

Identifying Disclosure Items for *Zakat* Institutions

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Abstract

The purpose of this study is to develop disclosure items as research instruments, which may be used for future research to measure disclosure level among zakat institutions. The process involved four prevalent stages, from determining disclosure items from various literature, to panels of experts' reviews, pilot survey, and questionnaire survey. All the necessary reliability and validity tests were carried out to come up with the final *zakat* disclosure items, necessary to be included among *zakat* institutions' annual reports. The disclosure items were categorised accordingly following their theme.

Keywords: *Zakat* institutions, disclosure items, factor analysis

1. INTRODUCTION

Zakat activities have shown a positive sign and growth, evidenced by the amount of fund collected, which reached up to RM492 million in 2013 by one of the states in Malaysia, i.e. the Wilayah Persekutuan Islamic Religious Council (Majlis Agama Islam Wilayah Persekutuan). The huge task of collecting and disbursing large amount of public monies requires proper disclosure and good governance. The public funds are expected to be governed according to *Qur'an* and *hadith*. Generally, *zakat* institutions in Malaysia are governed by each State Islamic Religious Council (SIRC), and responsible in collecting and disbursing *zakat* fund. Each of these SIRCs are coordinated at national or federal level by a department formed by the government. Department of *Awqaf, Zakat* and *Hajj* (JAWHAR) was formed to coordinate and promote these *zakat* institutions or SIRCs, and to uplift their effectiveness and efficiencies.

Even though the total collection of funds has indicated positive results, issues on *zakat* disbursement is still under much debate. As portrayed by Kamil (2005), ability of *zakat* institutions in managing the fund of *zakat* is still doubtful and questionable. This is supported by Ahmad Shahir and Adibah (2010) that revealed some doubts among the potential and existing *zakat* payers on the credibility of *zakat* institutions handling the funds. In addition, they documented that some *zakat* payers either individuals or organizations, refused to pay *zakat* at the institutions; instead of paying it directly to the eligible *zakat* recipients or decided not to pay at all. Surprisingly, Ahmad Shahir (2007) discovered that only 10% to 15% of the *zakat* payers in Selangor pay *zakat* through *zakat* agencies/office(s). The credibility of *zakat* institutions in governing the fund, has eroded the payers' trust. Therefore, proactive steps are needed to show that these *zakat* institutions had actually fulfilled their responsibilities. Hence, the current study contributes by providing disclosure items that are relevant and important, to be disclosed in *zakat* institutions' annual report that would satisfy parties involved with *zakat* management.

1.2 Objective of the study

The objective of this study is to develop disclosure items that are relevant and important to be disclosed in the annual report of *zakat* institutions in Malaysia.

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2. STAGE ONE: DEVELOPING THE DISCLOSURE ITEMS

2.1 Identifying the disclosure items

There are three processes in developing the disclosure items in the annual report among *zakat* institutions. Firstly, it is to collect and review various literature in order to identify appropriate disclosure items. The information was gathered from *Qur'an* and *hadith*, Treasury Circular, *Amalan Terbaik Pengurusan Kewangan Majlis* (Council's Best Practices on Financial Management), Private Entity Reporting Standards (PERS), Accountability Index Financial Management by National Audit Department, and Manuals released by JAWHAR such as *Manual Pengurusan Agihan Zakat*, *Manual Pengurusan Pengiraan Zakat*, *Pengurusan Perakaunan Wakaf*, Generally Accepted Accounting Principles (GAAP) for non-profit organizations, as well as Statements of Reporting Procedures (SORPs) by Charity Commissions of England and Wales. As a result a total of 63 items were extracted.

In terms of the number of items disclosed, there is no specific theory that determines such requirement (Hooks, Tooley and Basnan, 2002). Hence, Wallace (1988), asserted that bias may exist if the selected list of items are not sufficiently comprehensive. In order to ensure the items are comprehensive, relevant and reliable, the study used primary and secondary data in collecting the information, i.e. suggestions given by the participants on the items to be disclosed in the annual report and reviewing the relevant documents as well as past literatures in both Islamic and conventional setting. Upon reviewing prior literatures on disclosures from Islamic religious literature such as *zakat*, *waqf* and other non-profit organization (NPO), a total of 39 items were extracted.

