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# THE PERFORMANCE MEASUREMENT MODEL OF MOSQUES IN MALAYSIA BASED ON THE MAQASID SHARIAH INDEX APPROACH

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## ABSTRACT

*There are relatively few studies that have been done with regards to the performance measurement of mosques. Despite the perceived uniqueness of mosques as non-profit organisations, this paper shows that the adoption of performance measurement model from the private sectors can also be applied in the case of faith-based non-profits organisations. The survey covered the whole of Malaysia. Given the size of the population and the large geographical area to be covered, a self-administered questionnaire was used as the main method of data collection. Structure Equation Model (SEM) was performed to analyse the data. The results show that there are significant relationships between the four main variables which are resources, processes, outputs and Maqasid Shariah Index which form the basis of performance measurement modelling. The findings from this study indicate that mosques in general, are not effective in meeting their Shariah objectives especially the one related to the objective of “preserving religion”.*

**Keywords:** *resources, processes, performance measurement, Maqasid Shariah Index.*

## INTRODUCTION

During the time of the Prophet (pbuh) and the four Rightly Guided Caliphs, mosques were used as the main place for Muslims to congregate and hold

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religious services. Besides that, mosques were also used as a centre for propagating Islamic religion and social functions as well as a political and administrative base. Therefore, mosques hold several roles or functions in the Muslim society including as a charity and welfare centre, a place for medical treatment and nursing, a detention and rehabilitation centre and a place for leisure activities (Omer, 2010). At present, mosques are no longer used as state administration centres. However, their formations still focus on shaping the society through religious activities and programmes. In Malaysia, the most important religious activity of a mosque is the act of performing congregational prayers. The mosques also serve as a centre for formal teaching of religious education. Other than that, mosques cater for commemorations of important religious events as well as administration centres for mosque officials. Unfortunately, mosques today are no longer what they were used to be. Mohd Asri (2007) highlighted that mosques in Malaysia are not fully occupied with only two or three rows of congregations during obligatory prayers. Furthermore, with the exception of religious talk normally held between *Maghrib* and *Isya* evening prayers, most mosques are devoid of any activity especially during day time where people are engrossed with their worldly affairs. It is therefore not surprising that mosques remain empty for most of the time.

In order to stop the decline in the number of congregations from attending the mosques across the Muslim community, most state Islamic Religious Departments such as Jabatan Agama Islam Selangor (JAIS) are now propagating the concept of ‘enliven’ the mosque (*imarah masjid*). In Selangor, for example, JAIS is constantly monitoring the performance of mosques’ committees in order to ensure the smooth running of the administration and management of the mosques (MAIS News, 2012). Hence, mosques’ committees are expected to live up to expectations that there are improvements in place and that the goals, as well as the objectives of the mosques, are achieved. However, to date, there is no common methodology in measuring the performance of mosques whether in from financial or non-financial perspective. Furthermore, the primary concern of mosques is on the financial management aspect of their operations rather than their performance (Mohd Hussin, Muhammad, Abdul Razak, Habidin & Syed Mohamad, 2012). The issue on performance measurement has not been accorded the necessary attention until the mosques’ authorities have started propagating the concept of *imarah masjid* in recent time. So far, traditional

performance measurements of non-profit organisations (NPOs) mostly focus on constructs, namely inputs, processes, outputs and outcome measures with a perspective to evaluate efficiency and effectiveness (DeGroff, Schooley, Chapel & Poister, 2010). There are also several studies which scrutinise the performance measurement models for NPOs such as those undertaken by Baruch and Ramalho (2006) and Sillanpaa (2011).

