

Formal vs Informal Systems of Fund Management in House of Worship:

Comparative Study between Mosque and Church in Indonesia

Irvan Noormansyah, Budiyanti Wulandari

Department of Accounting
Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta
Jakarta, Indonesia
irvan@stei.ac.id

Shariza Saumi

Change Management Consultant
Shah Alam, Selangor, Malaysia
shariza0310@gmail.com

Vina Herdiana

Securindo Packatama Indonesia
Jakarta, Indonesia
vinaherdiana@gmail.com

Abstract—This study chronicles the result of a comparative study on formal and informal fund management system in a Mosque and a Church located in West Java, Indonesia. Researchers used field study to explore in obtaining detail information on fund management system from the research subjects. Research methodology used is case study research using qualitative data approach which combines data derived from semi-structured interview, personal observation, and analysis of documented data. This study found similarities in fund management system in both house of worship, which is centralised at the Head of the Mosque and the Head Priest. Church has formal rules which are centralised at the Head Priest as the policy maker as well as the authority who decides on fund usage in the Church. Mosque also has formal rules on fund management where Mosque officials have the authority to dispense fund. However, in reality Mosque officials ask for the opinion of the Head of Mosque in an informal meeting before making any decision. This study also found similarities in relation to congregation's involvement in fund management system in both Mosque and Church. Although members of the congregations are the main fund providers to both house of worship, there is less involvement from members of the congregations in fund management. This case study argues that a source of the authority and power possessed by the leaders of the house of worships stem from the acceptance of some national cultures and the teachings of the Holy Scripture. Some national cultures and Holy Scriptures are dominant factors in fund management in both house of worship being studied. These findings have implications in understanding fund management system in house of worship in developing countries, especially Indonesia.

Keywords—church; cultures; fund management systems; formal; holy scriptures; informal; mosque

I. INTRODUCTION

This study is motivated by the lack of literatures on fund management systems in house of worship, especially in

developing countries [1]. Therefore, this study contributes to management accounting literatures in developing countries especially Indonesia.

House of worship is a place where mankind worship God and a place to give charity or share some of the good fortune to those in need. In addition to that, house of worship is also the centre of activity for religious days celebration, discussion and study of religious teachings, sermons, and to learn the Holy Scripture [1, 2]. This study defines Holy Scripture as written materials collated in a book that is regarded sacred by a group of people of certain religion. The Holy Scripture of the Muslim is the Qur'an. The Holy Scripture of the Christian is Bible. Therefore, an organisation exists within the house of worship to run these activities.

To prevent fund embezzlement or misuse in the house of worship, house of worship's officials needs a good fund management system. As an organisation running its operational activities, house of worship needs certain fund management system that allows for ease of supervision to prevent misappropriation. One of the fund management systems used in the house of worship is the fund receipt and fund disbursement system. Fund is a liquid asset hence fund management is very important. This fund can be easily transferred and since ownership is hard to establish, it is prone to embezzlement. Fraud is a common reality in Church institutions in western countries [3].

There are formal and informal systems within an organisation. A formal system within an organisation is considered to be a system with high compliance to prevailing regulation within the organisation. While informal system is considered to be a system within an organisation that has high dependency on certain individuals and cultures such as laws, norms, ethics and religious teachings.

Even though Non-Profit Organisations (NPO) including Churches and Mosques are increasingly known to play important roles in society [4], there is minimum empirical evidence found in managerial literature especially in relation to fund management system in house of worship in developing country especially in Indonesia.

The majority of literature on fund management issues in house of worship is found in Malaysia [1, 5-8] and Western Countries [3, 9-11]. One of the few studies that has more details is the study done by Mohamed et al. [1]. The study describes issues on fund management in Mosque especially the implementation of accountability and control system. They state that financial activity and the implementation of internal control by Mosque (which is considered as non-profit organisation) especially on fund receipt and fund disbursement needs significant attention.

Another study is a research conducted by Masrek et al. that study about internal control on fund receipt and fund disbursement [5]. This study found that the segregation of duty in fund receipt and fund disbursement needs significant attention from Mosque officials. While other elements such as physical custody, recording of transaction and authorisation are at acceptable level.

Therefore, this paper will describe the following research issues: (1) The implementation of fund management system both formally and informally within Mosque and Church in Indonesia, (2) The role of the Holy Scripture in the implementation of fund management system in the Mosque and Church being studied, (3) The role of the congregations in the Mosque and Church in the implementation of fund management, (4) The role of some national cultures in fund management within both house of worship.

