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Enhancing the Zakat Framework of Maldives: A One Hundred Percent Muslim Country

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ABSTRACT

Maldives is a one hundred percent Muslim nation where the zakat administrative function is entrusted to a government ministry, the Ministry of Islamic Affairs (MIA), which manages zakat al maal and zakat al-fitr. Since June 1, 2016, MIA has delegated the task of collecting zakat to the Maldives Inland Revenue Authority (MIRA). Maldives presently has no law dealing with zakat, so the Islamic Training and Research Institute (IRTI) has proposed a set of zakat laws that could be adopted by the country. The objective of this qualitative research is to discuss the zakat framework proposed by IRTI. There is limited literature available on the zakat framework in Maldives, so it is anticipated that this study will become the starting point for further research on this topic.

Keywords: Maldives, Zakat administration, Zakat, Zakat framework

INTRODUCTION

Zakat, as the third pillar of Islam, is an obligation in respect of funds paid for a specific type of purpose and for specific categories. The term refers to a sum of money that Muslims who are of a sound mental and financial state must contribute in order to support specific groups of people according to eight categories as stated in the Quran in Surah At-Taubah verse 60 (Wahab & Abdul Rahman, 2011; Yusuf & Derus, 2013).

Muneeza (2017) outlined the history of zakat administration in Maldives as follows. The first office to deal with matters related to zakat was opened in 1983 under the leadership of Former President Uz. Maumoon Abdul Qayoom, with Sheikh Usman Abdulla appointed as the head of the office. During its early years of operation, around fifty Maldivian rufiyaa were collected annually as zakat on wealth. A Zakat Committee was formed to administer the technical zakat-related matters, with the mandate of this committee including the requirement to announce the nisab amount in Maldivian rufiyaa after considering the rate of silver. Discussions were undertaken in this committee with regard to determining the nisab limit in Maldivian rufiyaa, with an agreement being reached to utilize the comparative nisab in silver as the official amount of nisab in Maldivian rufiyaa. The price of silver on the world market is reviewed every six months, with the equivalent amount in Maldivian rufiyaa published as the nisab for Maldives. On November 11, 1993, the operation of the Zakat Office fell within the purview of the Ministry of Justice and Islamic Affairs. On November 6, 1996, zakat was

brought under the Supreme Council for Islamic Affairs. The fi sabilillahi component of zakat distribution was administered via government ministries. The health component came to be administered by the Ministry of Health, while the education component was handled by the Ministry of Education. Educational assistance was provided to needy citizens, including, for example, textbooks and uniforms. In addition, debtors and the poor were assisted via the Zakat Office as cash benefits. In 2008, the Supreme Council for Religious Affairs was transformed into the Ministry of Islamic Affairs (MIA), with all mandates of the Zakat Office subsequently being transferred to the Ministry. The year 2012 saw the creation of an advisory body in the form of the Shariah Advisory Committee (SAC) comprising religious scholars. The SAC is mandated to advise both the zakat unit and zakat committee on matters pertaining to zakat in Islamic law and shariah opinion. In 2016, the operation carried out by MIA in the collection of Zakat-al-mal was handed over to the Maldives Inland Revenue Authority (MIRA). However, the MIA continues to collect Fitr Zakat (Maldives Inland Revenue Authority, 2016).

At present, Maldives has no law dealing with zakat, although the Islamic Training and Research Institute (IRTI) has proposed a set of zakat laws that could be adopted by the country. A workshop on the proposed zakat law for the Maldives was held in the Grand Islamic Center of Maldives on January 12, 2015, with IRTI meeting stakeholders and discussing the proposed zakat framework. The objective of this qualitative research is to discuss the IRTI's proposed zakat framework. Reflecting the fact that there is limited literature available about the zakat framework in Maldives, it is hoped that this research will act as a starting point for further research in this area.

ZAKAT AL MAL COLLECTION AND ZAKAT FUND

The Ministry of Islamic Affairs is the ministry in charge of religious matters, including zakat. MIRA was set up under the Tax Administration Act (Law No.3 of 2010) for the purpose of implementing tax-related laws and policies. Section 23 of the regulations on Business Profit Taxation 2011 provide an incentive to pay zakat by treating such payments as a deduction for tax purposes. The provision reads: "Payments made as zakat al-mal may be deducted in calculating a person's taxable profits provided that the person possesses a receipt that states that the zakat was paid to the relevant government authority" (Maldives Inland Revenue Authority, 2013).

