LOCALIZATION OF ZAKAT DISTRIBUTION AND THE ROLE OF MOSQUE: PERCEPTIONS OF AMIL AND ZAKAT RECIPIENTS IN MALAYSIA[1]

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ABSTRACT

This study attempts to examine the perceptions of amil and zakat recipients towards the proposed localization of zakat distribution and the role of the mosque. This study starts on the premise that localization of zakat distribution adds efficiency and hence helps alleviate poverty. It is also hypothesized that for achieving sustained poverty eradication, the mosque should play the role as a local Muslim institution that has a very close relationship with the local Muslim community. Based on this framework, this study attempts to test the relationship of variables involved. Structural Equation Modeling (SEM) is employed using survey data on a sample of amil as well as the poor and needy zakat recipients in Peninsular Malaysia. The study finds that amil has a very good response on that matter and majority of them support the proposed localization of zakat distribution through the mosque. Positive relationship is also found between perceived zakat localization and the role of the mosque. Some policy implications and recommendations are discussed in this study.

Keywords: zakat localization, mosque, perception of amil and zakat recipients, structural equation modeling (SEM)

INTRODUCTION

The mosque has been a very important institution in the history of Islam,. It is not just a place for Muslims to perform special rituals such as the prayer, reading the Qur'an, and Zikr, but it has become a center of human development in the Muslim community. Historically, the first effort made by the Prophet (pbuh) to form a Muslim society and an Islamic state in Medina was to build a mosque. Even at that time, according to Ibn Hisham, the mosque expanded to reach 18 units and continued to spread after that (Mokhtar, 2003). The Nabawi Mosque in Medina was the pulse of all important events during the time of the Prophet (pbuh), where he taught people to organize their lives and religion completely beginning from the individual to the family, community and country. Thus, the mosque has played its role extensively covering all aspects of worship, science, politics, economy, military, administration, establishment of national policy, relations between countries and so forth (Lokman and Musa, 1996.)

In order to ensure good mosque management, the mosque organization team is headed by the chairman (*nazir*) and its committee members. This committee organizes various forms of activities ranging from religious, social and economic activities such as establishing cooperatives, providing shops, accommodation for rent and so forth. All these activities would create human and social capital in that particular area and will contribute to the excellence of the Islamic civilization. However, many mosques have yet to fully establish such roles (refer to Roslan, 2003). Among the weaknesses identified are the limited scopes of activities organized by these mosques and the financial strength of the mosque is not robust. Consequently, most mosques have only served their roles as a mosque for Friday prayers and congregational prayers alone. Of course, such an atmosphere is very different from the role of the mosque that was founded by the Prophet as described above. However lately, efforts to revive the role of the mosque have been made comprehensively in many Muslim countries. In Malaysia, for example, a few forums, workshops and seminars have been held since the last two decades and among the resolutions are that the management of mosques throughout the country should develop and expand the roles and activities of their mosques as well as improving the quality of management (Jaafar et. al 2001).

One of the roles that the mosque can play is the management of zakat distribution at the local level. Our earlier study has found that majority of zakat recipients and amil agree on the notion of localization of zakat distribution (Radiah et.al, 2010a, 2010b and 2010c). However we would like to find out at the implementation level whether the mosque could perform this task efficiently. Hence the objective of this study is to examine empirically the perception of the zakat receivers (poor and needy) and the zakat distributer (amil) on whether zakat distribution at the local level should be managed by the mosque compared with other channels of distributions. This study is significant because no study has been done to examine the possibility of implementing the concept of localization of zakat management and to connect the role of the mosque to implement that concept. Knowing the preference of the amils and the asnafs would enable policy makers to design the most efficient method of zakat delivery at the local level so that poverty alleviation amongst the zakat receivers can be achieved effectively.

This paper shall be organised as follows. The next section provides a literature review of zakat localization and the role of mosques in the Muslim society. This will be followed by the research methodology for this study, the findings and policy implications. The last section concludes.

LITERATURE REVIEW

The Concept of Localization
The word localization is used interchangeably with the word decentralization (Shah and Thompson, 2004; p.2). The issues of fiscal federalism and decentralization that had earlier received little thought on part of political scientists and economists have became the theme of international professional attention by the 1990's and have continued to draw the attention of specialists and policy makers ever since. There is a worldwide trend toward increasing transfer of power, resources and responsibilities to the sub national levels of government and decentralization can emerge in the form of devolution of major functional responsibilities, major increases in fiscal transfers to sub national governments and in the form of more administrative autonomy to sub central or no central levels relative to the central control. It can also appear as a shift from appointed to elected sub national governments thereby assigning these levels the political functions of governance such as representation (Sharma 2005). The word decentralization and localization can be used interchangeably because localization means decentralization of decision making to the local level and can be pursued through political, administrative and fiscal decentralization (Shah and Thompson, 2004). Rondinelli and Cheema (1983; p. 14) have stated that decentralization via localization means overcoming the severe limitations of centrally controlled national planning by delegating greater authority for development planning and management to officials who are working in the field and closer to the problems. It also allows officials to disaggregate and modify development plans and programs to the needs of heterogeneous regions and groups. Decentralization in fact alters the structure of governance by shifting the structure of local accountability from central to local constituents. As mentioned by Schneider (2003), decentralization involved changing the geographical boundaries of political contestation by altering the relative power of different actors and by changing the location of government interaction with society. From another point of view, decentralization is defined as the devolution by central (i.e. national) government of specific functions, with all of the administrative, political and economic attributes that these entail, to democratic local (or municipal) governments which are independent of the centre within a legally delimited geographic and functional domain (Faguet, 2003; p. 3).

Localization has many advantages. Firstly, it fosters trusted officers (or in the case of this study trusted amils). Braun and Grote (2002) argued that localization encourages such positive incentive by increasing the democratic accountability of the state. The basic intuition here is that government is more accountable when it is closer to the people and the people have their voices heard (Shah and Thompson, 2004; and Sharma, 2009). Local government officials are in a better position to judge what citizens want if they represent small constituencies. Likewise, citizens can better oversee the behavior of public officials when they live in the same region than when the officials operate from a distant national capital. The officer elected could take full responsibility in their duty and task as well as increase the responsiveness to local needs (Oates, 1972; Khaf, 1995a; and Faguet, 2004). Trusted officer will lead improvement in transparency and

accountability as mentioned by many studies (Tugrul and Shah, 2002; Crook and Manor, 2000 and Park and Wang, 2010). They also may have predominant responsibility of designing and implementing antipoverty policies due to their information and transaction cost advantages. (Rao, 2002).

