

Toward Developing a Model of Stakeholder Trust in *Waqf* Institutions

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Abstract

Sustainability of Waqf institutions for poverty alleviation depends directly or indirectly on the donations received from the donors and the awareness of the society. This conceptual paper is an attempt to construct a model of stakeholder trust that could provide valuable insight on the issues that should be focused by the regulators, the mutawallis and the waqifs for ensuring a sustainability of waqf Institutions. The Modified Key Mediating Variable (MKMV) Model proposed in the paper includes a total number of eight variables. Commitment-trust theory is combined with Islamic Accountability and Stewardship theory toward shaping three conceptual models of trust into a much-needed unified model for exploring trust in the context of waqf institutions. Stakeholder trust is positioned as a mediator between independent (board benevolence, board ability, board integrity, board opportunism, communication and accountability) and the dependent variable (stakeholder commitment). Empirical results to support the model could not be provided due to the conceptual nature of the paper. The model can provide direction for reform towards sustainability of waqf institutions. The model is general enough that it can also be used for other conventional and non-profit religious organisations.

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1. Introduction

Waqf administration is receiving increasing attention from the Muslim community based on its socio-economic contribution in providing a broad range of public goods (Yaacob, 2013). *Waqf* is a charitable vehicle in Islam that can make a profound socio-economic impact. In South and South-east Asian region, *waqf* properties play a vital role in serving the educational needs of the pupils coming from low-income families. However, history provides evidence that *waqf* properties used to finance entire government operation and was an important part of the Muslim economic system (Cizakca, 1997). In time, *Waqf* has lost its strength and significance as a charitable instrument. The ability of this tool toward shaping the economy of a country cannot be ignored and thus have proven to be a viable research agenda among scholars in recent years.

Waqf comes from Arabic word “*waqf*” which means to hold still and last long. In short, *waqf* involves the transformation of personal properties into public resources. Sadeq (2002) mentioned that *waqf* assets could not be disposed of, its ownership cannot be transferred, only its benefits are to be used for charitable purposes, and it is a voluntary charity characterised by perpetuity. It has a history older than Islam and has existed in ancient Mesopotamia, Greece, Rome as well as pre-Islamic Arab societies (Sadeq, 2002: 139). The Islamic model of *waqf* flourished extensively and influenced the world as a whole. Also, Oxford University has been established by following the Islamic model of *waqf* (Cizakca, 1998: 1231-61; Gaudiosi, 1988: 11).

Prior studies on *waqf* have focused on its history (Cizakca, 1997, 1998, 2004; Kuran, 2001; White, 2006), legal (Sait and Lim, 2006) and socio-economic issues (Kahf, 1992, 1999, 2003; Sadeq, 2002). *Waqf* is often viewed as similar to a traditional charitable organisation. Studies of charitable organizations in profit sector have started exploring the need for reform in various areas to improve stakeholder trust (Brown and Moore, 2001; Connolly and Hyndman, 2013; Ebrahim, 2003; France et al., 2013; Saxton et al., 2014; Torres-Moraga, Pina, et al., 2010; Trussel and Parsons, 2007; Yetman and Yetman, 2004; Zainon et al., 2011). The fact that *Waqf* is not mentioned in Quran and the contribution itself is voluntary, as opposed to *Zakah*, the need to explore determinants of stakeholder trust in the context of *Waqf* institutions should not be ignored.

In the past century, Government efforts to confiscate *Waqf* properties to generate new sources of public revenue is witnessed. During the 19th century, the reform of *Waqf* system began with the contribution of several Muslim countries like Lebanon,

Turkey, Jordan, Sudan, Kuwait and Algeria. Modification of Islamic laws relating to *waqf* has provided greater flexibility in dealing with *waqf* assets. Cash *waqf* was included in the traditional system of *waqf* to provide the opportunity for generating resources from movable properties which were traditionally limited to the immovable properties. The details of the *waqf* laws now in place in Egypt, Morocco, Iran and Turkey, among other countries, speak volumes about the limitations of the traditional system (Kuran, 2001: 890). The failure of public provision and the traditional policy is evident in the general crisis of charitable organisations (Yang et al., 2014).

