

## Research Article

# Performance Measurement of Zakat Utilization: The Effectiveness of Zakat Distribution

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**Abstract.**

In this study, we will examine the performance of zakat. The background of the research is the zakat utilization program as one of the programs in the zakat intermediation role, performance must be assessed to see the sustainability of the program. One of them is the effectiveness of the zakat distribution program. The research method used is a case study of zakat programs (BAZNAS) in West Java area, with a descriptive analysis approach. Data collection techniques used were observation, in-depth interviews and documentation. The results of this study are expected to be an innovation that becomes a reference for zakat institution managers to assess the performance of zakat utilization by looking at the effectiveness of the zakat distribution program. Zakat distribution program at BAZNAS of West Java focuses on the economy, health, and education. BAZNAS of West Java is distributed for da'wah and the victims of natural disasters. Zakat utilization at BAZNAS of West Java covers the fields of economy, health, and education. In carrying out the role as a zakat distributor, BAZNAS of West Java still encounters obstacles that hinder the effectiveness of the zakat distribution program. Many measurements are used to assess the effectiveness of its role in zakat distribution, including the implementation of standard operating procedures (SOP).

**Keywords:** effectiveness, zakat utilization, zakat

## 1. INTRODUCTION

West Java Province still faces economic and social problems, namely unemployment and poverty that must be resolved. Along with the demands of supporting the achievement of SDG's goals. For this reason, the West Java government and its stakeholders including BAZNAS of West Java are working together to solve West Java's problems and achieve the SDG's. BAZNAS of West Java as a government-based zakat institution that has a zakat intermediary role designs various utilization programs as the solutions to West

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Java's problems and achieve SDG's, namely empowerment program that focuses on community economic development. The distribution role of BAZNAS of West Java and other zakat institutions are considered effective because their performance indicators are only seen from the beneficiaries, in contrast to the role of zakat utilization for community empowerment which is still considered low because the level of performance achievement is between 20%-30% [1].

Of the many factors that cause the low performance of empowerment is that zakat institutions must implement good zakat governance [2]. The implementation of internal control through monitoring and evaluation of activities and TQM [3], the implementation of Organizational Culture [2], an organizational performance assessment[4], considering Amil's behavior [5] and the utilization factor of the socio-economic value of zakat[5].

Zakat as a tool that has been recognized to alleviate poverty and improve socio economy as a whole [6, 7]. Zakat can also be considered as investment of government towards improving the wellbeing of its citizens, in which this could also being posited as impact investment [8]. Here, we argue that zakat can play an important role in supporting circular economy principles as the distribution of zakat to asnaf could support the improvement of incomes and wellbeing of the recipient as well as reducing waste [9]. Reducing waste, in this case, that poor community is able to improve their living and reduce dependency on government supports [10]. For example, zakat fund is channeled to support education for children from poor familys. Through this funding, the children able to get good education and obtain stable jobs to support his or her family upon the completion of study [11].

From the context of economic life, muslims are always identified with poverty. Developing countries, which are still full of poverty, are generally muslim-majority countries. Then in recent years in Indonesia, issues related to the concept of implementing zakat both as a personal religious obligation and zakat as a component of public finance have been very popular [12]. This was triggered by the issuance of Law no. 23 of 2011 concerning Zakat Management. This law becomes a stronger Law Umbrella in the management of zakat in Indonesia.

Furthermore, Law number 23 of 2011, requires that the institutions that are allowed to manage zakat in Indonesia are government-based zakat institutions, namely BAZNAS and LAZ. These two zakat institutions are allowed to carry out the role of zakat intermediation, namely collecting zakat funds from the muzaki community and distributing/utilizing zakat funds to the mustahik community. These two zakat institutions are expected to be able to realize the enormous potential of zakat in Indonesia. Furthermore, zakat institutions are obliged to manage zakat funds from muzakki to be

empowered according to their designation [2]. Law number 23/2011 specifically states that the empowerment of zakat funds is to meet the living needs of the mustahik. Mustahik consists of eight asnaf, namely: Fakir, Poor, Amil, Muallaf, Riqab, Gharim, Sabilillah and Ibnussabil. Based on the mandate of the law, zakat funds can be distributed into two major types of activities, namely consumptive and productive activities. Consumptive activities are activities in the form of assistance to solve problems that are urgent and run out immediately after the aid is used. Meanwhile, productive activities are activities intended for medium-long term productive businesses.

