

THE EFFICIENCY OF ZAKAT INSTITUTIONS IN EMPOWERING UMMAH

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Abstract	<p><i>This study aims to analyze the efficiency of zakat institutions in Indonesia since efficiency is important in the context of ummah empowerment. Zakat institutions in Indonesia are categorized into several types based on historical aspects of the establishment of zakat institutions. They are based on government, corporations, zakat management organizations and mass organizations. By using the Data Envelopment Analysis (DEA) method, this study found that the order of efficiency according to the type is government, corporation, zakat management organization and mass organization. Furthermore, the results of this study can be used as a reference for the type of zakat institutions in Indonesia for better improvement. Thus, the potential management of zakat owned by Indonesia could be channelled properly.</i></p> <p>Keywords: <i>Efficiency, Zakat, Institutions, Indonesia, Empowerment.</i></p>
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INTRODUCTION

Zakat institution is one of the Islamic-based philanthropic institutions (Malik, 2016). Philanthropic institutions strive to improve the quality of human life by promoting humankind's welfare, happiness, and culture (Bremner, 1988). Based on Law number 23 of 2011 concerning zakat management, zakat management aims to increase the effectiveness and efficiency of services in managing zakat. The benefits of zakat management may improve public welfare and reduce poverty (Menteri Hukum dan Hak Asasi Manusia Republik Indonesia, 2011). Therefore, zakat institutions own a critical role in empowering the ummah (society), and efficiency is necessary for the operation of zakat institutions.

Zakat institution is one of the Islamic financial institutions (Badan Amil Zakat Nasional Republik Indonesia, 2020). Based on historical aspects of the establishment of zakat institutions in Indonesia, it is classified into several types: government, corporation, zakat management organization, and mass organization. Measuring the efficiency of zakat institutions as a financial institution can be calculated using two approaches: production and intermediation (Muharam, 2007).

A production approach is an approach that considers zakat institutions as producers of zakat fund accounts. In contrast, an intermediation approach is an approach that assumes zakat institutions as an agent that convert and transfer zakat funds into zakat distribution (Muharam, 2007). This research used the production approach since it is more relevant because zakat institutions are obligated to collect funds from the public.

Therefore, the more zakat funds of zakat institutions, the better they carry out their functions. Besides, the efficiency of a zakat institution is very dependent on the ability to adopt the technology. Therefore, the more dominant and more decisive the use of technology in all activities (programs) of zakat institutions, the faster it will accelerate efficiency.

Based on previous related studies, this study seeks to analyze the efficiency of zakat institutions based on the type of organizations. Indonesia has many zakat institutions, both government-owned and non-government owned. Hence, this study aims to analyze the efficiency of zakat institutions in Indonesia according to their types using the Data Envelopment Analysis (DEA) method.

ZAKAT IN INDONESIA PERSPECTIVE

Zakat is a percentage of the wealth that must be paid by a Muslim who has met the requirements to be handed over to those entitled to receive it (Widiastuti et al., 2018). Zakat institutions have a crucial role in managing zakat aiming at the socio-economic mission. Zakat institutions need to be managed efficiently as a responsibility to the stakeholders and the Muslim community. Significant efficiency happens when the additional output is produced without any changes in the input or with fewer inputs. An economic system can only be efficient when producing more goods and services for a society with fewer resources (Wahab dan Rahman, 2012).

Zakat institutions in Indonesia have various histories in the process of their establishment. First are government-based zakat institutions. This institution is a non-structural government institution independent and is responsible for the president's duty through the minister (Presiden Republik Indonesia, 2011). Secondly, zakat institutions as corporate based. Corporations are organized groups of people and assets, both legal and non-legal entities (Mahkamah Agung, 2016).

Based on historical aspects, Zakat institutions established as part of a corporation are grouped into corporation-based zakat institutions. The third is zakat institution as a mass organization. Mass organizations are organizations that are voluntarily founded and formed by the community based on the same aspirations, desires, needs, interests, activities, and goals to participate in development to achieve the goals of the Unitary State of the Republic of Indonesia based on Pancasila (the Ideology of the Republic of Indonesia) (Presiden Republik Indonesia, 2013).

