

OPTIMIZATION OF ZAKAT FUND MANAGEMENT IN REGIONAL ZAKAT INSTITUTION

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Abstract

Purpose: The implementation of *zakat* fund management especially in some *zakat* institutions is considered not optimum yet. This condition is represented by disparity between potential and actual collection. In Islam, the objective of *zakat* is not only to collect wealth and keep it idle, instead *zakat* should become a source of productive fund to fulfill societal needs. Some countries with advanced *zakat* institutions have developed *zakat* to become a pillar of economic development. Today, each *zakat* institution is competing against each other to innovate in *zakat* fund management. Empowerment in *zakat* institutions with the appropriate strategies will enhance *zakat* management and distribution for the betterment of *zakat* recipients (*mustahiq*) and the Muslim society at large.

Design/Methodology/Approach: This research is aimed to analyze optimization of management in regional *zakat* institution with SWOT (strength, weakness, opportunity, threat) analysis approach with IFE-EFE Matrix. Descriptive qualitative analysis is used to explain optimization of fund in *zakat* institution.

Major Findings: Findings of this research shows that *zakat* institution should improve their strategy by developing strength and turning threat into opportunities.

Originality/Value: The study provides a guideline for regional *zakat* institution on how they can enhance their role and efficiency to boost the economic growth for the Islamic community in Indonesia. It may also be instrumental for the government to improve in efficiency and innovative manpower, considerable research and development in optimizing Islamic Gift Economy to enhance economic growth of the Islamic community of Indonesia.

Keywords: *Optimization, Zakat Fund Management, Islamic Economy, IFE-EFE Matrix*

INTRODUCTION

Zakat is one of social instruments in Islam that is *maslahah*-oriented (Wahab, et al., 2011). It is a means to distribute wealth in economy, especially from the rich to the poor (Djaghballou, et al., 2018). This fact indicates that *zakat* is an appropriate instrument to alleviate poverty for Muslims not only at community level but also at national level.

A country or government's role in managing *zakat* is very important due to urgency in distributing resources between groups and as a poverty alleviation tool.

After the enactment of *Zakat* Management Act No. 38 year 1999 which consists of 10 chapters and 25 articles, the Ministry of Religious Affairs established the General Directorate of *Zakat* and Waqf Development by the Minister of Religious Affairs Decree No. 1/2001 to strengthen *zakat* institution and optimize *zakat* management.

Besides the central government and Ministry of Religious Affairs, regional governments also accommodate the implementation of *Zakat* Management Act and Minister Decree to optimize regional *zakat* management. Cilegon City (2001), Serang Regency and East Lombok Regency (2002), Solok Regency (2003), Tangerang Regency and Banten Province (2004) are among 24 regions, two regencies, cities and provinces that have enacted Regional Regulation for *Zakat* according to Research and Development Division of Ministry of Religious Affairs.

Zakat management optimization depends on the performance of *zakat* institution management. This research is aimed to analyze fund optimization in regional *zakat* institutions by using a SWOT analysis.

RESEARCH LITERATURE

The term *zakat* is defined as paying a portion of specific assets to those who deserve it (*mustahiq*) in accordance with the conditions specified by Islamic law (Djaghballou, et al., 2018). According to Act No. 23 of 2011 about *zakat* management, *zakat* is defined as a wealth that must be paid by a Muslim or a business entity to those who deserve it in accordance with Islamic law. So from the various notions of *zakat*, it can be concluded that the definition of *zakat* in general is a percentage of wealth that must be paid by a Muslim who has fulfilled the conditions to be submitted to those who deserve it.

Management of *zakat* in Indonesia today is mostly done by the agency or institution established directly by the government (BAZ) and the institutions set up independently by a group of people that have received mandate from the government (LAZ). According to the Decree of the Minister of Religion (*Keputusan Menteri Agama/KMA*) Chapter I of Article I / I,

zakat is an important element of society and government have the duties of collecting, distributing and utilizing Shari'a compliant *zakat* for *maslahahammah* (common good).

In addition to *zakat*'s attribute as a unique instrument in poverty alleviation, when done in a systematic and well organized management, it will be able to bring a multiplier effect that helps to increase the national income due to an acceleration of wealth circulation occurring in the economy. For example, Productive *zakat*, that given to *mustahiq* not for directly spending consumption purpose, can encourage *mustahiq* to manage and productive the wealth they have (Alfaizin, Insani, & Herianingrum, 2018)

RESEARCH METHODOLOGY

In this research, a descriptive qualitative approach is conducted with an observational case study method. This research was conducted in *zakat* institutions in East Java that include Bazda JATIM (*BadanAmil Zakat JawaTimur*/East Java Regional *Zakat* Board), LMI (*LembagaManajemenInfaq*), *YatimMandiri*, LAZISMU (*LembagaAmil Zakat Muhammadiyah*), YDSF (*Yayasan Dana Sosial Al-Falah*), *Al-Azhar*, and BMH (*BaitulMaalHidayatullah*) which is centered in the city of Surabaya.