Secondly, village involvement could happen when the local institution plays its role (Francis and James, 2003; Alatas et.al, 2003; Park and Wang, 2010). For instance Alatas et al (2003) in their study in Indonesia collects data on a sample of household that participate in social activities. In their study, four distinct types of social activities have been classified: socialibility, networks, social organizations and village government organizations. Respondents were asked questions about their village government. The result revealed that positive voice and participation happened in reporting the village involvement. The engagement of village government organizations is generally negative, while the net effect of membership in social organization is more often with the good governance outcomes. The important implication from this study is that existing social organizations such as the mosque could have a potentially important role to play in enhancing the performance of institutions. Local participation in implementing any programs planned by local government could also improve accountability to local citizens itself on the one hand and to higher level governments on the other (Rao, 2002). Localization could create efficient distribution. The argument is that allocative efficiency could be achieved by devoting resource and power to local government (Faguet, 2000; Hankla, 2008; and Asfar, 2010) and cost efficient (Rao, 2002; Balaguer-Coll, et al, 2010). Indeed, many studies agreed that decentralization to local governance might reduce inequalities or disparities and separatism between regions and localities (Crook and Manor, 2000 and Hankla, 2008).

Thirdly, local governance could provide quality governance when it efficiently and reliably provides citizens with the public goods and services that they desire. This implies that, in the context of this study, the amil or zakat officer could recognize the local needs especially required by the poor and the needy to improve their life. Many scholars such as Tiebout (1956) and Oates (1972) who used the local government models assumed that central governments were unable to target different bundles of public goods to different regions (Treisman 2007). Moreover, it is important that local governments have the incentive to provide public over particularistic goods in the first place (Breton, 2002) and it must be adherence to local priorities (Sharma, 2005). They would have a superior sensitivity to local needs (Faguet, 2004; p.887) because they do seem to have access to source of information that enables them to improve the targeting of social assistance to the poor (Alderman, 2002; p.399). This happens because local authorities appear to have right to use to information that is not easily captured in household surveys and to use this information to allocate program benefits among the households under their jurisdiction. (Alderman, 2002; p.399). Tiebout (1956) has argued that local government can improve the efficiency of public goods provision by making it less uniform. In addition, the experienced officer in charge of districts made up of local entities could place officials in the branch in an anomalous position. Oates (1972) added that finally, the region could achieve the optimum level of decentralization which all the goods and services provided are particularly based on the preferences of the particular society.

The Role of the Mosque

The word mosque (*masjid*) is based on the three Arabic words: *misjad* that literally means to bow down; *masjad* means a man who touched his forehead during prostration and *misjid* means a small mat. However Al-Zarkasyi believes the word *masjad* or mosque is chosen because the mosque connotes an act of prostration in prayer practices which is the noblest act of bowing to be close as a slave to Allah s.w.t (Mokhtar, 2003). While the word zakat is literally taken from the Arabic word that means purification and expanded (Mannan, 1986). It also carries other connotations such as *increase, welfare* and also *to give.*

The word zakat is stated in the Quran together with other words such as *sadaqat* (charity) and *solat* (prayers) Al-Quran itself states zakat as much as 82 times with the duty of prayer that shows how important the practice of zakat as the fourth pillar of Islam. Prayer and zakat are stated together in the Quran, showing that both words are very special and are significant acts of worship associated with the institution of mosque as mentioned in Surah At-Tawba (Chapter 9: 18) to the effect:

> *The mosques of Allah shall be visited and maintained by such as believe in Allah*
> *and the Last Day, establish regular prayers, and practise regular charity, and*
> *fear none (at all) except Allah. It is they who are expected to be on true guidance*
> (Abdullah Yusof Ali Translation 1987; p.85)

The implication of this verse is that the sign of a Muslim's faith in Allah and the Last Day is attending the mosque regularly and frequently. It also shows that attending a mosque is an effort or exertion based on the fact that faith is the effects of effort or work (Nasoha, 2001; p.19). The outcome of faith will lead to continuous religious practices of prayer and zakat, which are amongst the five pillars of Islam. While according to Qutb (2000), the word "the fear of God" has been mentioned after the conditions of internal faith and religious practices that eventually shall be rewarded by Allah through His guidance, achievement and success in this world and the Hereafter. This also explains that fear of Allah s.w.t is the result of firm faith, performing prayesr and paying zakat after enlivening the mosque. This is because a person could not be a firm prayer nor a zakat payer if that person does not attend regular prayers at the mosque (Hamka, 1984, p. 128). Ibn Kathir (2005) on the other hand, stated that Allah would be a witness of faith to those who enliven the mosque. In fact, he added that any village or community that maintained the congregation prayers at the mosque would be avoided from punishment by Allah s.w.t for that particular village (Al-Hafiz Al-Bahai in the book *Al-Mustaqsa)* and shunned litigants among the Muslims (Al-Hadith narrated by Imam Ahmad). Hamka (1984) also believed that frequent and regular visits to the mosque also meant to enliven and revive the mosque activities including the congregation prayer. Only those people who attend the mosque regularly believe in Allah s.w.t, believe in the existence of Allah s.w.t and the Hereafter, They practice congregation prayers and zakat at the mosque: performing congregation prayers altogether in the straight row behind the imam in the ranks along with the rich and the poor, and after performing

the prayer, the people has an opportunity to give zakat to *mustahiq*[2] or those who are entitled to receive it. This entire event shows that all public events or activities including economic, political and social activities can be carried out if the people enliven the entire mosque.