Based on historical aspects, Zakat institutions established as part of a mass organization are grouped into based zakat institutions. Fourth is zakat institutions based on the zakat management organization (ZMO). The established zakat institutions with the initial objective to be a zakat management organization, based on historical aspects, are grouped into ZMO-based zakat institutions. The study of the efficiency of zakat institutions can be carried out by paying attention to the classification of zakat institutions based on these aspects to provide an overview of the level of efficiency in each type of zakat institution.

There was some research on efficiency, but not much research discussing the efficiency of zakat institutions. Studies on the efficiency of financial institutions had also been done primarily in the banking sector. Some previous studies discussed the efficiency of zakat, including research conducted by Norazlina Abd. Wahab & Abdul Rahim Abdul Rahman aimed to present a conceptual model of the efficiency of government-based zakat institutions responsible for collecting, managing and distributing zakat in Malaysia (Wahab & Rahman, 2011).

Another study conducted by Norazlina Abd. Wahab and Abdul Rahim Abdul Rahman aimed to analyze the efficiency of zakat institutions in Malaysia during the 2003-2007 period (Wahab & Rahman, 2013a). Then, the research was conducted by Abd Halim Mohd Noor, Mohamed Saladin Abdul Rasool, Rozman Md. Yusof Siti Mariam Ali and Rashidah Abdul Rahman measured the efficiency of the zakat institution performed as one of the Islamic Institutions (Abd Halim Mohd Noor, Rasool, Yusof, Ali, & Rahman, 2015).

Finally, the research conducted by Djaghballou et al. (2018) aimed to measure the efficiency and productivity enforcement of zakat institutions in Algeria from 2003-to 2013.

In practice, the Data Envelopment Analysis method to measure efficiency has been done several times, such as in research conducted by Ikka Nur Wahyuni, which aimed to investigate the level of efficiency of zakat institutions in Indonesia (Wahyuni, 2016). While in research conducted by Ismail HJ Ahmad and Masturah Ma'in, which analyzed the efficiency of the zakat management at Selangor Zakat institutions (Ahmad & Ma'in, 2014); in research conducted by Norazlina Abd.

Wahab and Abdul Rahim Abdul Rahman aimed to measure the efficiency of Zakat institutions in Malaysia from 2003 to 2007 (Wahab & Abdul Rahman, 2012), while in research conducted by Solahuddin Al-Ayubi, Ascarya, Bayu Taufiq Possumah, they aimed to evaluate the efficiency of Indonesian Zakat institutions, including technical and pure scale efficiency using a production approach (Al-Ayubi & Possumah, 2018).

Moreover, in research conducted by Aam Slamet Rusydiana and Salman Al-Farisi, which aimed to determine the level of efficiency of zakat institutions in Indonesia (Rusydiana & Al Farisi, 2016); research conducted by Desi Retnowati aimed to analyze the performance and efficiency of Zakat institutions in Jambi Province (Retnowati, 2018); in research conducted by Hamzah and Krishnan related to evaluating the efficiency of zakat collection in Sabah Malaysia during 2007-2015 (Hamzah & Krishnan, 2016).

RESULT AND DISCUSSION

The efficiency measurement in this study summarizes fifteen zakat institutions grouped into five groups based on their organizing management from 2014 to 2018. This study assumes that the zakat institution is in constant return to scale condition, which means that each input x times will produce output x times. Table 1 presents various types of information. The first information is related to ranking, based on the highest to the lowest efficiency scores and benchmarks of Zakat institutions. The ranking comparison result in Table 1 shows Zakat institution, which became the benchmark from 2014 to 2018, was the Baitul Mal Foundation (YBM) of PLN with an average score of 1. However, the measurement of efficiency on the YBM PLN was carried out only during the 2016-2018 period. Meanwhile, this study's other highest average scores were Rumah Zakat and PKPU in the 2014-2018 research period. As for each score, the average efficiency obtained was 0.916 and 0.866, respectively.

