How Governance Practices Influence Mandatory *Zakāh* Payment in Saudi Arabia?

Abdulsalam Ahmed Sawmar

Lecturer, Islamic Economics Department
Islamic University of Madinah, Saudi Arabia

Mustafa Omar Mohammed

Associate Professor, Kulliyyah of Economics and Management Sciences
International Islamic University, Malaysia

ABSTRACT. The purpose of this study is to investigate the influence of governance practices of the formal *zakāh* authority in Saudi Arabia, the GAZT (General Authority of Zakat and Tax), on *zakāh* payment compliance. It employs a quantitative approach using a questionnaire survey of actual *zakāh* payers in Saudi Arabia. The analysis of one hundred and twenty-five usable questionnaires collected through random sampling from al-Madinah region was done using the PLS (Partial Least Squares) - SEM (Structural Equation Models) technique. The results suggested that the perceived transparency and disclosure, and the perceived procedural fairness had significant and positive relationships with *zakāh* payment compliance. In addition, trust was found to have a mediating effect on the relationship between the perceived governance of the *zakāh* authority and *zakāh* payment compliance. The study's findings provide interesting insights that benefit both theory and practices.

KEYWORDS**:** *Zakāh* institution; Governance; Transparency; Fairness; *Zakāh* compliance; Saudi Arabia.

JEL CLASSIFICATION**:** P40, H83, Z13, C54

KAUJIE CLASSIFICATION**:** E15

1. Introduction

Zakāh is an integral part of the Islamic economic policies that lead to a fair redistribution of wealth aiming to alleviate poverty and reduce the socio-economic gaps (al-Qaradawi, 2006, pp. 7-8). It is reported that the institution of *zakāh* had achieved optimum effectiveness, particularly during the reign of the Caliphs Umar bin Al-Khattab (13-22H) and Umar bin Abdul Aziz (99-101H) (al-Omar, 1996, pp. 15-17). Such examples demonstrate how *zakāh* can be a powerful and effective mechanism in combating poverty and reducing income inequality.

Moreover, the implementation of *zakāh* had long been run by the state authority. Evidence indicates that the early institution of *zakāh* was established and managed by the Prophet (ﷺ), and this responsibility was passed to his rightly guided Caliphs. The Prophet (ﷺ) used to personally oversee and manage *zakāh* affairs. According to Hasanuzzaman (1991, p. 169), the collection of *zakāh* by the state (*zakāh* workers) began in the 9th year after Hijrah. The Prophet (ﷺ) selected *zakāh* workers from his companions and instructed them regarding the moral conduct during the collection, assessment, and distribution of *zakāh*. Overall, it could be said that the management of *zakāh* had been run by the public authority of the state until the end of the Ottoman Caliphate (Uqlah, 1985, p. 23). However, the attention and commitment given to *zakāh* by the Muslim rulers varied from one era to another due to different reasons and circumstances. The long history of the institution of *zakāh* indicates that *zakāh* constitutes an essential component of the Islamic economic system. The success of this institution, especially during early times, had been possible because of the trustworthy management, which had encouraged *zakāh* payers to comply with *zakāh* collectors (Hasanuzzaman, 1991, p. 175).

However, the role of contemporary *zakāh* institutions is said to be insignificant. Several scholars assert that *zakāh* has not been given due attention to realize its potential in improving the prosperity of Muslim communities (al-Qaradawi, 2006, p. 10). Even though a few Muslim countries have established formal *zakāh* bodies run by the state, such as Saudi Arabia, it is reported that they face significant challenges in ensuring *zakāh* payers' compliance, which is essential for optimizing *zakāh* effectiveness (Guermat, al-Utaibi, & Tucker, 2003, p. 3; Saad & Haniffa, 2014, p.183; Shirazi & Amin, 2006, p. 58).

For example, although the Saudi government imposes a mandatory payment of *zakāh*, particularly from business entities since 1951, the collected *zakāh* through the official *zakāh* body, The General Authority of Zakat and Tax (GAZT), is said to be insufficient. Evidently, *zakāh* revenues have been far from satisfying the needs of Saudi families receiving subsidies from the Saudi Social Security Agency (SSA) as shown in figure 1. Moreover, previous studies have suggested that among the various causes of *zakāh* non-compliance issues is the lack of trust, which likely results from the lacking transparency and perceived fairness of *zakāh* collection and distribution procedures (al-Saad, 2013, p. 73; Asiri & Yamani, 2017, p. 5).

Therefore, concerns over the lack of effectiveness of current *zakāh* institutions have encouraged researchers to investigate issues and challenges towards improving *zakāh* effectiveness. For example, several studies have discussed issues impeding *zakāh* institutions' effectiveness, including the regulatory framework (Abdullah, 1995; al-Omar, 1995; Powell, 2009); *zakāh* management (Farhan, 2008; Ghazali, Saad, & Abdul Wahab, 2016; Guermat et al., 2003; Htay & Salman, 2014); and human resource quality (Adnan, Kamaluddi, & Kasim, 2013). Others discussed the efficiency and use of technology within *zakāh* institutions (Abd. Wahab & Abdul Rahman, 2011); performance and the development of performance measurements for *zakāh* institutions (Fadilah, 2013; Noor, Abdul Rasool, Abdul Rahman, Yusof, & Ali, 2012; Said, Ghani, Zawawi, & Yusof, 2012); and *zakāh* payment compliance (Ahmad, Nor, & Daud, 2011; Khamis, Salleh, & Nawi, 2011; Saad & Haniffa, 2014).

Recently, the search for improving the effectiveness of *zakāh* institutions has led to a growing interest in the areas of governance and its relationship with other aspects like efficiency, performance, trust, and *zakāh* payment compliance. However, the current study focuses on the influence of governance as a comprehensive concept on *zakāh* payment compliance. These two concepts can be considered as the primary challenges, while the other aspects are secondary ones because they relate directly or indirectly to them.

Figure (1) Difference Between *Zakāh* Collected by GAZT and Funds Distributed by SSA

Note: Numbers shown are in millions SAR
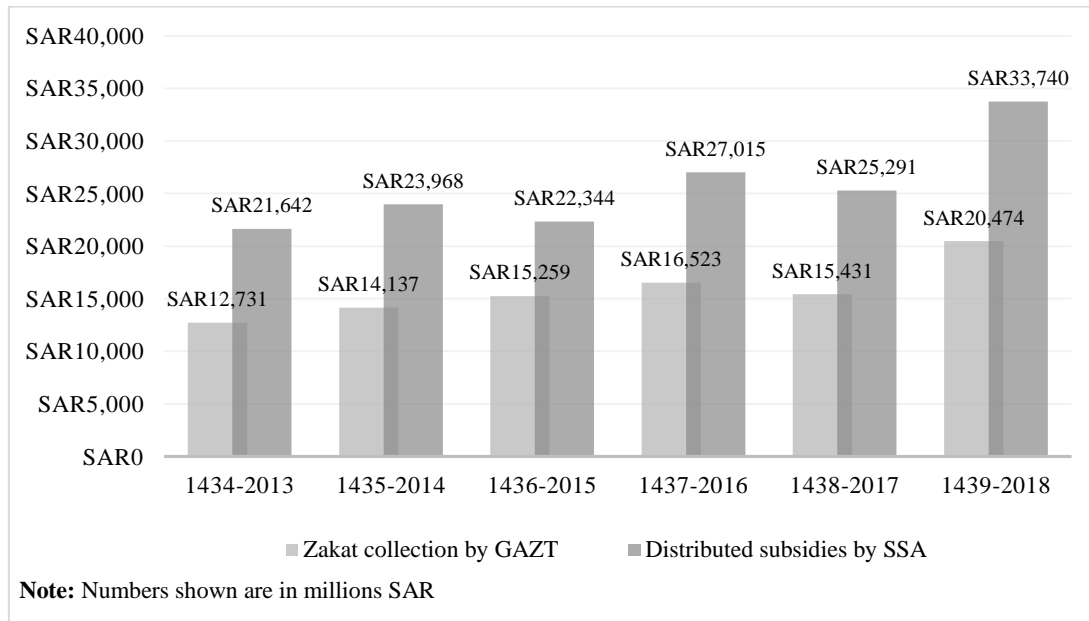
Source: Prepared by authors; statistics were retrieved from the GAZT website (https://gazt.gov.sa) and the annual report of SSA.

2. Literature Review

2.1 Governance of *Zakāh* Institutions

Governance has been defined as "the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved" (IFAC & CIPFA, 2014, p. 8). In the context of *zakāh* institutions, Abd. Wahab and Abdul Rahman (2011, p. 47) defined governance as the organizational structures and mechanisms intended to maintain proper and accountable management of *zakāh* collection and distribution.

There have been a few studies discussing governance in the context of *zakāh* institutions and its relationship with different aspects. For example, Fadilah (2013) investigated the relationship between governance and organizational performance in the context of *zakāh* institutions in Indonesia. Fadilah found that good governance has a positive influence on the performance of *zakāh* institutions. Also, Abd. Wahab & Abdul Rahman (2011) explored the relationship between governance and efficiency, and found a positive correlation between the two. In addition, Mustafa, Mohamad, and Adnan (2013) examined the relationship between governance and *zakāh* payers' trust in the context of Nigerian *zakāh* institutions.