However, little is currently known about the performance measurement for mosques with regards to inputs, processes and outputs and how these three factors may affect mosques' efficiency. Inputs refer to resources dedicated to religious activities and programmes such as mosques officers, committee members, financial funds and mosques facilities. Processes that comprise of management processes refer to the organisation of work activities that transform resources (people, equipment, materials, facilities, information, etc.) into a product or a service (Buckmaster, 1999). Outputs are the direct products of the religious activities and programmes and measured in financial or non-financial units (Sillanpaa, 2011). For example, the number of attendees in congregational prayers, the number of religious events and social functions, and the number of religious talks held within a financial period can be expressed in non-financial units. However, the mode of measurement is normally expressed in financial or monetary units as stated in the financial statements of mosques. On the other hand, effectiveness refers the extent to which mosques' objectives are met and thus the outcome measures (e.g., immediate, intermediate, long term) are more concerned with the benefits for participants of the religious activities and programmes (DeGroff, Schooley, Chapel & Poister, 2010).

Based on the above, it can be stated that a mosque which is efficient in the management of its resources would be able to generate more outputs (Sillanpaa, 2011) that may lead to the increased number of attendance in congregational prayers. As to date, these three factors, namely resources, management processes and outputs have not been fully examined due to insufficient attention on the subject matters which perhaps, consequently led to the minimal attendance to the mosques. Studies on performance measurement have gained sufficient ground for NPOs in recent years but not on faith-based organisations such as mosques, which lead to a lack of understanding of the various factors influencing mosques' performance. Hence, the research objective of this study seeks to determine the relationship

between the resources, processes and outputs of mosques which will lead to the establishment of performance measurement model for mosques.

## LITERATURE REVIEW

### Resources and Processes

The Quran (2:22, 2:29) defined resources as all tangibles and intangibles that can be utilised for the benefit of men. However, from the academic perspective, resources are more specific in nature and by their definitions (Galbreath, 2005). It should also be noted that studies on firms' resources based on resource-based theory (RBT) are usually linked to firms' performances (Wernerfelt, 1984; Barney, 1991). Galbreath (2005) defined a resource as a [firm-level] factor that has the potential to contribute to economic benefits, and it can be categorised into two categories namely, tangible and intangible resources. Galbreath (2005) argued that "tangible resources include those factors containing financial or physical value as measured by the firm's balance sheet". In the case of intangible resources, he categorised as "those factors that are non-physical (or non-financial) in nature and are rarely, if at all, included in the firm's balance sheet". Intangible resources include (a) intellectual property assets; (b) organisational assets; (c) reputational assets; and (d) skills or capabilities.

RBT has gained much prominence when Wernerfelt (1984) posited in his literature "A Resourced-based View (RBV) of the Firm" which theorised that a firm's success is largely determined by the resources which it owns and controls. A firm which owns and controls certain types of resources i.e. "strategic resources" will be able to provide the organisation with a sustained competitive advantage. These valuable, rare, inimitable and non-substitutable (VRIN) strategic resources, are also described in terms of their various special characteristics such as barriers to duplication (Barney, 1991) or those resources that may resist competitor duplication and are intangible in nature in most circumstances (Amit & Schoemaker, 1993). On the other hand, Warnier, Weppe and Lecocqs (2013) argued that other types of resources used by firms besides VRIN resources also contribute to firms' performance. In their recent study, alongside strategic resources, they introduced the concept of "ordinary resources", showing how

they may contribute to performance with an appropriate business model. Ordinary resources constitute the bulk of a firm's assets which are required for the production process and widely available in the factors market. Ordinary resources do not generally create a competitive advantage but their absence or non-availability could create costs to the firm and destroy value (Warnier, Weppe & Lecocqs, 2013). This study categorised mosques officers, committee members, mosques facilities and financial funds as the main constituents of mosques resources (Sillanpaa, 2011).

However, scholars have recently questioned the predictive power of the RBV without the involvement of managers as catalysts to a firm's competitive advantage and performances (Sirmon, Hitt & Ireland, 2007). The resource management process model by Sirmon, Hitt and Ireland (2007) not only requires managers to be able to acquire, accumulate and divest (if necessary) resources to achieve the most effective resource portfolio but would also require the managers to develop the necessary skills to bundle resources towards a creation of effective capabilities. A mosque, for example, must be organised to exploit and deploy these resources that have potentials to become valuable assets. As such, the mosque officers and committee members must be able to identify the valuable resources controlled by the mosque and thereby increase the likelihood that these resources will be used to gain superior performance.