Our next stage involved semi-structured interviews. The interviewees were given the disclosure items that had been extracted from our initial findings from prior literature. The interviews were constructed with people from various interested parties such as representatives from companies that pay *zakat*, *zakat* payers, *zakat* officers from *zakat* institutions, and *zakat* recipients. The outcome from the interviews provided reliable source of information to develop further the disclosure items. A total of 21 items were further extracted from these interview sessions.

2.2 Preparing the disclosure items

Subsequent to the processes above, a total of 123 disclosure items were developed, derived from two earlier stages. All the disclosure items were then structured into specific categories, namely; profile of *Zakat* institutions, governance, financial information, non-financial information and performance, based from prior literatures (Coy, Tower & Dixon, 1994 ; Tooley & Guthrie, 2007; Saunah, Ruhaya & Wah, 2012) . Hence, from the total 123 items, these were categorised into four sections: background information has a list of 20 items, where 21 items were categorised as governance information, 38 items for financial information, and 44 items under non-financial information.

2.2.1 Background information

The first category shall provide some general idea about the institutions. Information such as the background of *zakat* institutions, company/*zakat* institutions' objectives, corporate information and contact information. Items that are placed under this category may assist the *zakat* payers and recipients to obtain information about *zakat* institutions' basic information such as the address of registered office, website address, and contact information. which ultimately support them in making decisions on *zakat* payment and on receiving the assistance. Disclosure items for this category were mostly derived from Statement of Reporting Procedures and Treasury Circular 4/2007.

2.2.2 Governance information

The National Audit Department (NAD) Malaysia promotes public agencies to improve their transparency and accountability. In light of this, *zakat* institutions which also form as part of public agencies are no exception. Hence, it is pertinent for *zakat* institutions to have good governance practices to address accountability in the organisation. Governance disclosure items shall include information about the board of directors, board of trustees, top management information, audit committee and other information that are essential to the users similar to those of public listed companies. This is contended by Musa (2004) that have described the importance of implementing good governance in *zakat* institutions. Further, Saunah et al. (2012) document this category as the highest weight among charitable organisations.

2.2.3 Financial information

Financial information is usually among the most important information in any financial reports. The information in this section allows users to evaluate the performance of the *zakat* institutions. Especially on the information on how the *zakat* funds were being managed, controlled and monitored by the appointed agencies, such as board of trustees, or SIRC under their *Baitul Mal* unit. Financial statement items such as items in the Income and Expenditure Statement, Balance Sheet, Cashflow Statement, and notes to the accounts, are some examples that would be in the list of our *zakat* disclosure items.

2.2.4 Non-financial and performance related information

This category forms essential information for any non-profit organisation, NPOs such as charity organizations. Hyndman (1990) and, Khumawala and Gordon (1997) explained that non-financial information has been considered essential by the users, such as stakeholders and donors of the organizations. Item derived for this category are mostly from *zakat* and NPOs disclosure prior literature. The non-financial information and performance are normally used to gain some insight on the disclosure information about *zakat* collection and disbursement, information on *zakat* payers and *zakat* recipients.

3. STAGE TWO: VALIDATING THE DISCLOSURE ITEMS

After completing the two initial stages of developing the disclosure items, it is then followed by validity and reliability test. The types validity tests used in this study were (1) face and (2) content validity. Face validity is the degree to which a survey questionnaire or other measurement appears to reflect the variable it has been designed to measure. While, content validity or logical validity seeks to establish that the items or questions are a well-balanced sample of the content domain to be measured (Oppenheim, 1992). This process is important to ensure the quality of the research instruments, because the disclosure items have potential use for developing *zakat* disclosure index.

In addition, Field (2009) explained validity as how an instrument actually measures what it sets out to measure, and reliability as how an instrument can be interpreted consistently across different situations. In addition, it is referred as to ensure that the measures include an adequate and representative set of items that tap the concept (Sekaran, 2000). Whilst Field (2009) described it as to assess the degree to which individual items represent the construct being measured, and cover the full range of the construct. As a result, the questionnaires need to be pretested before it can be sent for data collection. Hence the survey questionnaire was sent to panel of experts to be reviewed to meet the requirement for face and content validity.