Although their study could be considered similar to the current study, the contexts of the two studies differ in terms of the nature of *zakāh* payment, which is a form of charity in Nigeria and mandatory in Saudi Arabia. Such a difference presents additional factors to be considered when examining the role of governance, such as the role of *zakāh* laws and legal processes and procedures.

2.2 *Zakāh* Payment Compliance

In order to realize the full impact of *zakāh*, it is essential for *zakāh* institutions to attract greater resources from *zakāh* contributions. Accordingly, several studies have explored factors influencing *zakāh* compliance behaviors. A few *zakāh* compliance models have been proposed based on the different approaches of *zakāh* legal systems; whether it is a mandatory or a voluntary payment.

For example, using the Theory of Reasoned Action (TRA), Saad and Haniffa (2014) examined the influence of attitude and subjective norm on determining *zakāh* compliance intention. However, the TRA is relevant to understand *zakāh* compliance at an individual level as a voluntary act, but it is not

comprehensive of the role of formal *zakāh* institutions, which is essential to achieve the macro objectives of *zakāh*. Accordingly, Izlawanie Muhammad (2016) proposed additional factors that influence *zakāh* compliance intention. These factors include attitude, the role of *zakāh* administrators, business profitability, and the age of business establishment.

Furthermore, Khamis et al., (2011) proposed another model based on two economic theories – the Rational Choice Theory and the Expected Utility Theory. The model comprised six factors that likely influence *zakāh* compliance behavior, namely: (i) the level of religiosity, (ii) the level of knowledge, (iii) the length of business operation, (iv) the organization factor, (v) government incentives, and (vi) the law enforcement factor. Similarly, Ahmad et al., (2011) have developed a *zakāh* compliance model for formal institutions. The authors identified several factors, namely: (i) law enforcement, (ii) religious commitment, (iii) knowledge of *zakāh*, (iv) access to a payment system, (v) trust upon the formal *zakāh* institution, (vi) perception of the tax system, and (vii) the reference group effects or the environment's effects.

2.3 The Influence of Governance on *Zakāh* Payment Compliance

Overall, prior studies discussing determinants of *zakāh* payment compliance have fallen short of exploring factors related to *zakāh* organizations. It is of prime importance that such factors be investigated due to their likely significant influence on *zakāh* payment compliance. Among the relevant studies that discussed this relationship, is the study conducted by Mustafa et. al. (2013), which investigated the antecedents of *zakāh* payers' trust towards a *zakāh* institution. Drawing upon the legitimacy theory and the early *zakāh* management practices, the authors identify four factors as antecedents of *zakāh* payers' trust. These four factors include the perceived board capital, perceived disclosure practices, perceived stakeholder management, and the institutional model, e.g., governmental or charity institution. Accordingly, the findings suggest that three factors were determinants of *zakāh* payers' trust, while the perception of the institutional model showed insignificant influence.

However, the current study attempts to broaden the discussion by examining the impact of governance practices on *zakāh* payment compliance, particularly

on mandatory *zakāh* payment. In doing so, it adopts some of the factors mentioned above as identified by the Mustafa et al. (2013) study. In addition, the current paper proposes other factors that suit the nature of mandatory *zakāh* payment. These factors include the perceived administration, perceived performance, perceived transparency and disclosure practices, and perceived procedural fairness.

3. Theoretical Underpinnings

The current paper's argument regarding the relationship between governance and *zakāh* payment compliance can be supported by the Organizational Legitimacy Theory (OLT) and the Islamic accountability principle. The OLT, which is derived from the political economy literature, postulates that the perceived legitimacy of an organization or authority has a crucial role in determining the acceptance of its activities and decisions (Tyler, 2006). The OLT provides theoretical support to the relationship between the legitimacy of an organization (*zakāh* institutions in this case), as demonstrated by their governance practices, and the public recognition and acceptance of its role, as shown by *zakāh* payers' compliance.

The legitimacy of *zakāh* institutions is well-rooted within Islamic history and the religious values of Muslims. However, the management of *zakāh* bodies is always required to demonstrate and maintain their legitimacy by following the early practices set by the Prophet Mohammed (ﷺ) and his pious successors in the management of the institution of *zakāh*. Such exemplary practices establish the legitimacy that *zakāh* stakeholders would accept. Mustafa et al. (2013, p. 7) identify six trust-building mechanisms derived from the early management, which include trusted leadership, accountability of the management, the employment of trustworthy workers, the integrity of *zakāh* workers, fair treatment of *zakāh* payers and *zakāh* beneficiaries.

Moreover, accountability has a central place in the Islamic belief that leads its followers to pursue *falāh* ("success") in this world and the hereafter. The dual worldview adds broader dimensions to the concept of accountability in Islam than its meaning in the traditional view by observing accountability to Allah Almighty in every act (Abdul Rahman, 2010, p.8). Accordingly, accountability is vital for maintaining the legitimacy and credibility of *zakāh* institutions in

pursuing the Sharīʿah objectives of *zakāh*. Thus, to please Allah and meet the expectation of *zakāh* stakeholders, *zakāh* administration must be free from any fraud, misuse of *zakāh* fund, or other malaises in the management of *zakāh* (Saad, Abdul Aziz, & Sawandi, 2014, p. 511).

On the other hand, *zakāh* payers seek accountability to Allah by ensuring their *zakāh* is delivered to the rightful beneficiaries. A gap of trust towards *zakāh* institutions leads *zakāh* payers to pay their *zakāh* directly or indirectly through unofficial channels. The problem of trust is likely to be caused by the lack of accountable practices, which undermines the legitimacy and credibility of *zakāh* institutions and likely discourages *zakāh* payment compliance.

4. Research Framework

The development of the conceptual model was based on the review of the literature and the qualitative data analysis collected for this study (Sawmar & Mohammed, 2019). Overall, the framework of this study is depicted in the developed model concerning *Zakāh* Governance-Compliance Relationship (ZGCR). The ZGCR model (figure 2) contains four governance-related factors, namely: (i) the perceived administration; (ii) the perceived performance; (iii) the perceived transparency and disclosure practices; and (iv) the procedural fairness. These factors were assumed to have a significant influence on *zakāh* payment compliance. In addition, it is assumed that trust has a mediating effect between the perceived governance quality represented by the four factors and *zakāh* payers' compliance.

Figure (2) The Developed ZGCR Model and Research Hypotheses
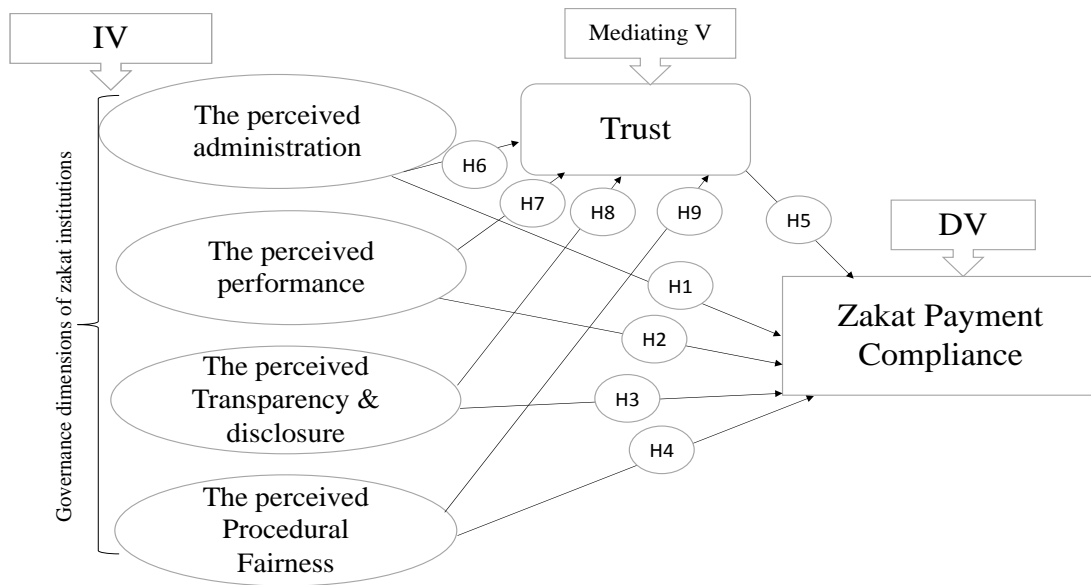
Source: Prepared by authors.

5. Hypothesis Development

In order to examine the generalizability of the developed ZGCR model, nine hypotheses have been developed to examine the relationships between the research variables. The development of these hypotheses is detailed as follows:

1. The administration department of an organization is the backbone that facilitates the sound running of its operations. In the current context, the perceived administration construct refers to the top-level management in charge of formulating policies, setting objectives, allocating resources, and supervising the organizational operations. Hence, the administration factor is a broad construct that includes several aspects pertaining to the board and leadership qualities, the perceived organizational mission and objectives, and the organizational capacity to carry out *zakāh* management.