### **Outputs, Outcomes and Performance Measurement**

The terms efficiency and effectiveness are sometimes used in the context whereby effectiveness refers the extent to which organisation's objectives and customer requirements are met (outcomes), while efficiency is a measure of how economically the organisation's resources (inputs) are utilised in generating the maximum desired outputs from given inputs and available technology. The outputs refer to the completed products of internal activities (processes): the amount of work done by the organisation. The performance indicators (i.e. performance measures) are normally in quantitative forms, objective measures related to a certain aspect of the performance of organisations or programmes. Typical categories of performance measurement framework include process measures (e.g., inputs, outputs) and outcome measures (e.g., immediate, intermediate, long term) – DeGroff, Schooley, Chapel & Poister (2010).

Sillanpaa (2011) adapted a similar framework in his study on the focal elements of performance in Finnish welfare service organisations and how performance is measured in these welfare services sector. In this model, the focus is on the horizontal flow of resources, process, outputs and outcomes measures. Inputs are those resources dedicated to the programmes; processes refer to the organisation's capacity to convert inputs into outputs which include management processes and organisational climate; and outputs are the direct products of the programme activities. Outcome measures are concerned with the benefits for participants of the programmes. Outcomes which represent the long-term objectives of the Sillanpaa's welfare service model are measured proximately by changes in clients' health, wellbeing and quality of life; customer/stakeholder satisfaction; and employee satisfaction. This study, however, proposes a performance measurement framework which identifies the ideal objectives of the mosques from the theory of *Maqasid al-Shariah* or the objectives of Islamic Law (Mohammed, Abdul Razak & Md Taib, 2008). Being guided by a study by Mohammed, Abdul Razak and Md Taib (2008) on their Islamic Bank model, the Maqasid Shariah Index developed for the performance measurement of this study is a measure of the three mosques' objectives which are *preserving faith*, *preserving intellect* and *public interest*.

## **THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES DEVELOPMENT**

### **The Influence of Resources on Outputs**

The resource-based theory is built upon the theory that a firm's success is largely determined by the resources which it owns and controls (Wernerfelt, 1984). Resources are normally defined as assets and capabilities. Assets can either be in the form of tangible or intangible assets, whereas capabilities referred to an intangible bundle of skills and accumulated knowledge acquired through organisational routines (Galbreath, 2005). VRIN resources are superior in nature and are normally categorised under intangible resources that involve skills or capabilities. Hence, mosques with experienced and skilled management are expected to perform better than those mosques with a less capable management team. Besides intangible resources, ordinary resources such as financial funds and mosques facilities

could also contribute to mosques' performance (Warnier, Weppe & Lecocqs, 2013). Based on these arguments, this study developed the first hypothesis as follows:

**H<sub>1</sub>:** Mosques with superior resources at their disposal exhibit better performances as a result of an increase in religious activities and programmes.

### **The Influence of Resources on Processes**

In this model, inputs are the resources dedicated to the programmes and the processes which transform resources into outputs. Mosque officers and committee members are identified as one of the most important resources, hence, many organisations measured factors related to them, such as employee satisfaction, staff motivation, organisational commitment and job performance (Borzaga & Tortia, 2006). Employees who are motivated and committed to their jobs are expected to perform better and thus, contribute to the organisational performance (Bang, Ross & Reio, 2012). Besides factors related to staff/employees, the sufficiency of financial resources is considered as another critical measurement object in many organisations. In general, mosques with insufficient financial resources will not be able to conduct activities and programmes which are critical to the religious development of the community (Mohd Hussin, Muhammad, Abdul Razak, Habidin & Syed Mohamad, 2012). Similarly, mosques' facilities are also considered as one of the important resources in attracting congregations to attend mosques on regular basis (JAIS, 2010). In other words, mosques which have ample resources at their disposal will be able to conduct more activities and programmes as well as provide services which are beneficial to the community. Hence, the following hypothesis is developed:

**H<sub>2</sub>:** There is a significant relationship between the utilisation of resources and the management processes of mosques.