Sargeant and Lee (2004a) proposes public trust as an essential element in the success of charitable organisations as it not only provides resources, strengthens the commitment to the public, but also offers charities a higher moral tone than other sectors. The failure to maintain public trust could lead to negative consequences, including decreased donations, image damage, diminished autonomy, or even organisational collapse (Yang et al., 2014). The importance of public trust has attracted researchers in the field of accounting to explore disclosure (Hyndman and McMahon, 2010; Irvine and Ryan, 2013), governance and accountability (Dhanani and Connolly, 2012) as a factor of trust in the context of charities operating in developed countries. In the context developing countries' non-profit sector, mechanisms for building donor trust have also been studied (Maliah Sulaiman et al., 2009; Mukherjee and Nath, 2003; Mustafa et al., 2013). However, the concept is yet to be incorporated with *Waqf*. This study is focused on reducing the gap in the literature by introducing a conceptual model that could be used to empirically explore determinants and outcomes of stakeholder trust in *Waqf* institutions.

This study is unique in several aspects. First, the conceptual model itself is unique as it covers components from governance, disclosure, and accountability. Second, the use of commitment-trust theory (Morgan and Hunt, 1994), developed to explore the customer-seller relationship, in exploring stakeholder trust in the context of *Waqf* institutions widens the horizon of the theory itself. Sargeant and Lee (2004a) have already utilised this theory for charitable institutions in the United Kingdom, empirical evidence through the conceptual model developed in the study will increase its validity and generalizability. Third, Islamic accountability (Ibrahim, 2000) and stewardship theory (Davis et al., 1997) are combined with the commitment-trust theory to add several dimensions in the original key mediating variable (KMV) model produced by the theory. It improves the understanding of various stakeholders for *Waqf* institutions and allows the validation of stewardship theory. Policymakers will be able to undertake reform initiatives as the developed model is designed to provide stakeholder perception on the level of trust and

commitment they have on *Waqf* institutions and will also indicate factors influencing such perception.

This paper is organised into four sections. First, the concept of *waqf* is briefly discussed. Second, the idea of trust is brought into a picture and discussed in the context of *waqf*. Third, review of related empirical and theoretical literature is provided. In the fourth section, the paper provides a detailed discussion on the development of the conceptual model along of the theoretical outlook and relevant model of trust from prior literature. Finally, the paper concludes with several recommendations for future research and implementation of the developed model in the context of conventional and religious charitable organisations.

2. Overview of *Waqf*

Waqf is often viewed as similar to a conventional charitable organisation. It has a history older than Islam and has existed in ancient Mesopotamia, Greece, Rome as well as pre-Islamic Arab societies (Sadeq, 2002: 139). The Islamic model of *waqf* flourished extensively and influenced the world as a whole. Also, Oxford University has been established by following the Islamic model of *waqf* (Cizakca, 1998: 1231-61; Gaudiosi, 1988: 11).

The institution did not have to be developed from scratch because of various ancient peoples – Persians, Egyptians, Turks, Jews, Byzantines, Romans and others – had developed similar structures (Kuran, 2001: 848). The extent to which Islamic *Waqf* was influenced by these ancient institutions is a question that is still not resolved. While the Roman origins have been rejected, primarily Byzantine, but also Mesopotamian, Sassanid, Jewish and Buddhist influences have been accepted as plausible (Cizakca, 1998: 49).

It is a matter of exploration of a concept that did not arise from Islam and was not mentioned in the Quran still became an influential charitable instrument among Muslims. It can be explained either from the historical or economic point of view. Islam has always been suggested to perform good deeds and engage in charity which was also taught by Prophet Muhammad (PBUH) through many of his charitable acts. The tradition of such charitable acts has led the adoption and embracement of *waqf* in the Islamic economic system. The ability of the continuous fund by *waqf* property to alleviate poverty and deliver public goods and services make is economically significant. Although *waqf* is not explicitly mentioned in Quran, evidence of such charitable deed can be found from the saying of Prophet Muhammad (PBUH). Abu Hurayra narrated from a Hādīth:

“When one dies, his acts come to an end, except three, regular (recurring charity), knowledge which he has imparted to other or a God fearing (pious) child who makes supplication for him.”

The eternal nature of *waqf* puts it in the position of a recurring charity. *waqf* may not be explicitly mentioned in the Quran as compared to *Zakah*, but any kinds of the charitable deed are always appreciated in Islam which is reflected in the following verse:

“By no means shall ye attain righteousness, unless ye spend (in Allah’s Cause) of that which you love; and whatever of good you spend, Allah knows it well.” (Surah Al – Imran, 92)

Several Quranic verses indicate toward the establishment of foundations for religious purposes, but most of them can be interpreted as instructions to pay *Zakāt* for believers. Few Such passages include:

“Truly, my Lord enlarges the provision for whom He wills of His slaves, and also restricts (it) for him, and whatsoever you spend of anything (in Allah’s Cause), He will replace it. Moreover, He is the Best of providers.” (Surah Saba, 30)