The review of the literature suggests that the leadership of an organization has a crucial role in ensuring the alignment with the direction and the commitment to achieving the organization's objectives. Also, the leadership is responsible for building and maintaining a positive image which reflects their accountability to the organization's stakeholders. Accordingly, the board and leadership have a vital role in monitoring the performance and setting the appropriate structure to optimize the efficiency and effectiveness of their organization (Kakabadse, Kakabadse, & Myers, 2009, p. 4). According to the study by Mustafa et al., (2013, p. 17), the board capital of *zakāh* institutions was found to influence *zakāh* payers' trust. The administration hypothesis can also be supported by the OLT theory and the principle of accountability in Islam. According to the OLT, the legitimacy of a firm is determined by the objectives, methods, and processes involved in conducting the firm's operations.

The aspects included in this hypothesis were derived from the literature based on stakeholders' expectations (Gabris, Golembiewski, & Ihrke, 2001; Harrison, Murray, & Cornforth, 2013; Kakabadse, Kakabadse, & Myers, 2009). Therefore, it is expected that *zakāh* administrators should exhibit the required qualities and commitment to managing *zakāh* affairs. They are also expected to perform their responsibilities in setting a clear message and objectives that are consistent with the *zakāh* objectives. In addition, they are expected to provide *zakāh* organizations with the appropriate capacities and structure which enable the proper and efficient functioning of *zakāh* management departments. Thus:

> Hypothesis 1: There is a significant positive relationship between the perceived administration of the GAZT and *zakāh* payment compliance.

2. The goals for performance measurement of *zakāh* institutions could be similar to charity organizations which include: (i) meeting the expectations and standards set by funders or donors; (ii) providing satisfactory services to stakeholders; (iii) enhancing staff performance through learning and development; and (iv) demonstrating the management accountability and transparency to stakeholders (Yang, Brennan, & Wilkinson, 2014, p. 781). Positive perceptions about the performance of charities help in building long-term trust, which is the foundation of the supportive relationship between funders and charitable organizations

(Edwards, 1999, as cited in Yang et al., 2014, p. 782). Hence, the relationship between the perceived performance of the GAZT and *zakāh* compliance can be supported by the literature on charity giving behavior, which is similar to the act of *zakāh* payment, especially when it is paid voluntarily. As discussed earlier, the literature suggests that effective performance of charity has a crucial role in maintaining donor's trust and commitment to supporting particular charity organizations (Sargeant & Lee, 2004; Yang et al., 2014). Performance assessment of charity includes economic measures and non-economic performance, such as service quality, donors' satisfaction, service users' satisfaction, program effectiveness, etc.

In addition, the relationship between the perceived performance and compliance behaviors has been addressed in the tax compliance literature, which could also have some similarities with mandatory *zakāh* collection, as the current case. The perceived performance of the tax authority is seen through the quality of services, educating taxpayers, and the treatment of taxpayers by the tax authority (Gangl et al., 2013). The findings suggest that perceived service orientation of the tax authority is positively related to tax compliance intentions. Also, the perceived trustworthiness of the tax authority mediates this relationship. Thus:

> Hypothesis 2: There is a significant positive relationship between the perceived performance of the GAZT and *zakāh* payment compliance.

3. Disclosure of information is an effective way for *zakāh* institutions to demonstrate their transparency and accountability to *zakāh* stakeholders and the public. This influence of transparency and disclosure on *zakāh* payment compliance can be supported by the OLT theory, the Islamic accountability principle, and the findings from relevant literature. The OLT relates the legitimacy of a firm or authority, which is established based on its alignment with the sets of beliefs and values of the society. Thus, *zakāh* institutions are required to demonstrate this alignment by following the example set by the early administration of *zakāh*. The demonstration of legitimacy should be evident through transparent management and adequate disclosure of information that prove adherence to *zakāh* rules. Also, accountability requires following sufficient disclosure practices that provide a flow of information. *Zakāh* payers need to be assured that

the *zakāh* fund is handled properly and delivered to the rightful beneficiaries. Negative perception about the transparency and disclosure practices could trigger a trust issue and discourage *zakāh* payment compliance through the official channels.

The influence of transparency on compliance has also been addressed in the tax compliance literature. The transparency of tax authority in providing information accessibility regarding tax revenues and processes is found to have a positive influence on taxpayers' trust and tax compliance (Devos & Zackrisson, 2015). Although the transparency of *zakāh* institutions has been addressed in the literature, there has not yet been any empirical finding to support the assumed relationship in the context of *zakāh* compliance. However, Mustafa et al. (2013) have examined the influence of disclosure practices of *zakāh* institutions on *zakāh* payers' trust. The findings suggest reasonable support for the hypothesized relationship. Thus:

> Hypothesis 3: There is a significant positive relationship between the perceived transparency and disclosure of the GAZT and *zakāh* payment compliance.

4. The literature suggests that procedural fairness is associated with the legitimacy of the authority. Fairness is perceived through the procedures and processes followed when power is exercised, and decisions are made. Positively perceived fairness would likely encourage cooperative behaviors and acceptance of the decisions made. On the other hand, a negative perception may lead to alienation, resistance, and non-cooperative behaviors (Sunshine & Tyler, 2003. pp. 535-536). The influence of the procedural fairness on compliance can be supported by the literature. For example, studies investigating the relationship between the procedural fairness of the police (Jackson et al., 2012) and tax authority (Murphy, 2005) and compliance behaviors have associated between the perceived legitimacy, the perceived procedural fairness, and compliance behaviors.

However, the term procedural fairness has limited recognition in *zakāh* compliance literature. The absence of the term "procedural fairness" can be attributed to the lack of or ineffective regulations of *zakāh*, which is perceived as a voluntary payment in most Muslim countries. Nonetheless, it can be

assumed that the perceived fairness of the process concerning *zakāh* collection and distribution has a significant influence on *zakāh* payers' compliance, particularly when it is imposed by the state. Thus:

> Hypothesis 4: There is a significant positive relationship between the perceived procedural fairness of the GAZT and *zakāh* payment compliance.

5. The significance of trust in the non-profit and charity sector is evident. Trust lies at the heart of charity and defines the credibility of charitable organizations. Trust has a crucial role in stimulating support and funding from the public and potential donors (Sargeant & Lee, 2004, p. 614). Notably, formal *zakāh* institutions also share significant attributes with the charity sector regarding their dependence on trust and support of *zakāh* payers. Thus, *zakāh* payers' trust towards the administration of *zakāh* is imperative to encourage greater *zakāh* compliance which enables them to pursue the achievement of *zakāh* objectives in their societies.

Several studies have found a significant relationship between trust and compliance behaviors in various contexts (Marien & Hooghe, 2011; Murphy, 2004; Wahl, Kastlunger, & Kirchler, 2010). Although a few studies have suggested the influence of trust on *zakāh* compliance behaviors, there is yet little empirical evidence to support this relationship. Nonetheless, the discussion of the underpinning theories and relevant literature provides reasonable support to the fifth hypothesis.

> Hypothesis 5: There is a significant positive relationship between *zakāh* payers' trust and *zakāh* payment compliance.

6. The mediating effect of trust can be also supported by the OLT theory and relevant literature. The link between trust and the four factors identified in the ZGCR model has been addressed within various contexts of literature. For example, Yang et al. (2014, p. 783) investigated the features through which charity organizations are regarded as trustworthy. Among the features found were making positive changes or values; being well-managed; having a good reputation and image; being transparent; and providing good quality services to stakeholders. Evidently, these features are similar to the factors developed in the ZGCR model, which are: the perceived administration, the

perceived performance, the perceived transparency and disclosure practices, and the perceived procedural fairness.

Moreover, the administration factor reflects the perceived competence of the organization and its leadership which was found as an antecedent of *zakāh* payers' trust (Mustafa et al., 2013, p. 16). The competence of the trustee refers to having the required skills, abilities, and knowledge for performing the duty entrusted. Regarding the second factor "the perceived performance", the literature suggests that effective performance, particularly in charity, helps in building long-term trust and encourages commitment and support from funders (Luhmann, 1979, as cited in Yang et al., 2014, p. 783). Also, the literature suggests that transparency and disclosure practices are paramount to stimulate trust (Rawlins, 2008, p. 16). Lastly, trust has also been associated with procedural fairness in several studies. These studies suggest an association between the perceived procedural fairness of authority, trust, and compliance behaviors (Grimes, 2006; Hough, Jackson, & Bradford, 2013; Murphy, 2005).

Therefore, it can be assumed that trust mediates the relationships between the perceived governance of the *zakāh* authority, represented by the four factors, and *zakāh* payment compliance. *Zakāh* payers are likely to evaluate the quality of governance based on their experience. A positive or negative experience concerning the four factors can either improve or impair their trust, which consequently affects their *zakāh* payment compliance. Thus:

> Hypothesis 6: Trust mediates the relationship between the perceived administration of the GAZT and *zakāh* payment compliance.

> Hypothesis 7: Trust mediates the relationship between the perceived performance of the GAZT and *zakāh* payment compliance.

