

DISCLOSURE PRACTICES AND EFFORTS TOWARD PROPOSING I-ZKDI: A CASE OF MALAYSIAN RELIGIOUS NON-PROFIT ORGANISATION

¹Raedah Sapingi, ²Sherliza Puat Nelson, ³Siti Normala Sheikh Obid

ABSTRACT--As a religious non-profit organization, Zakat institutions (ZIs) in Malaysia facing dilemma due to issues raised by the public through media, commenting the ZIs credibility in handling the contributors' money and reporting the zakat information, especially on disbursement part i.e. how the zakat money is being spent. Issues inconsistencies of disclosure practices, accessibility and availability of annual reports of Malaysian ZIs have offered many areas of reporting to be examined. These scenarios have sparked public debates regarding the accountability and transparency of ZIs in disclosing zakat information, especially for public viewing. Hence, this paper intends to gain an insight of zakat managers (ZMs), zakat payers (ZPs) and zakat recipients (ZRs) with regard to current disclosure practices of ZIs, and to identify and propose disclosure items that the users and panel experts consider important to be disclosed by ZIs in their annual reports. In answering these objectives, a semi-structured interview with ZMs, ZPs and ZRs were conducted and a Delphi technique was employed to gather the list of disclosure items. The findings reveal there were differences in opinions between the users and 25 items were proposed by the participants during survey interview. Finally, 96 disclosure items with five categories were agreed and confirmed by the expert panel via Delphi technique and be proposed as i-ZkDI. An item labelled as "total zakat disbursement for the year" was gained the highest score and in contrast, an item "Information on training attended by BODs/BOTs/CMs" received the lowest mean score rated by the Delphi members.

Keywords--Disclosure practices, disclosure items, accountability

I. INTRODUCTION

Islam promotes the importance of relationships with emphasis on the relationship with ALLĀH (SWT) and also with other human beings as decreed in the Qur'an Surah Al-Hujurat : 10, "The believers are but brothers, so make settlement between your brothers. and fear Allah that you may receive mercy". As far as zakat is concerned, it presents the idea of a sense of belonging among the ummah and strongly encourages the Muslims to look after the poor in their community. As one of religious institutions and appointed agents i.e. zakat institutions (ZIs) in

¹Department of Accounting & Finance, Universiti Tenaga Nasional, Pahang, Malaysia, Raedah@uniten.edu.my.

²Department of Accounting, Universiti Islam Antarabangsa, Selangor, Malaysia, sherliza@iiu.edu.my

³Department of Accounting, Universiti Islam Antarabangsa, Selangor, Malaysia, drctnormala@gmail.com

Malaysia are responsible for handling millions of public money collected from the zakat payers (ZPs), which later to be disbursed to qualified zakat recipients (ZRs). Many past literature highlighting the issue of accountability of ZIs in reporting their activities, as a results from wide media coverage for example the misuse of zakat funds and failure of ZIs in preparing financial reports. However, recently, local media have many times raised the issues regarding this matter, demanding for an examination on the reporting side. The study believes the issue started as Wahid, Ahmad and Kader, (2010); Taha, Zulkifli, Embong and Mohd Nor (2017a); Taha, Adam, Muhammad Ali and M Ariff (2017c), argued that due to the insufficient disclosure of zakat disbursement information to the public, the ZPs had made their zakat payments directly to the *asnaf*. At the same time, the public were desperate to be informed on how and where the zakat funds were being channelled to/invested/spent. Similarly, Masruki, Hussainey, & Aly (2016b) explained that the external stakeholders of SIRC's demanded the disclosure of more zakat information in the annual reports. These revelations indirectly built a negative perception, as the public were not clear as to how their contributions have reached the qualified recipients⁴.

A similar issue was discussed by Mohd Zain (2005), and Masruki and Azizan (2017), where they explained that most of the annual reports of the SIRC's differ from each other due to the existence of several guidelines, such as the Statutory Bodies (Accounts and Annual Reports) Act 1980, the Treasury Instructions (TI), the Private Entity Reporting Standard (PERS), and others. The study realizes as a result of colonisation, the 14 states in Malaysia have designed/outlined their own state enactments, including in the preparation of the financial reports. The study perceives that consequently, it has caused difficulties to the users in understanding the financial reports released by the institutions. The study believes that these inconsistencies in reporting occur due to unstandardised guidelines in preparing and updating their financial reports, non-uniformity of state enactments, and finally, the issue of accessibility and availability of annual reports of ZIs. Nevertheless, from one perspective the study admits that these criticisms are useful in the context of improving the performance of ZIs, but at the same time, it may eventually undermine public confidence and create a negative perception towards the ZIs. Hence the study attempts to address disclosure areas by exploring the opinions of the agency parties (zakat managers (ZMs), ZPs, and ZRs) on the disclosure practices in the annual reports of ZIs in Malaysia and examining experts' expectations of the zakat information items necessary to be disclosed by Malaysian ZIs and finally the level of importance of these information items for disclosure.

Therefore, since zakat is a religious obligation, issues surrounding the ZIs, i.e. ZIs' accountability in carrying out their duties which in this case refers to reporting of the zakat information, have to be taken seriously for instance poverty, which cannot be viewed as a trivial matter, and it demands serious attention. If it is not addressed properly and tackled wisely, this can lead to *kufur* (blasphemy) (Zakaria, 2018). As Islam has prepared the antidote, i.e. through zakat payment by the rich people (zakat payers) to the needy (*asnaf*/zakat recipients), it must be managed in a proper manner. In fact, the study believed factors such as the historical background and development of zakat administration play a great role in shaping the ZIs' operations that eventually affecting ZIs' reporting practices.

⁴Used interchangeably with the term *asnaf*.