The primary data collection was done through observation, interviews, and Focus Group Discussion (FGD). The stages in this study are as follows:

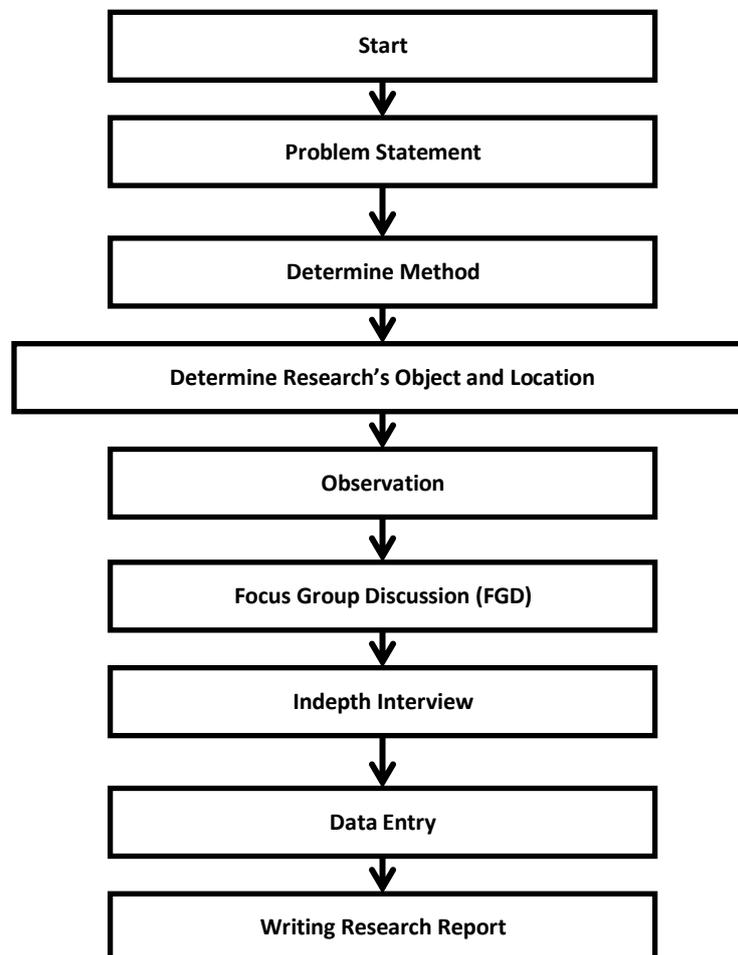


Figure 1. Study's Stages (Source: Authors' composition)

A SWOT analysis was carried out to analyze the local *zakat* fund management institutions in order to identify the internal factors that are regarded as strengths and weaknesses. Besides analyzing the internal factors, external factors were also analyzed.

In the SWOT analysis, activities were carried out in the following phases:

1. Identification of internal and external factors
2. Preparation for a list of questions for FGD
3. Determine respondents
4. FGD

5. Data Analysis

Based on the results, perception of FGD key indicators will be obtained, which are divided into two parts: internal and external factors. The elements are identified as strengths, weaknesses, opportunities, and opportunities of stakeholders.

Expert assessment of the internal-external factors will produce clusters of factors: Strength, Weakness, Opportunity and Threat. Then, SWOT matrix analysis is conducted through interaction merger (amalgamation) of internal factors (Strength, Weakness), with external factors (Opportunity, Threat).

In the analysis of SWOT matrix interactions, incorporation of strategies including a combination of internal-external interaction strategies consists of:

- a. SO (Strength-Opportunity) Strategy: create strategies to use strength as a way to take advantage of opportunities
- b. ST (Strength-Threat) Strategy: create strategies to address the threat by using strength
- c. WO (Weakness-Opportunity) Strategy: create strategies that minimize weaknesses to create opportunities.
- d. WT (Weakness-Threat) Strategy: create strategies that minimize weaknesses to overcome the threat.