“O you who believe! When you (want to) consult the Messenger (Muhammad (PBUH)) in private, spend something in charity before your private consultation. That will be better and purer for you. However, if you find not (the means for it), then verily, Allah is Off-Forgiving, Most Merciful.” (Surah Al-Mujadalah, 12)

Waqf is much older and more established philanthropic vehicle compared to *Zakāt* in Islam (White, 2006). There are four basic differences between *waqf* and *zakāt*. Firstly, *waqf* falls under voluntary contribution, but *Zakāt* is compulsory for a Muslim if he possesses the *nisāb*¹ amount of wealth. Secondly, dedicating one’s property to *Waqf* does not fulfil minimum *Zakāt* obligation. Thirdly, *waqf* is classified as *Ṣadaqah-Jarriyah* for which reward are accumulated even after the death of the donor, but *Zakāt* does not offer such recurring rewards. Finally, the perpetual nature of *waqf* ensures a continuous flow of fund for the socio-economic

¹ *Nisāb* is the minimum amount for a Muslim net worth to be obligated to give *Zakāt* according to Shari’ah.

development which in the case of *Zakāt* depends on more on the volatile nature of income of the *Zakāt* payer.

3. Literature Review

3.1 The Concept of Trust

The growth of various forms of relationships has put trust in a centre stage. One of the primary reason for the exploration of trust is its ability in establishing co-operative relationships (Handfield and Bechtel, 2002; McQuiston, 1997). Hosmer (1995) has utilised the concept of philosophical ethics to define trust to be the result of a given decision that recognises and protects the rights of other people through the analysis of the ethical principles of analysis. Trust has been conceptualised from different theoretical viewpoints that include transaction cost theory, social exchange theory, agency theory, the resource dependency theory, system theory and attribution theory. Mayer, Davis, & Schoorman (1995) defined trust as the willingness of a trustor to be vulnerable to the actions of a trustee based on the expectation that the trustee will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.

Past literature has identified two sperate levels of trust, i.e. interpersonal trust, and institutional trust. While institutional trust provides the degree of freedom to disappoint expectations, interpersonal trust belongs to the individual level and include personality traits of a person which could either be trusted or not. Interpersonal trust is often referred to as benevolence trust that relates to the propensity of the trustee to do good for the trustor. As a result, benevolence has been regarded as a critical antecedent of trust between trustor-trustee relationships.

3.2 The Concept of Trust in Islamic Perspective

The word *Amānah* originates from the three letter root verb *Amina*, which means to be in a state of peace, safety, and security. In the noun form, the word becomes *Amn*, which means to be in a state of peace, security, shelter and protection. *Amānah* means trust, reliability, trustworthiness, loyalty, faithfulness, integrity and honesty.

The concept of trust takes a significant role in developing the moral behaviour of a Muslim and several guidelines referring to the importance of trustworthiness in both personal lives and conducting business as emphasised in the following verse:

If you trust one another, then let him know who is trusted fulfil his trust, and let him be conscious of God, his Sustainer (AL-Baqarah, 2:283).

Even before achieving prophethood, all the prophets were the shining examples of trustworthy people in the early Muslim history. Due to his trustworthy trait, Muhammad (PBUH) was called “Al-Amin.” Trust demands that if a person is appointed to a certain public position, he should not use it for self-aggrandizement or the benefit of his relatives. The use of public funds for personal purposes is a crime, and the punishment of such act has been described in Quran:

Moreover, he who misappropriates shall come on the Date of Judgement with what he misappropriated (Aal-Imran, 3:161).

Fukuyama (1995) regarded trust as one of the necessary ingredients of social recognition, economic efficiency, and democratic stability. The achievement of a high degree of trust in the relationship between the trustor and the trustee has led toward the accomplishments of early Muslims in the field of religion, economics and social arenas. The level of accountability practised by Prophet Muhammad (PBUH) and his Caliphs are excellent living examples for the concept of trust. The concept of trust and accountability taught and practised by the Prophet Muhammad (PUBH) led to a comprehensive adoption and internalisation of the concept by his companions and subsequent generations (Hasanuzzaman, 1991).

3.3 Integration of Stakeholder Trust and Governance in the context of *Waqf* Institutions

Information asymmetry has always been a problem between managers and principal. Managers are traditionally viewed as opportunistic who need to be controlled by implementing various governance mechanisms which are expected to have an impact on the information disclosure (Akhtaruddin and Haron, 2010; Albassam, 2014; Eng and Mak, 2003; Tsamenyi et al., 2007). This situation is true for both profitable (Kelton and Yang, 2008) and non-profit organisations (Hooper et al., 2008). Ihsan, Ayedh, & Shahul (2006) and Cajee (2008) have highlighted that the *waqf* development in the future will largely depend on the governance of *waqf* institutions.