The impact of these productive activities can generally give effects even though the ZIS funds have been used up. Furthermore, the empowerment of ZIS funds are such as food, health and education. If these needs have been met or there is an excess, the allocation can be allocated to productive business activities through sustainable empowerment programs (SriFadilah, et al: 2015).

In principle, the empowerment of ZIS funds is carried out through programs offered by zakat institutions. Broadly speaking, there are four groups of programs offered by the Zakat Institution, namely the health sector, the economic sector, the education sector and the charity program. Basically, the type and number of programs offered by the zakat institution will depend on: the amount of funds managed by the zakat institution; the scope of targeted services/targets of mustahik and the needs of mustahik. The names of the four program groups will be different because they will be adjusted to the designation, terminology and main activities of the zakat institution.

In recent years, zakat institutions have developed a wider range of program areas. The central BAZNAS has designed a program that must be implemented by BAZNAS throughout Indonesia, both at the provincial and city/district levels. The designed programs cover the following areas: Health (healthy), Education (Smart), Economics (Independent), Social Humanity (Peduli), and Islamic Syiar Approach (Taqwa).

In designing the utilization program, there are many factors that are taken into consideration because the program's performance will be related to the utilization of the social and economic value of zakat, namely the level of effectiveness of the use and zakat in accordance with the allocation of zakat funds, namely the philanthropy of religion funds [5]. The concept of empowerment carried out by the Citades program basically combines these factors. Each area assisted by the zakat institution will certainly have its own characteristics so that the portion of the application of these factors is different. How the combination of factors that influence/contribute to the success of the empowerment program will be studied/and researched, so that it will produce an appropriate and effective model.

Finally, it is hoped that the community economic empowerment model is expected to support the intermediary role of zakat institutions. It is also in accordance with the principles of distribution and utilization of zakat funds, so as to be able to achieve the mission of utilizing zakat funds, key performance indicators will be determined and the socio-economic value of zakat funds will be increased.

BAZNAS of West Java has a program that started in 2016 and currently has seven empowered areas based on regional advantages and a program volunteer is placed in each region whose tasks are to oversee, initiate, foster and monitor every program that is conducted based on each area's excellences. The programs built are economics, health, education, social humanity, and Islamic syiar approach (da'wah). The branding program is Cinta Desa (Citades). This study will take a case in the West Bandung Regency because of its distance from the campus.

## 2. METHODS

The research method used in this study is the survey method for the ZCD program at BAZNAS, West Java. Here, we will examine the performance of zakat utilization with MACTOR analysis on ZCD Program BAZNAS West Java. The type of research conducted is descriptive analysis research. In this study, it consists of one variable, namely the performance of zakat utilization. The data collection techniques used in the study were questionnaires, in-depth interviews (depth interviews) and documentation. The survey was conducted on the West Java BAZNAS ZCD program with 4 cities/regencies as research partners. The 4 district cities consist of: Bandung City, West Bandung Regency, Bandung Regency and Cimahi City.