Pervious discussion on the role of the mosque clearly indicated that the mosque played a major role in the lives of individuals and communities. History at the time of the Prophet and *Khulafa 'Al-Rashidin* described the great role of mosques as a place of business and the venue for other activities such as having a *shura* council of war, finalizing any contract or agreements, declaring agreements of peace, holding devotion or *bai'ah* to the Muslim leaders, spreading knowledge, educating the public about their responsibilities including paying zakat as well as the duty of the amil to distribute zakat to the right zakat receivers (Mokhtar, 2003, p. 73). This also explains that a significant role of mosques in zakat management has been practiced since the days of the Prophet. The distribution of zakat historically began at the era of the Prophet (pbuh). During that time, the collection and distribution of *zakat* was in principle localized which means that what was collected in an area was also distributed in the same area and none of it was passed to the central government. There were no reports that any surplus zakat funds existed in any area nor that any *zakat* funds were transferred from one area to another during the life of the Prophet (Khaf, 1999; p. 17). Since that time the Prophet (pbuh), as the head of the state used to send the amil to collect and distribute the zakat to the zakat recipients. It should also be noted that Medina at that time, had a small government whose functions could always willingly be fulfilled by a continuous available supply of voluntary manpower and financial contributions from its enthusiastic public of believers (Khaf, 1999; p. 4).

Localization of Zakat Management
Could the concept of localization be implemented in zakat management in Malaysia? Khaf (1995b) revealed that the model of local committees was implemented in Pakistan where more than 250,000 persons were involved in the process (Khaf, 1995a; p. 226). The model which exerts an effective role of zakat collection and distribution has several significant impacts. Firstly, awareness of the importance and religious rules of zakat can be spread quickly at the local level. Secondly, this model could solve the problem in zakat distribution to recipients because local committees could find out the conditions of deserving recipients and could disburse zakat to eligible recipients in accordance to clear instructions. This model could also alleviate the effect of begging as mentioned by Muhammad Syukri (2006). Khaf (1995a) believed that the existing zakat distribution system failed to effectively reduce the procedure of zakat application because the applicants have to fill in many forms that in some aspects may degrade the personal dignity of the poor. Local committees, on the other hand, could identify or notice families who do not ask for zakat or do not show signs of need in spite of their poverty. Localization of zakat distribution could improve the life of the poor and the needy because the amil knows what this group should deserve from the zakat payment. Khaf (1995a) also added that localization could spur local economic activities according to the preferences in particular villages. In addition, according to Muhammad Syukri (2006), the current zakat distribution system could not alleviate poverty among the poor and needy as well as lighten their burden in

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[2] zakat recipients

life. The amount of zakat given by the zakat institution is relatively small. Actually the zakat institution should not limit the amount given to the poor and the needy. Instead the amount given out should be enough to meet the needs of the recipients and that they are satisfied after receiving the zakat. This situation has been practiced during the time of Umar Al-Khattab, for instance, who directed his amil to deliver the zakat. Umar was once asked what to do with the zakat collected from Bedouin Arabs and he answered, "by Allah, I shall render sadaqa to them until each of them becomes the owner of a hundred camels, male and female" (Qardawi, 1999; p. 512).

This concept is also supported by Ajeel (1995) in his study on Kuwait through the Kuwait Zakat House (KZH). In Kuwait public zakat committees have been formed to tackle the needs of the poor through the role of the mosque as the socio-cultural and religious institution (Ajeel, 1995; p. 260). The first zakat committee was formed as a voluntary body in 1973 at the Othman Mosque which served about 7.5 per cent of the total population of Kuwait. These committees have grown and reached 25 units by 1995 and were distributed throughout Kuwait owing to good public response to such committee and also its great success in making people aware of the duty of zakat (Ajeel, 1995; p. 260). Khaf (1999) believes that this chronicle supports the concept of localization or localities that have been implemented successfully by the Islamic state especially in its early period. Government revenue was spent and distributed in an efficient system of zakat and taxation. Although at that time, the Islamic state is small, but it was possible for zakat not only to be distributed efficiently but also quickly and rapidly. The state government has the right to take charge of zakat collection and distribution once the government decrees that payment of zakat must be made to the Baitulmal. Indeed the majority of *fuqaha*' emphasized that individuals must pay their zakat through the government. The main reason behind that argument is supported by many other scholars who agreed that the Baitulmal could disburse zakat to its proper recipients as mentioned in the Quran.

The most interesting point here is the concept of 'localization' that was applied in the Prophe'st state government as mentioned previously. Government revenue was distributed efficiently in the form of zakat and other taxes. Although it was a small government in the various states, zakat was distributed immediately after collection. Khaf (1999) also stated it was reported at the time of the Prophet (pbuh) that many workers often said that they used to come back from their zakat missions empty handed because they had distributed the zakat on the spot. He added that this scenario may indicate that there were sizeable needs for such distribution and little was usually left as spare revenues in the public treasury or precautionary reserves for future expenses. To sum, the localization of zakat has been implemented successfully and zakat was distributed efficiently during the Prophet's life.

The question is could the role of the mosque and the concept of localization be combined to improve the management system of zakat in Malaysia? The effectiveness of zakat collection and distribution mainly depends on the good governance of the zakat institution and this study believes good governance could happen if the role of the mosque and the zakat institution complement each other. What is most interesting is the suggestion made by Muhammad Syukri (2006) that urged the zakat institution in Malaysia to practice the concept of localization. His argument is based on several issues. First, the statistics of zakat distribution in Malaysia show

management deficiency where most of the zakat fund was not fully distributed to the zakat recipients. Only around 70 to 75 per cent of zakat fund was distributed in Malaysia from 2001 until 2007 and almost 25 to 30 per cent was left idle (Muhammad Syukri 2006; and Hairunnizam et.al 2010). This situation reflects the problem of emerging connection gap between the zakat institution and zakat recipients.

The zakat institutions were blamed because they were unable to recognize the deserving zakat recipients. Another detected problem was the rise of the zakat recipient application forms being sold illegally by certain irresponsible individuals to the prospective zakat recipients. A bureaucracy problem was also detected in the zakat application procedure and finally was the geographical problem where potential zakat recipients could not be reached and identified by the amil because their homes were scattered in the village, district or state (Muhammad Syukri, 2006; p. 214-219; and Abdul Ghafar and Nur Azura, 2006; p. 97). Muhammad Syukri (2006) also added that zakat localization would allow local trusted amil to foster close relationship with the zakat payers and the zakat recipients in the same place or village. Therefore, the process of zakat distribution could be done without any or unwanted delay in time (Nik Mustapha, 1991; Khaf, 1995a and Mujaini, 2005) as practiced during the Prophet's life. In addition, if the amil discovers that in his region all the zakat recipients have received the zakat proceed and there is surplus zakat fund in the Baitulmal, the zakat surplus could be transferred to another region facing deficit in zakat distribution. The general principal that should be followed is that zakat must be distributed in the area where it is collected and the poor and the needy in that area have priority over all others since zakat is collected from their neighbors, kins and friends. However, scholars agreed that all excess zakat funds may be passed to neighboring areas or to the central government (Qardawi, 1999; p. 513-517). If the excess zakat could be distributed to other regions, it may reduce inequalities between regions or states. Finally through decentralization the amount of zakat distributed to each recipient would match the price of goods and services demanded by zakat recipient according to particular areas especially those who live in the inland and rural areas (Abdul Ghafar and Nur Azura, 2006; p.97).