### **The Influence of Processes on Outputs**

The role of the mosques as solely the place for performing congregational prayers is no longer sufficient to stop the declining attendance. The management of the mosques comprising of mosque officers

and committee members will have to play a more proactive role and much more committed towards a better performance. Through management processes, they must be able to organise and manipulate available resources (Sirmon, Hitt & Ireland, 2007) at their disposal and to transform these resources into religious activities and programmes. Whether the directives from the religious authorities to ‘enliven’ the mosques would result in better performance, posit the question on the relationship between processes and output which leads to the development of the third hypothesis:

- H<sub>3</sub>:** There is a significant relationship between management processes and performance of mosques in terms of increased in religious activities and programmes.

### **Mediating Role of Processes**

Although past studies focused on the direct relationship between resources and performance (Wernerfelt, 1984; Barney, 1991), recent studies have found that the mediating role of managers in their capacity to acquire, accumulate, combine and exploit resources to create value have significant influence on performance (Sirmon, Hitt & Ireland, 2007). Another recent study by Lin and Wu (2014) highlighted that dynamic capabilities (integration, learning and reconfiguration) can mediate the firms VRIN resources in improving performance. They also found that non-VRIN resources provide an insignificant mediating effect based on a study of top 1,000 Taiwanese companies. Similar findings are applicable to non-profit organisations whereby there are several factors that may explain the relationship between resources and outputs (Buckmaster, 1999; Sillanpaa, 2011). As a result, the following hypothesis is presented:

- H<sub>3a</sub>:** Management processes through resources transformation mediate the influence of resources on the performance of mosques.

### **The Impact of Outputs on Maqasid Shariah Index**

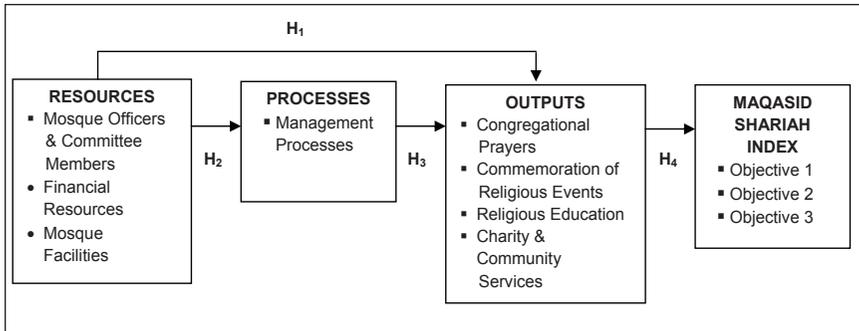
The traditional performance measurement which uses financial measures as its yardstick may not be suitable to non-profit religious organisation such as mosques which have different set of objectives compared to profit-making organisations. In this study, the objectives of

the mosques are based on *Maqasid al-Shariah* that conforms to the three objectives of Shariah namely preserving of faith (Objective 1), preserving of intellect (Objective 2) and public interest (Objective 3). Whereas, Objective 1 represents the performance indicators for congregational prayers and religious events; Objective 2 measures religious education; and Objective 3 represents the performance indicator for charity and community services. Performance measurements which measure the outputs or activities (religious activities and programmes) undertaken by organisation is also a process in determining whether the organisation has achieved its objectives (Mohammed, Abdul Razak & Md. Taib, 2008). Hence, this study posits the research question whether there is a significant relationship between outputs and Maqasid Shariah Index as a measure of the objectives of the mosques which leads to the development of the forth hypothesis:

