

Conference Paper

Measuring Professionalism in Zakat Management Institution in East Java

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Abstract

Zakat is a fiscal instrument in Islam. This is because zakat functions as a media for the distribution of income of people from the able class to the poor. Maximum accumulation and its effectivity and targeted distribution are expected to be able to alleviate the poverty of the community in the fields of economy, education, health, and social in general. The management of zakat is an important thing to maximize the function of collection and distribution; therefore, it is necessary to have institutions that specifically manage it. The performance of the institution must be transparent and trustworthy of the community, so that the trust of the community continues to increase and the collection fund also grows. The purpose of this study is to find out, assess, and analyze the professionalism of the performance of zakat management institutions (BAZ and LAZ). This study uses a qualitative study approach, with a case study strategy and explorative analysis, which aims to identify and measure the professional performance of zakat management institutions. The results of this study are that the performance of zakat institutions in East Java observed with the GCG approach has a value of 89.79%, which is a very good category in performance and professionalism in terms of (i) the right of the advisor of LPZ, (ii) corporate governance policy, (iii) corporate governance practices, (iv) transparency/disclosure of financial conditions, and (v) audit. The implication of these studies are as follows: it is expected that LPZ is increasingly sensitive to the sophistication of the system, responsive to the muzaki need, in order to maintain a level of trust so that it can be used as a reference and evaluation material for the performance of zakat institutions, especially in maintaining public trust (muzaki).

Keywords: performance, zakat management agency, GCG

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1. Introduction

Zakat management institutions in Indonesia are generally classified into two namely the National Zakat Amil Agency (BAZNAS) which is a representation of the government, and

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the Amil Zakat Institution (LAZ) which is privately owned. Management of zakat can actually be done personally and in groups, but most scholars argue that the management of zakat is better if done institutionally.

Based on historical facts, the development of zakat management in Indonesia is strongly influenced by the government (Nasution et al., 2009: 2), for example, in the Dutch colonial era, the management of zakat was indeed obstructed by the Colonial Government because it was allegedly used to finance the struggle against their government. Whereas at the beginning of Indonesian independence, the government was not too capable of managing zakat and continued to be preoccupied by efforts to defend Indonesia's independence. So that the management of zakat is managed individually. At least that is the explanation that can be obtained from the early days of independence regarding the management of zakat.

Management of zakat in the millennial era is certainly much better, the government that has the authority to supervise the performance of zakat management institutions is proven in collecting and channeling social funds, not only zakat, but also infaq and charity, even waqf funds. Following are the growth of zakat funds in the last few years which can be collected from BAZNAS sources.

TABLE 1: Growth of National Zakat, Infaq, Sadaqah and Religious Funds (ZISKA) collection (in billion Rupiah).

Year	ZISKA Fund Collection	Value of Growth	% Growth
2010	1,500	–	–
2011	1,729	229	15.27%
2012	2,212	483	27.94%
2013	2,640	428	19.35%
2014	3,300	660	25.00%
2015	3,653	353	10.70%
2016	5,017	1,364	37.34%
Total	20,051		

Source: BAZNAS, 2017, data processed.

Based on Table 1 about national zakat, infaq, shadaqah and religious fund (ZISKA) fund collection, the trend of ZISKA fund growth from 2010 to 2016 has increased. The lowest growth value of ZISKA collection occurred in 2010-2011, which amounted to 15.27% or Rp.229 billion, while the largest growth of ZISKA occurred in the 2015-2016 interval of 37.34% or Rp.1,364 trillion. If only looked at the 2015-2016 collection, the value is recorded at 8.67 trillion, or there is an increase of 37.34% from 2015 to 2016. From the other information can be obtained that the total distribution value for 2015 and 2016 alone 4,946,417,214,158 with the largest distribution allocation for social humanitarian

programs, namely 33% or Rp. 1,643,507,232,423 and the smallest allocation is in health-based programs, namely 9%, which is Rp. 417,424,150,486. ZISKA funds collected as the reviews submitted in the previous section with a total of Rp. 8.67 trillion in 2015-2016, and in the same year ZISKA funds distributed to mustahik, dhuafa or other beneficiaries amounted to Rp. 4,946,417,214,158. So that at least can be calculated that its *tasharruf ratio* - is equal to 57.05% (distribution/collection of ZISKA).

Based on the two conditions outlined above, a synthesis can be made that the collection funds and distribution funds have unequal values. This happens because several factors include the lack of trust elements from donors to the performance of zakat management institutions (LPZ), as well as muzaki preferences and donors in implementing or fulfilling their zakat obligations directly to mustahik. While on that basis, it is necessary to do research on the model, system and measure of professionalism of zakat management institutions (LPZ) in managing ZISKA, both from collecting and distributing it to mustahik. In other words, philanthropic institutions, such as zakat management institutions and waqf management institutions and other philanthropic institutions need assessment to assess and measure their professionalism in carrying out their roles in society. The assessment was carried out using the Good Corporate Governance (GCG) approach, namely an approach based on assessments on aspects of accountability, transparency, sensitivity, and responsibility imposed in the zakat management institution (LPZ).