II. BACKGROUND OF ZAKAT INSTITUTIONS (ZIS)

Islam reached Tanah Melayu⁵ in the 13th century, and it is believed that the history of zakat practices came along with it (Syed Naquib, 1970 as quoted by Abd Majid (2009); Aidit, 1988 as quoted by Ab Rahman, Alias & Omar, 2012). It is important to understand the development of ZIs' administration and its implications on the practices, which is divided into two different phases: pre-independence and post-independence period. Before Tanah Melayu achieved its independence i.e. during colonial period, National Law (Undang-Undang negara) that administered Tanah Melayu at that time it was being enforced to separate the Islamic (including zakat affairs) and non-Islamic matter. After its independence, Malaysia (rename) has been governed by the Federal Constitution and the fatwa released by the SIRC's (Dollah, & Mohd Noor, 2009). Furthermore, Nordin (2008) noted that The Constitution of Malaysia article 3 (1) pronounces Islam as the "religion of the federation" or the official religion of Malaysia with all Islamic matters are to be under the control of the state governments. Which means, all Islamic matters generally and zakat specifically fall under the jurisdiction of the State Islamic Religious Council SIRC of each state (the enforcement of the law) (Ahmed, 2008). Furthermore, the zakat administration in Malaysia not only governs by the Federal Constitution but also the fatwa released by the SIRC's (Dollah, & Mohd Noor, 2009). Interestingly, even though the National Fatwa Council controls the fatwa decisions made at the national level, the application of the fatwa depends on the *Shariah* committee in each state. As a result, there are differences in practices among the states, such as the types of zakat as well as the collection and disbursement aspects, which led to inconsistencies among ZIs' administration. This is evidenced when, several issues pertaining to the collection system have been raised by many authors, such as availability of data by (Taha et al., 2017c), unofficial agencies highlighted by (Wahid, Ahmad & Kader, 2009) and human resource management (Ghazali, Osman, Abdul Wahab, Arif, Omar & Al Junaid, 1990); Nordin, 2008; Masruki & Azizan, 2017).

Without exception, issues pertaining to disbursement aspect also had caught attention by several authors such as (Nik Hassan, 1987; Wahid et al., 2010; Nordin, 2008; Ab Rahman et al., 2012; Ahmad Razimi, Romle, & Muhamad Erdris, 2016; Sheikh Obid, Puat Nelson, & Mustaffha, 2011; Wahid et al., 2010). The issues that they had discussed were mainly focuses on the costs of managing zakat by *amil*, non-disbursement of zakat money, inefficiency of disbursement of zakat money, zakat personnel and disbursement methods and information disclosure. However, less attention has been given on how these issues in both areas i.e. collection and disbursement of zakat actually implicate ZIs reporting practices which subsequently leaves doubts about ZIs' accountability in disclosing zakat information for public viewing.

Due to above issues being raised, initiatives and new management strategies to implement better zakat administration practices have been engaged by the ZIs. One of the significant efforts involves changing the management style through corporatisation. Authors such as Hazali (2016), have explained the administrative

⁵ Previous name of Malaysia.

structure of ZIs, where there are four different forms of zakat corporations and classified them into three models as follows: first, partial corporatisation, where the collection activities under responsibility of the subsidiary of SIRC itself, but disbursement is still controlled by the SIRC; second, full corporatisation, where both collection and disbursement of zakat matters are under the duty of sub-divisions of the SIRC/independent government body; and third, Baitul Mal-controlled (wholly owned by the state), where both the collection and disbursement of zakat is under the obligation of the SIRC themselves. Eventually, such initiatives have indirectly created the classification of the ZIs into three different structures. Having three structures among ZIs have created some difficulties in categorising the ZIs in Malaysia, as they are religious institutions with their own specified ZPs and ZRs/asnaf and non-profit making motive. Therefore, this study classifies the ZIs as NPOs under the specific category of charity organisations, and this term will be used in discussing the disclosure issues in ZIs. This is further supported by Masruki, Hussainey & Aly (2018), who also classified ZIs as NPOs.

Despite the issue of structures of ZIs, the study notices there is a lack of debates on how these structures affects the way ZIs are being managed, and most importantly, the implications towards financial reporting and disclosure practices in ZIs' annual report.

III.DISCLOSURE STUDIES ON NON-PROFIT ORGANISATIONS (NPOS) AND ACCOUNTABILITY

In the past, studies pertaining to Islamic religious organisations in Malaysia giving attention on general administration issues and performance measurement aspects. Nonetheless, recently, many Muslim scholars have taken the initiatives and made the efforts to raise the issues and provide suggestions to those religious institutions on many aspects, for instance, accountability and transparency in reporting and disclosures practices among SIRC's, issues on zakat collection and disbursement, governance, disclosure index, and others areas (see Nik Hassan, 1987; Abdul Rahman & Goddard, 1998; Mohd Zain, 2005; Yaacob, 2006; Hareed, 2008; Osman, 2010; Ghazali, Arshad and Mohd Zain, 2013; Mohd Zain, Arshad, Ab. Manan, & Ghazali, 2013; Htay & Salman, 2014; Taha, Muhamad Ali, Zulkifli & Nor Paizin, 2015; Ahmad Razimi et al., (2016), Taha et al., 2017a; Taha, Mohd Nor, Embong, & Zulkifli, 2017b; Taha et al., 2017c; Shafie, Maelah & Basnan, 2016; Sulaiman, Mohamad, Ab. Rashid, Osman, Siraj, Tahir, 2016; Md Salleh, Basnan, Ahmad, Harun, Naim, & Wahid, 2016; Wahid, Md Salleh, Basnan, Ahmad, Harun., & Abdul Wahab et al., 2017; Masruki et al., 2016(a); Masruki et al., 2016 (b) Masruki et al., 2018; Masruki & Azizan, 2017). Concerned on the importance of disclosure of zakat information via the annual reports, Taha et al. (2015) began to explore how zakat information was disseminated, the information offered by the ZIs, and the importance of disseminating such information to the community. The results showed that not all the ZIs' annual reports were easily accessible and available for public viewing. Disclosure was considered voluntarily, as each ZI was only answerable to the respective state's council and each council was answerable to the respective ruler, as well as due to the autocracy issue. As a result, there were inconsistencies in issuing the annual reports throughout