Table 1: The Level and Ranking of Zakat Institution Efficiency Based on The Type of Organizing Management

DMU Code	Type Org	Zakat Institution	2014		2015		2016		2017		2018		Avg	Rank
			Eff	Rank	Eff	Rank	Eff	Rank	Eff	Rank	Eff	Rank		
1	Gov	BAZNAS	0.695	2	0.803	4	0.601	5	1	1	1	1	0.820	4
Avg													0.820	1
2	Corp	BMM	-	-	-	-	0.180	7	0.589	5	0.756	5	0.508	5
3	Corp	BSM	-	-	-	-	0.124	9	0.149	7	-	-	0.137	11
4	Corp	MTT	1	1	0.064	9	0.078	11	0.097	10	0.093	8	0.266	8
5	Corp	YBM PLN	-	-	-	-	1	1	1	2	1	2	1.000	1
Avg													0.478	2
6	ZMO	RZ	0.617	4	0.964	1	1	4	1	3	1	3	0.916	2
7	ZMO	DDR	0.216	5	0.202	5	0.252	6	0.196	6	0.192	6	0.211	9
8	ZMO	Mizan	0.045	7	0.091	6	0.053	14	0.024	14	0.027	12	0.048	14
9	ZMO	Yakesma	-	-	0.912	3	0.071	12	0.143	8	-	-	0.375	7
Avg													0.388	3
10	MO	NU	-	-	-	-	1	2	0.087	11	0.083	9	0.390	6

11	MO	Global	0.005	8	0.005	10	0.003	15	0.005	15	0.001	13	0.004	15
12	MO	Al-Azhar	-	-	0.091	7	0.092	10	0.065	13	0.071	10	0.080	12
13	MO	DDII	0.050	6	0.078	8	0.054	13	0.074	12	0.037	11	0.059	13
14	MO	IZI	-	-	-	-	0.156	8	0.121	9	0.137	7	0.138	10
15	MO	PKPU	0.627	3	0.944	2	1	3	0.804	4	0.958	4	0.866	3
Avg													0.256	4

Source: Output Data Envelopment Analysis processed by Author (2020)

The second information is related to the level and efficiency rating based on the classification of zakat institution types. According to the comparison of the average efficiency of the Zakat institution group, the zakat institution organized by the government (calculated as one institution) is higher than the other groups, which scored 0.820. This finding is because the Zakat institution organized by the government is under the Ministry of Religion. BAZNAS is also the earliest well-established institution, obtaining a wide range of infrastructures and providing a few other things. According to Noor et al. (2015), management and government are among the most critical factors in increasing zakat.

Then, the second position of the highest average efficiency was obtained by zakat institutions organized by corporations (four institutions), which scored 0.478. This score is due to the modernization factor in managing zakat. For example, one of them is using 4.0 technology in collecting and channelling zakat. Another factor affecting the score is the more superior human resources included than other institutions. The resource factor is vital because it can determine the institution's performance. According to Wahab & Rahman (2013), technological factors such as websites, payment systems, and human resources are highly significant factors in improving the efficiency of zakat institutions.

Subsequently, the zakat institution organized by the OPZ (Zakat Management Organization) has an average efficiency of 0.388. This result can be due to OPZ implementing the modernization of zakat governance. Then, it highlights the small number of resources compared with the corporate-own institution in terms of human resourcing. Thus, the showing average value of efficiency can compete with others. In addition, Zakat institutions have effectuated innovations and new approaches such as establishing special units on research and development, public relations, promotion, and internal audit; use of computer and information technology in zakat affairs, and encouraging the involvement of young professionals who have not only a religious background but also those who have a modern and professional education background (Makhtar & Ahmad, 2010).

Later, the table informed the zakat institution group organized by a mass organization (six institutions) has an efficiency level of 0.256. The cause of the low average efficiency of the institute in managing Zakat institution is a limitation of the competence owned by its members. It resulted in the management of the zakat institution being less performed than it should be. When viewed from the number of members, each organization has a good number of members. If each resource can be maximally utilized, the organization will produce even higher output. However, the lack of good governance resulted in a low-efficiency level. The previous studies proved that many people in the management inhibit efficiency, resulting in delays (Keen, 1991) and increasing complexity (Ginn & Barlog, 1993).