Some studies were conducted to discover the public perception towards the concept of zakat localization. For example two studies by Radiah et.al (2010b and 2010c) found that both the amil and zakat recipients agreed on the proposed concept of localization of zakat distribution. Interestingly, the study found a significantly difference in the level of agreement between both groups where the amil shows a higher level of agreement to implement this concept in order to improve the image of the zakat institution. However the role of the mosque as an institution to implement this concept was not discussed explicitly even though most of the amils are committee members of mosques and collect the zakat at the mosque in their locality. Thus, this issue becomes the main motivation for this study to recognize the role of the mosque managing the zakat.

Muhammad Aziz (1993) found that historically, zakat in Malaysia prior to the colonial period generally was collected and distributed at village level. He also argued that decentralization of zakat administration is not only consistent with the requirement of *syariah* but under the present political arrangements in Malaysia, it is a feasible alternative that will protect the interests of the poor and the needy and other rightful beneficiaries of zakat (Abdul Aziz, 1993; p. 179). Other studies also suggested that zakat centers should be established in villages, town and cities within

Muslim provinces and the mosque can be considered as a natural landmark to take this responsibility (Zayas, 2003 and Khaf, 1995a). On the othe hand, Abdul Wahab (1995) urged that such form of zakat payments arose from the high esteem that peasants held for their religious teachers and this tradition still continues in some states today. This shows that the zakat payers are confident of the religious teachers who they believe could disburse the zakat fair and just. In other Muslim countries like Pakistan and Kuwait, committee-based models exist where religious leaders or the committee members are in the best position to reach the poor members of the community (Khaf, 1995a; and Ajeel 1995). Furthermore, the positive side of localization is that the members of the community could have a voice and will participate and actively involved in the village activities (Alatas et al, 2003).

To sum, previous studies only suggested and discussed the concept of localization and the role of the mosque based on the facts of history. No study has been done to examine the possibility of implementing the concept of localization of zakat management and to connect the role of mosque to implement that concept. This study is important to make any recommendations to policy makers as well as the zakat institutions to improve zakat management efficiently and effectively in Malaysia

METHODOLOGY

Research Model

This study tries to empirically test whether significant relationships exist between the role of the mosque and the proposed localization of zakat distribution based on the perceptions of the implementer (amil) and the zakat recipients (the poor and needy). These relationships will be analyzed using structural equation modeling (SEM) following Bryne (2001). SEM is a statistical model that seeks to explain the relationships among variables, expressed in a series or equations (similar to series of multiple regression equations). These equations depict all the relationships among unobservable or latent variables (Hair et. al, 2006; p.711). It is noteworthy that these structural equations can be modeled pictorially to enable a clearer conceptualization of the theory under study. For this study the structural equation model is shown in Figure 1. It consists of two latent variables namely (1) proposed localization of zakat distribution and (2) the role of the mosque as the zakat delivery channel. They are called latent variables in SEM because both variables are not measured directly. Instead each latent variable is the constructs of indicator (observed) variables associated with it. The indicator variables are responses to 5 Likert scaled items listed in the survey questionnaire. As shown in Figure 1 the proposed localization of zakat distribution is determined by 3 indicator variables namely (1) close relationship and transparency between the amil and zakat recipients; (2) efficient and easy identification of zakat recipients by the amil and (3) trust in the zakat system and institution. On the other hand, 2 indicator variables determine the role of the mosque as the zakat delivery channel specifically (1) the activities and programmes of the mosque and (2) the mosque management and the impact of attending mosque activities on the ethical values of the amil and zakat recipients.

Notice in Figure 1 that the latent variables are labeled in the 2 big circles while the indicator variables are designated in the rectangles. The 5 smaller circles are the measurement errors in the

variables. The straight line pointing from a latent variable to the indicator variable shows the causal effect of the latent variable on the indicator variable. The straight one headed arrows between the latent variables indicate a hypothesized direct relationship between the 2 latent variables, while the straight 2 headed arrow between the latent variables indicates the covariance (or lack thereof) between the latent variables. Firstly, the correlation and covariance of both latent variables will be analyzed to see whether any significant relationship exists between both variables. Then the effect of both variables to each other will be analyzed namely the effect of the role of the mosque towards the perception on localization or vice versa to determine which variable strongly influenced the other based on the value coefficient and its significant level. The analysis will be divided into three groups namely the perceptions of the amil, zakat recipients and the respondents as a whole.
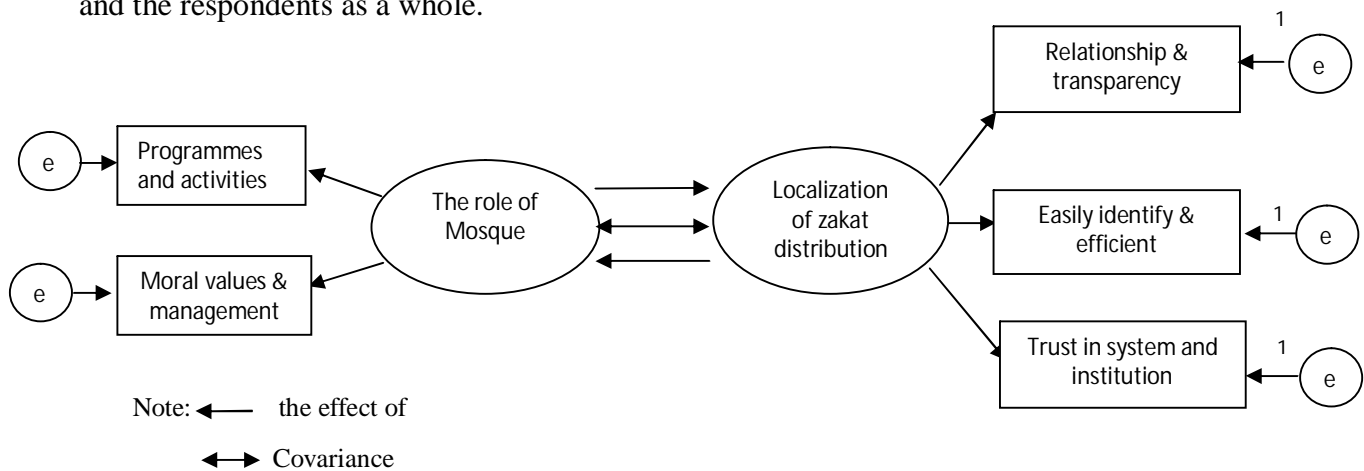