Section 25 of the Public Finance Act 3/2006 states that a Trust Fund includes the Interest Suspense Account referred to in section 30 of this Law, in addition to any trust accounts that other Laws establish as part of the Trust Fund and trust accounts. A Trust Fund shall also include any trust accounts that are established from time to time for the following purposes: 1) the holding public of monies appropriated and passed in the budget for specific public purposes; 2) the holding of public monies by the State for or on behalf of any person that is not a government agency; 3) the temporary holding of public monies, money received as conditional grants, and money received in the form of a grant assistance, gift, or donation for a specific public purpose; 4) the temporary holding of public money received until such time as the purpose for which the money was

received is identified; and 5) all public monies that have been appropriated and passed in a budget for a specific purpose of the trust account. A trust account must not be established without the written permission of the Minister and except for the purposes stated above.

Section 26 of the Public Finance Act 3/2006 states that when a trust account is established under this Law or another Law, a trust statement must be prepared for the account. Under this Law, "trust statement" refers to a document prepared and signed by the Minister containing the name of the trust account that is established, its purpose, the type and sum of money deposited in it, the expenses permitted from it, the person accountable for operating it, and all other details required to be maintained in relation to the account in accordance with the Public Finance Regulations. It is deemed to be the most authoritative document in respect of the account since it contains all of the official details relating to it. A trust statement that is consistent with section 30 of this Law must be prepared for an Interest Suspense Account, and all trust statements must be prepared in accordance with the Public Finance Regulations. The Minister, however, in accordance with the Public Finance Regulations, has the authority to amend a trust statement. Section 30 of the Public Finance Act 3/2006 states that as part of the Trust Fund there shall be an account called an "Interest Suspense Account." The public monies held in the Interest Suspense Account must be paid from it into a Public Fund or another trust account or accounts in accordance with the trust statement for the Interest Suspense Account, unless another Law states otherwise.

Section 27 of the Public Finance Act 3/2006 states that public monies must not be paid into a trust account except in accordance with the trust statement for the account. Section 28 of the Public Finance Act 3/2006 states that public monies must not be paid from a trust account except in accordance with the trust statement for the account, and a trust account must not be overdrawn. Public monies must not be paid from a trust account except in one of the following ways: 1) if the account was established under another Law, in accordance with that Law and the trust statement for that account, and 2) in the case of an Interest Suspense Account, in accordance with section 30 of this Law and the trust statement for that account, or, if another trust account, in accordance with the trust statement for that account.

Section 29 of the Public Finance Act 3/2006 deals with the closure of a trust account. The Minister has the authority to order a trust account to be closed if the purpose for which it was established has been fulfilled or if the Minister is of the view that this purpose will not be fulfilled. If the Minister orders a trust account to be closed, the balance of the public monies held in the account shall, after the payment of any liabilities due on it, be paid out in accordance with the provisions, if any, of the account's trust statement that deal with the closure of the account. If the trust statement does not provide for the same, such money shall be paid into the Consolidated Revenue Fund.

Muneeza (2017) states that according to the Trust Statement of the Zakat Fund, the trust account formed shall be called a zakat fund, with the zakat money received to be held in the Trust account until distributed in the format in schedule 1 of the Zakat Fund Trust Statement. Schedule 1 of the Zakat Fund Trust Statement gives the following

