

# The Efficiency of Distribution of Zakat Fund at LAZNAS in Indonesia

Novi Nurul Aini<sup>1</sup>, Ari Prasetyo<sup>2</sup>, and Tika Widiastuti<sup>2</sup>

<sup>1</sup>Postgraduate School Universitas Airlangga, Surabaya, Indonesia

<sup>2</sup>Departement of Sharia Economic, Economic and Business Faculty, Universitas Airlangga, Surabaya, Indonesia

Keywords: Efficiency, Zakat fund, Laznas, Data Envelopment Analysis

Abstract : This study aims to analyze the relative efficiency of *Lembaga Amil Zakat Nasional* in 2013 to 2016 and to see the source of inefficiency. Respondents consist of four LAZNAS that have been confirmed by the government since the year and have official financial statements published on their respective websites, *Rumah Zakat (RZ)*, *Pos Peduli Peduli Umat (PKPU)*, *Dompot Dhuafa (DD)* and *Yatim Mandiri*. This study uses a method that can measure the performance of companies that can handle many inputs and outputs at once, the method of Data Envelopment Analysis (DEA). This method is chosen by the intermediation approach and using the appropriate variables with the intermediation approach is the distribution of *zakat* funds as output variables and the three components as input variables are *zakat* funds receipts, employee salaries and operational costs. The results show that these four LAZNAS simultaneously achieve maximum efficiency in 2016.

## 1 INTRODUCTION

The fact that the condition of Indonesian people is still in low level of welfare cannot be denied, according to the Central Bureau of Statistics (BPS) recorded the number of poor people in September 2017 reached 26.58 million people. When the discourse of poverty erupted, many people connect it with the issue of *zakat* as an alternative solution. Ibn Taimiyah in a history once offered a prescription to eliminate poverty that is with the development of *zakat* and grants from the government.

According to Wibisono (2010) *zakat* will significantly influence if balanced with good governance by establishing a strong and credible *zakat* authority, with the role of National *Zakat* Agency (Baznas) which will have regulatory and supervisory authority in three main aspects, namely compliance of sharia, transparency and financial accountability, and economic effectiveness of the utilization of *zakat* funds.

Discussion about the *zakat* cannot be separated from the management, in this case is the management of *zakat*. In Indonesia the management of *zakat* has been regulated in Law no. 38 of 1999. Under this Act the management of *zakat* is done by

the state (BAZ) and the community (LAZ). BAZ and LAZ can manage *zakat* according to their level. LAZ's hopes and aspirations are to tackle or reduce poverty. *Zakat* management institutions are considered as public sector institutions. Managing *zakat* means managing public funds, which means managing public sector funds, for fund management the public can run well then it needs the involvement of the community in its supervision

Related to the performance of *zakat* management institution, in the official website of Ministry of Religious Affairs, M. Fuad Nasar as Director of Zakat Empowerment and *Waqf* of the Ministry of Religious Affairs said that the growth of national *zakat* has a positive trend from the accumulated average of *zakat*, *infaq* and alms (ZIS) others. The growth of *zakat* during 2017 increased about 20% from the previous year to Rp 6 trillion, compiled by the National Amil *Zakat* Agency (Baznas) and the Amil *Zakat* Institute (LAZ). According to him, if offset by the increase of service on *zakat* payments that are creative and innovative one of them through digital service then the realization can reach 30% of the total revenue of *zakat*. Citing data from the survey results Baznas also stated that the potential of *zakat* wealth and income of individuals in Indonesia can actually reach Rp 138 trillion per year.

On the other hand, according to Karim and Sharif (2009) the proliferation of LAZ can lead to inefficiency in the management and distribution of *zakat*, *infaq* and alms funds. Therefore, the importance of coordinative, consultative and informative functions in the collection and channeling of funds should be made by a body recognized by all LAZ and state authorities.

With the above description the author is interested to conduct research on *Amil Zakat* Institute with topic Efficiency *Amil Zakat* Institute. From this research is expected to be answered whether LAZ has been efficient in terms of revenue and distribution of funds.

