



Efficiency Level Of Zakat Management In Palopo City

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ABSTRACT

This research aims to evaluate the level of efficiency in zakat management in the city of Palopo. Zakat is one of the fundamental pillars of Islam, designed to distribute wealth to those who are entitled to receive it. Efficiency in zakat management is crucial to ensure that the collected funds are used as efficiently as possible to support those in need. The research methodology involves the analysis of secondary data related to the collection, distribution, and management of zakat funds in the city of Palopo. These data will be analyzed to assess the extent to which zakat management in Palopo achieves the desired level of efficiency. The results of this research are expected to provide valuable insights into the efficiency of zakat management in Palopo and serve as a basis for improvements in zakat collection and distribution. This research can also serve as a guide for zakat institutions and local governments in their efforts to enhance efficiency and effectiveness in zakat management, ultimately improving the well-being of those entitled to receive zakat.

INTRODUCTION

Islam has provided solutions to the humanitarian problems faced by humans (Mauludin & Herianingrum, 2022). But individual character is actually a factor that can provide solutions to problems of social morality itself, such as poverty, social justice, and human rights (Mauludin & Herianingrum, 2022). One of the poverty alleviations is the creation of a mechanism that is able to drain wealth from the well-off to the less well-off. (Hasan, Srisusilawati, & Anshori, 2021).

According to data from the Central Bureau of Statistics, at the end of 2022, 9.57% of Indonesia's total population was still classified as poor. This number decreased by 140 thousand people year on year but increased by 200 thousand people when compared to March 2022. The increase in the poverty rate was caused by the increase in fuel prices in early September 2022 and

the rampant layoffs throughout September in the labor-intensive sector. (Badan Pusat Statistik, 2022).

Zakat is a very important economic instrument. One of the functions of zakat is to alleviate poverty (Amalia, 2020). The function of zakat as an instrument of poverty alleviation has actually been mandated by Law No. 23/2011 in Article 3. In accordance with Article 3B of the Law, it is stated that zakat management aims to realize community welfare and poverty alleviation. Then, for the financial management of zakat, it can be seen in the Regulation of the National Amil Zakat.

Agency of the Republic of Indonesia Number 5 of 2018 concerning the financial management of zakat (Erliyanti, 2019).

The measurement of zakat and poverty alleviation nationally is conducted in the Zakat Impact Assessment survey which cannot be separated from the National Zakat Index survey. This survey is conducted annually to BAZNAS and LAZ throughout Indonesia using the Poverty Indicator instrument. (Badan Amil Zakat Nasional, 2023).

During the period of 2022 BAZNAS and all zakat managers have alleviated poverty to 463,154 poor mustahik and 194,543 of them are extreme poor. This figure contributes 1.76% to national poverty alleviation of 26.36 million people. In general, the trend of the percentage of zakat to the social protection budget in the state budget tends to increase every year, if the potential of zakat as much as 327 trillion Rupiah is achieved then it is equivalent to 76% of the Social Protection Budget in the state budget in 2022 (Badan Amil Zakat Nasional, 2023). From these data, it can be seen that if the potential of zakat collection can be maximized, it is likely to help reduce poverty in Indonesia.

Baznas Palopo City is a non-structural government institution that manages zakat in Palopo city and participates in realizing a prosperous society, with the aim of increasing economic growth and reducing poverty levels in Palopo City. From the data obtained from BAZNAS Palopo city, Zakat revenue from 2017-2021 continues to increase every year. However, in the 2018-2021 period, the average growth of muzaki only reached 50%. In that time span, the National Zakat Agency of Palopo City has massively invited companies, both BUMN / BUMD and private companies, to pay corporate zakat through Baznas Palopo City. (Baznas Kota Palopo).

From the background above, the author is interested in examining the efficiency of zakat financial management at BAZNAS Palopo City using Data Envelopment Analysis (DEA).