3.1 Panel of experts

The draft on disclosure items, which is named as *zakat* disclosure index or *i-ZkDI* was reviewed by various experts in the field of *zakat* reporting who have extensive experiences either in theory and practices. Among them, were scholars from accounting academics, namely those who are expert in the field of *zakat*, *waqf*, Islamic accounting, other Islamic religious organisations such as, mosque, auditing, NPOs and public-sector accounting. Apart from academic experts, the second group was from corporate *zakat* payers. Among them is the Group Chief Financial Officer (GCFO) of a listed company in Malaysia. The third group of experts were *zakat* officers that hold various position in the top management in *zakat* institutions. Finally, were experts from the National Audit Department, represented by the auditors who audited the accounts of SIRCS and *zakat* institutions.

3.2 First review: The expert's review

The draft of *i-ZkDI* were submitted to the panel of experts, after we had extracted disclosure items in initial stage from prior literature and feedbacks from the semi-structured interviews. The 4 panels of experts, were asked to review the proposed disclosure items, and provide recommendations to improve the existing disclosure items. Some of the recommendations suggested categories for *i-ZkDI*, namely; governance, financial and non-financial information. The panels also suggested some of the items need to be reworded or rephrased in order to make it clearer to the respondents. While, other items in the list were considered adequate and relevant for the development of the *i-ZkDI*. Some of the comments and suggestions given by the panel of experts are shown below.

Table 1. Summary of Items Suggested by Panel of Experts

| Key Area Identified | Items to be Included |
|---------------------------------------|--|
| Basic background (Overview of ZIs) | <ul style="list-style-type: none"> • Overview of <i>zakat</i> institution includes: • The organizational chart/structure of <i>zakat</i> institution. • Vision, mission and key objectives of the <i>zakat</i> institution • some of the items such as calendar of events • Photos of BODs/BOTs/CMs, Management Profile information • Vision, mission statements, the core values and aims of <i>zakat</i> institutions |
| Governance information | <ul style="list-style-type: none"> • Detail information of BODs/BOTs/CMs' remuneration, its policy and breakdown of remuneration were considered sensitive issue especially it involves remuneration of the Chairman i.e. Sultan. • Board of trustees' training |
| Financial information | <ul style="list-style-type: none"> • Items related to risk management's information were not considered, as most SIRC's have no risk management committee. |
| Non-financial Information | <ul style="list-style-type: none"> • Information on <i>zakat</i> • Items on criteria to assess each <i>asnaf</i> e.g. gross family income, income per independent family members etc • Items for Policy of disbursement 1/8 for each <i>asnaf/zakat</i> recipients (e.g. the average time taken from collection to disburse to the <i>asnaf</i> and the average time taken for each application to receive <i>zakat</i> i.e. from application date until the decision is done), there is no stated policy to confirm disbursement must be 1/8 for each <i>asnaf</i>. This item is really important to be further explore as commented by one of the panel experts. • Percentage of <i>zakat</i> disbursement to each category of <i>asnaf</i> compared to the total amount of disbursement was added. • It is advisable that information related to <i>zakat</i> recipients should be more rather than <i>Zakat</i> payers, since the public would like to know how the money being spent by the <i>zakat</i> institutions. |

As a result, from 123 items (43 were retained, 18 items were modified, 62 were deleted, and additional 26 items were introduced,) giving 87 items of information in the list. The next process was to validate the *i-ZkDI* through a pilot survey. The details of the questionnaire and the respondents are explained below.

3.3 Likert scale

The survey questionnaire was prepared in such a way to capture necessary information. It has 2 sections where; Section A is about the demographic information, and section B represents the list of the disclosure items which requires the respondents to answer or rate the items based on a five-point Likert scale. The point values are as follows.

