardawi, 2002/1973). The

⁴ Categories of people eligible to receive *zakat*

⁵ Chapter in the Quran

⁶ Minimum amount of wealth possessed by an individual that makes him/her obligated to contribute to *zakat*

⁷ A decision making process on matters regarding Islamic law, which is independent from the four madhhab, done by someone who has thorough knowledge on theology, legal theory, Quran and hadith, also a high capacity of legal reasoning

⁸ Muslim scholars who have specialist knowledge of Islamic law and theology

proportion of *zakat-al-mal* contribution is calculated based on 2.5% of accumulated wealth in a year. Between these two types of *zakat*, this study however will only focus on *zakat* on income contributors, as it is the highest amount of *zakat* collected in the country (Hairunnizam, Sanep, & Mohd Ali, 2005).

The contribution of *zakat* could be done in several ways including direct payment to the *asnaf*, or could be paid to the government. According to the Hanafi⁹ school and Shafii¹⁰ school, *zakat* could be paid directly to the *zakat* recipient without having to go through the government as an intermediary. This is in accordance with the practice of Uthman Affan r.a.¹¹ during his reign as a caliph. However, according to the Maliki¹² school, all types of *zakat* should be paid to the government. This is in conformity with the practice during the time of the Prophet Muhammad (p.b.u.h), and also during the reign of Abu Bakar As-Siddiq r.a.¹³ and Umar Al-Khattab r.a.¹⁴.

In Malaysia, the management of *zakat* started from the pre-colonial era. During that time, the practice of *zakat* contribution was done informally through payment to *ustaz* or religious teachers acting as *amil*¹⁵, who will then distribute the *zakat* collection to the *asnaf*. During the colonial era, the administration of *zakat* was placed under the power of the Religious and Malay Customs Council. The collection of *zakat* was done by an *imam*¹⁶, who will then channel the money to the government.

⁹ The Hanafi school is one of the four madhhab (school of law) founded by Persian scholar named Imame Azam Abu Anifa

¹⁰ The Shafii school is one of the four madhhab currently practised widely by Malaysians and also Muslims in other countries including Yemen, Syria, Indonesia, Brunei and Palestine founded by Imame Muhammad ibn Idris ash-Shafi'i

¹¹ The third Rightly Guided Caliph

¹² The Maliki school is one of the four madhhab which was based on the work of Imame Malik ibn Anas, with followers of almost 35% of Muslims especially in North Africa, Kuwait, United Arab Emirates and Oman

¹³ The first Rightly Guided Caliph took over the Muslim political and administrative functions right after the death of Prophet Muhammad (p.b.u.h)

¹⁴ The second Rightly Guided Caliph succeeded Abu Bakr r.a on 23rd August 634.

¹⁵ People responsible for *zakat* administration and collection

¹⁶ A person who leads the prayer

Today, matters related to *zakat* fall under the jurisdiction of the state government. In most of the states, *zakat* administration is placed under the power of Majlis Agama Islam Negeri (MAIN) or State Religious Council which is directly observed by the Sultan. However, in several states, the administration of *zakat* has been privatised and special *zakat* institutions were established. Starting with the establishment of Pusat Pungutan Zakat Wilayah Persekutuan¹⁷ (hereinafter referred to as PPZ-MAIWP) in 1991, several other institutions then were also formed including Lembaga Zakat Selangor¹⁸ (hereinafter referred to as LZS) or previously known as Pusat Zakat Selangor¹⁹ (PZS), Pusat Urus Zakat (hereinafter referred to as PUZ) Pulau Pinang²⁰, Pusat Kutipan Zakat (PKZ) Pahang²¹, Pusat Zakat Negeri Sembilan²² (PZNS) and Pusat Zakat Melaka²³ (PZM). However, only LZS and PUZ were given the mandate to collect and distribute *zakat*, while the others are only responsible for *zakat* collection.