Note: ← the effect of

↔ Covariance

FIGURE 1: The hypothesis of the relationship between the role of mosques and the proposed localization

Data Collection

Survey Instrument

Primary data is collected by the survey method using a structured questionnaire that consisted two sections: demographic data of the respondents and observables variables of the two latent variables listed in the form of statements. A 5-point Likert scales ranging from (1) strongly disagree to (5) strongly agree was used to measure the extent to which the respondents agree or disagree to each statement. The mean response value of each observable variable is used in the study.

Sample

A total of 407 amils and 687 poor and needy zakat recipients were sampled from the states of Selangor, Pulau Pinang, Federal Territory of Kuala Lumpur, Melaka, Terengganu and Kedah. The poor and needy recipients were selected because they represented the largest percentage (almost 50 per cent) of zakat recipients (Hairunnizam et.al, 2010). Amils comprised permanent amils and temporary amils who collected zakat during Ramadan. It should be mentioned that

Selangor and Pulau Pinang are the states that have corporatized zakat collection and distribution. Federal Territory of Kuala Lumpur and Melaka have corporatized zakat collection but not zakat distribution and finally Terengganu and Kedah represent the states that did not corporatize at all (See Table 1).

Data Analysis

Data analysis incorporates 2 statistical techniques namely exploratory factor analysis (EFA), and confirmatory factor analysis (CFA) using structural equation modeling (SEM).

EFA is utilized at the beginning of the study to explore the number of indicator variables that can be extracted to represent the latent variables. As proposed by Anderson & Gerbing (1988, p.412), analysis at this stage is exclusively exploratory in nature because there is no prior specification of the number of factors to be analyzed.

Having identified the number of indicator variables, the next step is to confirm the validity of the variables in the study and to establish the causal relationships between the variables. This is analyzed by CFA using structural equation modeling (SEM) as described earlier. SEM has its advantages namely; estimation of multiple and interrelated dependent relationships, ability to represent unobserved concepts in these relationships, correct measurement error in the estimation process, and defining a model to explain the entire set of relationships.

To test the reliability and the validity of the variables in the model, CFA was conducted using AMOS software package. The aim is to measure the goodness of fit of the structural equation model (SEM). If the goodness of fit is adequate, the model argues for the plausibility of suggested relations among the variables and vice versa. Since there is no single recommended measure of fit for the SEM a variety of measures are proposed in the literature to assess the relative fit of the data to the model (Bollen 1999, Browne & Cudeck 1993, Hu & Bentler 1999, Cronbach & Meehl 1955, Bonnett 2002, Hair et al 2006). They recommended the use of various goodness of fit indices such as the chi-square, Root Mean Square Error of Estimation (RMSEA), Comparative Fit Index (CFI), Relative Fit Indez (RFI), Tucker Lewis Index (TLI) and Normed Fit Index (NFI). For each index (except for RMSEA) a value close to 1 indicates a good fit. For RMSEA a value of about 0.08 or less would indicate a reasonable error of approximation.

FINDINGS

The Role of the Mosque

Table 2 shows that the majority of respondents, including amil and the zakat recipient have chosen the mosque as an institution responsible for managing zakat in their locality compared to other places such as community halls or neighborhood office. However many respondents chose a special zakat office and this study believes that it could be done at the mosque especially at the *Jami'* Mosque (district mosque) because it could accommodate a huge congregation of prayers because of its large size.

Table 3 shows 2 factors that determine the role of mosque as perceived by the amils and zakat recipients. These factors were extracted using EFA based on the scree test criterion[3], the latent roots (eigenvalue) criterion using principal components analysis and varimax rotation method with Kaiser Normalization as proposed by Shine (1972) and Takane and Shibayama (1991). Both factors are reliable as indicated by the high Cronbach alpha value (0.865). The Kaiser-Meyer-Olkin value is high showing that factor analysis is feasible for the data set whilst the Bartlett's Test of Sphericity is highly significant suggesting that it is unlikely that the correlation matrix of the variables is an identity. Factor 1 is labeled Programmes and activities of the mosques which is the common construct shared by the 6 items under it. Meanwhile Factor 2 is labeled moral values and management of the mosque to represent the 4 items associated with it. The items under each factor have large loadings indicating that these items have high correlations with each other and it shows the criterion-related validity does exist among the variables.

Table 4 shows the results of CFA analysis using SEM. It is found that the number of items for each factor group was reduced to two items respectively. However, it is important to look at the goodness of fit indices before proceeding with further analysis. It is found that the overall model fit is adequate. The value of χ^2 is 2.52 which is below the desired cutoff value of 3.0 as recommended. The CFI value of 0.998 is well above the recommended value of 0.95 and hence is considered to be an outstanding fit for this model. TLI; RFI and NFI also recorded values above the recommended value of 0.95 respectively. Finally, RMSEA value of 0.037 is below 0.08 which indicates a reasonable error of approximation. Overall, the model is reasonably acceptable to evaluate the results of the SEM technique. Thus, the role of the mosque (latent variable) will be proxied by the 2 indicator variables.

Proposed Localization of Zakat Distribution

Table 5 shows the EFA approach to determine the main factors influencing the zakat localization variable from the perspectives of the amils and zakat recipients. Based on the scree test criterion, the latent roots (eigenvalue) criterion using principal components analysis and varimax rotation method with Kaiser Normalization all observed variables were factored into three main factors. namely (1) close relationship and transparency between the amil and zakat recipients; (2) efficient and easy identification of zakat recipients by the amil and (3) trust in the zakat system and institution based on the common feature shared by the items associated with each factor. All three factors are reliable as indicated by the high Cronbach alpha value of 0.946 showing good validity of the sample. The Kaiser-Meyer-Olkin value is high at 0.93 showing that factor analysis is feasible for the data set whilst the Bartlett's Test of Sphericity is highly The items under each factor have large loadings indicating that these items have high correlations with each other and it shows the criterion-related validity does exist among the variables.