the years (2007 to 2014) among the ZIs. Masruki et al. (2016a) further pointed out that the main factor influencing the reporting practices in SIRC's annual reports is the accounting standards' requirements, the state fatwa decision, audit expectation, and lastly, public perception. These revelations could lead to unfavourable perceptions and open up many rooms to the public in arguing the accountability and transparency of ZIs in managing the zakat money. This is further argued by Taha et al. (2017a) and Taha et al. (2017b) examined the zakat disbursement system. They found the ZRs were not fully satisfied with the amount received and coincidentally, the excess zakat money was not properly disclosed in the annual reports. The issue of excess zakat money was further debated by Taha et al. (2017c), who found that a few ZIs did not disclose such information and most importantly, the reasons for the non-disbursement balance as well as the inability to disburse the excess money were not stated in the annual reports. Based on these findings, the authors concluded there was a low level of transparency in zakat information reporting practices among the ZIs, which was mainly due to the limited information disclosed and a high level of confidentiality and secrecy of information by the ZIs. Since the main activities of ZIs are dealing with the collection and disbursement of zakat, the disclosure of zakat information via the annual reports needs special attention.

The arguments from the above disclosure studies indicate minimal disclosure practices among religious institutions, in particular ZIs. Hence, further discussions in this area are crucially need to be examined. Realising the issues authors such as Ghazali et al. (2013), Htay & Salman (2014), Shafie et al. (2016), Wahid et al. (2017), Abidin, Saad, & Mohd Muhaiyuddin (2014), Ramli and Hisham Kamruddin (2017), Masruki, Hussaine and Aly, (2016a), Masruki et al. (2016b), Masruki and Azizan (2017), and Masruki et al. (2018) conducted further investigations by assessing the disclosure levels using the existing or proposed disclosure index for the SIRC's and ZIs. Ghazali et al. (2013) examined the extent of zakat disclosure reporting practices among SIRC's especially on zakat information using a self-developed index, i.e. Zakat Reporting Practices Disclosure Index (ZRDI). They revealed the reporting practices were varied among the SIRC's while the overall content and the level of disclosure were below satisfactory, thus insufficient to demonstrate accountability and transparency in reporting zakat information. Then, Htay and Salman (2014) proposed the best practices of financial information disclosure for ZIs. A survey questionnaire, consisting of items of zakat information, was developed in reference to the Generally Accepted Accounting Principles (GAAP) for non-profit organisations as well as by reviewing the relevant articles. They discovered ZIs in Malaysia need guidelines, especially on financial information disclosure. Realising the importance of proposing a disclosure index that is reliable and relevant to the users, a further step was taken by Shafie et al. (2016). They invited three groups of respondents, i.e. Zakat administrators (ZAs), ZPs, and ZRs to participate in their study. They found the respondents raised concerns about the financial and non-financial aspects of zakat information to be disclosed in the annual reports. They also revealed that the respondents rated all the total 76 items covering financial and non-financial items regarded as important to be disclosed by the ZIs. Furthermore, all three groups of respondents showed significant differences in highlighting the importance of certain disclosure items. Following these, Masruki et al. (2016b) continued by evaluating whether the annual reports prepared met the expectations of the public. They conducted an online survey to examine the expectations of the stakeholders of

SIRCs which were divided into two groups i.e. internal and external, on the information disclosed in the annual reports. The 57 items of the disclosure index were developed based on the Government Treasury Circular 4/2007 (guidelines for preparing annual reports for statutory bodies), SORP 2005, FRS (Financial Reporting Standards), and IPSASs (International Public Sector Accounting Standards). They revealed all the disclosure items by category were very important to the stakeholders. In fact, there were no significant differences between the internal and external stakeholders with regard to their responses on the disclosure items in the annual reports of SIRCs. However, the external stakeholders required more information as compared to the internal group based on the mean score results. A similar finding was also attained by Ramli and Hisham Kamruddin (2017), who examined the disclosure level via web-based accountability of ZIs. The websites of ZIs were analysed to determine their disclosure level. Overall, results portrayed more than half of the ZIs, i.e. 57.1 per cent did not disclose items related to the three accountability dimensions, namely financial, political, and performance accountability.

The discussions above indicate most of the disclosure studies in ZIs used a single method approach especially in developing the index, i.e. either a survey questionnaire or a survey interview together with document review. Hence, the issue of relevancy of the index can be argued since the information required by the users, especially ZPs and ZRs, received less consideration, for instance, in the studies by Ghazali et al. (2013), Taha et al. (2015), and Taha et al. (2017a). Even though Htay and Salman (2014) came up with a new idea by preparing a survey questionnaire, they did not attempt to explore further the users' opinions regarding the important information to be disclosed in the annual reports. Since comprehensive studies on accountability via disclosure in ZIs' annual report are still lacking, this study also considered prominent sources from the Qur'an and relevant hadiths as references in developing the index, giving attention to the three structures of ZIs and employing the Delphi technique to ensure the index developed is relevant and reliable to the parties concerned. Hence, a mixed sequential exploratory was conducted in the study.