Alias (2012) stated that the *Waqf* intuitions should be guided by a code of governance and possibly a code of ethics that will help them to understand their role, exercise control over the *waqf* assets and allow them to discharge accountability. In the case of a non-profit religious organisation like *waqf*, a solid governance structure

can improve accounting practices and performance toward enhancing accountability (Ramli et al., 2015). However, evidence showing the adoption of an effective code of governance has yet to be found for *waqf* institutions.

Donor trust has a significant role to play in the survival of a charity organisation. Charitable organisations in developed countries have seen a 44 percent increase since 1990, and thus research interest toward the knowledge of what factors influence donor giving behaviour have attracted researchers' attention (Sargeant, 1999; Sargeant et al., 2006; Sargeant and Lee, 2004a, 2004b; Sargeant and Woodliffe, 2007). Investigation toward determining antecedents of trust has yet to make its mark in *waqf* literature. This study is aimed at reducing the gap by providing evidence and statistical proof of factors responsible for enhancing or destroying donor trust in *waqf* institution. The fact that public sector is responsible for managing *waqf* estates make the findings valuable for countries such as Malaysia, Indonesia and Singapore.

The importance of Accountability for *waqf* institution has often been advocated in previous literature (Osman, 2010; Masruki & Shafii, 2013; Ramli et al., 2015; Siraj, 2012). Disclosure and Governance are introduced as means of discharging non-profit accountability toward stakeholders. Ihsan & Ibrahim (2011) provided a framework for *waqf* institution that indicates accountability relationships of *waqf* institution with various stakeholders. The link between accountability and trust has been established by Seal & Vincent-Jones (1997) which is yet to be empirically tested. This study takes the opportunity to determine the significance of accountability in enhancing organisational trust based on donors' perspective.

3.4 Conceptual Models of Stakeholder Trust

An increasing number of studies examine the concept of social capital on trust (Tsujiyama, 2003). As an intangible resource, social capital can be defined as trust, shared norms and networks (Putnam, 1993) within an organisation that encourage organisational development and increases the efficiency of society. Trust is viewed by some scholars (Fukuyama, 1995; Putnam, 1993) as an integral element of social capital while alternatively viewed (Field, 2003; Woolcock, 1998) as one of social capital's products and consequences. Miri (2006) argue that social capital has been created to that extent in which they can create long lasting capacity for dealing with issues faced by stakeholders.

Iqbal and Mirakhor (2004) have discussed the importance of trust in designing an efficient and optimal corporate governance structure of a firm within Islamic economic system. In an Islamic economic system, a firm is expected to behave like

other members of the society and managers are deemed to act on behalf of the owner and serve the fiduciary duty to manage the firm for all stakeholders (Iqbal and Mirakhor, 2004). While discussing trust, its link with social capital and importance of an efficient governance structure, it is imperative that we place *waqf* institution as an economic institution and not merely a charitable organisation. Good governance, transparency and accountability are the important institutional aspects that support financial development (Johnson et al., 2002). Similar arguments have been placed for Islamic finance institutions (Abu-Tapanjeh, 2008; Majid et al., 2010; Norazlina and Abdul Rahim, 2011) while only a handful of studies concentrated on the governance structure of *waqf* institutions (Daud et al., 2011; Ramli et al., 2015).

Accounting literature has witnessed the theoretical analysis of long-term relationships that has a root of agency theory. Agency theory and classical contract law make similar assumptions about human behaviour and social institutions (Hunt and Hogler, 1990). Several theoretical models of trust with a wider range of antecedents covering the field of accounting, marketing, operations management, psychology and social science have been introduced in the prior literature. Among the available models of trust, models provided by Mayer et al. (1995); Morgan & Hunt (1994); Seal & Vincent-Jones (1997) are discussed due to their focus on building long term relationship with stakeholders. The use of conventional theoretical models in explaining a phenomenon in Islamic finance is one of the limitations of the study.

There is a growing body of literature on trust that focuses on trust building mechanism. The seminal work by Morgan & Hunt (1994) has provided a model of Trust that has provided new directions in the field of relationship marketing. Morgan & Hunt (1994) have put trust and commitment into the central role which can affect or be affected by several antecedents. The mediating role of trust and commitment played the central role in the model, and thus the model was later named Key Mediating Variable (KMV) Model.

