

Financial Management Practices of Mosques in Malaysia

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Abstract

This study explores on the importance of financial management practices for different types of mosques in Malaysia. Questionnaires were administered to chairman and treasurer of 192 selected mosques available in Malaysia including Sabah and Sarawak. This study suggests that a proper and accurate recording of financial transactions, enhancing the accountability of chairman and treasurer is required in order to improve the productivity and performance effectiveness. The inclusion of these variables provides important implications for expanding our understanding of financial management practices in nonprofit organizations and creating

new research opportunities. The result suggests that Malaysian mosques can enhance internal control system and performance to achieve mission and goals of these crucial institutions of societal development.

Keywords: Mosques; Accountability; Internal Control System; Financial Management Practices

Introduction

Today, mosques play various functions besides for religious and spiritual purposes, such as providing education and welfare services to the community. In Malaysia, for instance, a

mosque functions as a centre for transforming government Islamic-related policies within the society. Islamic programs and activities are carried out in mosques to instill and strengthen

Islamic values among community members. Among other functions conferred by the State Islamic Religious Council to the mosques is to maintain charitable funds such as collections (sadaqah), endowments (waqaf), cemeteries and specific properties with the permission of the Council. This legislation is clearly stated in the Administration of Muslim Law Act enacted by each state in Malaysia (Siren & Md Yusoff, 2011).

At present, even though mosque is no longer used as a state administration center, their role in shaping society still continues. The key challenge of managing mosques today is to ensure efficient and proper financial management practices. Proper management and supervision of the mosques is important to ease the delivery of related services to the community (Al-Dawarni, 2007). This requires substantial amount of skilled manpower. Unlike in the 1980's where volunteers practically run the mosque programs and services, management of mosques today is more complex and requires full time staff. Quality financial management in mosques includes steps taken by mosque management to increase the level of management quality in the mosque. Such steps include organizing seminars for the public in order to build a better relationship between the public and the mosque's management and the muzakarah performed by the managing officer in the mosque at the national level. Likewise, mosques do have wider functions for example, a place for prayer as well as social, economic and political centre. It follows comprehensive financial management practices, which would directly increase the efficiency, effectiveness and value maximization of the mosque (Wahab, 2008).

Management control system is important for financial management practices in the mosque to

ensure efficient and proper financial management practices, to ensure that the operation runs smoothly in compliance with rules and regulation, to determine the ability of mosque management in measuring and managing activities effectively and to provide information in making better decisions. Therefore, to have a better mosque management, important person such as chairman and treasurer of mosque need to play a role in ensuring the effectiveness and efficiency of financial management practices in the mosque. However, some criticisms on the mosque management include the lack of accountability in managing the accounting system, less budget participation in the mosque and improper recording and reporting of income and effective way to find sources of income in mosque (Alim & Abdullah, 2010). In addition, a weak internal control system will increase the risk in managing the mosque performance and influence the internal and external management control system which will affect the financial management practices in the mosque. Thus, the objective of this study is to examine the budget participation, internal control system, fund usage and accountability on financial management practices in the mosque.

The findings of this research will provide some useful and pertinent information for the management of the mosques and Muslim community to improve them and become more effective in their respective mosques. This effort coupled with better understanding of a more effective way of administering mosques should be of great help for the management and policy makers to develop more precise systems and strategies to improve financial management quality of the mosques.

The word masjid or mosque has evolved from the word of sajada (sujud). It means devoted, loyal and with bowed heads with full respect and reverence (Wahab, 2008). The mosque is not only a place of worship, but also a place to acquire knowledge. It is also a place for communal gathering of Muslim community, as well as a place for holding various religious

ceremonies and rituals, such as the solemnization of marriage. Mosques are also places where religious studies take place, and where the younger generation of Muslim children would go for their religious training (Rahman & Ahmad, 1996; Ismail, 2003).

Generally, funds are a source of supply to all organizations, whether profit or non-profit. Based on accounting concepts, accounting systems emphasize accountability rather than profitability. Normal practices by non-profit organizations or government agencies in preparing financial statement and reporting are based on daily transaction rather than profit earned or also known as fund accounting. However, in Islamic context, funds should be used according to Islamic law. According to Ahmad et al. (2009), most of the mosque committee still needs to improve management efficiency, especially in fund management and property. High position in an organization does not necessarily ensure their efficiency in managing the funds and property.