Before creating the matrix interaction strategy of external and internal factors (EFAS-IFAS), the decision making process should follow the steps below (Rangkuti, 2002):

- a. External Factor Analysis Strategy (EFAS)

The stages in the development of EFAS matrix are:

- 1) Make strategic external environment factors that includes: opportunities and threats.
 - 2) Determine strategic weighting factor on a scale from 0.0 (not important) to 1.0 (very important). The weights indicate the interest rate factor to the success of institutions / agencies.
 - 3) Provide strategic factor rating with a scale ranging from 1 (poor) to 4 (outstanding) based on the influence of these factors to the conditions of the enterprise.
 - 4) Multiply the weight by the rating to obtain the value of the weighting factor.
 - 5) Add up the value of the weighting of the column to get the total score for the company concerned. Total scores can be used to compare management of a *zakat* institution with other *zakat* institutions.
- b. Internal Factor Analysis Strategy (IFAS)

The development stages of IFAS matrix are:

- 1) Making strategic internal environment factor that includes: strength (strength) and weakness (weaknesses).
- 2) Determination of strategic weighting factor on a scale from 0.0 (not important) to 1.0 (very important), based on the influence of these factors on the strategic position of *zakat* institutions management (all weights may not exceed a total score of 1.0).
- 3) Providing strategic factor rating with a scale ranging from 1 (poor) to 4(outstanding) based on the influence of the these factors to the condition of the company concerned. Multiply the weight by the rating to gain weighting factors.
- 4) Add up the value of each valued columns to get the total score for the company concerned. Total scores can be used to compare the company with other companies in the same industry group.

RESULT

In the economy, *zakat* is related to the nature of worship. It is important that *zakat* assists in changing the status quo of the poor families (Abdul-Majeed Alaro & Alalubosa, 2018; Abdullah, Mat Derus, & Al-Malkawi, 2015; Ahmed, Johari, & Abdul Wahab, 2017; Al-Malkawi & Javaid, 2018; Mariyanti & Mahfudz, 2016; Saad & Farouk, 2019). Another effect of *zakat* is transformation of character (Shaikh, et. al., 2017). At the time of the Prophet, he directed the Muslims to be healthy and fit, not for begging but, to work hard. The role of *Zakat* will be maximal in moving the economy if there is synergy between the stakeholders of *zakat*.

Based on the results of FGD with BAZ and LAZ in East Java, a SWOT analysis of BAZ and LAZ in East Java suggests:

Strength: LAZ as a social institution also serves to accommodate the need of the *muzakki*, which is part of their social obligation, so that the intention of *muzakki* becomes clear and the *mustahiq* can be empowered through empowerment programs. *Zakat* as a core competence is also the main activity for LAZ dan BAZ. Both serve to empower those who are socially and economically poor as well as in cultivating noble social morale.

Weakness: A number of weaknesses are first is the consolidation between BAZ and LAZ and between instruments. The second problem is the time lag between payment of *zakat* funds to the distribution of *zakat* (even though this is one of their ways to utilize *zakat* funds in order to provide a more optimum impact for *mustahiq*, however it still become a problem). LAZ's inefficient performance is due to the quality of human resources which is still not ideal.

Opportunity: The huge size of the Muslim population in Indonesia certainly holds potential for a huge collection of *zakat* for BAZ and LAZ. In addition, LAZ is also supported by public awareness which encourage people to start paying their *zakat* via LAZ. Another opportunity that can be optimized by LAZ is the emergence of information technology to facilitate the public transaction.

Threat: The first threat is friction among Muslims in understanding the practices of *zakat* which is considered not optimum because of different opinions and practices of non-profit institutions of Islam. For LAZ, the government is also inefficient in educating people to pay *zakat* through official institutions

Based on the results of SWOT analysis above, it can be concluded that the internal conditions that are regarded as strengths of BAZ and LAZ in Surabaya lies on two sides:

1. For LAZ, its main strength is the hallmark of every LAZ. that unique and different among them, and it is reflected in every segmentation and diversification program so that each specializes in a particular field in *zakat*.
2. For BAZ, its main strength lies in its institutional aspects which are supported by legislation and the discretion of the provincial government and the Ministry of Religious Affairs.

Moreover, BAZ and LAZ in East Java have a great opportunity to develop in the future because there are some supporting external situations as follows:

1. The number of large Muslim population shows great potential and also great *muzakki /mustahiq* program objectives.
2. Islamic lifestyle and information technology development at this time can be a tool for BAZ and LAZ to grow exponentially.
3. BAZ is the coordinator for LAZ and the presence of *Zakat* Forum (FOZ) makes the collaboration between *ameelzakat* become possible.