The Key Mediating Variable (KMV) model proposed by Morgan & Hunt (1994) has ten independent variables with trust and commitment as mediators and propensity to leave as dependent variables. KMV model was originally proposed in the relationship marketing literature to get a closer look at the buyer-seller relationship. Trust is conceptualised as confidence in exchange partner's reliability and integrity and is enhanced through communication (Holdford and White, 1997). Shared Values, communication, and opportunistic behaviour are thus considered as outcomes while relationship commitment, cooperation, functional conflict, and uncertainty reduction are considered as outcomes.

Trust is considered to have a direct relationship with commitment. Commitment in the model is defined as enduring desire to maintain a valued relationship and is enhanced when exchange partners perceive that the relationship has a high termination cost, superior benefits and that partners share similar values (Morgan and Hunt, 1994). If the commitment is established, it will lead to higher acquiescence, decrease propensity to leave and increase cooperation. Researchers have utilised the KMV model to explore relationships in the field of relationship marketing and strategic management. Empirical results have proven the significance of the model in understanding the antecedents and outcomes of both trust and commitment (Abosag et al., 2006; Holdford and White, 1997; Sargeant and Woodliffe, 2007).

Sargeant and Lee (2004b) explored the donor-charity relationship in the United Kingdom with the KMV model. This was the first application of KMV model in the non-profit sector. The study identified perceived service quality, shared beliefs, perceived risk, the existence of a personal link to the organisation and trust, drive commitment toward charity giving. Abosag et al. (2006) revealed very interesting differences and few similarities while comparing results from Saudi and British nationals derived by KMV model. Hence, the original KMV model is not deemed appropriate for stakeholders of *Waqf* institutions, and several trust models are introduced improve its applicability.

The second model of trust discussed in the study is developed by Mayer et al. (1995). Mayer et al. (1995) developed an integrated model of organisational trust considering characteristics of the trustor, the trustee and the role of risk. In this conceptual model, ability, benevolence and integrity are perceived to be the factors of trustworthiness which influence risk taking relationships to get the desired outcome. Ability is a group of skills, competencies, and characteristics that enable a party to have influence within some particular domain. Benevolence is the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive while the relationship between integrity and trust involves the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable.

Mayer's model of trust has both mediating and moderating variables. The outcome is measured by the level of commitment made by the stakeholders that are influenced by the risk-taking relationship between supplier and consumer. The risk-taking relationship is affected by the degree of trust which may increase or decrease as a result of the introduction of perceived riskiness of the investment or donation

decision. Perceived riskiness play a moderating role and modifies the existing relationship between trust and risk taking relationship. Finally, the level of trust individuals has to another person, organisation or a system can be influenced by ability, benevolence, and integrity. In summary, these three variables are termed as perceived factors of trustworthiness.

The final model introduced in this section is derived from Seal & Vincent-Jones (1997). This model is similar to the previous two models of trust in two aspects. First, it is emphasising the ability of trust in improving long-term relationships which are similar to the idea of relationship commitment in Model 1 by Morgan & Hunt (1994) and risk taking relationships in Model 2 by Mayer et al. (1995). Second, both Model 1 and Model 3 by Seal & Vincent-Jones (1997) emphasised on the ability of disclosure practices in enhancing trust by introducing either the term communication or accounting in their respective models.

The difference can be identified in one single area and that is the introduction of a new variable by Seal and Jones referred as “Accountability.” In this conceptual model, long term relations are the central focus which is affected by stakeholders’ trust and might be enhanced or undermined by the practice of accounting and contracting. Besides accounting and contracting, accountability plays a significant role in enhancing stakeholder trust. In the context of *waqf* institutions, this factor could play a central role in explaining the level of stakeholder trust for two reasons. Firstly, the voluntary nature of *waqf* donations and secondly, the emphasis on accountability relationships in Islam demonstrated by the Islamic Accountability model introduced by Ibrahim (2000) provides greater importance in the inclusion of the variable in the proposed conceptual model of stakeholder trust for *waqf* institutions.

4. Theoretical Framework

According to the fundamental theory proposed by Morgan & Hunt (1994), maintaining a successful relationship with both individual and organisational levels depend on two aspects. First, relationship commitment and second, trust as these aspects promote cooperative behaviours between relationship partners and encourage them to maintain long-term relationships. The theory was initially tested between automobile retailers and their suppliers. Empirical findings using Key Mediating Variable (KMV) model, provided by Morgan & Hunt (1994), justified the mediating influence of trust in enhancing the commitment of end consumers and thus made a significant contribution to the field of relationship marketing.