Table 6 shows the results of CFA analysis using SEM. It is found that the number of variables for each factor was reduced to three factors respectively. However, the goodness of fit of the modelis examine before proceeding to further analysis. It is found that the value of $\chi^2 = 179.4$,

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[3] The scree test is used to identify the optimum number of factors that can be extracted before the amount of unique variance begin to dominate the common variance structure (Cattell, 1966)

CFI = 0.965; RFI = 0.926, NFI = 0.960; TLI = 0.935 and RMSEA = 0.077. Thus, the result shows that the model is a good fit for the observed variables and hence is reasonably acceptable to evaluate the results of the SEM technique. The proposed localization of zakat distribution (latent variable) will be proxied by the 3 indicator variables.

Relationship between the Latent Variables

Table 7 shows the correlation and covariance between the latent variables specifically the role of the mosque and the proposed zakat localization. The study found that the two variables have a moderate correlation as perceived by the zakat recipients (0.567) and all respondents (0.599) compared with the relatively high correlation from the perception of the amil (0.825). The relationship between these variables is significant for the overall group at 1 percent level. This result shows that the two latent variables could be analyzed at the next stage via regression analysis. Nevertheless, it is very important to examine the goodness of fit (GOF) criteria before proceeding to the regression analysis. The values of the indices are as follows: χ^2 = 96.93, p = 0.000, χ^2 / df = 8.07, CFI = 0.975; RFI = 0.893, NFI = 0.971; TLI = 0.905, RMSEA = 0.057 which show a good fit between the model and the observed data.

Finally, Table 8 is the regression result that analyzed whether the perception towards the role of the mosque is more dominant than the perception towards localization or vice versa. The result shows that the perception towards the role of the mosque is significant and more dominant than the perception towards zakat localization from the perspective of amil and all respondents compared with the perceptions of zakat recipients alone. For instance, from the perception of the amil, when the perception towards the role of mosque increases by one unit, perception on zakat localization increases by 1.370 units. On the other hand, from the perspective of overall respondents, when the perception towards the role of mosque increases by a unit, the perception on zakat localization will increase by 0.633 units. However, from the amil's perspective, when the perception of localization increases by one unit the perception on the role of mosque will increase at a lower rate of only 0.496 units. For the overall respondents, a one unit increase in the perception on zakat localization will increase the perception on the role of mosque but only by 0.567 units. In the aspect of GOF, this model is considered a good fit because the value of χ^2 = 96.93, p = 0.000, χ^2 /df = 8.07, CFI = 0.975; RFI = 0.893, NFI = 0.971; TLI = 0.905 and RMSEA = 0.057.

Table 9 shows the frequency of respondents to the mosque performing congregation prayers. Almost 81 percent of the amils have performed congregational prayers more than 4 times at the mosque compared with the zakat recipients (26 percent). However, the result also shows that roughly 18.4 per cent of the zakat recipients were not attending the mosque every day compared with the amil (none of them were not attending the mosque every prayer time). This finding clearly shows a strong commitment of the amils to be good Muslims and zakat collectors. This result suggests the possibility and successful implementation of the concept of zakat localization at the mosque.

RECOMMENDATIONS AND POLICY IMPLICATIONS

The mosque is the most important Islamic institution from the time of the Prophet (pbuh) until nowadays. The role of the mosque should be expanded and intensified because many problems that arise in the community from the economic, political and social perspectives are due to the basic issue that majority of Muslims are *far away* from the mosque. It should be noted that enlivening the mosque is very important to foster the spirit of brotherhood amongst Muslims regardless of economic status or political and social backgrounds. The mosque as mentioned earlier, is a center of worship to Allah s.w.t, as well as the center for economic and social activities. (Mutiara & Muchtar, 2010). Allah s.w.t has promised those who enliven the mosque will be given guidance and achievement in this world and the Hereafter (At-Tawba: 18), but sad to say, many Muslims are still less convinced by it. Sidi Gazalba (1976; p.153-159) strongly believes that the mosque plays a role not only as a center of worship to perform the obligatory prayers, fasting, *i'tikaf* and the ideal place to read the Quran but it is also the excellent place to disburse and give zakat to *mustahiq* as well as any other economic activities such as *Waqf* and donation.

This study believed that zakat management problems should be solved essentially beginning from the mosque as the foremost institution of the Muslim community. The concept of localization of zakat management and administration could be started from the mosque. Many zakat payers complained that zakat institutions fail to disburse zakat effectively. Zakat recipients, especially the elderly group, also make many complains to zakat institutions such as difficulties to seek help and assist from amil to fill and get the application form.. Actually majority of zakat recipients strongly agreed that the place of the zakat institution should be close to them. Therefore, this study suggests that a branch office of zakat could be built in the mosque. As a result, the role of mosque could be widened to include application for zakat and distribution to zakat recipients specifically in the specific area or village. In addition many zakat programs and activities could be setup in the compounds of the mosques to encourage zakat recipients in particular and Muslim society in general to continue attending the mosque. This could give a great impact on their *hablun* (relationship) with Allah s.w.t as the Creator besides fostering good relationship with other people in the society. Therefore the concept of zakat that could purify the individual's property should be associated with the mosque because majority of people and the community are very keen to pay zakat through the mosque compared if paying zakat through formal zakat offices or at shopping malls (Mutiara & Muchtar, 2010, p.16 & Marlina, 2010).