From these explanations above, it can be concluded that the increase in the efficiency of zakat institutions can be obtained by promoting the modernization of zakat governance and increasing human resources. With the modernization of zakat governance, the gathering system and the channelling process of zakat can be more efficient. It aligns with the Philanthropy Model 4.0 on empowering the Ummah through technology. Empowerment is a construct of motivation. In the broader organizational context, empowerment is closer to enabling than delegating (Weber & Ahmad, 2014). Empowering the ummah means enabling the society to achieve specific goals, for example, getting

enough income to make a living (Weber & Ahmad, 2014). The modernization of zakat management is a form of ummah empowerment through more advanced technology.

Excellent zakat management impacts the empowerment of the ummah, especially in increasing the independence of the ummah (society) (Anwar, 2018). Therefore, the efficiency level can be a sign of good management at a zakat institution. Therefore, based on the theory of efficiency testing using the Data Envelopment Analysis method, testing is carried out to determine the sources of inefficiency through analysing total potential improvement (TPI).

According to the average efficiency, the zakat institution's inefficiencies need to be corrected to reduce salary expenses by 22.66%, operational expenses by 22.96%, and socialization expenses by 24.15%. In comparison, the output factors that need to be considered are an increase in zakat funds by 7.74% and zakat distribution by 22.47%, which indicates the efficiency of zakat institutions in Indonesia. In addition, management needs to decrease socialization expenses. This finding can be pursued mainly by using technology, such as the digitalized version of the socialization process. Another thing to highlight is the increased expense in zakat distribution. However, good programme plans for zakat distribution must also be developed to maximize empowering the ummah.

The Data Envelopment Analysis method can measure the institution's level of efficiency and measure the increase in the production capacity of the institution being tested. Table 2 illustrates the return to scale (RTS) condition with the output approach. Every zakat institution studied will be in a condition of return to scale, namely decreasing return to scale (DRS), the constant return to scale (CRS), and increasing return to scale (IRS).

Table 2: Return to Scale of Zakat Institution

DMU Code	Type Org	Zakat Institution	Return to Scale				
			2014	2015	2016	2017	2018
1	Gov	BAZNAS	DRS	DRS	DRS	DRS	DRS
2	Corp	BMM	-	-	DRS	IRS	IRS
3	Corp	BSM	-	-	DRS	DRS	-
4	Corp	MTT	CRS	DRS	DRS	DRS	DRS
5	Corp	YBM PLN	-	-	DRS	DRS	DRS
6	OPZ	RZ	DRS	DRS	DRS	DRS	DRS
7	OPZ	DDR	DRS	DRS	DRS	DRS	DRS
8	OPZ	Mizan	DRS	DRS	DRS	DRS	DRS
9	OPZ	Yakesma	-	DRS	DRS	DRS	-
10	MO	NU	-	-	DRS	DRS	DRS
11	MO	Global	IRS	IRS	IRS	IRS	IRS
12	MO	Al-Azhar	-	DRS	DRS	DRS	DRS
13	MO	DDII	DRS	DRS	DRS	DRS	DRS
14	MO	IZI	-	-	DRS	DRS	DRS
15	MO	PKPU	DRS	DRS	CRS	DRS	DRS

Source: Output Data Envelopment Analysis processed by Author (2020)

Zakat institutions with stable conditions (CRS) are only PKPU in 2016 and MTT in 2014. Different conditions occur in Global Zakat, which continuously increases conditions (IRS) during the research period. However, based on Table 1, Global Zakat is averagely at the lowest position than the other fourteen zakat institutions. During the research period, most zakat institutions that were the subject of research were in a decreasing condition (DRS). Therefore, almost all groups, zakat institutions organized by the government, corporations, zakat management organizations, and mass organisations must maximise efficiency. Furthermore, specifically for groups of corporation and mass organization

sectors that experience increasing returns to scale, they can improve their managerial levels to elevate their efficiency levels.

CONCLUSION

By carrying out its role as an agent for empowering the ummah, the Zakat institution is obligated to maintain the efficiency of its activities. Zakat institutions in Indonesia can be grouped into five groups based on their types. By testing the efficiency level using the Data Envelopment Analysis method, the order of efficiency is found: government, corporation, zakat management organization, and mass organization. This study provides practical advice for zakat institutions to improve their efficiency by analysing total potential improvement.

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