The commitment-trust theory proposed by Morgan and Hunt lies on the notion that the propensity to engage in a high-risk situation relies on each party's belief toward the other party in acting for the long run best interest of both parties. It is the most cited theory in relationship marketing (Abosag et al., 2006). Commitment and trust are the distinguishing characteristics of relationships (Blois, 2003). Morgan and Hunt proposed that relationship commitment and trust be key variables for successful relationships because they promote cooperative behaviours between relationship partners and encourage them to maintain long-term relationships (Morgan and Hunt, 1994). They posit that "commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success." Veloutsou, Saren, & Tzokas (2002) argued that the commitment – trust theory provide "the foundations of a marketing relationship that can lead to customer retention."

This theory provides a model named Key Mediating Variable (KMV) model with five important antecedents of trust. Both trust and commitment are considered as a mediator in the KMV model. Trust involves one party having confidence in or relying on another party to fulfil its obligations (Morgan and Hunt, 1994). There are two levels of trust, i.e. cognitive trust, and affective trust. Commitment has been seen as the willingness or intention to continue maintaining the relationship in the future (Abosag et al., 2006). Commitment is seen as central because it not only leads to such important outcomes as decreased turnover (Porter et al., 1974), higher motivation (Farrell and Rusbult, 1981) and increased organizational behaviors (Williams and Anderson, 1991), but it also results from such things that can be influenced by the firm as organizational support (Eisenberger et al., 1990). The seminal KMV model has been empirically tested in marketing literature, but worth a greater attention in the context of the non-profit sector due to the significant role both constructs play in establishing and maintaining relationships.

The current study is focused on exploring determinants that could have an impact on donor's trust. The KMV model provided by Morgan and Hunt by Commitment-Trust Theory has proven to be very effective in explaining the buyer-seller relationship, but it requires some adjustments before implementing for the context of Islamic non-profit organisation. Seal & Vincent-Jones (1997) introduced the idea that accountability could be the determinant of trust and long-term commitment. In the context of *Waqf* institutions, Islamic accountability concept introduced by Ibrahim (2000) becomes an appropriate fit. Islamic accountability recognises that human beings are accountable primarily to Allah and secondarily to the *Ummah* for efficient management of properties entrusted to them. *Waqf* estates are donated by *waqif* and are managed by *mutawallis*. The nature of the relationship between *waqif* and *mutawalli* creates a degree of consensus to explore whether the perception of

mutawallis' accountability assurance toward various stakeholders has any impact on the trust and commitment of donors of *waqf* institutions.

To be accountable to the general public as well as institutional stakeholders, organisations need to be fully transparent by ensuring processes, institutions, and the information is accessible to the related parties, especially to the stakeholders for monitoring purpose (Norazlina and Abdul Rahim, 2011). Accountability is thus interpreted as being, first and foremost, accountability to God through making information freely available (Lewis, 2006). Thus, Islamic accountability puts greater emphasis on effective communication which forms as an antecedent of trust in the KMV model. The inclusion of accountability assurance in the KMV model is thus justified.

Mayer, Davis, & Schoorman (1995) explored a separate dimension and developed a model that consisted of interpersonal traits as antecedents of trust and long-term commitment. Mayer's model allowed the possibility of exploring the ability of board attributes in enhancing trust, which has later been empirically tested in several papers (Jarvenpaa et al., 1998; Mustafa et al., 2013; Yu et al., 2015). In light of stewardship theory, the model provides ways to examine the position of managers in the eyes of principal. Stewardship theory provides an opposite proposition as compared to agency theory, which argues that managerial actions depart from those required to maximise shareholder return in the modern organisation.

According to Donaldson & Davis (1991), managers are far from being opportunistic shirker and essentially want to do a good job, to be a good steward of the corporate asset. Thus, stewardship theory holds that there is no inherent, general problem among executives. In the context of exploring antecedents of trust in a South-east Asian country, the inclusion of board attributes and board opportunism in the original KMV model extends its measurement ability, and the findings provide a valuable contribution toward the applicability of agency and stewardship theory for *waqf* institutions.

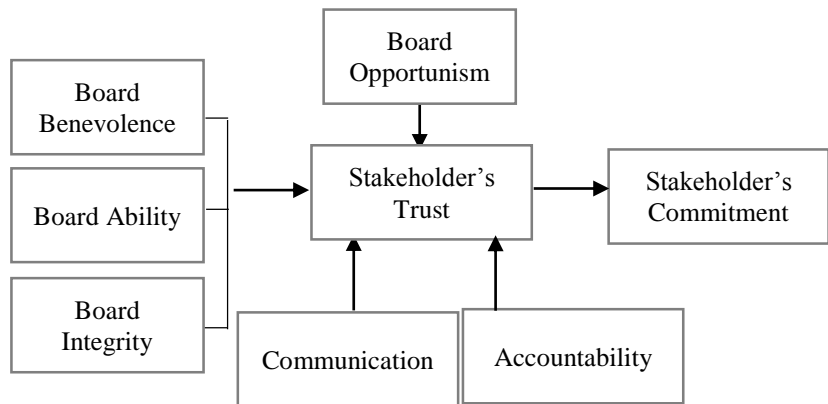
5. Modified Key Mediating Variable (MKMV) Model for *Waqf* Institutions