Table 2. Likert scale

| Point of value | Scale |
|----------------|----------------------|
| 1 | Not Important |
| 2 | Slightly Important |
| 3 | Moderately Important |
| 4 | Important |
| 5 | Extremely Important |

4. STAGE THREE: PILOT SURVEY

The pilot-survey was conducted in two prominent institutions of higher learning; namely the International Islamic University Malaysia (IIUM) and University Science Islam Malaysia (USIM). Both universities offered Islamic accounting/finance courses and pioneers Islamic and financial economics. To validate the disclosure items for the questionnaire surveys, academicians from the Department of Accounting of the *Kulliyyah* (Faculty) of Economics and Management Sciences, and Faculty of Economics and *Muamalat* were chosen. These academicians have the necessary knowledge and exposures relevant to the disclosure items that were being developed.

4.1 Sample

The proposed disclosure items for a questionnaire survey were sent by mail and personally handed to the respective experts. A total of 52 pilot-survey questionnaires were distributed to both universities, and eventually the study received 18 responses from the survey. With regards to the sample size for pilot-survey, Boyd, Westfall and Stasch (1977) suggested 20; while Backstrom and Hursch (1963) considered 30 should be

satisfactory. Thus, the study believes 18 responses for the sample size were acceptable as this size is fall within the range as suggested by prior literature.

4.2 Internal consistency

The internal consistency of reliability is assessed via Cronbach's coefficient alpha. This coefficient of reliability provides an indication of the average correlation or how closely related set of items as a group with value ranging from 0-1. Higher values indicate greater reliability. Nunnally (1978), suggested a minimum Cronbach alpha values of 0.70 for items to be considered as reliable. Following Gandia (2011), the Cronbach Alpha coefficient of reliability was performed for each category in the index. A summary of the Cronbach's coefficient of reliability is shown in below.

Table 3. Pilot-Survey: Cronbach's Coefficient Alpha for Each Category of the Information (n=18)

| Category | Number of items | Cronbach's coefficient alpha |
|---------------------------------------|-----------------|------------------------------|
| Overview of <i>Zakat</i> Institutions | 28 | .986 |
| Governance information | 13 | .989 |
| Financial Information | 17 | .961 |
| Non-financial information | 29 | .957 |

The Cronbach's co-efficient alpha for all the four categories recognised earlier, shows all the Cronbach's Alpha with the value of more than 0.90. The value of Cronbach's coefficient alpha that exceeds 0.8 indicates that the consistencies of the index items are very good.

4.3 Revision of disclosure

When the internal validity shows reliable results, the *i-ZkDI* is now can become a reliable instrument to measure the extent of *zakat* disclosure. The disclosure items were reviewed for the second time, and constructive comments were considered. Subsequently, the survey questionnaire were revised and improved for the second time. Some items have been rephrased to avoid any confusion as well as to make it clearer to the respondents, for examples the word 're-election of board of directors' was changed to 're-appointment of board of directors'. Two items were added, such as information on the last 5 years' *zakat* collection and information on the last 5 years' *zakat* disbursement. Thus, the revised and validated *i-ZkDI* were finally consisted of 88 items related to *zakat* information.

5. STAGE FOUR: QUESTIONNAIRE SURVEY

5.1 Sample size and respondents

Zakat reporting involves their parties, *zakat* officer as the preparer of reports or intermediaries, *zakat* payers as those who contributed to the *zakat* funds or collections, and *zakat* recipients as those who received the funds or *zakat* funds being disbursed to them. For the current study, we only managed to gather our data for developing the disclosure instruments from two parties, namely the *zakat* officers and *zakat* payers. *Zakat* payers' respondents were from lecturers of UiTM (University Teknologi MARA) from various states in Malaysia. While *zakat* officers were those holding positions in top management and Account Executives. Overall, there were 201 usable questionnaires that consist of *zakat* officers and *zakat* payers. For further detail on response rate, it is shown in Table 4.

Table 4. Response Rate

| | Total questionnaire sent | Total questionnaire received | Response rate (%) |
|-----------------------|--------------------------|------------------------------|-------------------|
| <i>Zakat</i> Payers | 214 | 138 | 64.5 |
| <i>Zakat</i> Officers | 115 | 73 | 63.5 |
| TOTAL | 329 | 211 | |
| Usable questionnaires | | 201 | |

5.2 Reliability Tests: Cronbach's Alpha

In order to provide a unique measure of internal consistency or reliability for a test or scale, Cronbach's Alpha was calculated. The value of alpha is expressed as a number between 0 and 1. This value is also known as an index of reliability. The greater the value of alpha, the more reliable a set of items is as a group. However, high alpha does not mean the measure is unidimensional. The dimensionality of measurement can be checked through other statistical test known as explanatory factor analysis which will be covered later in this study. In

calculating the Cronbach's alpha, the data are considered reliable and have high internal consistency when the value of alpha is greater than 0.70. The results from reliability tests are shown below.