## 2 LITERATURE REVIEW

### 2.1 Definition of *Amil Zakat* Institute

National *Zakat* Institution (LAZNAS) is a *zakat* management institution that is formed by the community and confirmed by the government to carry out the activities of collecting, distributing, and utilizing *zakat* to assist BAZNAS. (Law number 23 of 2011 concerning Management of *Zakat* Chapter II Article 17)

Law number 23 of 2011 concerning *Zakat* Management Chapter I Article 1 states that *zakat* management institutions in Indonesia consist of two groups of institutions, namely the National *Zakat* Agency (BAZ) and the National *Zakat* Institution (LAZNAS). BAZ is formed by the government, while LAZ is formed by the community (Sudarsono, 2008: 262).

Currently *amil* framed in the form of *Amil Zakat* and *Amil Zakat* Institute. According to Imam Qurtubi in Hafidhuddin (2002: 125), *amil* is the person assigned (by *imam*/government) to take, write, calculate and record the *zakat* he took from the *muzakki* to then be given to the right to receive it.

According to the opinion of some scholars in Qardhawi (1999: 532) that government (in this case a *manah*, trustworthy and professional *Zakah* Institution) is allowed to build companies, factories and others from *zakat* money, to be given to *mustahik* in a relatively large number, so that the needs of the *mustahik* are met. But in the implementation need seriousness, prudence and precision, in order to avoid losses due to the mistakes of the manager.

### 2.2 Fund Disbursement

According to Hafidhuddin (2008: 27-34) *zakat* collected by *zakat* management institutions should be immediately channeled to the *mustahiq* (recipient of *zakat*) in accordance with the priority scale that has been prepared in the work program. The *zakat* should be distributed to the *mustahiq* as set forth in the letter At-Taubah verse 60.

The productive distribution of *zakat*, as it had been in the time of the Prophet, was mentioned in a hadith of Imam Muslim's narration from Salim bin Abdullah bin Umar from his father, that the Messenger of Allah had given him *zakat* and told him to be developed or rededicated. For now, in Indonesia the role of government in the management of *zakat* is replaced by the Agency *Amil Zakat* and Institute of *Amil Zakat*.

### 2.3 Concept of Efficiency

Efficiency is a productivity component and refers to the actual and optimal ratio of inputs and outputs (Lovell, 1993). The concept of efficiency in economics proposed by Worthington (2004) consists of three types of efficiency as follows:

1. Technical efficiency, refers to possible maximizing output with a number of inputs.
2. Allocative efficiency, concerning the choice between a combination of the use of technically efficient inputs to produce the maximum possible output.
3. Cost Efficiency or economic efficiency, a combination of technical and allocative efficiency in a complete manner can be said to have reached the total economic efficiency.

### 2.4 Previous Research

Wahab and Rahman (2012) analyzed the efficiency of *zakat* institutions in Malaysia using Data Envelopment Analysis (DEA). Empirical research results show that *zakat* payments, computerized *zakat* systems, board of directors, audit committee, and decentralization significantly influence the efficiency of *zakat* institutions in Malaysia.

Ahmad and Main (2014) use two stages of Data Envelopment Analysis (DEA) to analyze the efficiency of *zakat* institutions in Malaysia. The analysis was carried out on the collection and distribution of *zakat* funds at the Selangor *Zakat* Institution.

Alfi Lestari (2015) in journal titled Efficiency of Financial Performance of Regional *Zakat* Agency

(BAZDA): Data Envelopment Analysis (DEA) approach with the object of research of the BAZDA financial report of East Lombok district 2012 to 2014.

Salman Al Parisi (2016) conducted a study entitled The Level of Efficiency and Productivity of Zakat Institutions in Indonesia, in that the study measured efficiency and productivity in five zakat institutions in 2005 to 2014.

### 2.5 Conceptual Framework

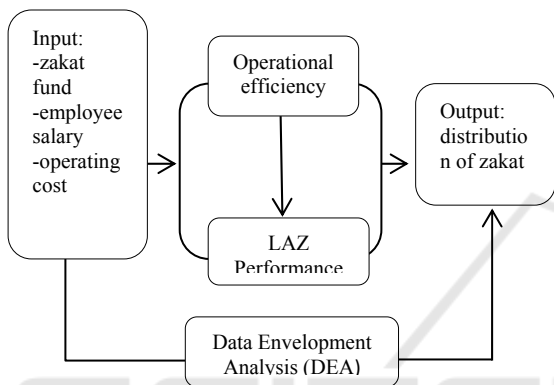


Figure 1: Conceptual Framework.

The framework of thinking in this study is the performance of LAZ seen from its operational efficiency, in carrying out its function as an intermediary institution. Variables used consist of input variables, namely the receipt of zakat funds, employee salaries and operational costs and the distribution of funds as a variable output. This study uses DEA as a measure of efficiency to see how much efficiency LAZ generates, and to determine which LAZ works most efficiently compared to other LAZs.