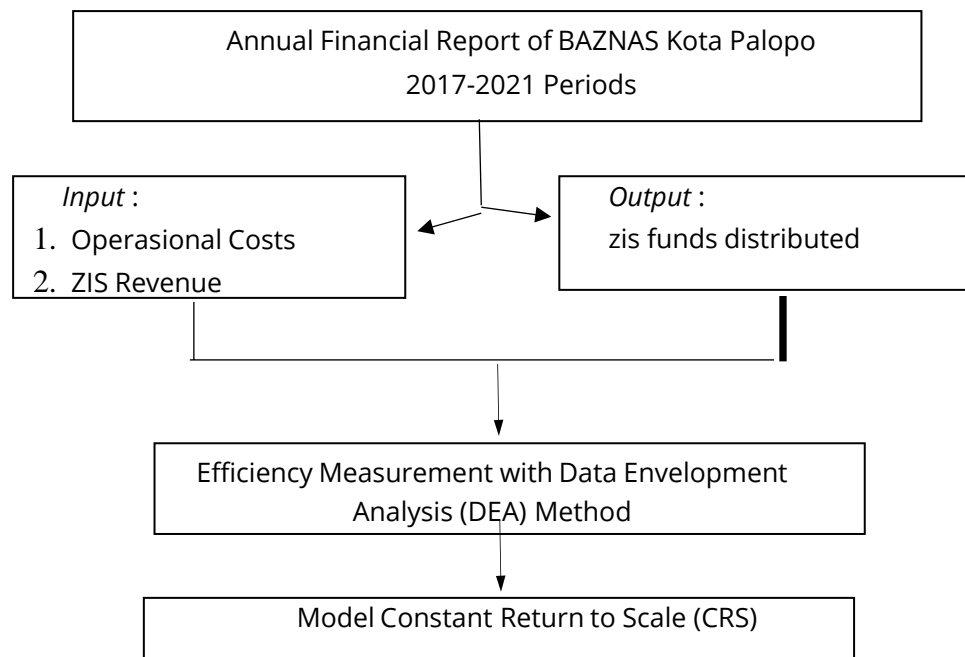


Figure 1. Flowchart of the framework

LITERATURE REVIEW

Zakat, one of the fundamental pillars of Islam, plays a significant role in redistributing wealth to those in need and fostering social justice. Ensuring the efficient management of zakat funds is essential to maximize the impact on the welfare of the beneficiaries. This literature review explores the concept of efficiency in zakat management, with a specific focus on the city of Palopo, shedding light on existing research and insights into the subject.

Efficiency in Zakat Management

Efficiency in zakat management involves optimizing the collection, distribution, and administration of zakat funds to ensure that they reach their intended recipients effectively. Achieving efficiency in zakat management is crucial, as it reflects the responsible stewardship of wealth and resources, a central tenet of Islamic finance.

Zakat Management Models

Researchers have identified different models for zakat management, including the state-led model and the civil society-based model. The efficiency of zakat management may vary depending on the chosen model, with each having its advantages and challenges.

Challenges in Zakat Management Efficiency

Studies have highlighted various challenges that affect the efficiency of zakat management. These challenges may include bureaucratic inefficiencies, misallocation of funds, and a lack of transparency and accountability in the collection and distribution processes.

Measuring Efficiency

The measurement of efficiency in zakat management can be complex. Researchers have employed various metrics, such as the percentage of funds reaching beneficiaries, administrative costs, and the speed of distribution, to gauge the efficiency of zakat organizations.

Local Context and Zakat Management

It is important to consider the local context when evaluating zakat management. Factors such as socio-economic conditions, cultural norms, and government policies can impact the efficiency of zakat distribution in a specific area like Palopo.

Impact of Technology

Technological advancements have the potential to enhance the efficiency of zakat management. Digital platforms, mobile applications, and data analytics can streamline the collection and distribution processes, making them more transparent and accountable.

Research on Zakat Management in Palopo

Limited research has been conducted specifically on the efficiency of zakat management in Palopo. The existing literature may provide insights into general zakat management practices in Indonesia, but more research is needed to assess the unique factors influencing zakat management efficiency in Palopo.

METHODS

Data Type and Source

This type of research is descriptive research with a quantitative approach (Sugiyono, 2020). Descriptive research aims to describe systemically and accurately the facts and characteristics about the population or about a particular field. This research seeks to describe the situation and events that really happened.

The object of this research is the financial statements of BAZNAS Palopo City in the 2017-2021 period. The type of data used in this research is secondary data obtained from the annual financial statements of BAZNAS Palopo City to measure efficiency.