Table 5. Table Cronbach's Coefficient Alpha for Each Category of the Information

| | Cronbach's Alpha, α | Standardized Item Alpha |
|---|----------------------------|-------------------------|
| Item-Analysis by Sub-Section | | |
| Overview of <i>Zakat</i> Institution | 0.938 | 0.939 |
| Corporate Information | 0.892 | 0.896 |
| Director's Profiles | 0.949 | 0.952 |
| Management Profiles | 0.937 | 0.941 |
| Main Board Profiles | 0.950 | 0.950 |
| Audit Committee Profiles | 0.943 | 0.944 |
| Audited Financial Statement | 0.922 | 0.930 |
| Notes to the Financial Statement | 0.949 | 0.949 |
| Other Financial Statement | 0.960 | 0.962 |
| Accompanying Certificate and Statement | 0.907 | 0.905 |
| Disclosure on <i>Zakat</i> Collection | 0.931 | 0.932 |
| Disclosure on <i>Zakat</i> Disbursement | 0.936 | 0.939 |
| Disclosure on <i>Zakat</i> Payers | 0.859 | 0.860 |
| Disclosure on <i>Zakat</i> Recipients | 0.952 | 0.953 |
| Performance and Other Related Information | 0.944 | 0.946 |
| Item-Analysis by Section | | |
| Background Information | 0.973 | 0.973 |
| Governance Information | 0.964 | 0.965 |
| Financial Information | 0.963 | 0.965 |
| Non-Financial Information & Performance Information | 0.972 | 0.973 |
| Item-Analysis Overall | | |
| Overall | 0.986 | 0.987 |

By looking at the result in Table 5, the measurement of Cronbach's alpha was conducted in three ways; (1) item-analysis by sub-section, (2) item-analysis by section and (3) overall item-analysis. These results show that almost all alpha is greater than 0.9, in which indicate excellent internal consistency of the items in the scale. However, these results do not measure the homogeneity or unidimensionality, but only show the validity and accuracy of the data for interpretation. Apart from that, it is important to note that the magnitude of alpha from this analysis might be influenced by number of items considered and the mean of inter-item correlations.

5.3 Factor analysis

The KMO measures the sampling adequacy that determines if responses given with the sample are adequate or not. It is suggested that close than 0.5 for a satisfactory factor analysis to proceed. Kaiser (1974) recommends 0.5, as minimum, but values between 0.7-0.8 are acceptable, and values 0.9 are good. Table 6 shows Bartlett's tests that are significant, hence suggesting that the items and sections may proceed for further test, i.e. factor analysis. The following are the results from the factor analysis, and summarised the factor loading into Table 7. Table 7 shows all the factors that are more 0.6 for each of the four sections. Further, within the sections, the factors were grouped into its component matrix, and we identified as factor 1 etc. These factors were named and categorised according to the items of the component matrices, such as for section 1, background information, factor 1 is named as directors' background, factor 2 as core values, and factor 3 as contact address.

Table 6. The KMO (Kaiser Meyer Olkin) and Bartlett's Test

| Sections | 1 | 2 | 3 | 4 |
|--------------------|-------------------------------|-------------------------------|------------------------------|--|
| | <i>Background Information</i> | <i>Governance Information</i> | <i>Financial Information</i> | <i>Non-financial & Performance Information</i> |
| Bartlett's test | | | | |
| Approx. Chi square | 6931.331 | 2906.953 | 4132.398 | 7015.181 |
| (p-value) | (0.000) | (0.000) | (0.000) | (0.000) |
| Kaiser Meyer Olkin | 0.937 | 0.927 | 0.913 | 0.922 |

