

## THE MEDIATING IMPACT OF TRUST BETWEEN WAQIFS' EXPERIENCE AND LOYALTY IN CASH WAQF

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### Abstract

*This study highlights the importance of waqifs' trust in Malaysian waqf institutions in order for them to remain their loyalty by continuously contribute to the cash waqf. It also reveals the loyalty in cash waqf is not only justified by waqifs' experience. The findings of this research are based on 378 samples drawn from several categories of government institutions in Selangor whose employees consistently contribute to cash waqf through salary deduction. The SmartPLS analysis is used to investigate the relationship between the constructs of experience, trust, and loyalty. The results indicate trust as mediator to the relationship of waqif experience and loyalty in cash waqf has been validated. Consequently, the outcomes suggested the implementation of waqf institutions to give attention to the issue of trust in enhancing the cash waqf fund, providing waqifs confidence to donate more and indirectly benefiting the ummah and Malaysia.*

**Keywords:** *Trust, trust mediator, experience, loyalty, waqifs, cash waqf*

### INTRODUCTION

*Waqf* has been seen as an essential wealth instrument in promoting economic development in many Muslim countries including Malaysia through the provision of resources for education (Rahman, 2009; Ramli et al., 2015), places of worship, medical facilities (Rahman, 2009) and other community projects and benefits. The nature of cash *waqf* itself such as convenience and flexibility which did not require a large amount of contribution based on individual however, large funds can be pulled from each of contributors or *waqifs* and consequently this can help to increase the community involvement in *waqf* sector (Zakaria & Muda, 2015).

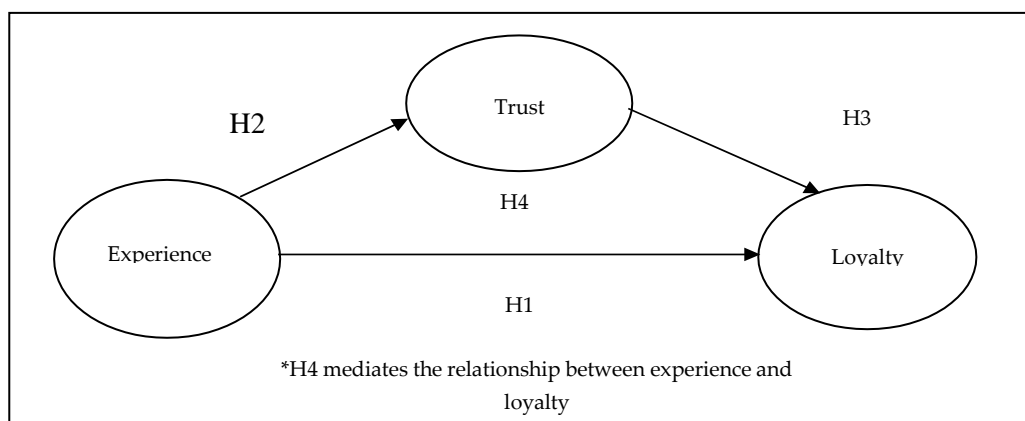
In addition, data provided by *Pejabat Wakaf Selangor* has shown decreasing number of *waqifs* who contribute to cash *waqf* through salary deduction from year

2017(12,068 *waqifs*) to 2019 (5,285 *waqifs*). *Trust challenges affect Waqf institutions and practice in general.* A study done by Johari et al., (2015) stated that there is a lack of trust by *waqifs* in performing cash *waqf* due to transparency of information, for instance, the beneficiaries of fund. The lack of trust is associated with further decline in contribution by *waqifs*. While this development is largely institutional or government driven, cash *waqf* state coffers, for example, would need a large base of individual or group contributors. Therefore, there is an opportunity to develop its market base by promoting positive behaviour such as loyalty among target contributors (*waqifs*) which the concern of this research.

Loyalty is defined as repetitive behaviour that consumers are willing to attach themselves to and that sooner gives consequence to future usage (Chatterjee et al., 2017) as well as creates value (Chai et al., 2015). Thus, this has led to the important subject of loyalty from behavioural perspective of *waqifs* which would provide better insight into cash *waqf* context particularly from the marketing aspect (Johari et al., 2015).

Accordingly, this research will consider the element of trust as mediating variables in the course of examining the behaviour of *waqifs* in cash *waqf* loyalty practices. Finally, a better understanding of the determinants of *waqifs*' experience to trust and loyalty as achieved through this research, would be useful to the *waqf* institutions which aim to address the marketing aspect in promoting cash *waqf* to generate more funds and stimulate the economic growth of the Ummah and country (Malaysia) as a whole.