The variables in this study are divided into two, namely input variables and output variables with a production approach. The adaptation of the production approach in the banking industry was chosen because there is no efficiency theory for non-profit institutions, while the banking industry is considered to have similarities in input and output with zakat management institutions, including producing two main products, namely the product of funds collected and distributed (Sari & Tarigan, 2022). Therefore, this study will use a combination of input and output variables that are different from previous studies. The input variables used are operational costs, and ZIS Realization (Zakat collected), while the output variable is funds channeled or distributed.

Data Analysis Technique

Efficiency measurement in this study uses the Data Envelopment Analysis (DEA) method (Mualo & Rohim, 2023). DEA is an analytical method commonly used to measure the efficiency level of an institution/company including zakat institution. DEA methodology is a non-parametric method commonly used in linear programs to calculate the ratio of output and input for all units to be compared (Maharani, Syarief, & Hermawan, 2022)

Data Envelopment Analysis is a linear programming-based analysis method used as a tool to evaluate the relative efficiency of Decision Making Units (DMU) in managing the same type of

input to produce the same output. (Hasan & Muhammad, Analisis efisiensi organisasi pengelola zakat di Indonesia dengan Metode data envelopment analysis, 2023). DEA is used to evaluate the productivity of a decision-making unit (work unit) responsible for using a number of inputs to obtain a targeted output.

In simple terms, the measurement is expressed by the ratio between output and input which is a unit of productivity measurement that can be expressed partially or totally which can help show what input factors are most influential in producing an output. The relative efficiency of a DMU is measured by estimating the ratio of output weight to an input and then comparing it with other DMUs.

There are advantages of measuring efficiency using the DEA method, namely as a benchmark for obtaining efficiency that has a relationship to make it easier to compare between units that have similarities, measuring various kinds of efficiency alterations between units to find out the causes and ensure policy results so that they can improve efficiency. (Jahja, Yusuf, & Badu, 2023).

RESULTS

In calculating the efficiency analysis in this research, we use DEA (Data Envelopment Analysis) analysis which is often used by a business unit or company to calculate the technical efficiency of each thing to be calculated. In this research, efficiency is calculated by dividing the required variables into 2, namely input variables and output variables.

Table 1. Input and output

Period	Input				Output	
	Operational Costs		ZIS Funds Raised		zis funds distributed	
2017	Rp	550.648.914	Rp	2.671.272.241	Rp	2.407.488.913
2018	Rp	792.013.145	Rp	3.659.997.632	Rp	3.502.849.017
2019	Rp	908.527.540	Rp	4.629.577.966	Rp	4.075.879.540
2020	Rp	599.574.511	Rp	4.520.303.087	Rp	4.425.680.473
2021	Rp	685.835.489	Rp	4.937.726.194	Rp	5.712.463.714

After the input variables and output variables are inputted and then processed into the Banxia Frontier Analyst software test tool, the efficiency results will be obtained in each calculation model in CRS (Constant Return to Scale) oriented to the output variable, with a measure if the efficiency value is equal to 100% then it is considered efficient, while if the efficiency <100% then it is considered inefficient.

Table 2. of efficiency calculation results

	Efficiency	Category
2017	78%	Inefisien
2018	83%	Inefisien
2019	76%	Inefisien
2020	89%	Inefisien
2021	100%	Efisien

Source: Banxia Software Output Data (processed)