> Hypothesis 8: Trust mediates the relationship between the perceived transparency and disclosure of the GAZT and *zakāh* payment compliance.

> Hypothesis 9: Trust mediates the relationship between the perceived procedural fairness of the GAZT and *zakāh* payment compliance.

6. Research Methodology

This study has employed a quantitative approach using cross-sectional survey questionnaire to collect the data from the study sample. The targeted population consisted of *zakāh* payers who are liable to pay their *zakāh* to the official *zakāh* authority in Saudi Arabia, the GAZT. The total number of the population who are subject to mandatory business *zakāh* payment reached 678,565 establishments in 2017 as per the GAZT website (https://bit.ly/2IeV6iT). However, due to the difficulties of reaching *zakāh* payers across vast geographical areas, the study employed the purposive convenience sampling to select the al-Madinah region from all Saudi Arabia administrative regions. The selection of al-Madinah was based on the accessibility of *zakāh* payers' contacts through the al-Madinah Chamber of Commerce and Industry (MCCI) database. Besides, al-Madinah has a large number of businesses, reaching more than 37,177, which include various sectors and industries, such as *ḥajj* (Islamic pilgrimage) and *ʿumrah* services industry, construction, private education, farming, real estates, etc. (MCCI, 2017, p. 28). Accordingly, the study questionnaire was distributed online through an SMS invitation sent randomly to the phone numbers of 2,000 business owners.

Instrument development: The development of the quantitative instrument was derived from prior studies and, in large part, from the data collected qualitatively at a previous stage (see Sawmar & Mohammed, 2019). The developed instrument was validated through a panel of judges (two experts in the research area). Also, a pilot study was performed to test the instrument's reliability and its clarity to the study respondents. The content of the developed questionnaire is shown in Table 1.
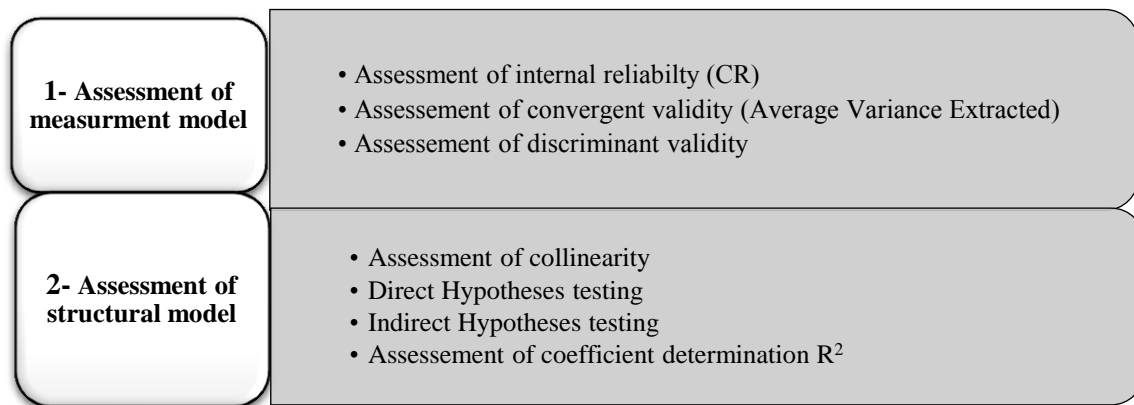
Table (1) The Developed Questionnaire Items

Research variables	Measurements
1- Perceived administration	1- I am satisfied with the GAZT mission and objectives regarding the management and collection of *zakāh*. 2- I think that the GAZT mission and objectives regarding the management of *zakāh* collection are clear and consistent with the Sharīʿah objectives of *zakāh*. 3- I think that the administration of the GAZT has adequate attention and awareness about *zakāh* objectives and the role entrusted to it to achieve. 4- I think that the GAZT administration is performing its supposed role to ensure that *zakāh* funds reach its beneficiaries. 5- I think that the GAZT has the capacity and competence to manage the collection of *zakāh* in accordance with *zakāh* rulings in Sharīʿah.
2- Perceived performance	1- I think that the GAZT plays an adequate role in raising public awareness and educating *zakāh* payers of the rules followed in the collection of *zakāh*. 2- I think that the GAZT staff in charge of *zakāh* collection process are qualified and sufficiently trained. 3- I think that the GAZT employs the technology well in its communication with the *zakāh* payers and in facilitating the payment of *zakāh*. 4- I think that the GAZT is keen to serve *zakāh* payers and respond to their inquiries quickly and efficiently. 5- I am satisfied with the speed and efficiency with which *zakāh* assessment procedures are carried out by the GAZT.
3- Perceived transparency & disclosure	1- I think that the GAZT is transparent in implementing *zakāh* calculation, collection, and litigation procedures. 2- I find it easy to know my rights and obligations as a *zakāh* payer based on the regulations and procedures implemented by the GAZT. 3- I think that the GAZT discloses the amount of *zakāh* income collected from *zakāh* payers in sufficient details. 4- I think that the procedures followed in the distribution of *zakāh* amounts, collected by the GAZT, are transparent and clear. 5- I think that the GAZT provides useful and credible information about *zakāh* revenue in its reports and publications.
4- Perceived procedural fairness	1- I think that *zakāh* is collected fairly by the GAZT from all obliged *zakāh* payers based on *zakāh* rulings in Sharīʿah. 2- I think that *zakāh* assessment procedures are carried out by the GAZT staff fairly and appropriately. 3- I think that the procedures followed by the GAZT to ensure *zakāh* collection (such as the penalties and suspension of governmental services) are fair and appropriate. 4- I think that the procedures followed in the distribution process of the collected *zakāh* by the GAZT are fair and appropriate. 5- I think that all *zakāh* payers, subject to *zakāh* collection regulations, receive the same treatment fairly by the GAZT staff.
5- *Zakāh* payers' trust	1- I pay *zakāh* on my business to the GAZT because I trust its administration's credibility and efficiency in managing *zakāh* affairs. 2- I pay *zakāh* on my business to the GAZT because I trust its efficiency and effectiveness in collecting *zakāh*. 3- I pay *zakāh* on my business to the GAZT because I trust its transparency in the operations related to managing *zakāh* affairs. 4- I pay *zakāh* on my business to the GAZT because I trust its credibility in disclosing information about *zakāh* funds. 5- I pay the *zakāh* on my business to the GAZT because I trust its fairness in implementing *zakāh* regulations and procedures on all *zakāh* payers.
6- *Zakāh* Payment compliance	1- I provide my business information and submit the *zakāh* statement to the GAZT at the due time. 2- I provide correct and verifiable information on the *zakāh* statement of my business. 3- I pay the *zakāh* on my business at the due time to the GAZT *zakāh* account. 4- I pay the true and full amount of *zakāh* on my business to the GAZT *zakāh* account.

Source: Prepared by authors.

Data Analysis: The data analysis process was done using SPSS (24) software to provide descriptive statistics concerning the demographic information, data distribution, normality tests, and Exploratory Factor Analysis (EFA). Subsequently, the Partial Least Squares-Structural Equation Modeling (PLS-SEM), also called PLS path modelling, was employed in testing the study hypotheses. The PLS-SEM was employed due to several reasons. First, the developed research model is relatively complex and contains multiple independent, mediating, and dependent variables. Second, the research model consists of latent variables that are measured indirectly through several indicators. The PLS technique involves two steps, as suggested by Hair, Hult, Ringle, and Sarstedt (2014), which are: the assessment of the measurement model, and then the assessment of the structural model. Figure 3 displays the procedures followed in those two processes.

Figure (3) Data Analysis Procedures Using PLS-SEM

1- Assessment of measurment model	• Assessment of internal reliabilty (CR) • Assessement of convergent validity (Average Variance Extracted) • Assessement of discriminant validity
2- Assessment of structural model	• Assessment of collinearity • Direct Hypotheses testing • Indirect Hypotheses testing • Assessement of coefficient determination R^2

Source: Prepared by authors.

7. Results

Descriptive statistics: Out of the 2,000 questionnaire invitations that were sent to respondents via SMS, only 157 answered questionnaires were received, from which only 125 were usable. Nevertheless, the collected sample size was considered sufficient to perform the statistical analysis using PLS-SEM, which accommodates a small sample size (Hair et al., 2014, p. 16). The demographic statistics included information about the respondents' gender, age, educational qualifications, and type of business liable to *zakāh*, size and age of business establishment. Table 2 shows the demographic information of the respondents.

As can be seen from table 2, the demographic profile of the respondents shows that there was a sufficient variation within the collected sample representing different age groups, educational qualifi-cations, industries, and business sizes. However, the female representation seems low which reflects the official statistics of business ownership in KSA, where female ownership is significantly lower than male ownership, representing around 20% of the total business owners (https://bit.ly/3nYNhNe).

Table 3 shows how the respondents answered the study's constructs, which reports on the means, standard deviations, and minimum and maximum values for the constructs of this study. In general, the views on each construct were mixed, though most of the responses were slightly leaning towards a positive view. Besides, the standard deviation for the research constructs was small, which shows that there was no significant variation of opinions among respondents.

