

Determinants of Trust on Zakat Institutions and its Dimensions on Intention to Pay Zakat: A Pilot Study

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Abstract –*Survival of voluntary organizations depends on the level of trust donors has on that particular institution. Zakat payment to zakat institution in many Muslim countries is the choice of zakat payer either to pay to zakat institution or not. Based on this reason, the survival of zakat institution has a direct relationship with the level of trust vested in zakat institutions by contributors of zakat fund. Therefore, it is important to know the dimension of trust on zakat institution and their reliability assessment. This study aims at investigating the reliability and validity of trust's dimension and its relationship on intention to pay zakat in Kano Nigeria. The study concludes that items of public governance quality, quality of zakat distribution, service quality and perceived board capital are reliable and valid. Therefore, the study recommends that all the items can be used in the main study and another related area. Copyright © 2016 Penerbit Akademia Baru - All rights reserved.*

Keyword: Public Governance Quality, Zakat Service Quality, Quality of Distribution, Perception of Board Capital

1.0 INTRODUCTION

Over the years, zakat institutions in most Muslim countries recorded low level of the collection as a result of many factors which sum up to be a lack of confidence in zakat institution by several zakat payers. This low level of payment according to some researchers are related to lack of trust in zakat institution. [1] Argued that trust play an important role in zakat institution as their survival depends on the level of zakat collection from zakat payers. This is in line with [2] who argued that donor trust plays a significant role in the charitable organization because their activities are highly correlated with the level of trust they have from their donors. Zakat institution can only survive if there is continuity in zakat payment and effective distribution to Asnaf. More than thousand years ago, evidence shows that during the dynasty of Umar bin Abdul Aziz poverty was reduce to zero level because the collection and distribution pattern was effective.

Although zakat in Islam is mandatory to all Muslim, who own an asset that worst minimum amount of Nisab [3]. Payment of zakat to zakat institutions is the choice of zakat payer to pay

through zakat institution or pay directly to Asnaf. It is important to know that prayer, fasting, Zakat and Hajj are all done in congregation. To start with prayer, Prophet Muhammad (SAW) encourage us to pray in congregation. Again, the month of Ramadan is kept for the purpose of fasting. Likewise, Hajj is performed in Saudi Arabia were all Muslim all over the world gathered to perform Hajj. In the case of zakat, during the period of Prophet Muhammad SAW, a committee of twenty-five people was set for the purpose of zakat collection and distribution. The collection and distribution through zakat committee were extended to a period of caliphate Abubakar (AS), then to caliphate Umar (AS), them to caliphate Usman (AS) and to caliphate Ali (AS) up to the time of Umar bin Abdul Aziz. Therefore, although due to some changes of present time, zakat payment to zakat institutions in not compulsory. Since zakat payment to zakat institution presently in many countries is not compulsory, for example in Kano Nigeria, payment of zakat to zakat institution is not compulsory according to zakat law "Gazette No. 7 Vol. 35. Supplement Part A pp. A25-A31" Kano State Zakat and Hubsi Commission [KSZHC] (2014) [4].

In line with this argument, the only survival strategy for zakat institution in Kano Nigeria and many other Muslim countries is to gain trust among zakat payers. For this reason understanding the dimension of trust will help zakat institutions to achieve its objective. [1] See antecedences of trust as, the perception of board capital, the perception of stakeholder's orientation, the perception of legitimacy management and perception of nature of zakat. This study intends to look at the reliability and validity of dimension of trust on zakat institution in Kano Nigeria.