The privatisation of *zakat* institution has opened a new phase in *zakat* administration especially through the introduction and implementation of corporate values with the aim to improve the institution's image. This move has brought positive results especially in the aspect of *zakat* collection in which a drastic increase was registered, although studies shown it is not as high as the expected amount that should have been collected (Sanep, Hairunnizam, & Adnan, 2006). Not only that, the high *zakat* collection also does not result in a corresponding increase in disbursements (Hairunnizam, Sanep, & Radiah, 2010) although in recent years this situation has

¹⁷ *Zakat* Collection Center of the Federal Territory

¹⁸ Selangor *Zakat* Board

¹⁹ Selangor *Zakat* Center

²⁰ Penang *Zakat* Management Center

²¹ Pahang *Zakat* Collection Center

²² Negeri Sembilan *Zakat* Center

²³ Melaka *Zakat* Center

improved slightly. In addition, the *zakat* institution administration is said to be inefficient (Norazlina & Abdul Rahim, 2007), incompetent, dull, and contaminated by various bureaucratic procedures, which in the end become a liability to the institutions (Hamizul, 2011).

The controversial issues of *zakat* administration have attracted various research studies. Among areas studied include the efficiency of *zakat* administration (Norazlina & Abdul Rahim, 2007, 2012), the impact of privatisation towards *zakat* collection (Nor Ghani, Mariani, Jaafar, & Nahid, 2001; Sanep et al., 2006), public satisfaction towards the institution (Hairunnizam, Sanep, & Radiah, 2009) and suggestions to improve the *zakat* institution (Hairunnizam, Radiah, & Sanep, 2011; Hairunnizam et al., 2010; Hairunnizam, Sanep, & Radiah, 2012; Patmawati & Rahisam, 2010). Although various issues have been covered, there is still a gap in the literature on the aspects of branding of *zakat* institutions in Malaysia. Therefore, the focus of this study will be in the area of corporate image in the context of Malaysian *zakat* institutions.

Image is defined by Karaosmanoglu and Melewar (2006) as “the set of meanings by which an object is known and through which people describe, remember and relate. It is the net result of the interaction of a people’s belief, ideas, feelings and impressions about organisations at a particular time.” Nguyen and Leblanc (2001) on the other hand viewed corporate image as the overall impressions set in customers mind about the different attributes of an organisation, which may include the business name, products, or services offered, quality of staff, tradition, and even ideology. Corporate image therefore could be simply understood as an individual’s total perception or belief about an organisation, which developed through his/her own

experience with the organisation, or through information he/she receives about the organisation.

In facing the high expectation of the public towards the organisation and in dealing with various accusations on its weaknesses and inefficiency, *zakat* institutions should consider looking into improving its corporate image as one of the sources of attracting new contributors to pay *zakat* and retaining the current ones (Hamizul, 2011). As the high intangibility nature of services makes *zakat* institutions difficult to be evaluated, corporate image is said to be an important factor that influences an individual's perception of service quality, satisfaction and to a greater extent influence their decision to remain with the institution (Andreassen & Lindestad, 1998). As corporate image is viewed not only by contributors, but also by other stakeholders, developing a favourable image therefore would also be able to heighten employee satisfaction and commitment, increasing collection, and developing better relations with the community, opinion leaders and various parties (Karaosmanoglu & Melewar, 2006).

Although studies on corporate image have been enormously done before, most of the studies are conceptual, where the available empirical result is more on an ad-hoc basis (Fetscherin & Usunier, 2012). An integrated conceptual framework to measure the problem is also lacking, suggesting more research should be done on this topic. In addition, there is also a lack of cross cultural studies being done, especially from East-Asian countries (Fetscherin & Usunier, 2012; Lee, 2004). Not only that, most of the studies have focused on large corporations, while the corporate branding aspects of SME, family businesses, religious institutions and non-profit institutions have been neglected (Arpan, Raney, & Zivnuska, 2003; Fetscherin & Usunier, 2012). As *zakat* institution falls under the non-profit organisation, and since customers

perception towards corporate image is different between an organisation of one nature to another (Tubillejas, Cuadrado, & Frasquet, 2011), it is therefore important to determine what contribute to the development of corporate image in the *zakat* institution, so that more understanding could be achieved and effort could be done to increase current contributors satisfaction and attract new ones.