However, a number of weaknesses were shown by BAZ and LAZ in the management of *zakat*. These are driven by at least three main factors:

1. The lack of understanding between the Islamic philanthropy instruments (*zakat*, donation and endowments) in LAZ and BAZ and their collaboration with *ameelzakat*.
2. Low quality of services as a result of the low academic qualification of human resources working in BAZ and LAZ
3. The absence of valid data on the quantity and distribution of *muzakki* and *mustahiq* complicates BAZ and LAZ's task in formulating programs and management of *zakat*.

Based on the exposure conditions / SWOT analysis above, there are a number of findings which are the basis for BAZ / LAZ strategic planning in order to optimize the management of *Zakat*. These are mentioned below:

1. Basically, every *ameelzakat* in both BAZ and LAZ has the characteristics that can become a major force in each individual institution. However, they need to collaborate to optimize the potential of the entire *ameelzakat* in aggregate.
2. The collaboration can be done by sharing experiences between LAZ and BAZ programs and mapping the conditions of *muzakki* and *mustahiq* fostered by *ameelzakat*.
3. Policy on Human Resources Development in the field of *ameel* needs a special attention.
4. LAZ and BAZ together, either through coordination from BAZ or FOZ, should encourage the government to enforce and evaluate legislation and promote education so that *zakat* managed by BAZ and LAZ can be optimally managed and supported by a wider community.

Strategic factor evaluation, which consists of Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE), can be conducted by giving weight and rank values to each internal factors (strengths and weaknesses) and external factors (opportunities and threats).

Internal Factor Evaluation (IFE)

IFE is the weighting and ranking performed by the respondents on each factor in strength and weakness. Result of internal factor evaluation can be seen in table 1. From the table, it can be seen that the internal strength factor (Strength) with highest degree of importance is institutional support especially for the BAZ with the value of 0.133. Then, it is followed by the factor of “each institution of *zakat* has its own segmentation in the minds of community” with an average value of 0.116. Meanwhile, “the experience factor owned by long standing *zakat* institution” is a factor that has the lowest importance of the *zakat* institution's strength with an average value 0.115.

Table 1: IFE – EFE Assessment

Internal Factors Evaluation (IFE)	Weight	Rating	Weight*Rating
Strengths			1.136
1) Segmentation of each LAZ	0.116	3.0	0.347
2) Experience from long standing LAZ	0.115	3.4	0.390
3) Institutional support especially for BAZ	0.133	3.0	0.399
Weaknesses			2.102
1) LAZ-BAZ Consolidation	0.115	3.2	0.369
2) Inter-program synergy	0.116	2.6	0.301
3) Time interval for <i>zakat</i> fund to reach <i>mustahiq</i> /beneficiaries	0.127	3.6	0.459
4) HR condition in <i>zakat</i> amil	0.139	3.4	0.473
5) <i>Muzakki-mustahiq</i> data validity	0.139	3.6	0.499
TOTAL	1.000		3.238
External Factors Evaluation (EFE)	Weight	Rating	Weight*Rating
Opportunities			2.238
1) Muslim majority population in Indonesia	0.129	3.8	0.488
2) Program innovation for unbankable <i>mustahiq</i>	0.122	3.6	0.439
3) Optimization of IT	0.134	3.4	0.454
4) Development of Islamic lifestyle	0.116	3.4	0.395
5) FOZ as communication hub for <i>ameel</i>	0.128	3.6	0.461
Threats			1.017
1) Society's different opinions regarding <i>zakat</i>	0.122	2.8	0.342
2) LAZ-BAZ lack of understanding on community's needs	0.127	3.0	0.381
3) Lack of government support for BAZ-LAZ	0.123	2.4	0.294
TOTAL	1.000		3.255

Sources: Authors' analysis by using excel 2013

For weakness factors, the highest scored factors are condition of *zakat* human resources and the *muzakki-mustahiq* data validity with the same weight of 0.139. The next factor is related to the time interval of *zakat* fund channeled to *mustahiq* at 0.127. The IFE analysis results also show that the assessment of the current condition of LAZ's long standing experience factor, ranked first with a value of 3.4. While the other two power factors, LAZ segmentation and institutional support each has a value of 3.0. This indicates experience factor is the most dominant factor for an *ameel*.

Furthermore, it is also known from the weaknesses that the *muzakki-mustahiq* data validity and time interval of *zakat* funds to *mustahiq* has the highest rating of 3.6 which means this factor has a negative impact on the optimization of *zakat* fund management. Furthermore, the condition of human resources (HR)*zakat*ameel (3.4) and consolidation between LAZ and BAZ (3.2) have considerable influence. The synergy between programs owned by LAZ (2.6) is considered as not having a negative impact on the optimization of *zakat* fund management in general.