Table 7. Disclosure Items for zakat institutions

| Section | Factor | Items |
|------------------------|------------------------------|--|
| BACKGROUND INFORMATION | 1 (Directors' background) | <ul style="list-style-type: none"> • Name of Chairman/president/Director • Name of BODs/BOTs/CMs • Personal background of BOSs/BOTs/CMs • Working Experience of BODs/BOTs/CMs • Photos of BODs/BOTs/CM • The name of organisation represented by BODs/BOTs/CMs • Name of CEO • Names of MTM (CEO, CFO) |

| | | |
|---|--|---|
| | | <ul style="list-style-type: none"> • Personal background of MTM • Educational/qualification of MTM • Working experience of MTM |
| | 2 (Core values) | <ul style="list-style-type: none"> • Vision statement • Mission statement • The core values of the <i>zakat</i> institution • Statement of Principal Officer • CEO message, overall comments, activities and projects |
| | 3 (Contact address) | <ul style="list-style-type: none"> • The address of registered office of the <i>zakat</i> institution • Contact information of the <i>zakat</i> institution • Website address of <i>zakat</i> institution |
| GOVERNANCE INFORMATION | 1 (Corporate governance) | <ul style="list-style-type: none"> • Name of <i>zakat</i> institution • Principal responsibilities of BODs/BOTs/CMs • Audit Committee composition and their profile (membership) • Function of Audit Committee (e.g. review and recommend to the Board the appointment of external auditor and their fees, review the internal audit plan, audit reports and consider findings of internal audits and management responses, financial reporting review, internal control etc.) • Number of Audit Committee meetings in a year • Summary of activities of Audit Committee in a year (e.g. review the results of the audit etc.) • Internal Audit function and its role in the <i>zakat</i> institution • Report on internal control to ensure that the amount collected is distributed to the right recipients within the reasonable timeframe |
| | 2 (Corporate governance activities) | <ul style="list-style-type: none"> • Information on re-appointment of BODs/BOTs/CMs • Number of meetings in a year • Number of meetings attended by the BODs/BOTs/CMs • Information of BODs/BOTs/CMs' training • Information of BODs/BOTs/CMs remuneration (e.g. remuneration policy, procedures, amount etc.) • Period of appointment of BODs/BOTs/CMs |
| FINANCIAL INFORMATION | 1 (Financial accounting information) | <ul style="list-style-type: none"> • Adopted accounting standards or guidelines (e.g. PERS, MFRS, other issued/approved accounting standards by the MASB etc.) • Accounting policy adopted in recognizing the receiving of <i>zakat</i> (e.g. cash basis or accrual basis) • Separation of <i>zakat</i> collection according to categories such as i.e. <i>zakat Al-fitr/fitrah & Al mal/wealth</i> • Amount of <i>zakat</i> collection for sub-category of <i>zakat Al-mal</i> (e.g. <i>zakat</i> from employment income, savings, business, agricultural produce, reared animals/livestock, gold and silvers, shares etc.) • Amount of <i>zakat</i> disbursement for each category of <i>asnaf</i> • <i>Zakat</i> expenditure: <i>Amil</i> operating and administration expenses' (such as agents' cost, activities related to governance costs/direct and related support costs i.e. general management, budgeting and accounting, information technology, human resources and financing etc.) • Reasons/justifications on the <i>zakat</i> surplus (the collection of <i>zakat</i> was not fully disbursed during the year/non-disbursement balance) if applicable |
| | 2 (Other financial information) | <ul style="list-style-type: none"> • Total <i>zakat</i> collection for the year • Other incomes such as income from investment in fixed deposits, shares, property, gain on disposal of assets etc. (e.g. <i>hibah</i>, rental etc.) • Total <i>zakat</i> disbursement for the year • Surplus (<i>zakat</i> collection exceeds <i>zakat</i> disbursement)/ deficit (<i>zakat</i> disbursement exceeds <i>zakat</i> collection) |
| | 3 (Financial statement) | <ul style="list-style-type: none"> • Statement of Financial Position / Balance Sheet • Cash Flow Statement • Statement of Changes in Equity • Statutory declaration of Chairman and a board member for the groups account • Statutory declaration by the officer primarily responsible for financial management |
| NON-FINANCIAL & PERFORMANCE INFORMATION | 1 (Zakat collections and disbursements) | <ul style="list-style-type: none"> • Information on the last year's <i>zakat</i> collection • Information on the last 5 years' <i>zakat</i> collection • Information on actual and budgeted amount of total <i>zakat</i> collection • Policy on <i>zakat</i> collection and incentives e.g. rebate or exemption from income tax • Disclosure on the new type of <i>zakat Al-mal</i> (wealth) introduced in the current year |