This study therefore will look into the factors that influence the corporate image of the *zakat* institution in the context of the Malaysian environment.

1.3 PROBLEM STATEMENT

Corporate image is an important part of branding exercise. A favourable corporate image not only influences positively customers' trust towards an organisation, but also has an impact towards customers' intention and retention decision. Managing corporate image therefore is important not only for profit-oriented organisations but also for those operating a non-profit organisation. While the benefits of image in profit organisations are inarguable and have been empirically proven, for non-profit organisations, good corporate image also brings together several advantages especially in maintaining long term relationship with external stakeholders (Kong & Farrell, 2010). Therefore, in the case of *zakat* institution as a non-profit organisation, rebranding exercise and enhancement of corporate image is suggested as one of the ways to attract more contributors (Hamizul, 2011).

The privatisation exercise has forced *zakat* institutions to manage and run its operation like a corporation (Ahmad Nasyran, Zuryati, & Zainal, 2009). In doing so, efforts have been done to build its corporate image thus attracting more Muslims to contribute *zakat*. LZS for example runs various promotional efforts through media,

exhibitions, forums, seminars, *da'wah*²⁴ and even through Friday prayer sermons. Not only that, LZS also tried to diversify its collection channel including through face to face payment, online payment, salary deduction, as well as appointments of more *amil* and collection agents (Ahmad Shahir & Adibah, 2010). These entail high spending on marketing and communication campaigns aimed at positioning a favourable image of the *zakat* institution in customers' mind and would become a waste, if it fails to achieve the objectives. Emphasizing on areas viewed as less important in the eyes of customers may in turn bring bad image to the institution, which, as such makes this study important in determining factors valued by customers in perceiving the corporate image of *zakat* institution.

Second, despite the various efforts done by *zakat* institution in enhancing its image, customers' perception towards the institution still could be considered as unfavourable. As a public service organisation, *zakat* institution is open to public scrutiny and criticism. Even to date, many parties have raised concerns and question its efficiency and effectiveness (Norazlina & Abdul Rahim, 2007). The high amount of undistributed balance at the end of the year (Ahmad Shahir & Adibah, 2010), the failure to distribute *zakat* to *asnaf* other than the poor, the needy, the *amil* and for *fisabilillah*²⁵ (Hairunnizam, 2010), also negative cases such as corruption, abuse of power, breach of trust, misuse of funds and inefficient distribution and management (Hairunnizam, Radiah, & Sanep, 2012; Nurhidayah, 2012; Sanep et al., 2006), all of these contribute to the more than 50% unsatisfactory level towards the institutions (Hairunnizam et al., 2009). Ironically, the highest unsatisfactorily level was recorded in states that collect the highest amount of *zakat*, i.e. Selangor, Wilayah Persekutuan, Johor and Pulau Pinang. To make matters worse, contributors' satisfaction level

²⁴ Preaching of Islam

²⁵ One of the category of *asnaf*, who is doing something for the sake of Allah

towards the *zakat* institution is proven to have a significant influence towards willingness to contribute *zakat* through formal institutions (Hairunnizam et al., 2010). Therefore, as corporate image could play a big role in influencing satisfaction (Brown & Mazzarol, 2008; Martenson, 2007; Wu, 2011) and loyalty (Bravo, Montaner, & Pina, 2010), this study would be important in trying to influence contributors and potential contributors' perception towards *zakat* institution.