The role of imams needs to be strengthened. Historically in the pre-colonial era, the position of imam was highly respected by Muslim society (Abdul Aziz, 1993; Abdul-Wahab et.al, 1995; and Mutiara & Muchtar, 2010) because of their duties as an *ustaz* or teacher, most of the time leading the community in terms of worship, such as congregational prayers, Friday prayers, funeral prayers, marriage and divorce; and also managing zakat. In terms of managing zakat, it is suitable to appoint *jami*' (district or mukim) mosque (Zayas, 2003) to have a branch of zakat institution or organization, which could appoint the imam to be head of amil with full pay or salary, have a good educational qualification and also a professional. This idea probably could overcome the problem of public perception that might feel that majority of amil are not professionals (Abdul-Wahab et.al, 1995). For instance at the *Jami'* mosque in Selangor, the first

imam by rank is appointed by the state government specifically to led the congregational prayer and only focus on matters of worship, especially prayer. Therefore this study proposes the second imam by rank, to be appointed by the state government specifically designated to manage economic affairs particularly in zakat management (at the same time carry out his duty as imam). This suggestion is in line with the verse in Surah At-Tawba, verse 18 which has been previously discussed. As a result, this could improve public confidence in paying zakat especially zakat on wealth and also would expand and uplift the role of imam in particular localities to be involved in zakat distribution. This issue could improve the current practice of zakat management that approving zakat application through the district and the state level that cause the geographical and bureaucratic problem as discussed earlier. As a result, it will facilitate amil not only in receiving zakat payment from the zakat payers, but also to recognize and identify potential zakat recipients, investigating their backgrounds, especially the poor and the needy. This, in turn could reduce the number of poor households among the Muslims particularly at the village or district levels and also at the state and national levels. The amil can contact and monitor the recipients easily, hopefully to change the zakat recipients' attitude in becoming a zakat payer in the future. In addition, the roles of amil should change; not only to identify the zakat recipients but more importantly to identify their social and economic potentials that may help them eventually change their attitudes to becoming zakat payers.

Another issue that is associated with the mosque is the level of religiosity amongst the zakat recipients. This is a major issue that must be addressed wisely by the mosque particularly and zakat institutions generally. Despite numerous views on the role of zakat to eradicate poverty, this is not the important objective in the philosophy of zakat. The main philosophy of the zakat is actually cleansing the soul and wealth not only of the zakat payers but also the zakat recipients, and this clearly shows that the zakat is not only confined to the purely economic aspects. Purifying the soul through zakat shows the effect of zakat is very important to the spiritual aspects related to religiosity values. The increase in religiosity is important because it is fundamental to the purpose of human mankind by the Creator. Success in educating people through the mosque, especially in the religiosity aspects to the zakat recipients will not only increase the level of religious understanding, but also will increase the awareness and changes the attitudes of zakat recipients towards having more positive attitude gradually. This ultimately will increase the motivation of zakat recipients to strive to the end and in the long run will lift them from poverty and improve the quality of life not only for them but more importantly, their generations of children and descendants of zakat recipients. It should be understood despite the success of zakat is targeted to eradicate poverty, if it does not change their economic conditions; it is still expected to improve their mental and spiritual strengths. Actually this is the true spirit and philosophy of zakat management and distribution.

CONCLUSION

The process for achieving success in the world and the Hereafter should start by increasing the role of the mosque. The mosque is the place of worship where one establishes a direct relationship to Allah s.w.t and also establishes a relationship with other people. Through the implementation of zakat in mosques, it could become an important tool to alleviate socio-economic problems of the Muslim society. The problems that happen including economic

problems could be resolved if the role of the mosque is expanded and intensified to serve the Muslim society. More importantly, the role of mosque is essentially to serve as the heart and pulse of the community (Nasoha, 2001), and therefore it should be realized properly and effectively. Most important is for the Muslim community to first enliven the role of the mosque by which the success in this world and hereafter will be achieved. Optimistically this achievement will enhance the image of Islam, especially the image of the mosque and zakat institutions in Malaysia.

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APPENDICES

Table 1: Survey Respondents

State	Respondent	
	Amil	Zakat Recipient
Selangor	112	69
	(27.50)	(10.00)
Pulau Pinang	51	101
	(12.50)	(14.70)
Wilayah Persekutuan	68	130
	(16.70)	(18.90)
Melaka	37	113
	(9.10)	(16.40)
Terengganu	88	171
	(21.60)	(24.90)
Kedah	51	103
	(12.50)	(15.0)
Total	407	687
	(100.00)	(100.00)

Note: Figures in parentheses are the percentage of the total

Table 2: Proposed zakat place at the locality

Respondent	mosque	Public Hall	Community Office	Special zakat office	Others
Zakat Recipient	705	27	15	59	1
Amil	181	3	0	10	0
Total	886	30	15	69	1

TABLE 3 : EFA approach: Factors determining of the role of Mosque

Variable group	Item[2]	MSA[1]	Loading factor 1	Loading factor 2	Communalities
1) Programmes and activities (6 items)					
The role of the mosque of distributing zakat	X_2	.835	.763		.613
The role of economic activity	X_5	.751	.762		.598
Attending congregation prayer	X_6	.755	.834		.706
Many knowledgeable activities	X_7	.731	.579		.500
quickly and efficiently to manage the zakat	X_9	.846	.533		.738
Close relationships with the community members	X_{10}	.881	.700		.443
					.565
2)Moral values & management (4 items)					
Mosque promote economic activity	X_1	.857		.668	.516
Jami' Mosque could become partly zakat inst.	X_3	.798		.827	.705
Efficient management of the mosque	X_4	.738		.845	.723
values consequences from mosque activities	X_8	.832		.533	.527
					Total
The sum of squares (*eigenvalue*)			3.223	2.673	5.896
The per centage of variance			32.23	26.72	58.96

Note: Method of extraction: Principal components analysis. Rotation Method: Varimax with Kaiser Normalization
Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.798
Bartlett's Test of Sphericity: significant at 1% level
[1] (MSA) to measure the adequacy of sampling. Value = 0.50 and more is in the acceptable range.
[2] Cronbach Alpha (α) total value = 0.865; value of 0.70 and above testifies strong scale reliability

TABLE 4: The first stage of CFA *(CFA first order)* variable of the role of mosque

Variable group	Item	Loading Factor 1	Loading Factor 2
Programmes and activities (2 items)			
Follow the activities of the congregation prayer	X_6	.715	
Close relationships with community members	X_{10}	.766	
Moral values & management (2 items)			
Efficient management of the mosque	X_4		.544
values consequences from mosque activities	X_8		.938
χ^2 (*df*=48)	2.520*		
Comparative fit index (CFI)[a]	.998		
Bollen Relative fit index (RFI)[b]	.973		
Bentler Bonett coefficient (NFI)[c]	.997		
Tucker-Lewis coefficient (TLI)[d]	.984		
Root Mean Square Error of approximation (RMSEA)[e]	.037		

Note: [a] CFI values of 0.90 and above testifies strong scale unidimensionality
[b] RFI values close to 1 indicate a very good fit
[c] NFI values of 0.90 and above testifies strong scale convergent validity
[d] TLI analysis of moment structures. TLI values close to 1 indicate a very good fit.