Figure 1: Conceptual Framework



**i. The Influence of Experience on Cash Waqf Loyalty.**

According to Beldad, De Jong, and Steehouder, (2010) customer volunteer for online purchasing because they trust that their participation improves the experience in

online group buying and minimize the risk for participation. Meanwhile, Imran KhanZillur Rahman, (2016) assert that to build loyalty, service companies must focus on developing customers' brand experience.

In the same vein, empirical research suggests that brand loyalty strengthened through a superior experience in the actual service encounter (Chahal & Rani, 2017; Roche & McConkey, 1990) This research, therefore, provides a meaningful synthesis of cash *waqf* loyalty literature as well as yielding a hypothesis that encapsulates experiences to cash *waqf* loyalty.

H1: *Waqifs'* experience has a significant relationship to cash *waqf* loyalty.

### **ii. The Influence of Experience on Trust of Cash *Waqf* Loyalty.**

Experience is a popular theme in decision making. For a long time, decision research was almost exclusively focused on new decisions and neglected the importance of experience (Tilman Betsch, 2014). Developing total customer experiences that are engaging and lasting are intangible assets that add immeasurably high brand equity and are extraordinarily valuable in terms of customer loyalty, referrals and the lifetimebrand value they create. (Mascarenhas et al., 2006).

In the same vein, the experience of *waqf* in the Islamic countries has been shownthat *waqif* can achieve the objectives to relate to the development of the social role. Theachievement of urban services, education, health and treatment are the indicators of development (Salarzehi et al., 2010). Everyone can experience the act to endow in cash*waqf* since there are many channels available for them to commit. For instance, participants can contribute via online banking and salary deduction. With the introduction of cash *waqf*, participants felt that they can experience different types of *waqf*. In addition, with the development of social roles, loyalty can be stimulated by the experience of *waqif* about cash *waqf*. This leads to the following hypothesis:

H2: *Waqifs'* experience has a significant relationship to trust in cash *waqf*loyalty.

### **iii. The Impact of Trust in Cash *Waqf* Loyalty**

Trust is a defining concept in the legal, organisational, behavioural and debated surrounding charity and charitable giving (Sargeant & Lee, 2004). The fact that *waqf* isnot directly mentioned in the Quran and the contribution itself is voluntary, as opposed to *zakat*, the need to explore stakeholders' trust in the context of *waqf* institutions should not be ignored (Hasan & Siraj, 2017). In marketing perspective, trust is seen to be a key feature forming the base of any enduring customer-supplier link (Dwyer et al., 1987; Morgan & Hunt, 1994). Trust building strategies should be

focused on consumers' trust in and friendship to the service provider (Chai et al., 2015). More importantly, the key contribution is to investigate the impact of programme loyalty and company loyalty on preference, intention, and behavioural outcomes (Evanschitzky et al., 2012).

Naskrent & Siebelt, (2011) and Sargeant & Lee, (2002) described in their study that the donor non-profit organization rely on trust. Despite, the non-profit organization will not receive continues financial support if the donor did not trust them (Sargeant and Lee 2004). This has been supported by Shabbir et al. (2007) study which considered trust of donor as a critical variable influence donor retention. indirectly. This research predict trust is expected to have positive impact on cash *waqf* loyalty as to the hypothesis stated:

H3: *Waqifs'* trust has significance impact on cash *waqf* loyalty.

#### iv. The Consequences of Trust as Mediator

The trust element derived from the commitment-trust theory with Islamic responsibility and stewardship theory has created another dimension to the theory's original key mediating variable (KMV) model which facilitates the confirmation of stewardship theory and increases the knowledge of diverse stakeholders for *Waqf* institutions (Hasan & Siraj, 2017). In their study of trust in *waqf* institutions, Hasan and Siraj, (2017) proposed trust as mediators between determinants of trust and commitment by modifying the KMV model.

In the study conducted by Chaparro-Peláez et al., (2015) indicated, trust has a significant impact on loyalty when it acts as a mediator of the relationship between satisfaction with service recovery and cumulative satisfaction, as well as between positive emotions and loyalty. Additionally, Sargeant et al., (2006) revealed that performance information affects donor commitment via donor trust as mediator in charitable organizations. Prior to the study, Sargeant & Lee, (2004) also highlighted the policy makers and voluntary sector managers also assess the significance of trust in charity-donor relationships. Hence, this study aims as below:

H4: Trust mediates the relationship between *waqifs'* experience and cash *waqf* loyalty.

## METHODOLOGY

This is a quantitative study in which data is collected through the distribution of survey questionnaires in accordance with the study's research objectives and methods. The data collecting procedure lasted five weeks, from the 31st of January to the 6th of March 2020. A total of 400 survey questionnaires were sent to *waqifs* in

the state of Selangor who contribute to cash *waqf* through salary deduction. The multi-stage sampling technique is used when a large population been divided into stages to make the sampling more feasible (Creswell, 2014). The first stage involved selecting sample from data lists given by Pejabat Wakaf Selangor (PWS).