Sulaiman et al. (2008) also found that the embezzlement of funds from religious organizations is more common nowadays due to lack of accountability and lack of commitment to accounting. They might misuse the power towards the funds raised resulting in inaccurate reporting management system such as budgeting, financial statement and internal control. It is very important for the management to be involved in financial management process in non-profit organization to ensure performance evaluation and effective management (Aranya, 1990). The management uses their knowledge in preparing and presenting budget, controlling the fund and internal control system of the mosque in order to enhance its financial management of the organization. Thus, it will help the effectiveness of financial management practices in nonprofit organizations and reduce administrative burdens.

In general, accountability is a concept in ethics and governance with several meanings.

This concept is similar to responsibility, answerability, blameworthiness, and liability. As an aspect of governance, it has been central to discussions related to problems in the public sector, non-profit and corporate worlds. London (2003) stated that in leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation within the scope of the role or employment position and encompassing the obligation to report explain and be answerable for resulting consequences. Accountability is generally defined as accepting and meeting one's personal responsibilities, being and feeling obligated to another individual as well as oneself, and having to justify one's actions to others.

Accountability has frequently been presented as rational practice to ensure responsibility by individuals and institutions, which should be implemented in all civil societies, economic institutions and organizations (Velayutham & Perera, 2004). The traditional tools of accountability are often considered by non-profit organizations as unnecessary formal tasks and excessive bureaucracy, which can have important consequences both organizationally and managerially (Berardi & Rea, 2010). According to Rutkowski & Steelman (2005), accountability focuses on the extent to which feedback recipients perceive they are responsible for, utilizing feedback information for development. It is believed that when managers are accountable for the feedback given, they will feel obligated to use it to improve performance. Financial policies and procedures also ensure accurate financial record keeping and reporting (Hussain, 2009).

An internal control system is defined as the policies and procedures put in place to ensure the protection of an organization's assets and the reliability of financial reporting (Sulaiman et al., 2008). Internal control can provide only reasonable assurance and not absolute assurance regarding the achievement of an organization's objectives. Implementing a proper system will

help the organization's operations become more effective and efficient (Sulaiman et al., 2008). Among issue with internal control of organizations is ensuring the efficiency and effectiveness of activities, reliability of information, compliance with applicable laws, and timeliness of financial reports (Jokipii, 2010; Changchit et al., 2001). In addition, this is one of the possible reasons why fraud and misappropriation of funds occur is poor. A proper internal control system ensures that the organization's managers would utilize the financial resources in a way that will safeguard the interests of the donors and/or contributors (Sulaiman et al., 2008). Internal control structure includes policies and procedures on controls such as withdrawal applications for funds and grant accounts, bank and cash, purchases, payments and monitoring, evaluations and reporting. Monitoring of operations ensures effective functioning of internal controls (Amudo & Inanga, 2009).

Methods

This study conducted a survey to collect data from the respondents. Respondents comprise some members who are chairmen and treasurers of the mosques. A set of questionnaire was provided and distributed to the respondents when visiting the mosques. The study comprises 250 mosques in Malaysia including Sabah and Sarawak. A total 500 questionnaires were distributed and 192 fully answered questionnaires were collected of which 19 responses were incomplete. This represents a 42.2 % response rate.

The survey comprises six variables. Each variable was measured using multiple items adapted from related constructs in the literature. Details of the items are as follows: seven items on financial management practices (Wahab, 2008); six items on budget participation (Hamid et al., 2006; Milani, 1975; & Brownell, 1982); six items on fund usage (Wahab, 2008); 6 items on accountability (Hamid et al, 2006) and six questions addressed the use of internal control

system (Wahab, 2008; Maliah et al., 2008). The seven point Likert-type scales ranging from 'strongly disagree' to 'strongly agree' were employed for all the measurements. Two characteristics of the mosque were also measured; the category of the mosque and the average monthly income of the mosque. This study is conducted to examine the management of fundraising activity of the mosques, whether through private or personal collections, or sources from collections (sadaqah), endowments (waqaf) or other property.

Results and Discussion

Table 1 shows the category of the mosque for the study. The frequency of mosque category was based on district, mukim and private, and qariah. From total respondents, only 192 respondents answered and 19 forms were missing. According to Table 1, a total of 28 respondents were in district level and 121 were in qariah level. Thus, from the results, it can be measured that most of the mosques are categorized in qariah level. For mukim and private level, the results were 37 respondents. However, one respondent answered two times in this questionnaire due to other category exist in the analysis table by 0.5%. The percentage for district level is 13.3%, qariah level is 57.3%, mukim level is 17.5% and private level is 2.8%.