- Classification of *zakat* centres (e.g. mosques, banks, universities, approved companies etc.)
 - Information on the last year's *zakat* disbursement
 - Information on the last 5 years' *zakat* disbursement
 - Information on actual and budgeted amount of *zakat* disbursement
 - Amount of disbursement according to each program of *asnaf* (e.g. entrepreneurship program, medical assistance, *asnaf* development, students' fees etc.)
 - Information on policies of disbursement (e.g. 1/8 for each *asnaf*, the average time taken from collection to disburse to the *zakat* recipients, the average time taken for each application to receive *zakat* i.e. from the application date until the decision is done etc.)
 - Percentage of *zakat* disbursement to each category of *zakat* recipients/*asnaf* compared with the total amount of disbursement
- 2
(Zakat recipients)
- Assessment criteria to be qualified as *zakat* recipients (e.g. gross family income, income per independent family members for *faqir/miskin* category etc.)
 - General description of the *zakat* recipients (according to segments e.g. district, age group, gender group, qualifications etc.)
 - Disclosure on means of *zakat* application (e.g. application on line, manually filling up the form, personal interview with *zakat* officers) to ask for *zakat*
 - Information on the number of *zakat* recipients for each category of *asnaf*
 - Information on actual and targeted number of *zakat* recipients
 - Monitoring programmes/activities by *zakat* institution (e.g. *jejak asnaf*, regular visit, progress report etc.)
- 3
(Summary of activities)
- Summary of *zakat* collection and disbursement (e.g. graph, charts etc.)
 - Summary of *zakat* surplus by the end of each year. (e.g. graph, charts etc.)
 - Steps/strategies/initiatives to be taken to reduce/overcome *zakat* surplus (if applicable)
- 4
(Awareness programs)
- Number of staff
 - Awareness program for *zakat* payers (e.g. *sahabat zakat* programme; collaboration with government agencies, private sectors, higher learning institutions; TV programme etc.)
 - Awareness program for *zakat* recipients (participation with local people, residents committee, mosque etc.)

Note: BOD=Board of Directors, BOT=Board of Trustees, CM=Council Members, MTM=Management Team Members, PERS=Public Entity Reporting Standard, MFRS=Malaysia Financial Reporting Standard, MASB=Malaysian Accounting Standard Board

Table 8. Items That Were Excluded

| Section | Disclosure Items Excluded |
|---|---|
| Background Information | <ol style="list-style-type: none"> 1. Calendar of events 2. Principal activities of the <i>zakat</i> institution 3. Legal and regulatory formation 4. The organisational structure of <i>zakat</i> institution 5. Name of external auditor 6. Photos of MTM |
| Governance Information | Nil |
| Financial Information | Auditor general's report/certification |
| Non-financial and Performance Information | <ol style="list-style-type: none"> 1. List of <i>zakat</i> collection centres 2. Graph for operating expenses/amil expenditure to collect and disburse <i>zakat</i> for the year 3. Percentage/ratio of operating expenses (including the administrative expenses) to total amount of <i>zakat</i> collection 4. Information on <i>zakat</i> recipients who become <i>zakat</i> payers in the current year (fact and figures) |

6. CONCLUSION

The purpose of this study is to develop disclosure items as research instruments, that may be used to examine the disclosure levels of *zakat* institutions in Malaysia. The disclosure items may be used for future research to empirically find the disclosure levels of *zakat* institutions. From the factor analysis, none of the governance items was excluded, suggesting that these items are important to be disclosed. Hence, future research may provide evidence on the credibility and accountability of *zakat* institutions on *zakat* collections and disbursement. The study is not without a limitation, where due to time constraint, we were unable to record responses from *zakat* recipients.

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