IV. CONCEPTUAL FRAMEWORK

Underpinning theories that describe disclosure studies have been widely discussed in many accounting literature works. The study realises that these well-known theories are surrounded by the conventional environment (western perspective), and hence, their applicability in the present study could probably be questioned and debated. Therefore, the importance of the concept of accountability from an Islamic perspective has been explored by Mohamed Ibrahim (2000). Mohamed Ibrahim (2000), proposed a model on Islamic accountability, which introduced dual accountability, i.e. primary accountability and secondary accountability. The former is established based on the concept of man being a trustee (khalifa) of ALLĀH's resources (intellectual and physical), which means man (primary accountant) is accountable to ALLĀH (SWT) (primary accountee) concerning other human beings (local community, society), animals, and the environment. The latter refers to the accountability through a managerial contract, i.e. between managers (secondary accountant) and the owners/investors (secondary accountee). In this respect, only secondary accountability is within the context of the study. Referring to Mohamed Ibrahim

(2000), his explanation on accountability is within the Muslim organisations, i.e. business organisations related to the study. Even though the study agrees with the duality concept as suggested by Mohamed Ibrahim (2000), there would be a slight change in relation to ZIs in terms of the contracting parties involved and how these parties are accountable to each other.

With respect to the reporting area, *amil* (collectors/zakat managers) are appointed by the government to act as intermediaries between ZPs and ZRs. Since the obligation to pay and disburse zakat has been ordained by ALLĀH (SWT) and coupled with the practices by the Prophet (SAW), the zakat managers are accountable to ALLĀH (SWT) to manage the fund accordingly, i.e. to discharge their primary accountability towards ALLĀH (SWT). Secondary accountability creates a contract between the *amil*/zakat managers and the ZPs and ZRs. In the case of ZIs, zakat managers are responsible for collecting the zakat money from the ZPs and then disbursing it to the ZRs. In discharging their accountability, ZIs are accountable to prepare a report concerning zakat activities. Then, finally, ZIs have to disclose that information through reporting to ZPs and ZRs and with that it completes the secondary accountability cycle. Thus, it provides a limit and frames the discussion on only secondary accountability of ZIs.

V. RESEARCH METHODS

In producing a relevant and reliable disclosure index, this study employed the mixed-methods sequential exploratory design to achieve the research objectives of the study. It is divided into two main phases: the methodology of qualitative research and then followed by that of quantitative research.

Qualitative method

To gain a deeper understanding of the participants' views on the current zakat disclosure practices in the annual reports of ZIs, semi-structured interviews were conducted. It was conducted to gain opinions of the ZMs, ZPs and ZRs concerning current disclosure practices and also to identify suggested disclosure items to be disclosed in the annual reports of ZIs. Thus, basic interpretive qualitative research and purposive sampling were carried out for this study. In this study, the users (ZMs, ZPs, and ZRs) were in the best position to provide the information required regarding the disclosure in ZIs' annual reports. After contacting and inviting 35 five participants, 12 were interested in participating. ZPs (represented by corporate and individual payers), ZMs (represented by the zakat manager/officers from the three statuses/structures), and ZRs (from the three structures). In ensuring the trustworthiness of qualitative research findings, rigorousness in carrying out the study is a vital element (Merriam, 2009). In achieving this, the study must be valid, reliable, and conducted in an ethical manner so that the findings are worth looking into (Merriam, 2002). In this context, to enhance the validity and reliability of the research findings, hence, peer review and inter-coder agreement were employed.

Quantitative Method

A survey-questionnaire was conducted, consisting of a list of disclosure items and then Delphi panels have to rate their importance weightings, suggest new items if any (together with its justifications/comments). The Delphi technique involved four rounds conducted between October 2017 and April 2018. This technique is a method that is commonly used in achieving convergence of views or opinions relating to real-world knowledge solicited from individual experts within certain topic areas (Hsu & Sanford, 2007). For the current study, initially there were 15 panel experts agreed to participate, however due to unavoidable circumstances one of them withdrew at round three. Basically the panel members were selected purposively based on their knowledge and experience related to the research problem areas. After greater consensus had been achieved, all the information items and their disclosure importance were finalised at the end of the exercise. As a result, a proposed disclosure index was developed, known as the i-ZkDI. There are three-stages of checkpoints in constructing the index.

Disclosure Index” (i-ZkDI). There are five-stages of checkpoints in constructing the index.

Stage 1	Identification of the potential information items – <i>Primary Sources and review Previous literature and semi-structured interview</i>
Stage 2	Designing the questionnaire survey - <i>Pilot test</i>
Stage 3	Agreement and verification of the index items - <i>Consensus of experts through a Delphi exercise</i>
Stage 4	Determination of scoring procedure (Past literature on disclosure)
Stage 5	Finalisation of the i-ZkDI ((Pilot annual report : Application of the draft index)

Figure 1.1: The process of developing and finalising the proposed i-ZkDI

VI. FINDINGS

The findings are divided into two sections, first discussions on survey interview and followed by the findings on Delphi technique via survey questionnaire.

Survey Interview

Thus, in answering the first objective, survey interview reveals the followings, the interview involved a total of 12 participants, where six of them were ZPs (50%) of which four were individual ZPs (IZPs) and the remaining two were corporate zakat payers (CZPs). As for the ZMs, three were willing to participate (25%), and similarly, three

zakat recipients (ZRs) agreed to be interviewed (25%). Several steps were taken in analysing the data. First, feedback from all the three groups of participants on the current disclosure practices in ZIs' annual reports was identified and coded. Second, all these codes were then grouped together into sub-themes, and finally, the themes were established. In this process, a total of five sub-themes were formed, and finally, two themes were created.