Unlike previous studies, this study will focus in describing the comparison between formal and informal fund management systems as well as why both study subjects use this particular system. The use of more than one case on this study allows this study to apply cross case analysis and comparison as well as to investigate a particular phenomenon in a different setting [12].

Through comparative study, researchers can identify whether both house of worship have different fund management system or whether there is a different role from the Holy Scriptures, Culture, leader of the worship house or the congregation. Using two case studies will also strengthen the result concluded by the researchers by replicating the study hence it will increase confidence to the result of this study.

Informal system in fund management implementation within this study refers to fund management that is highly centralised to professionals as well as cultures such as norms and laws where both regulate the behaviour of the surrounding people [13]. The application of informal approach in regulating an organisation both for-profit and non-profit organisation in developing countries especially in Indonesia is easily found [14].

The objective of this paper is to contribute to the development of literature on fund management in house of worship especially in developing countries. Theoretically, this paper describes the roles of culture, Holy Scripture, leader of

the worship house and the congregation in explaining about fund management system in developing countries.

It is expected that this study will be useful for other house of worship in Indonesia and other developing countries. The result of this study may also be used by other house of worship in Indonesia as comparative data to develop a more effective fund management system. The result of this study is expected to provide understanding to leaders of worship house on what they are experiencing and will encourage them to develop a better fund management system in the house of worship that they lead.

This paper is organised as follows: the next section is the description of the research methodology. Then Followed by research and discussion. The next section will present the conclusion of this study.

II. RESEARCH METHODOLOGY

The researchers use field research to conduct explorative study to obtain detail description on fund management system from the research subjects. This research applies exploratory approach because not much information available on how the implementation of fund management system both formally and informally within houses of worship in Indonesia. Exploratory study needs to be done to gain familiarity with the research issues in the situation and to understand what is occurring [15].

This research uses qualitative data where data obtained were gathered through semi-structured interviews, personal observations, and analysis of documented data. The use of data triangulation which is obtained through semi-structured interviews, personal observations, and analysis of documented data strengthen the validation and cross-checking process on the data collected to be analysed. As an exploratory method, this study doesn't need any kind of hypothesis.

Interviews and observations in this study were conducted by two researchers who are members of the congregation in both houses of worship. Both researchers have the experience and opportunity for direct observation to gather information related to the topic of this study. Interviews were conducted through querying the leaders and members of the congregation about the implementation of fund management.

Interviews and discussions with the respondents took approximately 2 hours. The interviews were focused on discussing the issues related to fund receipt and fund disbursement in a formal and informal ways as well as the roles of culture, Holy Scripture, members of the congregation, caretakers and officials of both house of worship.

III. RESULTS AND DISCUSSION

A. Formal and Informal Fund Receipt System

The Mosque and Church as the research subjects both receive fund through informal channel where both house of worship do not have any binding regulation on the amount of fund given by the members of the congregation. Fund given by members of congregation is usually given during religious

activities although some others may give the fund directly to the officials outside of the religious activities.

Fund giving from the members of congregation to the Mosque which are considered informal in nature comes in the form of fund offerings through charity or offerings box during mandatory prayer or Friday prayer, parking fees, and income from footwear storage. Church's fund receipt that is informal in nature includes offerings given during regular mass or Church services (children mass, youth mass, etc.), during specific mass or Church services such as Christmas eve service, Christmas day service, Easter service, etc., as well as given through direct transfer to the Church's bank account.

Both house of worship has similar process in informal fund receipt. Mosque and Church do not regulate the amount of funds contributed by members of the congregations and they also do not issue any receipt to those who contribute. The officials of both house of worship will count the collected fund. Fund collected in the Mosque will be counted in the presence of the Treasurer or deputy treasurer and 1 witness. The total amount collected will be recorded in a form signed by the official, Treasurer/Deputy Treasurer and the witness. The signed form will be handed back to the Treasurer to be inserted under the financial report to be reported to the Head of Mosque. Treasurer will then bank in the collected fund to the Mosque's bank account. Treasurer reports the financial report to members of the congregation once a week during Friday prayer and also post the report on the Mosque's wall bulletin board.