TABLE 5: EFA approach to construct variables of localization

Variable group[2]	Item	MSA[1]	Loading factor 1	Loading factor 2	Loading factor 3	Communalities
Relationship & transparency (9 items)						
close relationship	X_2	.935	.631			.625
Accessible	X_5	.914	.680			.664
Regular monitoring	X_6	.914	.681			.642
Encourage community participation	X_9	.949	.608			.594
Immediately solve the problem	X_{10}	.955	.732			.694
Low-cost applications	X_{13}	.908	.611			.594
Identify the economic potential	X_{14}	.928	.730			.623
Transparent distribution	X_{17}	.923	.643			.547
bureaucracy process reduced	X_{18}	.932	.712			.673
Easily identify & efficient (6 items)						
Identify asnaf potential	X_7	.927		.537		.537
Efficient distribution	X_{11}	.914		.768		.694
Promoting local economy	X_{12}	.931		.631		.607
quick distribution	X_{15}	.956		.659		.607
no political bias	X_{19}	.947		.606		.540
Enhance institutional image	X_{20}	.960		.480		.443
Trust in system and institution (5 items)						
familiar with zakat recipients	X_1	.936			.689	.630
More reliable	X_3	.943			.617	.660
not shy when applying zakat	X_4	.888			.730	.631
understand asnaf problem	X_8	.927			.517	.515
Amil among the local community	X_{16}	.914			.590	.593
						Total
The sum of squares (*eigenvalue*)			4.991	3.646	3.474	12.11
The per centage of variance			24.96	18.23	17.37	60.56

Note: Method of extraction: Principal components analysis. Rotation Method: Varimax with Kaiser Normalization
Rotation converged in 14 iterations
Kaiser-Meyer-Olkin Measure of Sampling Adequacy = 0.930
Bartlett's Test of Sphericity: significant at 1% level
[1] (MSA) to measure the adequacy of sampling. Value = 0.50 and more is in the acceptable range.
[2] Cronbach Alpha (α) total value = 0.946; value of 0.70 and above testifies strong scale reliability

TABLE 6: The first stage of CFA *(CFA first order)* of localization

Variable group	Item	Factor Loading 1	2	3
Relationship & transparency (3 items)				
Immediately solve the problem	X_{10}	.821		
Identify the economic potential	X_{14}	.730		
bureaucracy process reduced	X_{17}	.786		
Easily identify & efficient (3 items)				
Efficient distribution	X_{11}		.774	
Promoting local economy	X_{12}		.720	
quick distribution	X_{15}		.696	
Trust in system and institution (3 items)				
familiar with zakat recipients	X_1			.732
More reliable	X_3			.826
not shy when applying zakat	X_4			.733
χ^2 (*df*=48)	179.4*			
Comparative fit index (CFI)[a]	.965			
Bollen Relative fit index (RFI)[b]	.926			
Bentler Bonett coefficient (NFI)[c]	.960			
Tucker-Lewis coefficient (TLI)[d]	.935			
Root Mean Square Error of approximation (RMSEA)[e]	.077			

Note: [a] CFI values of 0.90 and above testifies strong scale unidimensionality
       [b] RFI value is close to 1 indicating a very good fit
       [c] NFI values of 0.90 and above testifies strong scale convergent validity
       [d] TLI analysis of moment structures. TLI value is close to 1which indicates a very good fit.
       [e] RAMSEA value of about 0.08 or less would indicate a reasonable error of approximation
       * p=.000; χ^2/df = 7.47; significant at 1% level

Table 7: Correlation and covariance of the role of the Mosque and Zakat Localization

Respondent	Correlation	Covariance
Amil	.825	.123*
		(.018)
Zakat Recipient	.567	.119*
		(.013)
Overall (amil and zakat recipients)	.599	.071*
		(.008)
χ^2 (*df*=12)	96.93[1]	
Comparative fit index (CFI)[a]	.975	
Bollen Relative fit index (RFI)[b]	.893	
Bentler Bonett coefficient (NFI)[c]	.971	
Tucker-Lewis coefficient (TLI)[d]	.905	

Root Mean Square Error of approximation   .057
(RMSEA)[e]

TABLE 8: Regression Result

Respondent	Coefficient[1]
Mosque ⟶ Localization	
Amil	1.370*
	(.436)
Zakat Recipient	.537*
	(.055)
Overall	.633*
	(.063)
Localization ⟶ Mosque	
Amil	.496*
	(.063)
Zakat Recipient	.598*
	(.058)
Overall	.567*
	(.043)
χ^2 (df=51)	96.93*
Comparative fit index (CFI)[a]	.975
Bollen Relative fit index (RFI)[b]	.893
Bentler Bonett coefficient (NFI)[c]	.971
Tucker-Lewis coefficient (TLI)[d]	.905
Root Mean Square Error of approximation (RMSEA)[e]	.057

TABLE 9: Frequency of respondents to the mosque every day performing congregational prayer in the Mosque

State	None	1 time	2 times	3 times	4 times	5 times	Total
Amil							
Selangor	0	0	0	11	53	48	112
Pulau Pinang	0	0	0	10	31	10	51
WP Kuala Lumpur	0	1	1	6	9	19	36
Melaka	0	2	5	9	12	12	40
Terengganu	2	2	4	17	14	48	87
Kedah	0	0	0	0	38	13	51
Total	**2**	**5**	**10**	**53**	**157**	**150**	**377**
	(0.53)	**(1.33)**	**(2.65)**	**(14.06)**	**(41.64)**	**(39.79)**	**(100.0)**
Zakat Recipient							
Selangor	0	4	19	29	16	1	69
Pulau Pinang	9	0	40	17	35	0	101
WP Kuala Lumpur	29	25	60	10	1	4	129
Melaka	44	12	44	9	0	1	110
Terengganu	44	14	39	25	16	33	171
Kedah	0	0	15	23	64	1	103
Total	**126**	**55**	**217**	**113**	**132**	**40**	**683**
	(18.45)	**(8.05)**	**(31.77)**	**(16.54)**	**(19.32)**	**(5.86)**	**(100.0)**