**H<sub>4</sub>:** The performances of mosques have a significant impact on Maqasid Shariah Index.

## Theoretical Framework

The theoretical framework is shown in Figure 1. Firstly, this study examines the direct influence of resources on outputs of mosques based on Warnier, Weppe and Lecocqs (2013) extended resource-based theory. Besides strategic resources, their RBT model introduced the concepts of ordinary resources and junk resources, showing how these resources can contribute to performance. Secondly, this study examines the role of processes in mediating the relationship of resources and outputs of mosques based on Sirmon, Hitt and Ireland (2007) resource management process model. Thirdly, the study examines the relationship between the horizontal flow of inputs, process and outputs measures based on Sillanpaa's (2011) performance measurement model. Fourthly, the theory of *Maqasid al-Shariah* which forms the basis of Maqasid Shariah Index as proposed by Mohammed, Abdul Razak & Md Taib (2008) is used to measure whether the outcomes or the objectives of the mosques are achieved.



**Figure 1: The Theoretical Framework of Performance Measurement of Mosques**

## RESEARCH METHODS

The sample for this study is drawn from the population of three main types of mosques found in Malaysia, namely, state mosques, district mosques and *qaryah* mosques. The other type of mosques which is classified as private mosques is excluded from this study. At present, the total number of mosques in Malaysia is approximately 6,077 which were based on the data obtained from the Department of Islamic Development (JAKIM) website. On the average, approximately ninety-two per cent (92%) of mosques in each state of Malaysia falls under the category of *qaryah* mosques, while the remaining are state mosques and district mosques. This study adopted the stratified random sampling method which divides the mosques into three homogeneous subgroups (strata) based on the types of mosques, and then takes a simple random sample from each subgroup or stratum (Malim & Abdul Halim, 2011). This is to ensure that the samples taken are not limited to the representation of the whole population but also the main subgroups which comprise of *qaryah* mosques (strata 1), district mosques (strata 2), and the minority subgroup such as the state mosques (strata 3). The survey covered nationwide including Sabah and Sarawak. Given the size of the population and the large geographical area to be covered, self-administered questionnaires were used as the main method of data collection since this method would require less cost (Cooper & Schindler, 2008). A set of questionnaires in the form of a booklet and together with a self-returned postage paid envelope are mailed to 800 mosques which were randomly selected across the states of Malaysia. Out of 224 questionnaires

received, 210 (26.3%) were usable and valid for analyses while 14 needs to be dropped due to incomplete response and normality issues. The usable questionnaires obtained were above the acceptable response rate of 20% as recommended by past literature.

In developing the questionnaire, a number of instruments and literature were referred to, particularly those developed for measuring resources, processes and output based on performance measurement system. The resources variables consist of 35 items and are made up of 15 Likert scale items and 20 dichotomous scale items. The processes variables consist of 18 Likert scale items which are used as proxy measures of management processes. The output variables consist of 38 items that comprised of 25 Likert scale items and 13 dichotomous scale items. These questionnaire items were presented in a Likert scale format with responses ranging from 1 (strongly disagree) to 5 (strongly agree) and 1 (seldom) to 5 (always). On the other hand, dichotomous scale items offer two mutually exclusive response choices which are “yes” or “no”. To assess if the variables were formed on a reliable scale, the Construct Reliability (CR) was computed using Structural Equation Model or SEM. The CR for the variables examined is above 0.70, which indicates that the items in the variables are considered reliable as they form a scale that has good internal consistency (Fornell & Larcker, 1981). Overall, the values in Table 1 confirmed that the data collected were considered appropriate and can be used for inferential statistics. The results of the standard deviations and skewness values did not suggest problems with the assumptions of normality. The Confirmatory Factor Analysis (CFA) was performed to check the validity of the instrument. Only those items with loading above 0.50 and the Average Variance Extracted (AVE) which equal and/or above 0.50 are maintained. The final items remain at 91 items after 18 items are needed to be dropped from the factors.