The first theme is revealed i.e. inadequate information, the participants, mostly the ZPs raised their concerns on the minimal information being disclosed and the issue of reporting factor. As far as the current disclosure is concerned, the participants indicated loopholes in ZIs' annual reports concerning both financial and non-financial information. A similar idea was emphasised by a ZR where not enough information being disclosed by the ZIs. These findings in line with the study done by Taha et al. (2017c); where the public were dissatisfied with the insufficient information disclosure by ZIs. In fact, due to the issue of secrecy and confidentiality in ZIs, eventually, limited zakat information has been disclosed for public viewing. Apart from claiming that zakat information is still lacking, another participant raised her opinion that the way the information is reported somehow needs further attention,

“ Last year, one of the Zakat Institutions (ZIs) released the annual report in the newspaper in the form like prospectus, I think the reporting aspect need to be improved by them...(IZP-02).

Indirectly, it portrays that the information disclosed by the ZIs has not met the expectations of the ZPs. This finding is consistent with the studies conducted by Masruki and Azizan (2017) and Taha et al. (2017c), who found the lack of reporting guidelines and difficulties faced in preparing the annual reports were the causes of this issue. However, it is interesting to note that most of the sub-themes derived under this theme emerged from the ZPs' opinions. Furthermore, interesting results were revealed where contradictory opinions were gathered from the ZMs and CZPs.

Generally, the second theme emerged from combining the codes that were mostly highlighted by the ZMs and the CZPs, and was labelled under a theme “adequate information”. The ZMs and CZPs explained that the reports prepared are acceptable and in line with the expectation of the public. They claimed detailed and sufficient information has been disclosed. Furthermore, one of the ZMs supported this view, stating:

“I consider the reports prepared is adequate.....since the information that we prepared and published basically according to surah/verse At-Taubah, which means the disbursement for eight categories of asnaf being disclosed in the reports. (ZM-02).

This is consistent with Taha et al. (2017c), who found the ZMs generally perceived the public were satisfied with their services in providing the zakat information.

While the above results portray that the issue of minimal information was mostly raised by the IZPs, other participants, especially the CZPs gave a slightly different view from the IZPs. They have a trust on the ZIs, as mentioned by one of the CZPs:

I don't think they will muck around with the money, I am sure that they will disburse the money to the right asnaf, and of course, as a corporate payer we also got three-eighths portion of the zakat money, which then we use to distribute to the asnaf of our choice... (CZP-02).

Although the ZMs and CZPs claimed the reports prepared fulfil the requirements of the public, the study discovered another argument, i.e. whether the reports prepared by the ZIs have actually reached the public. This discovery revealed in detail in the second theme i.e. Dissemination of zakat information. Most of the IZPs raised their concerns on the issues and are further explored in this section. First, the sub-theme revealed on the issue of accessibility of the annual reports which was raised by a participant:

“...as the accessibility of the ZIs’ annual report is least possible, thus for sure disclosure on the report can be considered very limited. So far, what I have seen is actually limited to the extent as I said earlier...only collection and disbursement information”. (IZP-04).

Following to that, the issue of the availability of zakat information. Since not all the annual reports of ZIs are prepared and made available for public viewing. These findings are in agreement with Taha et al. (2015) and Taha et al. (2017c) who argued the annual reports of ZIs are not easily accessible and available, and information is not consistently disclosed by the states, as some of the states do not disclose their annual reports to the public.

In sum, the study considers current disclosure practices is still inadequate. This is evidenced when most of the ZPs and ZRs, especially the IZPs, commented the information disclosed in the annual reports are still not enough, which means partial information coupled with the issue of reporting require the ZIs to take further action. They also raised concerns on disclosure practices such as the issues of availability and accessibility of information. Despite that, ZMs and CZPs had a different opinion, as they were satisfied with the information provided by the ZIs and trusted the management in managing the institutions. Nevertheless, the study believes such a scenario exists as a result of the agreement made between the CZPs and ZIs. During the interview, the CZPs mentioned they receive three-eighths of the zakat amount paid to the ZIs. In other words, ZIs grant them (the companies that pay zakat) a right to disburse the money themselves, i.e. to their employees (who are eligible ZRs). Similarly, ZMs opined the zakat information disclosed in the annual reports is basically sufficient, albeit requiring improvement from time to time. Based in the above findings, it creates doubts among the ZPs and ZRs in understanding the zakat information in the annual reports, which are not standardised among the states. Hence, it shows a standardised information need to be proposed to the ZIs i.e. i-ZkDI. In relation to the proposed disclosure items, a total of twenty-five items were proposed by the participants’ and all of them were listed in the draft index before it was validated using the Delphi exercise.

Survey Questionnaire (Delphi technique)

The results from the experts’ agreement on the proposed items that should be disclosed and the importance of the disclosure information (represented by the mean scores agreed by the experts in the final Delphi exercise round, i.e. round four) were developed into an index. Initially, 83 items were proposed and then rearranged into four major categories, namely, Background Information, Governance Information, Financial Information, and Non-Financial & Performance Information. During the Delphi exercise, one category was advised to be included in the proposed index, 14 additional items were recommended, and one item was deleted as agreed by the panel members, resulting

in five categories with 96 items proposed as the disclosure index (*i*-ZkDI) of ZIs. Finally, the 96 items of the proposed index, i.e. *i*-ZkDI were established through the Delphi exercise. Overall, of the 96 items in the proposed *i*-ZkDI, 67 items were rated ‘important’ and 28 items were rated ‘moderately important’ to be disclosed. Financial Information and Future Information categories are the top two categories that gained the highest mean scores and are important for disclosure, while the item ‘Total zakat disbursement for the year’ is the most vital item under the Financial Information category. Thus, the findings reveal that issues on disbursement information raised in many past studies in the zakat field caught the attention of not only the ZPs but also the officers and ZRs. On the other hand, ‘Information on training attended by BODs/BOTs/CMs’ was considered as the least important item. The study believes the different administrative structures of ZIs as well as the experience and exposure gained by the panel members representing all the three structures of ZIs contributed to such results. Table 1 reports the overall results.