### 3 METHOD AND RESERACH

This study uses a quantitative approach. The data used in this study is secondary data that has been published and audited obtained from the publications published each zakat institution from 2013 to 2016.

Problems in this research will be analyzed by Data Envelopment Analysis (DEA) method. DEA is a mathematical programming model used to calculate the relative efficiency of a unit compared

to other units using a variety of similar inputs and outputs.

The term "Decision Making Unit" (DMU) was therefore introduced to cover, in a flexible manner, similar to that of similar input outputs. (Cooper et al., 2006)

This technique is used to find out how efficiently DMUs are used with the utilization of existing equipment to be able to produce optimum output.

## 4 RESULTS AND ANALYSIS

### 4.1 Nilai Efisiensi

The purpose of this study is to look at the efficiency level of four LAZNAS during the period 2013 to 2016. The Zakat Institute is said to be efficient if it has an efficiency value ( $\epsilon$ ) = 1 (one) or 100% which means LAZ is no longer wasting the use of its inputs and / or has been able to optimally utilize the inputs to produce maximum output so that it can be a reference for LAZ that has not been efficient. On the contrary Zakat Institute is said to be inefficient if its efficiency value is  $0 \leq \epsilon < 1$  or less than 100%. The value of  $\epsilon$  less than 1 (one) indicates that the LAZ is still performing wasteful action in the use of its input units.

Here are the results of data processing on LAZNAS in the period 2013 to 2016 using the method of data envelopment analysis (DEA). The results of data processing show the value of efficiency as follows:

Table 4.1: Table of efficiencies.

LAZ	2013	2014	2015	2016	Perform
RZ	10.70	24.01	90.28	100	Increase
DD	85.89	100	100	-	Increase
PKPU	6.05	14.39	100	100	Increase
Yatim Mandiri	-	94.11	100	100	Increase
<b>Average</b>	34.21	58.12	97.57	100	Increase

The table above shows that on average the LAZ has increased the efficiency level from the year 2013 by 34.21% up to 58.12% in 2014, then in 2015 rose to 97.57% and in 2016 rose to 100%. The table shows changes in the efficiency values of the four LAZs in the period 2013 to 2016 which are all included in the upgraded performance group.

### 4.2 Maximum Efficiency

In table 4.1 in 2016 three LAZNAS namely RZ, PKPU, and Yatim Mandiri simultaneously achieve maximum efficiency, in connection with this matter here will be described regarding the maximum efficiency that can be achieved by the LAZNAS. One example taken in the discussion of maximum efficiency here is the result of data processing on the efficiency of the receipt and distribution of zakat funds in the RZ in 2016.

Table 4.2: Potential Improvement RZ 2016.

Input/Output	Actual	Target	Potential Improvement
Salary	4820051132	4820051132	0
Operational	10920759037	10920759037	0
Income	109338881331	109338881331	0
Distribution	113599505962	113599505962	0
Efficiency RZ 2016	100%		

Sources: RZ Financial statements 2016 are processed with DEA

In the table above it can be seen that the actual value (true value) and target value (the value that must be achieved) are the same, it shows that in each variable both input and output can be used optimally. The potential improvement shown in figure 0 shows that both the receipt and distribution of zakat funds have been efficient so there is no potential improvement value to increase efficiency because the efficiency achieved has been maximized.

## 5 CONCLUSION

Based on research on the efficiency of *zakat* fund distribution at LAZNAS in Indonesia, it can be concluded that four LAZNAS both achieve maximum efficiency in 2016. In 2014 only DD reaches 100% efficiency level and consistent until the following years. LAZNAS with the lowest level of efficiency is PKPU (2013) of 6.05% but in the next year increased efficiency to 14.39% and in 2015-2016 reached 100% efficiency level. In 2015-2016 Yatim Mandiri has achieved maximum efficiency while the new RZ achieve maximum efficiency in 2016.

With the above explanation, the consistency of efficiency scores experienced by DD, PKPU, and Yatim Mandiri for two consecutive years indicates that LAZ operationally has savings from its inputs or optimization in the deployment of inputs so that the output is maximized.

The maximum efficiency can occur because the actual value (true value) and target value (the value to be achieved) are the same, it shows that in each variable both input and output can be used optimally.

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