2. Performance Concept

Performance, meaningful appearance of work, also means work performance, implementation of work, achievement of work, or results of work. So, it can be said that performance is the result or output of a process. Performance reflects how far the success of a job has been achieved. Furthermore, human performance is a function and level of ability, attitude, and degree of motivation (Prasetyo, 2015, p. 32).

One way that can be used to see the development of an agency or institution is by looking at the results of performance appraisal, and the objectives of the performance appraisal are skills, the ability of employees to carry out a job or task, then evaluated using objective benchmarks and carried out periodically. From the results of the assessment can be seen the performance of the agency or institution that is reflected by the performance of employees or in other words performance is a concrete work that can be observed and measured.

2.1. The concept of professionalism

Kamus Besar Bahasa Indonesia (The Big Compendium of Indonesian Dictionary) defines the term *professionalism* as "quality, and behavior or characteristic of a profession or professional person." The concept of professionalism is a concept that is common in a number of professions, such as lawyers, medical officers and accountants. This is due to the profession mentioned in the previous section that professionalism as delivered by Hall in Sabet and Klinger (1993: 254) is as follows:

1. Having a professional organization referred to.
2. trusted to serve the public.
3. trusted in self-regulation (related to the profession).
4. A sense of calling in the field of work.
5. Autonomy in work.

In another concept of professionalism according to Haywood and Ian Stuart (1990: 339), a profession has a high degree of professionalism if a number of the following criteria are met:

1. Strong knowledge base for the work carried out.
2. Independence in carrying out work.
3. close supervision.
4. clear professional rules and regulations.
5. public recognition of the urgency of the profession.
6. professional confidence in their ability to work.

Although some concepts of professionalism are inherent in commercial professions, the concept of professionalism in the present is not limited to non-profit institutions such as zakat management institutions (LPZ). In a non-profit sector institution, the value and practice of professionalism is a necessity that can be said to occur naturally. Along with the growth of non-profit institutions, stakeholders such as donors, regulators and beneficiaries also expect systematic planning, independent auditors who are responsible for audit objects and quantitative measurements of the effects of non-profit activities. (Hwang and Suárez, 2005; Powell, Gammal, and Simard, 2005). This makes the institution transformed from an institution that starts from volunteerism into a more professional and bureaucratic institution (Smith and Lipsky, 1993: 100–108).

2.2. The concept of good corporate governance (GCG)

The concept of GCG is needed to encourage businesses to become efficient businesses, also transparent and consistent and based on legislation. GCG implementation needs to be supported by three interconnected pillars, namely 1). State, as a regulator; 2). The business world as a business actor and 3). Society, as users of business products and services (Wahyudin, 2008: 36-37).

GCG must be carried out at least in accordance with the above pillars, besides that it must achieve maximum and sustainable performance, and carry out other principles such as transparency, fairness, accountability, independency and responsibility.

Islam has a concept of corporate governance that is far more complete and has the ultimate morality and devotion to Allah SWT, which is the protector of all illegal and dishonest practices in accepting the mandate. Good corporate governance, which in modern terminology is referred to as Good Corporate Governance is related to the hadith of the Prophet Muhammad which was narrated by Aisyah r.a which means "Indeed Allah likes when someone does something work then it is done well."

3. Research Methodology

3.1. Types of research

Based on the background, literature review and problem formulation, the research approach uses a qualitative approach, with an explorative case study strategy. This study greatly requires the involvement of researchers in investigating deeply and examining the overall behavior of individuals (Tika et al. in Bungin, 2013).

Case study strategies make it possible to provide access to review and analyze social units ranging from the small to the larger.

According to Moleong in Tika (2017: 5) qualitative research is used to know and understand the conditions and phenomena that occur in the subject of research, such as behavior, perception, motivation and other related reviews.

3.2. Types and data sources

Data requirements needed in this study consist of primary and secondary data. Primary data is empirical data obtained directly from information sources (informants). Primary data in this study were obtained from informants using structured interview methods,

observation and documentation. The primary source of this research came from interviews with the management and leaders of the Zakat Management Institution with East Java Amil Zakat Agency (BAZDA Jatim) and Mandiri Yatim, as the object of research.

Secondary data in this study were obtained through archives of books, journals, and documents related to professionalism and performance. The secondary data source of this study comes from literature, namely related books and journals.