Table (2) Demographic Profile of the Respondents

Variables	Groups	Number of cases	Percentage
Gender	Male	110	88.0
	Female	15	12.0
	Total	125	100.0
Age	18-29	15	12.0
	30-44	52	41.6
	45-59	41	32.8
	60-above	17	13.6
	Total	125	100.0
Educational Qualification	High school or lower	19	15.2
	Diploma	9	7.2
	Bachelor	69	55.2
	Master	19	15.2
	PhD	9	7.2
	Total	125	100.0
Business Types	Trade and retail	39	31.2
	Service	33	26.4
	Industrial	9	7.2
	Construction	17	13.6
	Others	27	21.6
	Total	125	100.0
Business Size	Small size	83	66.4
	Med size	30	24.0
	Large size	12	9.6
	Total	125	100.0
Age of Business Establishment	1-5	54	43.2
	6-10	39	31.2
	11-20	14	11.2
	21-above	18	14.4
	Total	125	100.0

Source: Prepared by authors.

Table (3) Respondents Overall Responses to the Constructs

Constructs	N	Minimum	Maximum	Mean	Std. Deviation
Perceived administration	125	1	5	3.829	0.647
Procedural fairness	125	1	5	3.762	0.579
Perceived performance	125	1	5	3.800	0.616
Transparency & disclosure	125	1	5	3.898	0.693
Trust	125	1	5	3.862	0.793
Zakat payment compliance	125	1	5	3.780	0.748

Source: Authors' computations.

Also, the normality distribution was assessed using two statistical measures, i.e., skewness and kurtosis. The skewness assesses the extent to which the variable distribution is symmetrical, while the kurtosis indicates whether the distribution is too peaked (Hair et al., 2014, p. 54). The results of the normality test using skewness and kurtosis indicated that the values of skewness and kurtosis for all variables fall within the acceptable range of normality -2 to +2.

7.1 Assessment of the Measurement Model

The reliability of the developed instrument was established by testing the consistency of the measurement model, which was done using the following criteria: (i) Internal reliability (IR): which is achieved when the value of the Cronbach's Alpha is ≥ 0.7. (ii) Composite reliability (CR): which accounts for the difference in the outer loadings of the indicator variables. The required value for achieving composite reliability should be > 0.7 for a construct (Hair et al., 2014, p. 107). In addition, researchers use the average variance extracted (AVE) as a common measure to establish convergent validity. It is suggested that an AVE value of 0.50 or higher is acceptable, which indicates that the construct explains more than half of the variance of its indicators (Hair, et al., 2014, p. 107).

Table 4 shows that the results of Cronbach's alpha and composite reliability were high and greater than 0.8. Also, it shows the result of the convergent validity via AVE, which indicates that all AVE values were higher than 0.50. Therefore, the reliability and convergent validity of all constructs were fulfilled.

In addition, the factor loadings of all indicators should be statistically significant. It is suggested that values greater than 0.70 are considered to be significant (Hair et al., 2014, p. 44). Accordingly, the results

showed that the loadings for all the items fulfilled this requirement and exceeded the recommended value of 0.70, as shown in Appendix A.

Lastly, the discriminant validity was established using two measures, which are the cross-loadings and Fornell-Larcker criterion. The cross-loading assessment fulfilled this requirement as all indicators' outer loadings on a construct were higher than their cross-loadings with other constructs. The Fornell-Larcker criterion compares the square root of the AVE values with the latent variable correlations, which should be greater than its highest correlation with other constructs (Hair et al., 2014, p. 107). Accordingly, the result indicates that the square root of the AVEs on the diagonals were higher than the correlations between constructs, which suggests good discriminant validity (Hair et al., 2014, p. 107). Also, the correlation between exogenous constructs are less than 0.8. Thus, the discriminant validity of all constructs was fulfilled. Figure 4 shows the PLS algorithm results (regression weights) for the full ZGCR model, including the coefficient of determination R^2, which refers to the explanatory power of the endogenous constructs. The PLS algorithm was drawn on the version PLS 3.0.

Table (4) Results of IR, CR, and AVE

Construct	Code	Cronbach's Alpha	Composite Reliability	AVE
Perceived Administration	PA	0.865	0.9	0.643
Perceived procedural Fairness	PF	0.774	0.847	0.593
Perceived Performance	PP	0.822	0.882	0.651
Perceived transparency & disclosure	TD	0.869	0.905	0.717
Trust	T	0.901	0.927	0.657
Zakāh Compliance	ZC	0.857	0.903	0.721

Source: Authors' computation.

Figure (4) PLS Algorithm Results (regression weights)
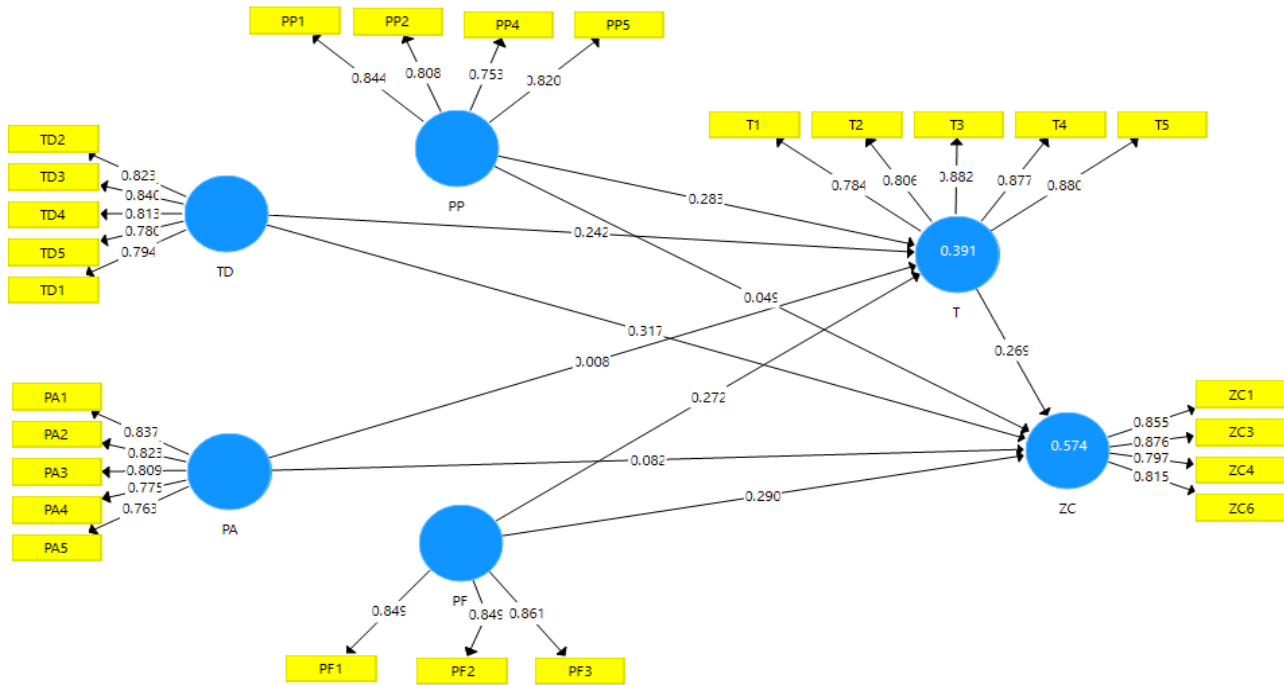
Source: Constructed by authors.

7.2 Assessment of the Structural Model

The structural model specifies the relationship between the constructs in the research model and evaluates the path model (Chin, 2010, p. 670). The assessment of the structural model was made by testing the coefficient beta (β), which represents the relationship's strength amongst the constructs in the research model. The path coefficient value close to +1 represents a strong positive relationship between the endogenous and exogenous constructs (Hair et al., 2014, p. 80). Other tests include the coefficient of determination (R^2) and the bootstrapping procedure (t-value and p-value). In bootstrapping, a large subsample is generated by the PLS software from the original sample (Hair et al., 2014, p. 130). The sample was drawn with the replacement of 1000 samples.

The results of the structural model, shown in table 5, indicated that three of the direct hypotheses' relationships were accepted, which are H3 (β= 0.317, t=4.297, p <0.001), H4 (β= 0.297, t=4.041, p <0.001), and H5 (β= 0.269, t=3.135, p <0.05). The findings suggested that there are significant relationships between the perceived transparency and disclosure of the *zakāh* authority GAZT and *zakāh* payment compliance (H3), the perceived procedural fairness and

zakāh payment compliance (H4), and *zakāh* payers' trust towards the GAZT and *zakāh* payment compliance (H5). However, two hypotheses were rejected, which concern the relationship between the perceived administration of the *zakāh* authority and *zakāh* compliance (H1), and between the perceived performance and *zakāh* compliance (H2).