2.0 LITERATURE REVIEW

2.1 Intention to Pay Zakat

The concept of intention can be trace back to the work of [5] who asserted that behavioral intention signifies individual readiness to perform a given behavior. For example, I will engage, I intend to participate, I plan to engage. Although a lot of researchers argued that the work of [5] made a significant contribution to the concept of intention, the original concept of intention was credited to Prophet Muhammad (SAW) more than 1000 years ago were he made mentioned that actions are judge according to individual intention. In a recent time [6] categorized intention into behavioral intention and behavioral expectation. Behavioral expectation predicts behavior more than behavioral intention, because behavioral expectation takes into account potential impairments of the performance of behavior [7]. Intention as a predictor of behavior has been tested in the different field of study. In an area of internet banking, [8] confirmed that intention influence usage of internet banking. In mobile marketing, [9] argued that intention significantly influences behavior of customers. In area of taxation, [10] confirmed that tax knowledge do not influence compliance to tax payment. [11] Also proposed the moderating effect of trust on zakat institutions on the relationship between Public Governance Quality, Accountability and Effectiveness on Intention to Pay Zakat.

2.2 Public Governance Quality

[12] Categorized governance quality into three namely input, processes and output. For an organization to have a good reputation, the three categories most are efficient. These three categories are also subdivided into time spent on dealing with an issue, quality personnel, and public satisfaction. It is believed that effective public governance quality will lead to trust in the organization. [13] Confirmed that effective leadership will improve the performance of the organization.

2.3 Quality of Zakat Distribution

[13] argued that zakat collection is affected by poor management due to lack of effective distribution of zakat fund to Asnaf. [14] Reveals that inefficiency of zakat distribution affect negatively zakat institution and lead to low level of zakat payment in future. Also, [15] confirmed that lack of transparency and inefficiency significantly affect zakat institution.

2.4 Zakat Service Quality

Service quality is defined in zakat field as the how well zakat institutions manage its resources and make an adequate distribution to Asnaf [13]. Studies on service quality have been conducted by many scholars. For example [16] argued that service quality is an important instrument for winning trust and patronage, customer satisfaction and loyalty. In the area of zakat, [17] confirmed that service quality plays an important role in compliance to zakat payment. Also, [18] reveals that efficient service quality in zakat organization influence intention to pay zakat.

2.5 Perceived Board Capital

Perception of board capital is a combination of both human and social capital on the board of directors [18]. Again, [20] confirmed that board capital is the summation of human and social capital and the ability of members of the board of directors to engage in the decision making in a given organization. Furthermore, [21] argued that reputation of the board of director's members in an organization influence investors to invest their fund in the organization. [1] Confirmed that the relationship between trust on zakat institution and perception of board capital is positive and significant.

3.0 METHODOLOGY

3.1 Instrumentation

The study instrument was designed using items adapted from previous studies. Intention to pay zakat was measured using five items adapted from [20] and [3], Public governance quality was measured using seven items adapted from [22], Quality of zakat distribution was measured using five items adapted also from [23] zakat service quality was measured using six items adapted from [19] perceived board capital was measured using six item adapted from [1]. The highest score in intention measured was 25 point (5 items x 5 points) which signifies strong intention on zakat payment and the minimum point is 5 points (5 items x 1 points) which signify low intention. Highest score in public governance quality variable is 35 point (7 items x 5 points), and the lowest is 5 points (1 item x 5 points). The remaining variables; zakat service quality and perceived board capital has maximum points of 30 point each and a minimum of 5 points each (5 items x 5 points).

3.2 Analytical Procedures

The study used Partial Least Squares (PLS) path model and Smart-PLS software Version 2.0 in its data analysis. The rationale behind choosing PLS in this study is, PLS allow the use of a small number of data in conducting an analysis [24]. Again, PLS- SEM technique is a vital approach when it comes to investigation of cause and effect relationship between latent constructs.

4.0 RESULT AND DISCUSSION

4.1 Reliability and Validity (Measurement Model)

The study assesses reliability and validity of variables under investigation using measurement model of Partial Least Square (PLS) path model and Smart-PLS software Version 2.0. The measurement model is commonly evaluated uses four criteria; internal consistency reliability, indicator loadings, convergent reliability and discriminant validity. For the purpose of this study, been a pilot study, we restrict our calculation to items loading, Cronbach alpha, composite reliability and average variance explained, which give us the clear fixture of reliability and validity of our variables (Public Governance Quality, Quality of Zakat Distribution, Zakat Service Quality, and Perceived Board Capital). We measured internal consistency and indicator reliability with the use of composite reliability and Cronbach alpha ([23-25]. Again we measure the convergent study reliability using Average Variance Explained (AVE) ([23, 24].