3.3. Data analysis technique

The data analysis technique used is content analysis that is focused on literature from institutions both from financial institutions and philanthropic institutions that measure the professionalism of institutions using the approach of *good corporate governance* (GCG) and other supporting literature.

The results of the content analysis will also be combined with the results of interviews with the East Java Regional Amil Zakat Agency (BAZDA East Java) and muzaki as a form of confirmation and data clarification that complements the research material and then evaluates the professionalism of the Zakat Management Institution (LPZ).

4. Results and Discussion

Review of the discussion will be reviewed in advance with the results of the study. The results of the study consisted of sub-chapters that discussed the measure of professionalism in the performance of zakat management institutions in East Java, which was viewed from the point of view of *good corporate governance* (GCG). This research was conducted with a qualitative approach with a draft instrument questionnaire as an interview material with informants along with observation methods.

Interviews are conducted with the aim of obtaining data and information as complete as possible from the aspect of objectivity and the loss of data. Interviews were conducted with several informants with different backgrounds, there were informants who were internal or LPZ employees and there were also informants who were muzaki.

Based on the framework of building background, problem formulation, research objectives, theoretical basis and research methodology, the results of the study were obtained. The results of this study are answers and clarification of interviews and observations made in the field in the form of information, insight into informants and financial data.

The object of the chosen research location is BAZNAS and LAZ Yatim Mandiri. The selection of BAZNAS is due to the parent representation of LPZ under the auspices of the Government, so that the *performance of BAZ* can be interpreted as the *performance of Government institutions*. While the selection of LAZ Yatim Mandiri because it is an LAZ that has been registered at the national level.

The results of the study outline can be observed as tabulation of data, in table 2 below.

TABLE 2: Summary of LPZ performance according to perspective *Good Corporate Governance* (GCG).

Research Variable	Yatim Mandiri	East Java BAZ	Score
Development rights (LPZ)	19%	20%	19.20%
Corporate Governance Policy	10%	10%	10.00%
Corporate Governance Practices	35%	35%	34.88%
Disclosure (disclosure of managerial practices of ZISWAF funds at LPZ)	15%	15%	15.00%
Audit	11%	10%	10.71%

Source: Primary data, processed, 2018.

Based on Table 2 above, it can be interpreted that there are five *items* element of assessment in assessing the performance of Zakat Management Institutions based on the GCG approach.

Figure 1: Summary of professionalism performance of Zakat Management Institutions *Good Corporate Governance* (GCG) perspective.

Based on the results of the study, it can be observed that professionalism performance briefly has successive values with an assessment of the rights of management of zakat management institutions getting a value of 19.20, an assessment of *corporate governance* policies obtaining a value of 10%, valuation of *corporate governance* practices worth 34.88%, the assessment of disclosure of managerial practices of ZISWAF funds in the Zakat Management Institution is worth 15%, and the evaluation of audits and evaluations is 10.71%. So the total value is 89.79%. This value can be said to be very good, but it can also be said to be relative. But what is certain is that the *assessment* value applied to LAZNAS and BAZNAS gets a very good value, because the more the value is close to the absolute value, that is 100%, then the application of the LPZ's professional performance can be considered very good.

4.1. Rights of trustees of Zakat Management Institutions

This dimension can be explained by comprehensive elements. An LPZ coach can and must attend the annual meeting held by the LPZ, while the technical involved in the annual meeting is invited by an invitation delivered by the LPZ itself. The Board of Trustees has the right and indeed is granted flexibility by the directors or daily executors of LPZ to provide and place their ZIS funds at the LPZ for the benefit of institutional development. The financial and operational information expressed at the annual meeting is also known to the coaches of course with indicators of reliable information accuracy, timeliness of delivery, also includes other non-financial information. The coach who is considered as the founding father of the LPZ has the right of advice to appoint a coach, assess the performance of the coach and management, provide input in terms of compensation for the supervisor and management, and choose and appoint auditors from external sources.

The existence of provisions as described in the previous section can be interpreted that the coach in the LPZ has the authority to give influence to determine the direction of development of the LPZ in an organization, and even if it is not dominant. Because the role of the coach on the LPZ is more on an organizational advisor rather than the 'auditor'. The existence of provisions as described in the previous section can be interpreted that the coach in the LPZ has the authority to give influence to determine the direction of development of the LPZ in an organization, and even if it is not dominant. Because the role of the coach on the LPZ is more on an organizational advisor rather than an 'auditor'.

4.2. Corporate governance policy

This policy includes policies that are applied to the supervisors and administrators (BPH). The policy used to assess management performance and make management accountable to the Board of Trustees and stakeholders (*stakeholders*) in the LPZ.