With regard to the mediating effect of the trust, the findings indicated that trust has a mediating effect on the relationship between the perceived performance of the GAZT and *zakāh* payment compliance (β = 0.076, t = 2.174, p < 0.05), which provides evidence to support H7. Moreover, trust was also found to have a mediating effect on the relationship between the perceived transparency and disclosure of the GAZT and *zakāh* payment compliance (β = 0.071, t=1.987, p < 0.05), which supports H8. Likewise, trust was found to mediate the relationship between the perceived procedural fairness and *zakāh* payers' compliance (β = 0.073, t = 2.146, p < 0.05), which supports H9. However, H6 regarding the mediating effect of trust between the perceived administration of the GAZT and *zakāh* payment compliance was rejected based on the test results.

Table (5) Hypotheses Testing Results

Hypo	Relationship	Std Beta β	T-Values	P-Values	Decision
H1	PA → ZC	0.082	1.287	0.198	Not Supported
H2	PP → ZC	0.049	0.694	0.488	Not Supported
H3	TD → ZC	0.317	4.297	0.000	Supported
H4	PF → ZC	0.297	4.041	0.000	Supported
H5	T → ZC	0.269	3.135	0.002	Supported
H6	PA -> T -> ZC	0.002	0.088	0.93	Not Supported
H7	PP -> T -> ZC	0.076	2.174	0.03	Supported
H8	TD -> T -> ZC	0.071	1. 987	0.049	Supported
H9	PF -> T -> ZC	0.073	2.146	0.032	Supported

Key: PA: perceived administration; PP: perceived performance; TD: transparency & disclosure; PF: procedural fairness; T: trust, ZC: *zakāh* compliance.

Source: Authors' computations.

8. Discussion

The results suggest that three direct hypotheses showed significant positive relationships with *zakāh* payment compliance. Also, three out of the four indirect hypotheses suggested a significant mediating effect of the trust between the perceived governance of the *zakāh* authority and *zakāh* payment compliance.

The perceived administration of the zakāh authority: Although the result indicated insignificant relationship with *zakāh* compliance, the researchers suggest that this construct should be further investigated and refined in future studies. The lack of statistical support is justified by the lack of familiarity among the respondents with the new identity, leadership, and organizational changes within the GAZT, which has recently transformed from a sub-department under the finance ministry into an independent authority with a newly established board of directors.

Besides, the impact of such changes may still be unclear to the respondents, particularly with regard to the responsibilities and functions of the recently established board and the Sharīʿah committee within the GAZT structure. Moreover, the negative result can be explained by a common negative perception towards the GAZT's role in relation to *zakāh*, which is likely caused by its association with tax collection beside *zakāh* collection (Sawmar & Mustafa, 2019, p. 30). Such a role can be perceived negatively as to maximizing the collected revenue rather than managing *zakāh* in a way that achieves its noble objectives. Nevertheless, it could be said that *zakāh* payment compliance can be enhanced by conveying a positive perception towards *zakāh* administrators by having reputable and competent board members who represent *zakāh* stakeholders. Also, *zakāh* administrators should reflect the message and objectives of *zakāh* in order to maintain the legitimacy established by the early institution of *zakāh*.

The perceived performance of the zakāh authority: The result of testing the second hypothesis also showed an insignificant relationship with *zakāh* payment compliance. This result can be justified by the lack of transparency and disclosure of information about the collection and distribution processes, which would affect how the public perceived the quality of the GAZT performance (Sawmar & Mustafa, 2019, p. 25). In addition, the legal arrangement regarding the separation between *zakāh* collection and distribution functions limits *zakāh* payers from observing and evaluating how *zakāh* is being managed.

The perceived transparency and disclosure: The result suggested that the perceived transparency and disclosure of the GAZT had a significant positive relationship with *zakāh* payment compliance. Although the discussion of this relationship in *zakāh* literature has been limited, this result is somewhat in line with previous findings of Devos and Zackrisson (2015), which suggested a positive relationship between the perceived transparency of the tax authority and tax compliance. However, the findings of Mustafa et al. (2013) suggested a weak relationship between the disclosure practices of *zakāh* institutions and *zakāh* payers' trust.

Moreover, this result provides evidence of the relevance of the OLT theory and the Islamic accountability principle to the current context. Thus, the legitimacy and accountability of *zakāh* authority are highly associated with the perceived transparency and disclosure practices, which is explained by its influence on *zakāh* payment compliance. Therefore, the evidence suggests that improving *zakāh* payment compliance requires improving *zakāh* institution's transparency, which necessitates sufficient disclosure of information to the public.

The perceived procedural fairness: The result suggested a significant positive relationship between the perceived procedural fairness of the GAZT and *zakāh* payment compliance. This result is in line with Hamdan's study (2016) which suggested that perceived fairness has a significant positive effect on *zakāh* compliance intention in the Saudi context. Also, the result is similar to findings of studies from tax compliance literature suggesting that perceived procedural fairness had a positive relationship with tax compliance behaviors (Hough et al., 2013; Murphy, 2005). Moreover, this result demonstrates the relevance of the OLT theory, which is in line with the arguments made in prior studies addressing the link between legitimacy, procedural fairness, and compliance behaviors (Hough et al., 2013; Murphy, 2005). Thus, it can be argued that the legitimacy of *zakāh* authority is highly associated with the perceived fairness of the procedures and rules followed during the management of *zakāh* affairs, which is explained by its influence on *zakāh* payment compliance.

Trust: This construct referred to *zakāh* payers' trust towards the perceived governance quality of the *zakāh* authority, GAZT. The result suggested that trust had a significant positive relationship with *zakāh* payment compliance. This finding is in line with previous studies suggesting a positive relationship between trust and compliance behaviors, including areas of policing and law-abiding behaviors (Braithwaite & Makkai, 1994; Hough et al., 2013), and tax compliance behaviors (Faizal, Palil, Maelah, & Ramli, 2017; Murphy, 2004; Wahl et al., 2010). However, there has been a dearth of studies that empirically examined the influence of trust on *zakāh* compliance behaviors. Although trust has been proposed as a dependent and a mediating variable in *zakāh* compliance literature, no significant finding has been reported

yet. However, this result regarding the significant relationship between trust and *zakāh* payment compliance contradicted the result of Ahmad et al. (2011), which suggested an insignificant relationship with trust. Thus, this finding provides empirical evidence, regarding the significant role of trust in encouraging *zakāh* payers' compliance by adopting good governance practices.

The mediating effect of trust: The results suggested that three hypotheses out of the four were supported. Specifically, except for the perceived administration construct, it was found that trust had a significant mediating effect on the relationship between the perceived performance, the perceived transparency and disclosure, and the perceived procedural fairness of the *zakāh* authority, GAZT, and *zakāh* payment compliance. The findings from the mediating hypotheses are in line with previous studies suggesting an association between perceived legitimacy, trust, and compliance behaviors (Jackson et al., 2012; Marien & Hooghe, 2011; Murphy, 2005). Although there has been limited literature examining the role of trust as a mediating variable, the findings are in line with previous findings suggesting associations between trust and the constructs investigated in this study. For example, Yang et al.'s (2014) findings suggested that effective performance of charitable organizations is a significant factor for acquiring public trust and encourages donors' commitment. Moreover, prior studies have suggested an association between perceived transparency and trust (Rawlins, 2008; Siahaan, 2013; Yousaf, Ihsan, & Ellahi, 2015). Lastly, several studies have found positive relationships between the perceived fairness of authority, trust, and compliance behaviors (Grimes, 2006; Hough et al., 2013; Murphy, 2005). In the context of *zakāh* institutions, Mustafa et al.'s, study (2013) also found that the perceived board capital, disclosure practices, and stakeholder management practices are antecedents of *zakāh* payers' trust.

Accordingly, the results of the mediating hypotheses provide empirical evidence that trust has a significant mediating effect on the relationship between the perceived governance quality of the *zakāh* authority and *zakāh* payment compliance. Hence, improving *zakāh* compliance requires *zakāh* administrators to bridge the trust gap by embracing good governance practices, particularly through these four factors

mentioned above. The higher the *zakāh* payers' trust towards *zakāh* institutions, the higher they compliance with *zakāh* rules imposed by the *zakāh* authority.

8.1 Implications of the Study

This study expands the discussion on *zakāh* compliance behaviors by examining the influence of governance practices of *zakāh* institutions. Although this study was conducted in a specific context that imposes a mandatory payment of *zakāh* through a unique legal arrangement, the findings provide interesting insights that benefit both theory and practices.

The findings of this study provide insights to policymakers and *zakāh* administrators on how to improve *zakāh* compliance through good governance. Thus, *zakāh* authorities, especially the GAZT, should make efforts to improve the public perceptions towards their governance practices, especially in relation to the four factors, namely the administration, the performance, the transparency and disclosure, and the procedural fairness. Therefore, it is crucial that *zakāh* administrators address issues that could undermine the perceived legitimacy of *zakāh* organizations. With regard to the Saudi context, it is recommended to address such issues by directing more efforts towards improving perceived administration of *zakāh*. For example, it should be considered to separate the *zakāh* administration from tax collection authority, which allows more independence and enables aligning its objectives with the objectives of *zakāh*. Additionally, having a Sharīʿah department or committee with a supervisory role will have a positive influence by reinforcing public trust towards the credibility and competence of *zakāh* administration.