Similarly, in the Church, the counting and recording will be done at the end of the Church service by the General Treasurer together with the ushers who are assigned to collect the offerings. Unlike the fund management in the Mosque, General Treasurer of the Church will submit the report of the collected funds to the Church leader and bank-in the collected fund to the Church's bank account every 3 months. The reports submitted by officials of both worship house are not detail reports. The reports only show cash inflows and outflows.

Although offerings given by members of congregations do not come with official receipts, the counting of the offerings done together becomes a means of monitoring to prevent fraud. One of the officials who is assigned to collect offerings explained this phenomenon in an interview – he said that the officials and caretakers dare not commit fraud in fund management in the Lord's house because fraud itself is a sin, much less committing fraud in the Lord's house. One of the Mosque's officials explained further that the prohibition to commit fraud is written in Muthaffin letter, verse 1 which says *misfortune shall befall on those who commit fraud*.

The amount of fund from members of congregation is not regulated by both house of worship – it depends on the members' wishes. Responding on this matter, one member of the Mosque's congregation explained that a Muslim must be sincere when donating his / her income. Sincere can be defined as doing an activity that only expect multiple rewards from God, instead of expecting recognition from others. This statement is further emphasized by the Priest in the Church who said: *“There is no formal rule in regard to offerings given by members of congregation because this has been stated in the*

Holy Scripture which is in fact God's words. We view the Holy Scripture as a more formal rules than one created by human”.

B. Formal and Informal Fund Disbursement System

Both house of worship being researched have 2 types of expenses: general expenses and ad-hoc expenses. General expenses in the Mosque consist of honorarium payment, operational expenses (fuel, toll and parking fees), building maintenance cost, vehicles maintenance cost and maintenance cost for the Mosque's other assets. On the other hand, general expenses in a Church consist of honorarium payment, building maintenance and operational cost to organise the Church service. Mosque and Church have similar ad-hoc expenses. While Mosque has allowance for death fund, Church also has allowance for death fund, foster parent fund and fund for the needy.

Formally, Mosque has a rule that regulates the authority of Mosque's officials in disbursing money for routine and non-routine operational activities. Deputy Secretary is authorised to disburse fund up to IDR 750,000,000.00, while Secretary is authorised to disburse between IDR 751,000,000.00 to IDR 1,000,000,000.00. Deputy Treasurer is authorised to disburse fund between IDR 1,000,1000,000.00 to IDR 2,000,000,000.00. Treasurer has the authority to disburse fund between IDR 2,000,1000,000.00 up to IDR 3,000,000,000.00, while the authority of the Head of Financial Section is between IDR 3,000,1000,000.00 to IDR 5,000,000,000.00. Spending above IDR 5,000,000,000.00 may only be done by the Head of Mosque. Investment transaction with the value above IDR 100,000,000.00 must be authorised by the Head, Secretary and Treasurer.

In the decision-making process about disbursement of Mosque's fund, Head of Mosque plays a central role and is considered as centre of power. Although the Mosque has level of authorisation in fund disbursement as described above, in reality the officials will not make immediate decision to disburse funds by themselves. They will first hold an informal meeting with the Head of Mosque to discuss and ask for approval.

Similar things happen elsewhere. Although Church has formal rules on fund disbursement for ad-hoc purposes, the rules were made by the Head Priest. The formal rules dictate that fund disbursement must be approved by the Head Priest. As found in the Mosque, Head Priest also plays a central role and is considered as centre of power in the house of worship.

Although the fund management activities in both house of worship are much centralised and all decisions involved Head of Mosque and Head Priest, the officials and members of congregation are respectful of this and they also accept their position in the house of worship.

To explain this, one of the officials said that *“he will not make a decision according to what he wants if it is not approved by the Head of Mosque”*. Another official commented on the role of the Head of Mosque, saying that with the existence of such system *“Head of Mosque is considered as the respected elder who has vast religious*

knowledge. That is the reason that we respect him and feel reluctant towards him”.

On the other hand, a priest also explained about the reason to comply with the head priest – saying that *“In our Church, Head Priest is the highest leader and we are obliged to trust, respect and support him/her with sincerity. Therefore, Head Priest has a strong influence on how to use the Church’s fund”*.

This phenomenon has been supported by the argument of Appelbaum that compared to western business systems, Asian, including Indonesian, business systems reflect a much higher commitment to personal relationship and trust, rather than principals of formal-legal rational authority [16].