The LPZ has a guideline in which it regulates in detail about the rights of the coach, the duties of the supervisor and the daily implementer. In addition, the LPZ also has written guidelines that contain disclosure, ethical guidelines for written behavior. The *Code of Conduct* is available for coaches and for all employees. While the content of these guidelines include ethical standards of employees to mustahik and muzaki, LPZ expectations for our management and employees, and the urgency of compliance with laws and regulations (PERPU). All employees and management LPZ though not regularly

asked to affirm their adherence in writing, they will also be *assessment* and evaluated by RnD team (*research and development*).

4.3. Corporate governance practices

A review of corporate governance practices is the implementation of the concepts and policies compiled by the LPZ. The review covers the activities and rights of the coach, the number of meetings held by the LPZ with the supervisor and with other stakeholders.

BPH often holds meetings with coaches, whose frequency is monthly or 12 times a year. The amount of BPH that is owned is also very ideal, which is more than 20 people. While the BPH itself can also hold meetings with other BPH (internal BPH), which is as much as 6 times a year or once every two months.

The LPZ also has internal policies regarding BPH which are likely to occupy multiple positions. This can happen if at the BAZNAS level, remembering that there are not more than 100 people, but their area and job description are wide and cover the East Java province. LPZ has divisions that are actively performing where the division is an initiative division, a division that must exist in each LPZ, which includes the audit division both internal audit and external audit, the risk management division which is the division responsible for risk monitoring and management. This division is a division whose role can be performed simultaneously with the audit division due to consideration of job-desc alignment. Zakat pick-up division, which is the division whose task is to pick up and pick up ZIS from donors and muzaki.

BPH is officially evaluated once a year at annual meetings, but informally they are also always evaluated performance every day by giving reports verbally to the leadership of the LPZ. Structurally BPH will not be replaced until there is an annual evaluation carried out by the supervisor and the BPH element itself.

All employees in the LPZ, both at LAZNAS and at BAZNAS, get the right. At least if at BAZ, they get the right of amil (zakat distributor) 12.5%, bisyaroh (salary) from the Provincial Government, and operational funds for field activities. Whereas at LAZNAS, they get their rights as amil, also get routine rights from the institution. All compensation is given as their responsibilities and obligations that have been done. BPH and employees monitor the results of ZIS collection and distribution every month with their financial reporting through the bulletins they publish every month, there are Yatim Mandiri magazines at the Yatim Mandiri LAZNAS and there is a BAZNAS Newsletter at BAZNAS East Java Province.

4.4. Disclosure

Disclosure is the process of accuracy and timeliness or discipline of the LPZ in disclosing its financial condition. Muzaki obtained information on the distribution of ZIS funds from financial reports issued by the LPZ, as well as disclosure of non-financial information including inspirational stories, programs for distributing and utilizing zakat, infaq and shadaqah.

LAZ provides financial information that is equally good given to muzaki or donors and to auditors. Only difference is that financial information for muzaki reported through monthly bulletins is general financial information while financial information reported to auditors both internal auditors and external auditors is detailed financial data.

4.5. Audit

The audit quality obtained from LPZ is obtained from the results of internal audit and external audit. Most of the audit assessment results obtained by LPZ both by BAZNAS and LPZ were satisfactory with the predicate 'satisfying'. In general, LPZs have internal auditors, which are on average 2 to 5 people. They, internal auditors often conduct internal meetings and audits as much as 1 or 2 times a year, in addition to audits conducted by external (independent) audits. So that with the results of such audits, and published in general, then muzaki and donors are increasingly growing in trust in the performance of institutions in managing their ZIS funds.

4.6. Closing

Based on background, problem formulation, research objectives, results and discussion. Then the conclusions obtained from the research are the measures of LPZ performance professionalism that have been very good, namely obtaining a value of 89.79%. This value is an accumulation of audit valuation of 10.37%, the value of rights for coaches of zakat management institutions is 19.20%, the value of corporate governance policies is 10%, disclosure is 15%, and the remaining value is 34.88%, namely corporate governance practices. The value of 89.79% is relative, but if the value is closer to 100%, the value of the weight is getting better. But ideally, First, the LPZ must achieve the highest possible value. Second, because the measurement of professionalism performance is not absolute that can be measured extractively, and with a qualitative approach, it is necessary to develop a method of evaluating performance with other constructive methods. But at

least this can be used as a reference in compiling suggestions and input at the policy level at the LPZ.

Suggestions that can be given with the results of this research obtained and reviewed, the LPZ can continue to develop a system of zakat, infaq and shadaqah collection. Because this is in line with the chapters of the word of Allah SWT about 'khudmin amwalihim...' which means 'to collect from them...', which means that LPZ is asked to be more creative by using demographic, technological considerations and flexibility in collecting zakat for example by not only cooperating with banks within zakat collection, but also Baitumaal wattamwiil, Islamic cooperative institutions, and cooperation with online-based companies in terms of zakat collection.

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