Moreover, *zakāh* payers' compliance can be optimized by improving the perceived performance regarding the efficiency of the collection and distribution processes, the effectiveness of communication, and service quality. Thus, it is recommended that *zakāh* administrations improve the public awareness towards their roles in maintaining the prosperity and wellbeing of their societies. However, this awareness necessitates high transparency and sufficient disclosure of information about the collection and distribution processes, which is lacking in the GAZT context.

Lastly, based on the findings regarding the mediating effect of trust, it could be said that low *zakāh* compliance is likely due to the lack of *zakāh* payers' trust towards the *zakāh* authority. Thus, to improve *zakāh* payment compliance, there is a need to recognize the vital role of trust. Hence, more efforts should be directed towards boosting the trust of the public and *zakāh* payers by adopting good governance practices.

9. Conclusion

Acknowledging the crucial role that *zakāh* institutions play in achieving the noble objectives of *zakāh*, this study attempted to expand the discussion by examining the role of governance in influencing *zakāh* payment compliance in the Saudi context. A quantitative approach was adopted to examine the developed hypotheses by surveying the views of *zakāh* payers subject to mandatory *zakāh* collection according to the Saudi *zakāh* laws. The findings suggested that the perceived transparency and disclosure and the perceived procedural fairness had significant positive relationships with *zakāh* payment compliance. In addition, trust was found to have a mediating effect on the relationship between the perceived governance of the GAZT and *zakāh* payment compliance. Overall, the findings of this study contribute to the *zakāh* literature by expanding the discussion on improving *zakāh* institutions' effectiveness. It also provides practical suggestions to *zakāh* administrators, especially in the Saudi context.

References

Abd. Wahab, N., & **Abdul Rahman, A.R.** (2011). A framework to analyse the efficiency and governance of zakat institutions. *Journal of Islamic Accounting and Business Research*, *2*(1), 43-62.

Abdul Rahman, A.R. (2010). *An introduction to Islamic accounting: Theory and practice*. Kuala Lumpur, Malaysia: CERT publications.

Abdullah, A.A. (1995). Zakatable funds of the state and modes of their collection. In A.A.F. el-Ashker & M. Sirajul Haq (Eds.), *Institutional framework of zakah: Dimensions and implications* (pp. 119-148). Jeddah, KSA: Islamic Research and Training Institute (IRTI).

Adnan, N.S., Kamaluddi, A., & **Kasim, N.** (2013). Intellectual capital in religious organisations: Malaysian zakat institutions perspective. *Middle-East Journal of Scientific Research*, *16*(3), 368-377.

Ahmad, S., Nor, N.G.M., & **Daud, Z.** (2011). Tax-based modeling of zakat compliance. *Jurnal Ekonomi Malaysia*, *45*, 101-108.

Asiri, A.B.A., & **Yamani, A.B.Q.** (2017). Ahammu al-bunood allaty tuthiru al-khilaf bayn al-hay'ah al-'aammah li al-zakah wa al-dakhl wa al-mukallafeen al-zakawiyeen wa asbabiha wa turuqu 'ilajiha [Some important elements of the alms (*zakāh*) base which raise dispute between the *zakāh* and income tax departments (ZITD) and the *zakāh* payers in the kingdom of Saudi Arabia, and the causes of this dispute and some suggested ways to eliminate or minimize it]. *Majallah Kulliyah Al-tijaarah Lil Buhuth Al-'ilmiyyah*, *54*(1), 297-345.

Braithwaite, J., & **Makkai, T.** (1994). Trust and compliance. *Policing and Society*, *4*(1), 1-12.

Chin, W.W. (2010). How to write up and report PLS analyses. In V.E. Vinzi, W.W. Chin, J. Henseler, & H. Wang (Eds.), *Handbook of partial least squares: Concepts, methods and applications* (pp. 655-690). Berlin, Germany: Springer-Verlag.

Devos, K., & **Zackrisson, M.** (2015). Tax compliance and the public disclosure of tax information: An Australia/Norway comparison. *eJournal of Tax Research*, *13*(1), 108-129.

Fadilah, S. (2013). The influence of good governance implementation to organization performance: Analysis of factors affecting (Study on institution Amil Zakat Indonesia). *The International Journal of Social Sciences*, *7*(1), 15-33.

Faizal, S.M., Palil, M.R., Maelah, R., & **Ramli, R.** (2017). Perception on justice, trust and tax compliance behavior in Malaysia. *Kasetsart Journal of Social Sciences*, *38*(3), 226-232.

Farhan, M.A.M. (2008). *Mu'asasaat al-zakah wa taqyeem dawriha al-iqtisadi: Diraasah tatbiqiyyah* [*Zakāh* institutions and the assessment of their economic role: An empirical study] (Unpublished Doctoral dissertation). Yarmouk University, Jordan. Retrieved from: https://bit.ly/35WC6xl

Gabris, G.T., Golembiewski, R.T., & **Ihrke, D.M.** (2001). Leadership credibility, board relations, and administrative innovation at the local government level. *Journal of Public Administration Research and Theory*, *11*(1), 89-108.

Gangl, K., Muehlbacher, S., de Groot, M., Goslinga, S., Hofmann, E., Kogler, C., … Kirchler, E. (2013). "How can I help you?" Perceived service orientation of tax authorities and tax compliance. *Public Finance Analysis*, *69*(4), 487-510.

General Authority for Statistics [GASTAT]. (2018). GASTAT: Releases Internal trade survey's results Q3-2018. Retrieved from: https://bit.ly/3k5dDem

Ghazali, M.Z., Saad, R.A.J., & **Abdul Wahab, M.S.** (2016). A conceptual framework for examining trust towards zakat institution. *International Journal of Economics and Financial Issues*, *6*(S7), 98-102.

Grimes, M. (2006). Organizing consent: The role of procedural fairness in political trust and compliance. *European Journal of Political Research*, *45*(2), 285-315.

Guermat, C., al-Utaibi, A.T., & **Tucker, J.P.** (2003). *The practice of zakat: An empirical examination of four gulf countries* (University of Exeter Economics Department Discussion Paper No. 03/02). Retrieved from: https://bit.ly/3egMxzw

Hair, J.F., Hult, G.T.M., Ringle, C.M., & **Sarstedt, M.** (2014). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Los Angeles, USA: SAGE Publications.

Hamdan, A.M. (2016). *Factor influencing zakah on business compliance behavior among sole proprietors in Saudi Arabia* (Unpublished Doctoral dissertation). University Utara Malaysia. Retrieved from: https://bit.ly/38hSNGm

Harrison, Y., Murray, V., & Cornforth, C. (2013). Perceptions of board chair leadership effectiveness in nonprofit and voluntary sector organizations. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 24(3), 688-712.

Hasanuzzaman, S.M. (1991). *Economic functions of an Islamic state (The early experience)*. Markfield, UK: The Islamic Foundation.

Hough, M., Jackson, J., & Bradford, B. (2013). Legitimacy, trust and compliance: An empirical test of procedural justice theory using the European social survey. In J. Tankebe & A. Liebling (Eds.), *Legitimacy and Criminal Justice: An International Exploration* (pp. 326-352). Oxford, UK: Oxford University Press.

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(30A), 288-294.

International Federation of Accountants [IFAC], & Chartered Institute of Public Finance and Accountancy [CIPFA]. (2014). *International framework: Good governance in the public sector*. Retrieved from: https://bit.ly/3epTmz4

Jackson, J., Bradford, B., Hough, M., Myhill, A., Quinton, P., & Tyler, T.R. (2012). Why do people comply with law? Legitimacy and the influence of legal institutions. *The British Journal of Criminology*, 52(6), 1051-1071.

Kakabadse, A., Kakabadse, N., & Myers, A. (2009). *Boards, governance and leadership of the third sector: Scotland study* (ACOSVO – The Association of Chief Officers of Scottish Voluntary Organisations & Cranfield University Report). Retrieved from: https://bit.ly/3mP1LyI

Khamis, M.R.B., Salleh, A.M., & Nawi, A.S. (2011). *Compliance behavior of business zakat payment in Malaysia: A theoretical economic exposition*. Paper presented at the 8th International Conference on Islamic Economics and Finance, Doha, Qatar. Retrieved from: https://bit.ly/35X4G1v

al-Madinah Chamber of Commerce and Industry [MCCI]. (2017). *Al-taqreer al-sanawai 2017* [Annual Report 2017]. al-Madinah al-Munawwarah, KSA: Author. Retrieved from: https://bit.ly/3p3ehNc

Marien, S., & Hooghe, M. (2011). Does political trust matter? An empirical investigation into the relation between political trust and support for law compliance. *European Journal of Political Research*, 50(2), 267-291.

Muhammad, I. (2016). Factors that influence business *zakāh* compliance among small and medium entrepreneurs. *Journal of Muamalat and Islamic Finance Research*, 13(1), 97-110.

Murphy, K. (2004). The role of trust in nurturing compliance: A study of accused tax avoiders. *Law and Human Behavior*, 28(2), 187-209.

Murphy, K. (2005). Regulating more effectively: The relationship between procedural justice, legitimacy, and tax non-compliance. *Journal of Law and Society*, 32(4), 562-589.