Three models of trust are discussed in the previous section of the paper. The original KMV model of Morgan & Hunt (1994) provided three determinants (shared value, communication, and opportunistic behaviour) and four outcomes (relationship commitment, cooperation, functional conflict, uncertainty). Mayer et al. (1995) introduced ability, benevolence, integrity as determinants of trust which are being

moderated by trustor’s propensity and positioned risk taking behaviour as an outcome of trust. Finally, Seal & Vincent-Jones (1997) proposed accountability as an antecedent of trust along with communication which has already been covered by the original KMV model (communication).

The review of these three models of trusts thus provides seven antecedents of trust and three possible outcomes. To determine the relevance of these variables in the context of *Waqf* institutions, focused group interviews are conducted with experienced *Waqf* administrators. Respondents were asked to rate the importance of selected variables on a five-point Likert scale, ranging from one (strongly disagree) to five (strongly agree). Based on the suggestions of focused group respondents along with the extensive review of related literature, only six determinants of trust are retained with only one outcome variable. These determinants include benevolence, ability, integrity, opportunism, communication, and accountability. Commitment is proposed as a determinant of donor’s trust in *waqf* institutions. Following the original KMV model, trust has positioned a mediator between determinants and commitment in the modified model. The modified key mediating variable model is provided in Figure 1.

Figure-1
Model of Stakeholder Trust in *Waqf* Institutions



Benevolence is used as a proxy to measure the perception board members are genuinely interested in the stakeholders’ welfare beyond its egocentric profit moves. Five items are included in the questionnaire to measure donors’ perception toward the benevolence of board members of public *waqf* institution. Among them, four are adapted from the studies of Bennett & Barkensjo (2005) and Shockley-Zalabak,

Ellis, & Winograd (2000). The fifth item was derived from focused group interviews with *waqf* administrators.

Ability refers to the board member's ability and knowledge to provide consistent and desirable performance in fulfilling donors' objectives. In measuring the ability of board, five items are included in the questionnaire. All except one item are adapted from Mayer & Davis (1999). The additional item was included as an outcome of the focused group interview.

Integrity is operationally defined as the donor's perception that the board adheres to a set of principles that the donor finds acceptable. In this study, integrity is used as a proxy for determining the trustfulness of board members in the dealings, timely and accurate information disclosure and ethical behaviour. Among the five items included in the questionnaire to measure integrity, three are adapted from studies of (Mayer & Davis, 1999; Robinson, 1996) and the rest are derived from focused group interviews with *waqf* administrators.

All these three factors are presented as an antecedent of trust in the theoretical model proposed by Mayer et al. (1995) and later on empirically tested studies (Jarvenpaa et al., 1998; Knoll and Gill, 2011; Mustafa et al., 2013; Yu et al., 2015). Based on the findings of prior literature it is expected that higher perception of benevolence, ability, and integrity of *waqf* board members among stakeholders will result in higher perception toward board attributes and have a positive influence on trust. Mustafa et al. (2013) examined the influence of perceived board attributes on perceived disclosure practices and found a significant positive impact in the context of *Zakāt* payer of Nigeria. As such, a similar relationship is conceptualised to investigate the possible association between these two factors for *waqf* institutions in Bangladesh.

Board Opportunism reflects behaviours of others trying to take advantages in disregard of the interest of others. Very often, it is done at the expense of other people's interests which deepens interpersonal conflicts of interest, particularly in cases when violations of promises happen either implicitly or explicitly as part of a job function or commitment (Torres-Moraga, Vasques-Parraga, et al., 2010). Although not present in Mayer's et al. (1995) framework of trust, board opportunism has been found to have a negative influence (Mukherjee and Nath, 2003; Torres-Moraga, Vasques-Parraga, et al., 2010) on trust. Board opportunism is included in the conceptual framework to test a possible association of trust among stakeholders of *waqf* institutions. Stewardship theory has led to the investigation of the association between perception of board attributes and perceived board opportunism as stewards

with high benevolence, ability and integrity should not be viewed as opportunistic by the stakeholders.