## 3. RESULTS AND DISCUSSION

### 3.1. Results

#### 3.1.1. The Distribution and Utilization of Zakat, Infaq and charity Funds (ZIS) in West Java Province

The next intermediary role is to distribute and ZIS to mustahik which consists of 8 asnaf namely Fakir, Poor, Amil, Riqab, Gharimin, Mualaf, Fisabilillah and Ibnuabil [13, 14]. The role of distribution is divided into 2 programs, namely the distribution of Zakat (consumable) and the utilization of zakat (productive and empowering). BAZNAS West

Java Province distributes and utilizes zakat, infaq, alms and other religious social funds through 5 main programs, which are presented in the following Figure 1:



**Figure 1:** Zakat Program Of BAZNAS Jawa Barat.

Furthermore, the success of a program will be measured by indicators of measuring instruments that have been determined. To assess the effectiveness of zakat distribution, it can also be seen from the performance of the zakat distribution program. The indicators used as indicators of the zakat distribution program are: (1) the number of mustahik who receive the funds, (2) the amount of zakat funds distributed, (3) the number of mustahik who can leave the poverty line, (4) the number of mustahik who turn into muzakki. (5) National Zakat Index of BAZNAS West Java. The performance of BAZNAS zakat distribution in West Java province in 2021 is presented as follows (2):

### 3.1.2. The Effectiveness of Zakat Funds Distribution

The effectiveness of zakat distribution can be seen from several aspects, including the application of Standard Operating Procedures (SOP) in distributing zakat. BAZNAS of West Java conducts several Standard Operating Procedures for the distribution of zakat. Namely: (1) an SOP for zakat funds application, (2) An SOP for zakat funds approval and (3) An SOP for zakat Funds distribution

The SOP for Zakat Aid Application.

1. Request of zakat aid.
2. The applicant is included in the category of poor asnaf.

TABLE 1: List of Performance Indicators and Values of BAZNAS Jawa Barat in 2021.

No	Performance Indicators	Performance Value
1	The amount of zakat funds was distributed	Rp36.836.509.863,00
2	The amount of sedekah was distributed	Rp13.314.641.410,00
3	The amount of zakat funds and Sedekah were distributed	Rp50.151.151.273,00
4	The amount of mustahik zakat	90.325 Person
5	The amount of mustahik sedekah	9.014 Person
6	The amount of mustahik zakat and sedekah	99.339 Person
7	Percentage of distribution of Zakat, Infaq, and Alms funds	87.7 %
8	Presentation of Improved Customer Satisfaction Index for Mustahik	94.4 %
9	Poverty Reduction Target 2021	400 Person
10	Number of Supported January – December 2021	743 Person
11	Number of mustahik whose income is above the BPS poverty line per capita (Rp. 415.682)	743 Person
12	The number of mustahik who have income above the limit of kifayah per capita (Rp. 785.205)	657 Person
13	The number of mustahik whose income per family is above the had kifayah (Rp.3.140.820)	125 Person
14	National Zakat Index (IZN)	0,68 (Good)

3. Individual or group applicants submit a request for the aid on the Application for aid and its supporting documents.
4. Unless specifically regulated as in the program cooperation agreement or in a separate program technical manual, the applicant prepares the application documents as directed in this procedure.
5. Terms of Document Request for aid.
6. Document Verification.
7. A meeting of Aid Approval

The SOP for the Approval of Zakat Funds

1. Aid Approval
2. The location of aid distribution is the office of BAZNAS West Java Province. The qualified beneficiary would also live in West Java Province.
3. Form of the aid distribution: The aids provided can be in the form of money or can be in the form of goods (1) Equipment (Goods or Business Facilities) and (2) Assistance in entrepreneurial education, etc.

4. The distribution of the aid takes into account the validity of the handover/transference of aid with a form of proof of distribution, a stamped document is provided as evidence.
5. Proof of distribution of aid is placed into the Proof of Distribution Form as a valid aid handover/transference document.
6. Authorization
  - (a) All funding applications are approved by the head of the program institution.
  - (b) Regular funding submissions to the Distribution and Utilization Division are carried out by the operational coordinator who is approved by the head of the program.