DISCUSSION

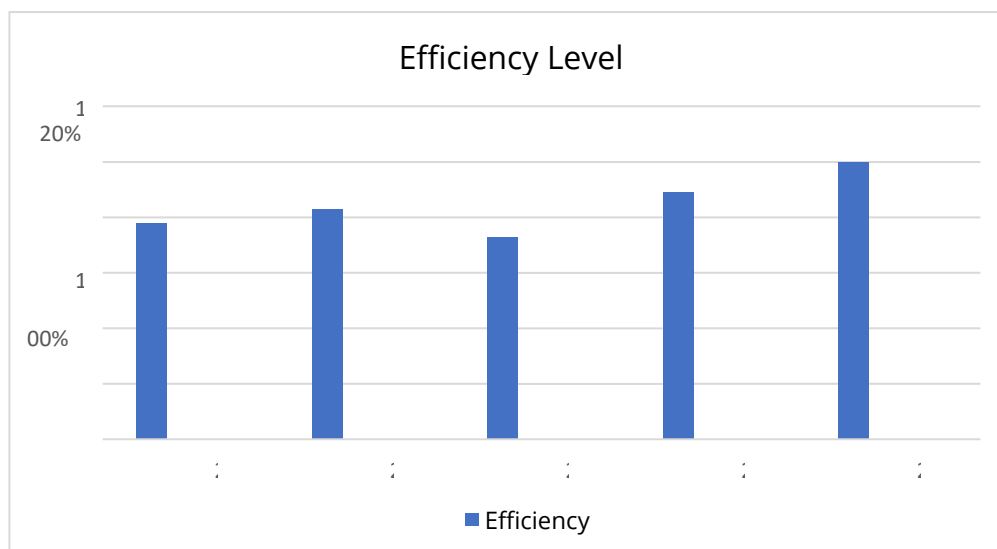


Figure 2. Efficiency Level

Based on the DEA results in the table above, it is known that the efficiency of BAZNAS Palopo City for 5 years (2017-2021) is : The highest efficiency was obtained maximally in 2021 with a total efficiency of 100% then efficiency in 2020 with a score of 89%, then efficiency in 2018 with a score of 83% then an efficiency score in 2017 with a score of 78% and the lowest was in 2019 with a score of 73%.

BAZNAS that are at 100% efficiency indicate that they have optimized their input factors, in this case operational costs and total ZIS Funds Collected to be managed so as to produce outputs, namely ZIS funds distributed or channeled optimally. As for BAZNAS whose efficiency score is not 100%, it indicates that there are still factors in the input variable that have not been optimally used or the output variable produced has not been maximized, where both conditions require adjustments so that optimal efficiency conditions can be achieved.

CONCLUSION

Based on the results of research on the level of efficiency of zakat management at BAZNAS Palopo City using the Data Envelopment Analysis (DEA) method of the Constant Return to Scale (CRS) model with input variables, namely operational costs and ZIS collected and output, namely ZIS funds channeled or distributed, it shows that BAZNAS Palopo City in the 5 research periods, 2017- 2021, on average, still does not meet efficiency, only in 2021 it meets efficiency with a value of 100%.

Limitation

Limitations of this research include :

1. **Data Availability and Quality:** The research heavily relies on secondary data, and the availability and quality of this data may be limited. Incomplete or inaccurate data may affect the accuracy of the efficiency assessment.

2. **Limited Scope:** The research focuses specifically on zakat management in the city of Palopo. This limited scope may not provide a comprehensive understanding of zakat management in a broader context, and the findings may not be easily generalizable to other regions.
3. **Subjectivity in Efficiency Assessment:** Evaluating the efficiency of zakat management can involve some subjectivity in defining what constitutes "efficient" management. Different stakeholders may have varying opinions on this, and these subjective elements can affect the research outcomes.
4. **Dynamic Nature of Zakat Management:** Zakat management practices may evolve over time. The research provides a snapshot of efficiency at a particular point in time, but it may not capture the dynamic nature of zakat management and the potential changes that occur over time.
5. **External Factors:** The efficiency of zakat management can be influenced by external factors such as economic conditions, government policies, and social dynamics. These external factors may not be fully addressed in the research and can impact the accuracy of the findings.
6. **Resource Constraints:** Resource limitations, including time and budget constraints, may restrict the depth and breadth of the research. This can affect the comprehensiveness of the data analysis and the scope of the research.
7. **Ethical and Cultural Considerations:** Zakat is a religious obligation, and its management is influenced by ethical and cultural factors. The research may not fully capture these nuances, potentially overlooking important aspects of zakat management in the local context.
8. **Lack of Primary Data:** The research relies solely on secondary data, and the absence of primary data collection, such as surveys or interviews, may limit the ability to gather a more detailed and nuanced understanding of zakat management practices.
9. **Changing Legal Frameworks:** Legal regulations related to zakat management may change over time. The research may not reflect the most recent legal frameworks and their impact on zakat management.

These limitations should be considered when interpreting the findings and recommendations of the research, and efforts should be made to address them when conducting similar studies in the future.

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