**Table 1: Construct Reliability, AVE and Kolmogorov-Smirnov Test**

Variable	Construct Reliability	AVE	Mean	Standard Deviation	Kolmogorov-Smirnov Test		Skewness
					Statistic	Sig.	
Resources	0.92	0.50	4.34	0.34	0.08	0.002	-0.14
Processes	0.93	0.50	4.05	0.43	0.03	0.200	-0.23
Outputs	0.94	0.52	3.46	0.81	0.05	0.200	-0.14

Source: Author's compilation

Next, SEM test was performed to assess the measurement model fit in which indices of the model needs to achieve the minimum acceptable level of values. The results indicated a good model fit for the variables tested on resources, processes and outputs which are within the recommended values for  $\chi^2/df$  ( $\leq 5.00$ ), GFI ( $\geq 0.90$ ), NFI ( $\geq 0.90$ ) and RMSEA ( $\leq 0.08$ ) respectively. Table 2 shows the fit indices of the proposed model.

**Table 2: Fit Indices of the Model**

Variables	$\chi^2$	df	$\chi^2/df$	GFI	NFI	RMSEA
Resources	85.78	50	1.72	0.94	0.91	0.06
Processes	83.45	60	1.39	0.95	0.91	0.04
Outputs	119.24	84	1.42	0.93	0.93	0.05

## RESULTS

The theoretical framework of this study was tested using SEM based on the full structural model. Figure 2 illustrates the performance measurement model of mosques, and supports that the proposed model should be accepted. The model has a good fit with  $\chi^2 = 162.66$ ,  $df=82$ ,  $p=0.0001$ ,  $GFI=0.91$ ,  $NFI=0.90$ ,  $RMSEA=0.07$ . The  $\chi^2/df$  value of 1.98 which is less than 5 together with the rest of the goodness-of-fit indices which met the recommended values level, indicates that a good fit model is achieved. Table 3 presents the results from the SEM as well. The regression weights indicate that resources are significantly positive related to processes, the processes are positively related to outputs, and the resources are positively related to outputs. All the hypotheses ( $H_1$ ,  $H_2$ , and  $H_3$ ) are supported. The results are consistent with Warnier, Weppe and Lecocqs (2013), Bang, Ross and Reio (2012), Mohd Hussin, Muhammad, Abdul Razak, Habidin and Syed Mohamad (2012), Sirmon, Hitt and Ireland (2007).  $H_{3a}$  is also supported based on a separate result using Sobel Test Calculator for the significance of mediation available from the website <http://danielsoper.com>. The Sobel test on two-tailed probability gives a significant value of 0.0014. The result is consistent with Lin and Wu (2014) and Sirmon, Hitt and Ireland (2007).

The non-standardised estimates of the model are shown in Figure 2, while Table 3 include estimates of the regression coefficient. The estimate of regression coefficient for resources to outputs is 0.16, which indicates that when resources increased by the value of 1, outputs slightly increased by 0.16. The direct relationship between resources and outputs is found significant at  $p < 0.01$  while the estimate of regression coefficient for resources to processes is 0.11. The estimate of regression coefficient for processes to outputs is 0.94, which indicates that when processes increased by the value of by 1, outputs increased by 0.94. This supports that the direct impact of resources is slightly more towards outputs if compared to the mediating role of processes where resources provided slightly less indirect impact toward outputs. The model paths, whether direct and indirect, are all found to be significant ( $p < 0.01$ ) and thus indicates a partial mediation model. The full structural model with resources, processes, outputs and the three objectives as well as their respective dimensions is shown below.