Table 1: Frequency of items according to the level of disclosure importance and mean score by category

Category and number of items in each category	Frequency of items according to the level of importance					Mean score sub-category	Mean score
	EI	I	MI	SI	NI		
SECTION 1: BACKGROUND INFORMATION							4.19
Background & access information		8				4.55	
Directors’ profile (Board of Directors [BODs] / Board of Trustees [BOTs] / Council Members [CMs])		3	4			3.95	
Management profile		3	3			3.98	
TOTAL		14	7				21
SECTION 2: GOVERNANCE INFORMATION							3.96
Management Structure & Formation		4				4.23	
Board of Directors (BODs) / Board of Trustees (BOTs) / Council Members (CMs)		1	6			3.62	
Other Board Committees’ Information		4				4.29	
TOTAL		9	6				15
SECTION 3: FINANCIAL INFORMATION							4.57
Income/Revenue and Expenditure	1	3				4.86	
Notes To The Financial Statements		13				4.47	
Other Financial Statements		4				4.63	

TOTAL	1	20					21
SECTION 4: NON-FINANCIAL & PERFORMANCE INFORMATION							4.03
Objective & activities		2	1			4.04	
Activities related to zakat collection and disbursement		4	2			4.07	
Disclosure on zakat payers and recipients (<i>asnaf</i>)		3	7			3.94	
Performance and other related information		8	5			4.08	
TOTAL		17	15				32
SECTION 5: FUTURE INFORMATION							4.22
Future information		7					
TOTAL							7
TOTAL (96 items)	1	67	28	0	0		4.19

Note: Not Important (NI), Slightly Important (SI), Moderately Important (MI), Important (I), Extremely Important (EI)

VII. CONCLUSION

The paper aims to get an insight of the ZIs' current reporting practices and to propose disclosure items that the users consider important to be disclosed by Malaysian ZIs in their annual reports. The results of the first objective revealed it is still inadequate, as not much zakat information is shown in the reports. There were 25 items suggested by the participants to be disclosed in the annual reports. In accordance with the second research objective, the panel experts confirmed the information items proposed by the panel participants during the semi-structured interview. The agreement on the information items and their disclosure importance were achieved at the fourth round of the Delphi exercise. The expert panel viewed Financial Information and Future Information as the top two categories, as they obtained the highest mean score results and importance for disclosure. One information item in the Financial Information category, i.e. F3, *Total zakat disbursement for the year* recorded the highest mean score and was classified as 'extremely important', while the majority of the other information items in the same category were considered as 'important'. On the other hand, one item under Governance Information, i.e. G9, *Information on training attended by BODs/BOTs/CMs* obtained the lowest mean score and hence, classified as the least important item to be disclosed in the annual reports. The information items and their disclosure importance as agreed by the experts were then used in the development of the *i-ZkDI*.

In carrying out this research this study faced several limitations. The sample size of the expert panel in finalising the index during the Delphi exercise, which was 14 panels is considered small. This factor limits the conclusion

drawn from the findings and disallows the findings from generalisation. The overall results and the limitations of the current study provide general directions for future research on zakat disclosure practices. Apart from conducting interview survey, reviewing ZIs' documents can be done together which would provide better understanding and clearer ideas of ZIs' current disclosure practices. The number of Delphi panel members can probably be increased to obtain more reliable results so that greater generalisation of the findings can be produced. In addition, other groups of panels, such as experts from JAWHAR, CZPs, non-government organisations (NGO-proxy of ZRs), potential ZPs (students from higher learning institutions), and ZRs (students enrolled in accounting and business courses and receiving zakat assistance, especially those from higher learning institutions, the institutions run by the ZIs themselves such as Kolej Professional Baitul Mal Wilayah Persekutuan, etc.) may be engaged to obtain first-hand information and comprehensive understanding of the information needed. Thus, they could provide not only up-to-date information but also future expectations of the information items to be disclosed in the annual reports of ZIs. Finally, with the findings discussed in this paper, it is hoped that the disclosure practices by Malaysian ZIs will be better in the future.

VIII. ACKNOWLEDGMENTS

This paper is funded by the Universiti Tenaga Nasional under Innovation, Research and Management Centre (iRMC),

REFERENCES

1. Ab Rahman, A., Alias, M. H., & Omar, S. M. N. S. (2012). Zakat institution in Malaysia: Problems and issues. *Global Journal of Al-Thalaqah*, 2(1), 35-42.
2. Abd Majid, M. Z. (2009). *Pemantapan sistem zakat dan cukai ke arah kemajuan ekonomi ummah. Pengintegrasian zakat dan cukai di Malaysia*. Shah Alam: UPENA
3. Abdul Rahman, A. (1998). *Disclosure of corporate financial information in Malaysia*. (Unpublished Ph.D. Thesis, University of Newcastle upon Tyne).
4. Abdul-Rahman, A. R., & Goddard, A. (1998). An interpretive inquiry of accounting practices in religious organisations. *Financial Accountability & Management*, 14(3), 183-201.
5. Abidin, S., Saad, R. A. J., & Muhaiyuddin, N. M. M. (2014). Evaluating corporate reporting on the internet: the case of zakat institutions in Malaysia. *Jurnal Pengurusan (UKM Journal of Management)*, 42.
6. Ahmad Razimi, M.S., Romle, A. R., & Muhamad Erdris, M. F. (2016). Zakat management in Malaysia: A review. *American-Eurasian Journal of Scientific Research*, 11(6), 453-457.
7. Ahmed, M., (2008). *Excellence in Zakat Management*. Laporan Zakat 2008. Institut Kajian Zakat Malaysia (IKAZ), Universiti Teknologi MARA.
8. Baydoun, N., & Willett, R. J. (2000). Islamic corporate reports. *Abacus: A Journal of Accounting, Finance and Business Studies*, 26(1), 71-90.