Central role and power that is centralised at the Head of Mosque and Head Priest is also supported by the Holy Scriptures – both the Qur’an and the Bible. It is written in the Annisa letter verse 59, page 58 which says *O you who have believed, obey Allah and obey the Messenger and those in authority among you. And if you disagree over anything, refer it to Allah and the Messenger, if you should believe in Allan and the Last Day. This is the best [way] and best in result.* Similarly in the Bible – Thessalonians 5: 12-13 says *And we urge you, brethren, to recognize those who labour among you, and are over you in the Lord and admonish you, and to esteem them very highly in love for their work’s sake. Be at peace among yourself.*

This finding is consistent with the view of Hofstede that Indonesia is collectivist society and power is centralised. The main characteristics of a collective society in Indonesia are collective decision-making processes (*musyawarah*), unanimous decisions (*mufakat*), cooperativeness (*gotong royong*) and loyalty (*mathew*). In Indonesia, subordinates expect to be told what to do and when. It means that Indonesian subordinates would expect to be clearly directed by the leader. Calls it as the classic Teacher-Student kind of dynamic that applies to Indonesia [17].

This study also supports the study conducted by Mulder which concludes that within the Indonesian society, leader is seen as respected elder or a father figure who makes all important decisions and all under him must comply with his recommendations [18]. The same finding is also found in the study done by Withfield that says in Indonesia culture, when there is a Manager, the Manager will make the decisions. Higher rank has higher status [19]. With such circumstances, implementing the formal system in the studied house of worship is less relevant.

These findings are similar to findings from Tsamenyi et al. and Ansari & Bell [13, 20]. They argue that formal system within an organisation is only required to obtain legitimisation from external parties such as: fund providers, regulators (such as: government), members of congregation and so on. This statement is supported by DiMaggio and Powell who said that an organisation may apply certain approach so that it is consistent with the expectation of external parties with the sole purpose of getting legitimization [21]. They also add that formal rules are used in a ceremonial way – in the study that we have conducted, this is proven through the execution of fund disbursement by house of worship. Although officials in

Mosque or Church have the authority to disburse certain amount of funds but in reality, they will first consult and ask approval from the Head of Mosque or Head priest.

This finding is consistent with the finding reached by Adnan that eventhough mosques in Jogjakarta-Indonesia prepared bookkeeping and financial reporting, there is a need to review both format and content of the report on the important concepts in accounting generally [2]. On the other hand, Masrek et al. came up with different finding that the implementation of authorisation in internal financial control in Mosques located in Central Region, Malaysia is running well [5].

IV. CONCLUSION

Although there are formal rules in the Mosque and Church being studied, the authority in the implementation of fund management system in both house of worship is centralised at the Head of Mosque and the Head Priest who are the highest leader in the Mosque and Church. The officials who have the authority to disburse funds will only do so after obtaining approval from their respective leaders. Although it is a much centralised system and all decisions involved leader of the house of worship, the officials of both house of worship respect and accept the system.

Unlike in the commercial sector, this study found that fund giving by the member of congregation to the house of worship is not accompanied with the issuance of payment receipt. This may happen because this is in accordance to the applicable culture in Indonesia as well as the teaching of the Holy Scriptures from both religions. In addition, this study prove that cultural factors, Holy Scriptures and certain individuals may help researchers to understand the implementation of fund management within house of worship in Indonesia.

The findings concluded from this study are based on case study research with a focus to only two organisations. Therefore, the findings of this study shall not be generalised for other house of worship. Generalisation of these findings is not the main objective of this study. Case study research is used in this study because case study research is consistent with the objective of this study that is to explore, describe and explain the reasons behind the implementation of fund management system in the house of worship.

At the end, the findings of this study may add to empirical evidence in literatures about the comparison of formal and informal fund management system in Mosques and Churches in developing countries especially in Indonesia where there the subject is less explored by other researchers.

However, from the outset of this study, it was identified that the implementation of authorisation in internal financial control in Mosques located in Central Region, Malaysia is running well. Based on this, there is an opportunity to learn more about houses of worship between countries by conducting comparative study between houses of worship in Indonesia and other countries such as Malaysia. A comparative study between houses of worship in Indonesia and other countries will give an opportunity for the houses of worship to learn from each other.