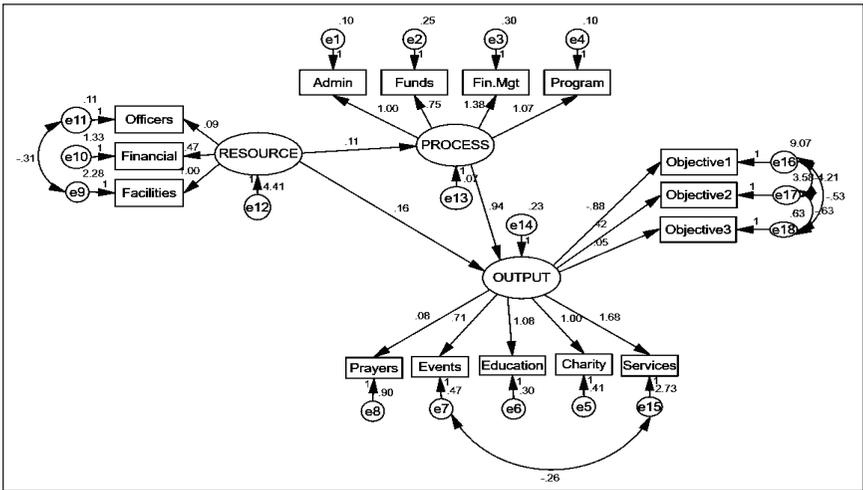


Figure 2: Performance Measurement Model of Mosques

The other path coefficient that needs to be addressed is the relationship between outputs and the three objectives. The regression coefficient for the path estimate between outputs and Objective 1 is negative 0.88 and is significant at  $p < 0.01$ . This indicates that an increase in the outputs by 1, will result in a proportionate decrease of 0.88 for Objective 1 which represents the performance indicators of congregational prayers and religious events.

On the other hand, the estimate of regression coefficient for outputs to Objective 2 is a positive 0.42 which indicates that when outputs increased by 1, Objective 2 will increase by 0.42 times. The path coefficient is significant at  $p < 0.05$ . The relationship can be interpreted as that any increase in the outputs will result in an increase in Objective 2 which signifies the performance indicator for religious education. Although Objective 3 is not significant, the regression coefficient of 0.05 indicated a small but positive association between outputs and the Objective 3 which represents the performance indicator for charity and community services. The overall objective or Maqasid Shariah Index which is the summation of the three objectives is significantly negative with a path coefficient of -0.41. This indicates that an increase in the outputs by 1, will result in a proportionate decrease of 0.41 for the Maqasid Shariah Index. Hence, hypothesis  $H_4$  is also supported.

**Table 3: Regression Weights of the Performance Measurement Model of Mosques**

Path	Estimate	Standard Error	Critical Ratio	P
Outputs ← Resources	0.16	0.04	3.75	**
Processes ← Resources	0.11	0.02	6.51	**
Outputs ← Processes	0.94	0.24	3.96	**
Objective 1 ← Outputs	-0.88	0.29	-2.98	**
Objective 2 ← Outputs	0.42	0.18	2.30	*
Objective 3 ← Outputs	0.05	0.08	0.64	0.52

Note: \* $p < 0.05$ , \*\*  $p < 0.01$

## CONCLUSION

The objective of this study was to examine the performance measurement model for profit and non-profit organisations in order to ascertain whether the existing body of knowledge is applicable to mosques. Based on the SEM analysis, the theoretical model is considered a good model fit and the results are consistent with existing theories. Therefore, the theoretical model can be used as a basis for measurement of mosques' performances. There are two main findings obtained from this research study. Firstly, the findings from this study suggest that management processes play a very important role in mediating the influence of resources on outputs and thus are

consistent with past studies. Therefore, it is imperative for the management of mosques comprises of top notch managers who are skilled and capable of exploiting existing resources to the maximum level should the performance of mosques is given top priority.

Secondly, the negative regression coefficient for Objective 1 also indicates that big mosques which have higher overheads in term of staffing, administration and high maintenance for the upkeep of the mosques may be considered as inefficient in managing their internal resources to obtain better performance. The average attendance ratio of congregational prayers for big mosques is no better than those of smaller mosques. In the case of commemorations of religious events, big mosques which have better financial allocation tend to spend more in keeping up with various celebrations compared to smaller mosques. The cost benefits of such celebrations are neither gauged for their effectiveness nor measured for performance. The overall negative significant of Maqasid Shariah Index shows that mosques are unable to meet their objectives and thus the effectiveness of the religious activities and programmes are questionable. Finally, the findings from this study will benefit various stakeholders of the mosques especially those that are related to the management and the religious authorities who are directly affected by mosques' performance.

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