Disclosure practices are often referred to as communication in prior studies and have been found to be a significant antecedent of trust (Mukherjee and Nath, 2003; Mustafa et al., 2013; Sargeant and Lee, 2004b; Torres-Moraga, Vasques-Parraga, et al., 2010). Communication can be connected to formal and informal information sharing between stakeholders and charitable organisations. Communication seems to play a vital role in the way stakeholders receive a charity's pledge and in how they respond to it (Sargeant and Lee, 2004a). Perceived disclosure practice is included as an antecedent which may have a positive impact on trust among stakeholders.

The final independent variable in the framework is perceived accountability. Accountability was first introduced as a factor by Seal & Vincent-Jones (1997) while looking for the possible influence of accounting practices in developing trust in the public sector organisations of UK and Czech Republic. As the contribution to *waqf* institutions is entirely voluntary, so the degree to which these institutions are being accountable through formal and informal information disclosure to stakeholders can make a significant impact on stakeholder trust. The model is constructed to test the interrelationship between disclosure practices, accountability, and trust.

According to Bennett & Barkensjo (2005), trust involves the belief that the trusted party will not only fulfil the associated obligation, but the fulfilment should fully satisfy the trusting party. Thus, trust is operationally defined as a series of beliefs donors hold regarding the attributes of *waqf* institutions which give assurance that such institutions can be relied upon to manage *waqf* estates in a manner that will fully satisfy its stakeholders. Five items are included in the questionnaire; one is derived from focused group interview, and four are adapted from Mustafa et al. (2013) and Sargeant & Woodliffe (2007).

According to Morgan & Hunt (1994), a critical complement of trust in exchange relationship is commitment. Commitment is operationally defined as the enduring desire to maintain value relationships among registered donors' of *waqf* institution in Bangladesh. Four items are adapted from the study of Bennett and Barkensjo (2005) to measure the perception of donors' commitment toward the public *Waqf* Institution.

The association between trust and commitment has been investigated from several points of views in prior literature. Several authors have utilised the KMV model developed using commitment trust-theory by Morgan & Hunt (1994) while

others have utilised the trust model prepared by (Mayer et al., 1995). Although the theoretical model provided by Seal and Vincent-Jones (1997) Jones have not yet been empirically tested, still the introduction of the concept of accountability, have made this model significant and relevant enough for the current study.

In an attempt to verify the applicability of commitment-trust theory, Holdford & White (1997) have found that trust is positively associated with the degree of commitment students have in the pharmacy school of Victoria Commonwealth University. Their findings reveal that trust in faculty and staff reduced uncertainty among students. Reduction of uncertainty increases the possibility to handle conflicts between students and the school that results in greater willingness to cooperate with school.

Sargeant & Woodliffe (2007) have empirically tested the relationship between trust, commitment, and intention of charitable giving in the context of UK and US charitable institutions. They conclude that trust in the selected charitable organisation drives engagement in the context of charitable giving among donors of those institutions. Similar results were found by Chen, Chen, & Yeh, (2014); Morgan & Hunt (1994); Mukherjee & Nath (2003); Wong & Sohal (2002) by using the commitment-trust theory.

Results provided by past literature on the selected variables provide strong statistical evidence. However, most of these variables have been tested in isolation with the introduction of various control variables in the context of profitable and non-profit organisations operating in developed countries. As a result, these findings are not providing any general indication of their ability to influence donor trust for a *Waqf* institution. Empirical evidence provided by the modified key mediating variable model (MKMV) will not only ensure statistical significance of the conceptual model but also contribute to the literature by introducing a new dimension to the *Waqf* literature.

6. Conclusion

Waqf is a historical, charitable instrument that can provide a significant contribution toward the economic development of a country. However, this institution has lost its ability to make an important impact on the economy which has its link toward decreased donation of donors resulting from lack of trust in these establishments. In such a situation, enhancing donor trust through *recognisable* reform initiatives is required for *waqf* institutions around the world. *waqf* institutions, more specifically, *mutawallis* need guidelines for reform initiatives. This study

focuses on reducing the gap in *waqf* literature by developing a model concentrating on enhancement in stakeholder trust. The Modified Key Mediating Variable (MKMV) model developed by Commitment-trust theory can determine the significance of governance, accountability, and disclosure in improving trust toward enhancing stakeholder commitment. Several other theories and concepts are utilised such as Islamic Accountability and Stewardship to adjust the model for *waqf* institutions operating in developing countries. It was not possible to provide statistical validation of the developed MKMV model due to its theoretical nature. Future studies on the use of the developed model for *waqf* institution operating in different Muslim and Non-Muslim countries will increase its generalizability. Public *Waqf* administrators will be benefited in designing reform initiatives in enhancing stakeholder trust and increasing the sustainable future for this historic organisation. In turn, *Waqf* institutions will be able to reclaim its rightful place as a practical tool for poverty alleviation.

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