9. Coy, D., & Dixon, K. (2004). The public accountability index: crafting a parametric disclosure index for annual reports. *The British Accounting Review*, 36(1), 79-106.
10. Coy, D., Fischer, M., & Gordon, T. (2001). Public accountability: a new paradigm for college and university annual reports. *Critical perspectives on accounting*, 12(1), 1-31.
11. Dollah, A., & Mohd Noor, A.H. (2009). Kaitan zakat dan cukai di Malaysia. [Relevance zakat and taxation in Malaysia] in Abdul Halim Mohd Noor, Arifin Md Salleh, Rawi Nordin, Mastura Muhammad Said & Siti Norhidayah Taib, *Pengintegrasian Zakat & Cukai di Malaysia Meneraju Kecemerlangan Zakat [Integration of Zakat & Tax in Malaysia Excellence Zakat]*. Shah Alam: Pusat Penerbitan Universiti (UPENA).
12. Ghazali, A., Osman J., Abdul Wahab, M., Arif, M., Omar, M.A & Al Junaid, S.A.H. (1990). Introduction: history, organizational, administrative and legal framework. Zakat a case study of Malaysia. Paper presented at the third International conference on zakat, Kuala Lumpur
13. Ghazali, N., Arshad, R., & Mohd Zain, N. (2013). Zakat Reporting Practices in the State Islamic Religious Council: Exploratory study. *Proceeding of World Universities' Islamic Philanthropy Conference 2013*.
14. Haniffa, R., & Hudaib, M.A. (2002). A theoretical framework for the development of the Islamic perspective of accounting. *Accounting, Commerce and Finance: Islamic Perspective Journal*, 6 (1-2), 1-71.
15. Hareed, B. A. (2008). The financial control practices of zakat institutions in state Islamic religious council in Malaysia. (Master Thesis, International Islamic University Malaysia, Malaysia).
16. Hazali, A. (2016). Institutionalization of Zakat in Malaysia. Zakat Conference. The Foundation For Research In Islamic Sciences, Istanbul, Turki, 05-06 December 2016.
17. Hsu, C. C., & Sandford, B. A. (2007). The Delphi technique: making sense of consensus. *Practical assessment, research & evaluation*, 12(10), 1-8
18. Htay, S. N. N., & Salman, S. A. (2014). Proposed best practices of financial information disclosure for zakat institutions: A case study of Malaysia. *World Applied Sciences Journal*, 30(30), 288-294.
19. Masruki, R., & Azizan, N.A. (2017). An Empirical Investigation On Annual Reporting Practices of Malaysian State Islamic Religious Councils: Issues And Challenges. *International Academic Conference on Business and Economics (IACBE 2017) Kuala Terengganu, Malaysia on 7-8th October 2017*.
20. Masruki, R., Hussainey, K., & Aly, D. (2016a). Factors Influencing Information Disclosure by Malaysian State Islamic Religious Councils: 5th International Conference on Research in Humanities, Sociology and Education (RHSCE'16) Nov. 29-30, 2016 London (UK).
21. Masruki, R., Hussainey, K., & Aly, D. (2016b). Expectations of stakeholders on the information disclosure from the Malaysian State Islamic Religious Councils (SIRC)s reporting. *Global Review of Accounting and Finance*, 7(2), 112-128.
22. Masruki, R., Hussainey, K., & Aly, D. (2018). Developing Accountability Disclosure Index for Malaysian State Islamic Religious Councils (SIRC)s: Quantity and Quality. *Management & Accounting Review (MAR)*, 17(1), 1-18.

23. Md Salleh, M.F., Basnan, N., Ahmad, A., Harun, A., Naim, M.A., & Wahid, H. (2016). Cadangan Item Pendedahan bagi pelaporan institusi Wakaf, Zakat dan Baitulmal. *IPN Journal of Research and practice in Public Sector accounting and Management*. Vol. 6, 2016, 23-44.
24. Merriam, S. B. (2009). *Qualitative research: A guide to design and implementation*, San Francisco: Jossey-Bass.
25. Mohamed Ibrahim, S. H. (2000). *The need for Islamic accounting: perceptions of its objectives and characteristics by Malaysian Muslim accountants and accounting academics*. (Doctoral dissertation, University of Dundee).
26. Mohd Zain, N., Arshad, R., Ab. Manan, S.K., & Ghazali, N. (2013). An exploratory study on disclosure practice of waqf reporting by State Islamic Religion Councils. *Proceeding of World Universities' Islamic Philanthropy Conference 2013*.
27. Mohd Zain, S.R. (2005). *Determinants of financial reporting practices on waqf by Malaysian State Islamic religious council in Malaysia*. (Masters dissertation. International Islamic University Malaysia, Kuala Lumpur).
28. Nik Hassan, N.M. (1987). "Zakat in Malaysia-Present and Future Status,". *Journal of Islamic Economics*, 1, 47-75.
29. Nordin, R., (2008). *Enactment and Fatwa of Zakat in Malaysia*, Institut Kajian Zakat Malaysia. Laporan Zakat 2008. Institut Kajian Zakat Malaysia (IKAZ), Universiti Teknologi MARA
30. Osman, A. Z. (2010). Accountability of waqf management: Insight from praxis of nongovernmental organisation (NGO). In *Seventh International Conference–The Tawhidi Epistemology: Zakat and Waqf Economy*, Bangi (pp. 153-175).
31. Satyavani kalamurthi, gurudeeban selvaraj (2016) insight on solid lipid nanoparticles: characterization and application in diabetes mellitus. *Journal of Critical Reviews*, 3 (4), 11-16.
32. Parker, R. H. (1992). *Macmillan dictionary of accounting*. Macmillan International Higher Education.
33. Ramli & Hisham Kamruddin (2017). Disclosure of web-based accountability: evidence from zakat institutions in Malaysia. *5th South East Asia International Islamic Philanthropy Conference 2017 (5th SEAIIPC2017)*, 14-16 February 2017
34. Shafie, Maelah & Basnan (2016). Kegunaan Maklumat Pelaporan Prestasi bagi Institusi Zakat Menurut Persepsi Pemegang Kepentingan. *The Journal of Muamalat and Islamic Finance Research (JMIIFR)*, 13 (2), 93-108.
35. Sheikh Obid, S. N., Puat Nelson, S., & Mustaffha., Nazifah. (2011). Assessment on the efficiency of zakat disbursement in Malaysian zakat institutions. In: *Zakat and its poverty alleviation goal*. IIUM Press, Kuala Lumpur, pp. 30-67.
36. Sinclair, A. (1995). The chameleon of accountability: forms and discourses. *Accounting, organizations and Society*, 20 (2-3), 219-237.