The SOP for distributing zakat funds at BAZNAS of West Java Province are as follows:

1. The LPEM facilitator submits the application for aid distribution assistance that has been verified by a survey on the mustahik. The survey to be evaluated by the Program Manager.
2. The Program Manager conducts an assessment and submits documents that are eligible for the aid to the Head of LPEM for a review and approval.
3. When an application for the aid distribution has been examined and approved by the Head of LPEM, an Internal Memo requesting a fund disbursement is made and sent to the Finance and Operations Staff / LPEM to be examined.
4. The internal memos and files for the application of fund distribution that have been reviewed are then processed to re-examine the completeness of the files by the LPEM Admin before they are archived.
5. The completed file is then processed by program manager for fund disbursement.
6. The Program Manager disburses the fund to the Program Facilitator. The funds that have been submitted to the Facilitator must be made a Minutes of Receipt of the funds to the Facilitator along with the Receipt.
7. The funds that have been submitted to the Facilitator are then distributed to each mustahik in cash.
8. The cash distribution process carried out by the Facilitator to Mustahik is carried out by the mechanism of signing the Minutes of Receipt of the funds as an evidence that they have received the fund.

9. The report of fund distribution must be submitted to the Program manager within 30 workdays.
10. The report of financial activity of fund distribution must be submitted to the finance and operational staff (LPEM) within 30 workdays for soft file and, no later than 30 workdays for the hard file.

### 3.2. Discussion

BAZNAS and other zakat institutions carry out their main role, namely the role of zakat intermediary by collecting zakat funds from muzakki and distributing them to mustahik (8 asnaf). The intermediation role of zakat distribution is packaged in the zakat distribution and utilization program.

The zakat distribution program for both BAZNAS of West Java and the Tabung Baitulmal Sarawak (TBS) Malaysia is for the fields of economy, health, and education. BAZNAS of West Java specifically emphasize the distribution for da'wah and disaster victims. The zakat utilization program at BAZNAS West Java and Tabung Baitulmal Sarawak (TBS) Malaysia emphasize on the economic sector/economic empowerment. BAZNAS West Java has a zakat utilization program in the fields of education and health. As for Tabung baitulmal Sarawak (TBS) Malaysia, zakat utilization program is known as circular economy. This program emphasizes environmental sustainability from an economic aspect.

The effectiveness of zakat distribution and utilization program can be seen from the following performance measures: The number of mustahik who receive assistance, the amount of funds distributed, the comparison between the amount of funds collected and the funds distributed and the effectiveness of the implementation of standard operating procedures (SOP) for the role of zakat distribution. In carrying out the role of zakat distribution, sometimes there are many obstacles that hinder the effectiveness of the zakat distribution program, including: (1) The distribution program is not in accordance with the needs of mustahik / not on target, (2) the competence of human resources / Amil, (3) The lack number of mentors for the empowerment program, (4) the minimum support of regional leaders and (5) the insufficient competence of the leaders of zakat institutions

These obstacles hinder zakat distribution program. For this reason, a strategy is needed to minimize or eliminate existing obstacles. The strategies carried out by BAZNAS of West Java for both the distribution program and the utilization of zakat are as follows: (1) Increasing the competence of amil in all areas of zakat management,



especially the competence of assistants of zakat utilization programs, (2) Increasing the number of program assistants, (3) Enlarging support and the leadership's alignment with the utilization program, especially in achieving goals and improving its performance. (4) Using digital technology/digital zakat to increase the effectiveness of zakat utilization programs. (5) Changing the mindset of mustahik/beneficiaries of the zakat utilization program as part of the motivation to succeed.

## 4. CONCLUSIONS

Based on an explanation of the effectiveness of zakat distribution, the conclusions of this study are as follows: (1) Zakat distribution program at BAZNAS of West Java focus on economy, health, and education. (2) Especially for BAZNAS of West Java is distributed for da'wah and the victims of natural disasters. (3) Zakat utilization at BAZNAS of West Java covers the fields of economy, health and education. (3) In carrying out the role as a zakat distributor, BAZNAS of West Java still encounters obstacles that hinder the effectiveness of the zakat distribution program. Many measurements are used to assess the effectiveness of its role in zakat distribution, including the implementation of Standard Operating Procedures (SOP).

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