Lastly, although in the recent years privatised *zakat* institutions have recorded an increasing amount of *zakat* collected each year (Amir Husin, 2010; Eza Ellany & Mohd Rizal, 2011), the numbers of *zakat* contributors still do not reach its optimum level (Syarifah Dayana, 2010). This reluctance to pay *zakat* among those who are eligible is not purely caused by internal factors such as lack of *iman*²⁶ and religious knowledge but also due to the *zakat* institution's failure in managing the *zakat* distribution properly which closely related to goodwill or image (Muhamad, Ainulashikin, & Amir, 2006; Sanep et al., 2006). Since privatisation does not significantly influence the amount of collection (Nor Ghani et al., 2001), therefore ways need to be thought of to attract more contributors. In relation to this, it is also important to note that Muslims who are not satisfied with the *zakat* institution have a tendency to pay it informally and directly to the *asnaf* without going through the *zakat* institutions (Hairunnizam et al., 2010; Sanep et al., 2006). LZS in addition stated that not only are individual Muslims involved in this phenomenon, giant conglomerates are also practising the same thing (Ahmad Shahir & Adibah, 2010). This practise of direct payment to the *asnaf* may cause redundancy, unequal coverage and unequal payment (Sanep et al., 2006).

²⁶ Faith

Hence, in the effort to attract more contributors and retain the current ones, and in anticipation of increasing satisfaction and reducing perceived risks (Gurhan-canli & Batra, 2004), study on the factors influencing corporate image of *zakat* institution is significant, to protect the *maslahah*²⁷ of the *ummah*²⁸.

1.4 OBJECTIVES AND RESEARCH QUESTIONS

Based on the problem statement, the objectives of the study are as follows:

- a) To identify the overall perception towards the corporate image of *zakat* institution in Malaysia.
- b) To identify the factors that determine corporate image in the *zakat* institution context.
- c) To determine the most influential factor that influences the corporate image of *zakat* institution.

Hence, in relation to these objectives, the research questions that need to be answered in this study are:

- a) What is the overall perception towards the corporate image of *zakat* institution in Malaysia?
- b) What are the factors that determine the corporate image of *zakat* institution?
- c) What is the most influential factor that influences the corporate image of *zakat* institution?

²⁷ Public interest

²⁸ Community or nation

1.5 SIGNIFICANCE OF THE STUDY

Favourable corporate image influences customer satisfaction and high level of satisfaction increases customer loyalty (Martenson, 2007). Although various studies have been done in Malaysia in the various aspects of *zakat* institution, the understanding of its corporate image is still unclear. This study therefore is significant from several perspectives.

From the academic viewpoint, since most of the available corporate image literatures have focused on the large corporations and neglected its application in non-profit organisations, religious institutions, small and medium enterprises, also the cross cultural aspect of it (Fetscherin & Usunier, 2012), it is hoped therefore that this study would be able to fill in this gap, especially on the corporate image aspect of *zakat* institution as a non-profit organisation with focus in the Malaysian context. Theoretically, this study would be able to test the applicability of theory on corporate image components, thus contributing to a new knowledge on factors that influence the formation of corporate image in the *zakat* institution.

From the managerial perspective, the finding of this study would be able to provide a clear picture on *zakat* contributors' perception towards several aspects of *zakat* institution operation and its relationship with the overall corporate image. In addition, it is also hoped that the study would be able to assist *zakat* institutions in developing and portraying a favourable corporate image, which in the end would become a sustainable competitive advantage, as the consensus said corporate image is difficult to be imitated and need a long duration before it could be associated with an organisation (Balmer & Gray, 2003).

Therefore, looking into the contribution stated above, it is indeed important for this study to be undertaken as it would contribute to a further understanding on the

factors that determine *zakat* institutions' corporate image and its current level of image as perceived by Muslims in Malaysia.

1.6 DEFINITION OF TERMS

There are several key terms that would be used in this study, which are defined as follows:

Corporate Image: Total perceptions or belief about *zakat* institution, which developed through individual's own experience with the institution or through information they receive about the institution.

Reputation: Collective judgment about *zakat* institution's performance which is developed over time, either from personal experience or from personal and non-personal communication received about the institution.

Corporate Communication: An integrated marketing communication strategy used by *zakat* institution to influence people's perceptions about its identity.

Access to Service: Ways that allow people to get access to *zakat* institution's services.

Contact Personnel: Employees that interact directly with *zakat* contributors.