37. Sulaiman, M., Mohamad, M.H.S., Ab. Rashid, H.M., Osman, A.Z, Siraj, S.A., Tahir, I.N. (2016). Accounting and accountability of waqf, zakat and baitulMal (WZB) in Malaysia: A Review of Literature. IPN Journal of Research and practice in Public Sector accounting and Management. Vol. 6, 2016, pp. 1-12.
38. Taha, R., Adam, F., Muhammad Ali, N. N., & M Ariff, N. (2017c). Religiosity and transparency in the management of zakat institutions. Journal of Legal, Ethical and Regulatory Issues, 20(1), 1-9.
39. Taha, R., Mohd Nor, M.N., Embong, M. R., & Zulkifli, M. F. (2017b). Zakat Fund in Malaysia: Where Does it Go To?, Management & Accounting Review, 16 (1),137-165.
40. Taha, R., Muhamad Ali, N.N., Zulkifli, M.F., & Nor Paizin, M. (2015). Disclosure of zakat information: is it important?, International Conference on masjid, zakat and waqf (IMAF 2015), Shah Alam, Selangor.
41. Taha, R., Zulkifli, M. F., Embong, M. R., & Mohd Nor, M.N. (2017a). Zakat Distribution in The East Coast: Recipients' View, Pertanika J. Soc. Sci. & Hum, 25 (S): 255 – 266.
42. Mohit Sareen, Pallavi Baghla, Payal Dhaka, Ena Mathur, Poonam Sobti, Sarang Khajuria. "Wheat Grass-A Wonder Herb." Systematic Reviews in Pharmacy 5.1 (2014), 4-5. Print. doi:10.5530/srp.2014.1.2
43. Tooley, S., & Guthrie, J. (2007). Reporting performance by New Zealand secondary schools: an analysis of disclosures. Financial Accountability & Management, 23 (4), 351-374.
44. Wahid, H., Ahmad, S., & Kader, R. A. (2009). Pengagihan zakat oleh institusi zakat di Malaysia: Mengapa masyarakat Islam tidak berpuas hati?. Jurnal Syariah, 17(1), 89-112,
45. Wahid, H., Ahmad, S., & Kader, R. A. (2010). Pengagihan zakat oleh institusi zakat kepada lapan asnaf: Kajian di Malaysia. Jurnal Pengurusan JAWHAR, 4(1), 141-170.
46. Wahid, H., Md Salleh,M.F., Basnan, N., Ahmad, A., Harun, A., & Abdul Wahab, A.B. (2017). Pendedahan Maklumat Zakat Bagi Pelaporan Isntitusi Islam: Kajian Terhadap Majlis Agama Islam Negeri Di Malaysia. Memperkasa kutipan dan agihan zakat, Universiti Sains Islam Malaysia (USIM). ISBN978-967-440-385-0.
47. Wei, T. L., Davey, H., & Coy, D. (2008). A disclosure index to measure the quality of annual reporting by museums in New Zealand and the UK. Journal of Applied Accounting Research, 9(1), 29-51.
48. Yaacob, H. (2006). Waqf Accounting in Malaysian State Islamic Religious **Institutions: the case** of federal territory SIRC. Master Theses. International Islamic University Malaysia, Malaysia.
49. Zainon, S., Atan, R., & Wah, Y. B. (2012). Applying stakeholder approach in developing charity disclosure index. Archives des sciences, 65(5), 204-229.
50. Ghasem, A., Abedini, E., Rostami, F., Nadi, A.The influence of marketing mix elements (7Ps) on patients' tendency to the public and private hospitals (case study)(2018) International Journal of Pharmaceutical Research,10(3),pp.334338.<https://www.scopus.com/inward/record.uri?eid=2s2.085049639081&partnerID=40&md5=9f11860a6e0e808d34993ee94ab91eb3>
51. Zainon, S., Hashim, M., Yahaya, N., & Atan, R. (2013). Annual reports of non-profit organizations (NPOs): An analysis. Journal of Modern Accounting and Auditing, 9(2), 183
52. Gireesha. B, (2018). A Comparative Performance Evaluation of Swarm Intelligence Techniques Journal of Computational Information Systems, 14(4), 14 - 20.

53. Santhanaraj, M., Prasanth, S., Sarath Kumar, K., Vishnu Chander, R.,& Vijayaragavan, T. (2015). Segmentation and Detection of Magnetic Resonance Image Based on K-Mean Algorithm. International Journal of Advances in Engineering and Emerging Technology,7(3), 133-138.
54. Kak, S.From the no-signaling theorem to veiled non-locality(2014) NeuroQuantology, 12 (1), pp. 12-20.
55. Boyer, R.W.Unless we are robots, classical and quantum theories are fundamentally inadequate(2014) NeuroQuantology, 12 (1), pp. 102-125.