REFERENCES

- [1] I.S. Mohamed, N.H. Ab Aziz, M.N. Masrek, and N.M. Daud, "Mosque fund management: issues on accountability and internal controls," *Social and Behavioral Sciences*, vol.145, pp. 189-194, 2014.
- [2] M.A. Adnan, "The financial management practices of the mosques in the special region of Yogyakarta province, Indonesia," *Tazkia Islamic Finance & Business Review*, vol. 8, no. (2), pp. 133-154, 2013.
- [3] J.B. Duncan and D.L. Flesher. "Does your church have appropriate internal control for cash receipts?" *The National Public Accountant*, vol. 47, no. (1), pp. 15-20, 2002.
- [4] R. Sinclair, K. Hooper, and S. Ayoub, "Perspective of accountability in charities," pp. 1-19, 2010 [6th Asia Pacific Interdisciplinary Research In Accounting Conference].
- [5] M.N. Masrek, IS. Mohamed, N.M. Daud, R. Arshad, and N. Omar,"Internal financial controls practices of district mosque in central region of Malaysia," *International Journal of Trade, Economics and Finance*, vol. 5, no. (3), 2014.
- [6] M. Sulaiman, "The internal control procedures of mosques in Malaysia," *Revista Universo Contabil*, vol. 3, no. (2), pp. 101-115, 2007.
- [7] J. Said, A. Mohamed, Z. Mohd-Sanusi, and S.N. Syed-Yusuf, "Financial management practices in religious organizations: an empirical evidence of mosque in Malaysia," *International Business Research*, vol. 6, no. (7), pp. 111-119, 2013.
- [8] S. Bt Shahrudin, and M. Bt Sulaiman, "Financial disclosure and budgetary practices of religious organisation: a study of qaryah mosques in Kuala Trengganu," *Gadjah Mada International Journal of Business*, vol. 17, no. (1), pp. 83-101, 2015.
- [9] J.B. Duncan, D.L. Flesher, and M.H. Stocks, "Internal control system in US churches: An examination of the effects of church size and denomination on systems of internal control," *Accounting, Auditing and Accountability Journal*, vol. 12, no. (2), pp. 142-163, 1999.
- [10] G. Woodbine, "Cash controls within Christian churches: An exploration of the determinants," *Asian Review of Accounting*, vol. 5, no. (2), pp. 21-37, 1997.
- [11] R.C. Laughlin, "Accounting in its social context: An analysis of the accounting systems of the church of England," *Accounting, Auditing and Accountability Journal*, vol. 1, no. (2), pp. 19-42, 1988.
- [12] P. Darke, G. Shanks, and M. Broadbent, "Successfully completing case study research: combining rigour, relevance and pragmatism," *Info System Journal*, vol. 8, no. (4), pp. 273-289, 1998.
- [13] M. Tsamenyi, I. Noormansyah, and S. Uddin, "Management controls in family-owned business (FOBs): a case study of an Indonesian family-owned business," *Accounting Forum*, vol. 32, pp. 62-74, 2008.
- [14] G. Dean, "Doing Business in Indonesia: from a western perspective," A Report Commissioned by the Australian Department Foreign Affairs and Trade, Available: www.okusi.net/garydean/works/bizindo.html, June 2001.
- [15] U. Sekaran, *Research Methods for Business: A Skill Building Approach*, 4th ed., New York: John Wiley and Sons, 2003.
- [16] R.P. Appelbaum, "The future of law in global economy," *Social and Legal Studies*, vol. 7, no. (2), pp. 171-192, 1998.
- [17] G. Hofstede, "6 d model of national culture," available online at: <https://www.hofstede-insights.com/country-comparison/indonesia/>, accessed on 17/08/2018.
- [18] N. Mulder, *Individual and Society in Java: A Cultural Analysis*, Yogyakarta: Gadjah Mada Organisation Press, 1989.
- [19] G.B. Withfield, "Business across culture: equality in the workplace," available online at: <http://www.expatriat.or.id/business/equality.html>, accessed on 09/05/2003.
- [20] S.L. Ansari and J. Bell, "Symbolism, collectivism and rationality in organizational control," *Accounting, Auditing and Accountability Journal*, vol. 4, no. (2), pp. 4-27.
- [21] P.J. DiMaggio and W.W. Powell, "The iron cage revisited: institutional isomorphism and collective rationality in organizational fields," *American Sociological Review*, vol. 48, pp. 147-160, 1983.