Evaluation of External Factors (EFE)

EFE is the weighting and rating given by respondents on each opportunity and threat factor. The result of external factor evaluation can be seen in table 1. From the table, it can be seen that external factor with the highest degree of importance is “optimization of information technology (IT)” with an average weight of 0.134. This is followed by “Muslim majority population of Indonesia” factor (0.129) and “FOZ as a communication hub between *ameels*” (0.128). The last two factors, the programme innovation for unbankable *mustahiq* (0.122) and the development of Islamic lifestyle (0.116)-, are considered to have little importance in optimizing management of *zakat* funds.

At the same time, the highest degree of importance for threat factor is “LAZ-BAZ lack of understanding on community's needs” (0.127) followed by “lack of government support for BAZ-LAZ” factor (0.123) and “society's different opinions regarding *zakat*” (0.122). Ideally, it is very important for LAZ / BAZ to understand the needs of the community(Wahab, et al., 2011).

Furthermore, current condition shows that from the aspect of opportunity, the “Muslim majority population in Indonesia” has the highest rating with a score of 3.8 which means it has the greatest influence as an opportunity factor in optimizing

the management of *zakat* funds. “Program innovation for unbankable *mustahiq*” and “FOZ as a communication hub for *ameel*” (3.6) are ranked second and third. The “optimization of IT” and “development of Islamic lifestyle” only have value 3.4 each. IT optimization is very important to enable optimum management of *zakat* in Indonesia. However, the results of this study show that in fact the current condition, the use of IT to support LAZ / BAZ is still not optimal (value 3.4) while on the other hand, the respondents viewed the importance of optimizing IT (0.134). Optimizing IT will improve the efficiency of the institutions and grows the community trust through reliable reporting (Owolaby Yusuf, 2013).

From the side of the threat, “LAZ-BAZ lack of understanding on community’s needs” factor has the highest rating of 3.0 which means it is the highest factor in inhibiting the optimization of *zakat* fund management. Then, the second rank factor is the “different opinions regarding *zakat*”(2.8) and “the lack of government support for LAZ / BAZ” (2.4). The following table shows IFE-EFE assessment to optimize *zakat* fund management.

After evaluating the said strategic factors, then IFE-EFE quadrant determines the position assessment for optimizing *zakat* management in Indonesia. Assessment of internal factor evaluation (IFE) is 3.238 and external factor is 3.255. This value is in quadrant I that means "grow and develop". This shows that the existence of *zakat* fund management in Indonesia is experiencing a growth stage and must be improved because it has huge potential to be developed. The existence of internal and external factors basically becomes a huge support for the optimization of *zakat* fund management in general (Menne, 2016; Mariyanti, 2016).

		IFE		
		Strong (3.0-4.0)	Moderate (2.0-2.99)	Weak (1.00-1.99)
EFE	High (3.0-4.0)	I	II	III
	Moderate (2.0-2.99)	IV	V	VI
	Low (1.0-1.99)	VII	VIII	IX
			Grow and Develop	
			Keep and Hold	
			Sell and Divestment	

Figure 2 IFE – EFE Matrix Quadrant (Sources: David (2011))

CONCLUSION

Based on the results of SWOT Analysis, a number of factors has been identified contributing positively towards BAZ and LAZ’s *zakat* management by in East Java. Internal supporting factors or the strengths are the segmentation and experience from long-established LAZ and the institutional support to BAZ. Meanwhile, external factors that provide opportunities to BAZ and LAZ’s *zakat* management are are the Muslim majority population, the rise of Islamic lifestyle and information technology. However, aspects of the synergy between BAZ and LAZ, low quality of human resources, lack of data on *mustahiq* and *muzakki* and lack of government support is still minimal for *ameelzakat* management. Assessment on IFE and EFE results in optimizing *zakat* fund shows IFE scored 3.238 and EFE scored 3.255. This combination is positioned in quadrant I which means “grow and develop.” This condition refers to *zakat* fund management in Indonesia which is currently under development and must be improved due to the huge potential to be further developed.

LIMITATION AND STUDY FORWARD

This study is limited to the analyses of the management of Zakat institutions using qualitative approach of IFE and EFE, and the scope of this research is only in the region of East Java. However, the results of this study can provide practical guidance for regional zakat institutions on how they can improve their role and efficiency. In addition, if the results of this study are able to increase economic growth for the Islamic community, it can be used as a method to assess institutions in other locations, both in Indonesia and in other countries by future researchers.

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