The sample frame was then established based on the categorization of government organizations. In the second stage, a random selection of government organizations was chosen as a sample for this study. A total of 381 completed survey questionnaires were received, resulting in a 96.5 percent response rate. However, only 378 samples were further examined following data cleaning. Respondents were asked to rate items on a five-point Likert scale ranging from '1' (strongly disagree) to '5' (strongly agree). Items included *waqifs'* experiences with cash *waqf*, their trust in *waqf* institutions, and their loyalty to cash *waqf* contributions. As a research outcome, SmartPLS software version 3.0 was utilized to assess the measurement and structural model.

## RESULTS AND DISCUSSION

### Measurement Model

The measurement model analysis addresses the relationship between constructs and items and the correlational relationships between constructs. In the reflective measurement model, reliability and validity are assessed using the outer model, which includes (1) internal consistency reliability, (2) convergent validity, and (3) discriminant validity. The internal consistency reliability reported on outer loading and omega or composite reliability (CR). Later, the convergent validity explained by average variance extracted (AVE). Finally, the discriminant validity indicated the results of Heterotrait Monotrait criterion (HTMT).

#### (1) Internal Consistency Reliability

- i. Indicator reliability - An acceptable indicator reliability result indicates that a latent variable can explain at least 50 percent of the variance in the indicator and that the loading (outer loading) values must be equal to or greater than 0.708. (J. F. Hair et al., 2017). The indicator reliability analysis in this study has proved that all outer's loads were over 0.708 which means there were no need for all the items to be excluded. The table below summarized the analysis of indicator reliability of the study.

Table 1: Internal Consistency Reliability

	Experience		Trust		Loyalty
E1	0.850	T1	0.856	L1	0.919
E2	0.832	T2	0.923	L2	0.826
E3	0.803	T3	0.936	L3	0.879

E4	0.768	T4	0.918	L4	0.914
E5	0.865	T5	0.930	L5	0.909
E6	0.809	T6	0.905	L6	0.943

ii. The CR has been suggested as an alternative for reliability measurement besides Cronbach's alpha. The threshold of 0.70 or higher to imply sufficient convergence or internal consistency between the items (J. F. Hair et al., 2014; Henseler et al., 2009). Hence, the findings testified that the CR of each construct for this study are experience (0.926), trust (0.967) and loyalty (0.962) are above the recommended threshold value.

(2) *Convergent Validity*

The AVE value for each construct should be set at 0.50 or higher in enable for the constructs to explain more than half of the variance in its items and achieve convergent validity (J. F. J. Hair et al., 2014). The results of the AVE for each construct are 0.675 for experience, 0.831 for trust and 0,809 for loyalty. This concludes that all constructs have achieved AVE above 0.50 threshold and demonstrate adequate convergent validity.

(3) *Discriminant Validity*

Using the HTMT correlation ratio to examine discriminant validity which has been established if the threshold values using HTMT<sub>.85</sub> less than 0.85 (Kline, 2011). In this study has revealed the HTMT for all three constructs have established discriminant validity according to the explained threshold which below than 0.85.

### Structural Model

Assessment of structural model using SEM PLS involves five procedures begin with assessment for collinearity, path coefficient of the structural model relationship, level of coefficient of determination ( $R^2$ ), level of effect size to  $R^2$  ( $f^2$ ), and predictive relevance ( $Q^2$ ).

(1) *Lateral Collinearity*

In assessing the collinearity, VIF has been implied. The tolerance VIF values less than 5 are not subject to the collinearity problem (Kock & Lynn, 2012). The findings of this study show that collinearity for experience and trust as predictors of loyalty range from 3.242 to 3.618, which is less than the threshold value of 5. As a result, collinearity is no longer an issue.

(2) *Path Coefficient*

In evaluating the significance and relevance of the structural model relationship, generated the path coefficient findings of the original sample ( $\beta$ ),

standard error, t-statistic, and p-value that concluded the hypothesized relationship of the exogenous constructs in predicting the endogenous construct. The hypothesis testing should produce a threshold of p-values,  $p < 0.05$ , and t-values,  $t > 1.645$  represents the null hypothesis to be rejected which supports the relationship of the tested constructs (Hair et al., 2014; Kock, 2015). Thus, the findings are as bellow:

Table 2: Summary of Path Coefficient

Ho	Construct	Original sample ( $\beta$ )	t-Statistic	p - Value	Finding	95.00% Confidence Interval
H1	Experience -> Loyalty	0.052	1.246	0.107	Not supported	0.121
H2	Experience -> Trust	0.481	9.219	0	Supported	0.557
H3	Trust -> Loyalty	0.045	1.034	0.151	Not supported	0.116

(3) Coefficient of Determination ( $R^2$ )

Most studies pertaining to the marketing field portray acceptable  $R^2$  based on substantial (0.75), moderate (0.50) or weak (0.25) (H. et al. 2017 Hair, 2017; Henseler et al., 2015). The  $R^2$  value for this study is 0.837 with an adjusted  $R^2$  of 0.834. This has resulted in the conclusion that all of the exogenous constructs (experience and trust) can explain 83.7 percent of the variance in the endogenous construct (loyalty), achieving a significant degree of predictive accuracy for the structural model of this study.