Mustafa, M.O.A., Mohamad, M.H.S., & Adnan, M.A. (2013). Antecedents of zakat payers' trust in an emerging zakat sector: An exploratory study. *Journal of Islamic Accounting and Business Research*, 4(1), 4-25.

Noor, A.H.M., Abdul Rasool, M.S., Abdul Rahman, R., Yusof, R.M., & Ali, S.M. (2012). Assessing performance of nonprofit organization: A framework for zakat institutions. *British Journal of Economics, Finance and Management Sciences*, 5(1), 12-22.

al-Omar, F.A. (1995). General, administrative, and organizational aspects. In A.A.F. el-Ashker & M. Sirajul Haq (Eds.), *Institutional framework of zakah: Dimensions and implications* (pp. 21-64). Jeddah, KSA: Islamic Research and Training Institute (IRTI).

al-Omar, F.A. (1996). *Idarat mu'assat al-zakāh fi al-mujtama'at al-mu'asirah: Dirasah tahliliyyah muqaranah ma'a bait al-zakāh fi dawlat al-Kuwait* [Management of the *zakāh* institution in contemporary societies: A comparative analytical study with the *Zakāh* House in the state of Kuwait]. Kuwait: Zatul Salasil publications.

Powell, R. (2009). Zakat: Drawing insights for legal theory and economic policy from Islamic jurisprudence. *University of Pittsburgh Tax Review*, 7(43), 43-101.

al-Qaradawi, Y. (2006). *Fiqh al-zakāh* [The jurisprudence of *zakāh*]. Beirut, Lebanon: Mu'assat al-Risalah.

Rawlins, B.L. (2008). Measuring the relationship between organizational transparency and employee trust. *Public Relations Journal*, 2(2), 1-21.

Saad, R.A.J., & Haniffa, R. (2014). Determinants of zakah (Islamic tax) compliance behavior. *Journal of Islamic Accounting and Business Research*, 5(2), 182-193.

Saad, R.A.J., Abdul Aziz, N.M., & Sawandi, N. (2014). Islamic accountability framework in the zakat funds management. *Procedia – Social and Behavioral Sciences*, 164, 508-515.

al-Saad, S.A. (2013). Al-taharrub al-zakawi fi al-mamlakah al-'arabiyyah al-Sa'udiyyah, asaleebuhu wa suwaruhu wa turuqu 'ilajihi: Diraasah maydaniyyah [*Zakāh* evasion in Saudi Arabia, its methods, forms, and the ways of dealing with it: An empirical study]. *Journal of King Abdulaziz University: Economics and Management*, *27*(2), 3-106.

Said, J., Ghani, E.K., Zawawi, S.N.H., & Yusof, S.N.S. (2012). Composite performance measurement for zakat organisations. *British Journal of Economics, Finance and Management Sciences*, *4*(1), 50-59.

Sargeant, A., & Lee, S. (2004). Trust and relationship commitment in the United Kingdom voluntary sector: Determinants of donor behavior. *Psychology and Marketing*, *21*(8), 613-635.

Sawmar, A.A., & Mohammed, M.O. (2019). Governance of formal zakat institution in Saudi Arabia: Issues and challenges to improving zakat payers' compliance. *International Journal of Zakat*, *4*(2), 23-40.

Shirazi, N.S., & Amin, M.F.B. (2006). Prospects of poverty elimination through potential zakat collection in OIC-member countries: Reappraised. *Journal of Islamic Economics, Banking and Finance*, *6*(3), 55-74.

Siahaan, F.O.P. (2013). The effect of tax transparency and trust on taxpayers' voluntary compliance. *GSTF Journal on Business Review*, *2*(3), 4-8.

Sunshine, J., & Tyler, T.R. (2003). The role of procedural justice and legitimacy in shaping public support for policing. *Law and Society Review*, *37*(3), 513-548.

Tyler, T.R. (2006). Psychological perspectives on legitimacy and legitimation. *Annual Review of Psychology*, *57*, 375-400.

Uqlah, M. (1985). *Al-tatbeeqat al-tarikhiyyah wa al-mu'asirah li farizat al-zakah* [Historical and contemporary applications of *zakāh*]. Amman, Jordan: Darul Diyaa publishers.

Wahl, I., Kastlunger, B., & Kirchler, E. (2010). Trust in authorities and power to enforce tax compliance: An empirical analysis of the "slippery slope framework". *Law and Policy*, *32*(4), 383-406.

Yang, Y., Brennan, I., & Wilkinson, M. (2014). Public trust and performance measurement in charitable organizations. *International Journal of Productivity and Performance Management*, *63*(6), 779-796.

Yousaf, M., Ihsan, F., & Ellahi, A. (2016). Exploring the impact of good governance on citizens' trust in Pakistan. *Government Information Quarterly*, *33*(1), 200-209.

Appendix (A)

Factor Loadings

Constructs	Items	Loading
Perceived Administration (PA)	PA1	0.837
	PA2	0.823
	PA3	0.809
	PA4	0.775
	PA5	0.763
Procedural Fairness (PF)	PF1	0.847
	PF2	0.848
	PF3	0.858
	PF4	Deleted
Perceived Performance (PP)	PP1	0.844
	PP2	0.808
	PP4	0.753
	PP5	0.82
Trust (T)	T1	0.783
	T2	0.806
	T3	0.882
	T4	0.878
	T5	0.88
Transparency Disclosure (TD)	TD1	0.794
	TD2	0.823
	TD3	0.843
	TD4	0.813
	TD5	0.782
***Zakāh* Compliance (ZC)**	ZC1	0.855
	ZC3	0.876
	ZC4	0.797
	ZC6	0.815

Source: Authors' computations.

Abdulsalam Ahmed Sawmar is currently a lecturer at the department of Islamic Economics, Shariah college, Islamic University of al-Madinah. He holds a PhD in Islamic Banking and Finance from the International Institute of Islamic Banking and Finance (II*i*BF), International Islamic University Malaysia (IIUM). His research interests include *zakāh* management, and governance of non-profit organizations. He obtained a Bachelor in Sharīʿah and Master's in law from the Islamic University of al-Madinah. **E-mail:** a.sawmar@iu.edu.sa

Mustafa Omar Mohammed is presently an associate Professor at the Department of Economics, International Islamic University Malaysia (IIUM). He is also the Director for the IIUM Centre of Islamic Economics, and the former Head of the Department of Economics. He has published more than 60 refereed journal articles and presented more than 90 papers, mostly at international conferences. His present research areas of interest include *waqf*, *zakāh*, Islamic microfinance and *maqāṣid al-Sharīʿah*. He has supervised more than 60 dissertations at PhD and Master levels. He is also a journal editorial member and reviewer panel to 11 academic entities. He has received several quality awards for teaching and research. He also has a long experience in translations, Arabic and English. He undertook projects for several organizations, including MIFC, IBFIM, AIBIM, IFSB – affiliates of the Central Bank of Malaysia. He offers consultancy and has conducted several trainings on Islamic economics, banking, and finance. He holds a Bachelor and master's degrees in economics from IIUM and PhD in Finance from Universiti Sains Malaysia. **E-mail:** mustafa@iium.edu.my

كيف تُؤَثر مُمَارسات الحَوْكَمة في الدفع الإلزامي للزكاة في المملكة العربية السعودية؟

عبد السلام أحمد سومر

محاضر، قسم الاقتصاد الإسلامي، الجامعة الإسلامية بالمدينة المنورة، المملكة العربية السعودية

مصطفى عمر محمد

أستاذ مشارك، كلية الاقتصاد والعلوم الإدارية، الجامعة الإسلامية العالمية، ماليزيا

المستخلص. تهدف هذه الدراسة إلى استقصاء تأثير ممارسات الحوكمة للهيئة العامة للزكاة والدخل في المملكة العربية السعودية على الامتثال لدفع الزكاة. ولتحقيق هذا الغرض استخدمت الدراسة منهجًا بحثيًا قائمًا على التحليل الكمي من خلال توزيع استبانة على دافعي الزكاة في المملكة العربية السعودية. وتم تحليل مائة وخمسة وعشرين استبانة صالحة تم جمعها من عَيِّنَات عَشْوَائية في منطقة المدينة المنورة باستخدام أداة المربعات الصغرى الجزئية (PLS) التي تمثل مقاربة مبنية على نماذج المعادلات الهيكلية (SEM). وأظهرت نتائج الدراسة أن الشفافية والإفصاح المُتوقعين، والعدالة الإجرائية المُتصورة لها علاقات مهمة وإيجابية مع الامتثال لدفع الزكاة. علاوة على ذلك وجدت الدراسة أن الثقة لها تأثير وسيط على العلاقة بين الحوكمة المأمولة لهيئة الزكاة والامتثال لدفع الزكاة. تقدم نتائج الدراسة رُؤى مُثيرة للاهتمام من شأنها أن تُفيد في الجانبين النظري والتطبيقي.

الكلمات الدَّالة: مؤسسات الزكاة، الحوكمة، الشفافية، العدالة، الامتثال الزكوي، السعودية.