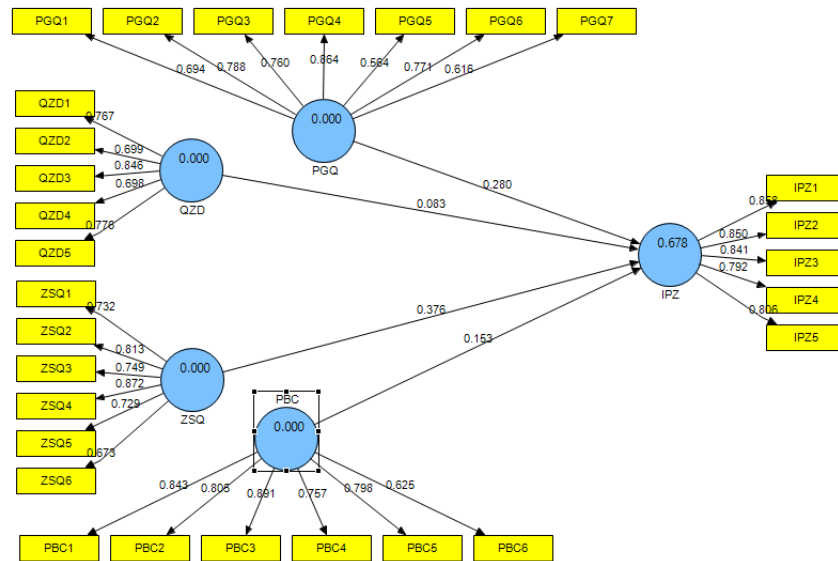
The result shows that all the four variables are reliable and valid and can be used in the main study. Internal consistency reliability was achieved, thus the minimum value of Cronbach alpha value in this study is 0.816 and maximum is 0.887, while composite reliability range between 0.871 and 0.917. [25] Argued that the minimum acceptable internal consistency value is ≥ 0.70 . Therefore, all the variables are within acceptable range. Furthermore, indicator loadings of all the variable are greater than required threshold of ≥ 0.40 . Finally, the variable achieved convergent validity, hence squared root of AVE of each latent constructs is higher than its squared inter-correlation with any other construct.

Table 1: Reliability and Validity Assessment (Measurement Model)

ITEMS LOADINGS		C.A	C.R	AVE
Intention to Pay Zakat		0.887	0.917	0.689
IPZ1	0.858			
IPZ2	0.850			
IPZ3	0.841			
IPZ4	0.792			
IPZ5	0.806			
Public Governance Quality		0.848	0.886	0.531
PGQ1	0.694			
PGQ2	0.788			
PGQ3	0.760			
PGQ4	0.864			
PGQ5	0.584			
PGQ6	0.771			
PGQ7	0.616			
Quality of Zakat Distribution		0.816	0.871	0.576
QZD1	0.767			
QZD2	0.699			
QZD3	0.846			
QZD4	0.698			
QZD5	0.778			
Zakat Service Quality		0.855	0.893	0.584
ZSQ1	0.732			
ZSQ2	0.813			
ZSQ3	0.749			
ZSQ4	0.872			
ZSQ5	0.729			

ZSQ6	0.675			
Perceived Board Capital		0.877	0.908	0.625
PBC1				
PBC2				
PBC3				
PBC4				
PBC5				
PBC6				

Measurement Model



5.0 CONCLUSION

To recap the objectives of this paper, the paper examined the reliability and validity of trust's dimensions namely; public governance's quality, quality of zakat distribution, zakat service quality and perceived board capital. The result shows that all the constructs are reliable measured of trust toward intention to pay zakat in Kano Nigeria. Also, the result confirmed that all the four variables are valid. Therefore, it is recommended that they can be used in the main study.

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