Table 1: Frequency of Mosque Category

Category	Frequency	Percentage
Mosque		
District	28	13.3
Mukim & Private	37	17.5
Qariah	127	57.3
Total	192	91.5

Table 2 shows the estimated monthly income for the mosques. The frequencies of mosque collections were based on 6-scale range according to total monthly fund-collection of the mosque. Most of the mosques get their source of funding through Friday-congregation and celebration of holy days. From total

respondents, only 182 answered and 29 was missing. The results showed that less than RM 2,000 (29.9%) was average monthly income by 63 respondents, followed by RM 2,001 – RM 3,000 (20.4%) is 43 respondents whereas the income between RM 3,001 and more than RM 5,000 only have 21, 24 and 22 respondents who answered respectively. Thus, it can be interpreted that most mosques have their monthly income around less than RM 2,000.

Table 2: Estimation of monthly income of mosque

Monthly Income	Frequency	Percentage
Others	9	4.3
Less than RM 2,000	63	29.9
RM 2,001– RM 3,000	43	20.4
RM 3,001 – RM 4,000	21	10.0
RM 4,001 – RM 5,000	24	11.4
More than RM 5,000	22	10.4
Total	182	86.3

Table 3 also compares the financial management practices for different types of mosque categories. The results reveal that budget participation among the committee members for district mosques (score of 4.89) is much lower than the qariah and private mosques (significant at 10%). This indicates that district mosques did not practise budget participation as much as the other two mosque categories. This might be due to proper budget allocation that district level already has which may not need to concentrate on the needs of budget. Another interesting finding is that apart from low score for the internal control as overall, the mean score for the three types of mosques are also significantly different (<0.01). The difference in the internal control for district mosques was rated 3.45 and for mukim mosques was rated 3.35. Qariah and private mosques score higher at 3.64. Accountability also was significantly different among the three groups in which mukim mosques committee members agreed for higher accountability practices as compared to district and qariah and private mosques.

Table 3: A One Way Analysis (ANOVA) of Financial Management Practices According to Mosque Category

	Mosque Category	Mean Score	Std Dev.	Std Error	Mean Square	F	Sig
Finance Management	District	4.99	1.14	.21629	1.004	.920	.400
	Mukim	5.28	1.08	.17761			
	Qariah & Private	5.28	1.00	.09179			
	Total	5.24	1.04	.07657			
Knowledge	District	5.60	.92	.17442	1.423	1.818	.165
	Mukim	6.02	.88	.14564			
	Qariah & Private	5.87	.87	.07833			
	Total	5.86	.88	.06446			
Budget Participation	District	4.89	1.37	.25952	3.710	2.374	.096 *
	Mukim	5.30	1.24	.20411			
	Qariah & Private	5.45	1.22	.10865			
	Total	5.34	1.25	.09086			
Internal Control	District	3.45	.73	.13863	1.368	4.715	.010 ***
	Mukim	3.35	.50	.08325			
	Qariah & Private	3.64	.49	.04495			
	Total	3.55	.54	.04028			
Fund Usage	District	3.58	1.30	.24596	.200	.145	.865
	Mukim	3.43	1.34	.22121			
	Qariah & Private	3.46	1.08	.09852			
	Total	3.47	1.16	.08562			
Activity Planning	District	5.53	.90	.17195	.894	1.161	.315
	Mukim	5.79	.86	.14166			
	Qariah & Private	5.81	.87	.07796			
	Total	5.76	.87	.06356			
Accountability	District	5.37	.91	.17224	2.533	3.407	.035 **
	Mukim	5.94	.66	.10956			
	Qariah & Private	5.72	.90	.07986			
	Total	5.71	.87	.06300			

Conclusion

Management and committee of mosque must take responsibility to implement a proper internal control system, which provides assurance that public monies are used and accounted for properly. This is to ensure the financial management practices comply with rules and regulations. Budget participation

and accountability on financial management practices in the mosque show significant results. Interactive effects of budget participation were only on managerial performance and financial management practices. It was supported that accountability is not only a financial reporting framework, but it also requires disclosure of related non-financial information. As a consequence of the evolution of financial management accounting practices, it is important in non-profit organization or in religious organization such as the mosque to apply this concept to contribute towards efficient and effective management. Implementing appropriate financial control ensures that all the transactions will be recorded and reported. Future study should attempt to elaborate using only large mosque sample size as it would enhance the external validity of the findings. Thus, to enhance better outcomes, perhaps, more valid generalizations of the present results could be made relating to the perspective of the qariah members and other professional groups. Secondly, future study needs to observe other information in bulletin boards regarding annual activities done in mosques. It is to ensure the result is more transparent and accurate. Thirdly, it is deemed necessary to explain details to respondents so that they have better knowledge in answering the questions. This situation arises because of the attitude of some mosque committee members who do not want to give full cooperation.

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