(4) Effect Size to  $R^2$

Cohen, (1992) classified the effect size as large, medium, or small, with values of 0.35, 0.15, and 0.02, respectively. The effect size is small for both relationship between experience and trust to the endogenous construct, loyalty with the value of 0.005 and 0.004.

(5) Stone Geisser  $Q^2$  Predictive Relevance

This evaluation was focused on the reflecting measurement model's endogenous constructs. When  $Q^2$  is greater than zero, the endogenous concept has predictive relevance. The  $Q^2$  for loyalty, which is the endogenous construct in this study, is 0.667. This implies that the model has adequate predictive significance.

**Mediating Analysis**

This study includes trust as mediator to the relationship between the predictor that is experience and loyalty as the dependent variable. The table below indicates

hypothesis H4 is significant as full mediation ( $\beta = 0.097$ ,  $t = 3.467$ , CI: [LL=0.048, UL=0.155]).

Table 3: Mediation Analysis Result

Ho	R/ship	* $\beta$	Std. Error	*t-statistic	*p-value	**Confidence Interval		Decision	Type of Mediation
						LL	UL		
H4	Exp -> Tru -> Loy	0.097	-0.002	3.467	0.001	0.048	0.155	Supported	Indirect only / Full mediation

1. LL: Lower Level, UL: Upper Level2. \* Threshold:  $\beta > 0$ ,  $t > 1.96$ ,  $p < 0.05$
3. \*\*Confidence Interval is at the significant level at 0.05 (2-tailed)

There are few types of mediation (refer figure below) which involves complementary and competitive for partial mediation, full mediation, or indirect effect only, no mediation or direct effect only, and finally, no mediation or no effect at all (Zhao et al., 2010). Since, the direct relationship between experience and loyalty is not supported, but trust as a mediator to the relationship between experience and loyalty is supported, the mediation type of trust in this study as a mediator is merely indirect. The following figure shows the example of a simple mediator model, whereby  $p_3$  is the direct effect,  $p_1 \cdot p_2$  is the indirect effect, and the direct effect ( $p_3$ ) + the indirect effect ( $p_1 \cdot p_2$ ) = the total effect.

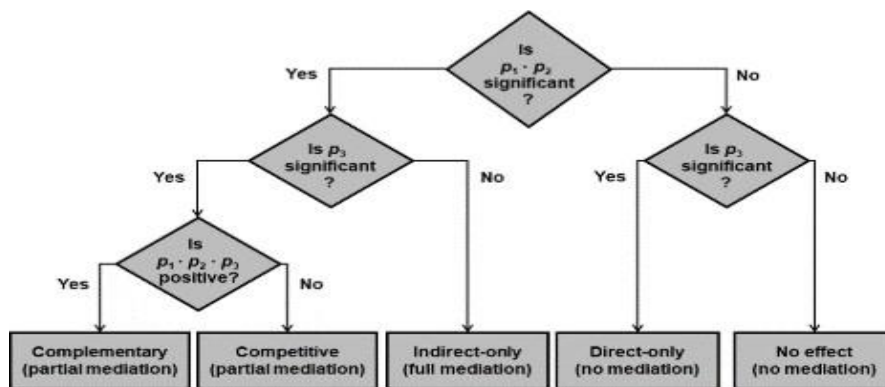


Figure 2: Types of Mediation. Source by (Zhao et al., 2010)

## CONCLUSION

This study examined on the impact of trust as a mediator between an exogenous and endogenous relationship on cash *waqf*. The findings of this study highlighted the need of trust in the *waqf* institution in convincing and encouraging *waqifs* to continue their cash *waqf* contributions so that loyalty in cash *waqf* could be sustained. *Waqifs'* experience, on the other hand, cannot guarantee that they will continue to contribute to cash *waqf*.

As a result, it is recommended that every *waqf* institution in Malaysia specifically in Selangor to enhance its implementation by addressing the trust issue. Consequently, resolving this issue of trust of *waqifs* to the *waqf* institutions will benefit the growth of the cash *waqf* fund in the future, as well as have a positive impact to the ummah.

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