categories that are eligible for the distribution of zakat funds: Masakeen – "the destitute"; Fuqaraa – "the needy or poor"; Amil' Zakah – "alms collectors"; Fi sabi `Lillah – "in the path of Allah SW; Gharimun – "people burdened with debt"; Ibn as'Sabil – "wayfarers"; Riqab – "people in bondage or slavery"; and Mu'Allaf – "those who have inclined toward Islam"). A zakat fund shall be governed in accordance with the Public Finance Regulations. Money deposited to the zakat fund shall comprise those monies paid as zakat by the citizens and corporations of Maldives. There is no ceiling with regard to the amount of money that may be deposited to the account as zakat money by individuals and corporations from the day the account is opened and until it is closed. All expenses made in accordance with schedule 2 of the Zakat Fund Trust Statement are authorized. According to schedule 2 of the Zakat Fund Trust Statement (first amendment effective from May 15, 2013), the following areas are authorized with respect to amounts paid from the account: the eight categories of people mentioned in the Quran 9:60 (Masakeen – "the destitute"; Fuqaraa – "the needy or poor"; Amil' Zakah – "alms collectors"; Fi sabi `Lillah – "in the path of Allah SW; Gharimun – "people burdened with debt"; Ibn as'Sabil – "wayfarers"; Riqab – "people in bondage or slavery"; and Mu'Allaf – "those who have inclined toward Islam"); the medical expenses of the poor; people inflicted with sudden calamities; bank commission incurred in the sending of zakat money; the spreading of Quranic knowledge and conducting Quran competition; the conducting of religious awareness activities; to build the human capital required for nation development and to educate people at local and international universities; expenses related to the creation and proofreading of religious materials; expenses incurred in conducting different educational courses related to religion; expenses incurred in Quran-related training, for teachers of Islam, and Imam training courses, undertaker, and other religious courses; expenses related to the conducting of Quran classes; to build worship places in schools, ablution facilities, and other services related to them; for expenses related to the peace and national security of the country and national-related matters; as the wages given to Taraweeh prayer imams during Ramadhan; as expenses incurred in the educating of children and people with special needs and spending on necessities for this category of people; expenses incurred in zakat money record-keeping and consultancy services; and the administrative expenses of the zakat fund and investment-related activities of the fund.

If, for any reason, the Zakat Trust Account is closed, any remaining balance at the time of closure shall be deposited to the consolidated revenue account. The Zakat Unit will prepare an annual report detailing the zakat monies received and disbursed, which shall be approved by the Zakat Committee. This report shall be prepared within one month of the end of the financial year. Within three months of the end of each Gregorian year, the zakat fund's annual report and financial statements from the previous year shall be gazetted in the National Gazette or daily newspapers, in addition to on the website of the MIA. The Zakat Trust Account shall be closed on a date determined by the Minister of Finance and Treasury following the receipt of a request to close the account from the MIA; alternatively, the Minister of Finance & Treasury may

order an account to be closed if he finds that the purpose for which the fund was established has not been achieved.

As per an announcement released on May 30, 2016 by MIRA, as stipulated in the Memorandum of Understanding signed between MIA and MIRA, zakat al-mal collected by MIA would, from June 1, 2016 onward, be collected by MIRA. Branches of MIRA and collection centers established on islands other than Malé would also collect zakat al-mal from June 1, 2016. Likewise, Island Councils would collect zakat al-mal from islands without an established MIRA branch or collection center. Individuals, partnerships, companies, and cooperative societies shall submit the designated form (MIRA 510) when paying zakat al-mal.

Table 1. Zakat al Mal Collection Made by MIRA

Year	Amount in USD	Amount in MVR	Total (MVR)
2018 (until May)	515	21,623,870	21,631,764
2017	12,128	63,150,889	63,336,833
2016	3,004	35,853,470	35,899,479

Source: Data compiled from the MIRA official website

In March 2018, the nisab for zakat al-mal was stated on the MIRA website as MVR 5,033.70. In June 2018, the MIRA's official Facebook page contained details of the MIRA Mobile Application, which can be used to conveniently make online payments via VaaruPay for vehicle fees, vessel fees, company annual fees, trade fees, and Zakat al-mal. When paying Zakat al-mal, it is only necessary to declare to MIRA the amount being paid as zakat.

THE PROPOSED MODEL ZAKAT LAW FOR MALDIVES BY THE ISLAMIC RESEARCH & TRAINING INSTITUTE, ISLAMIC DEVELOPMENT BANK

The Zakat law for Maldives proposed by IRTI comprises six chapters. Chapter one deals with the general provisions, chapter two addresses zakat management infrastructure, while chapter three looks at zakat collection and disbursement. Chapter four deals with accountability and governance, chapter five outlines grievances, prohibitions, and penalties, and the sixth and final chapter is the closing chapter.

Article 1 of the proposed zakat law states that it shall be called the Zakat Act once it passes into law. Article 2 provides definitions for the following eight terms: 1) Zakat management is defined as the planning, implementation, and coordination of the collection, distribution, and utilization of zakat; 2) Zakat is defined as the part of property that must be given by a Muslim individual or a business entity to a charity that then distributes it to entitled recipients in accordance with Islamic law; 3) A muzakki is a Muslim or business entity obligated to pay zakat; 4) A mustahiq is a person entitled to receive zakat; 5) the Ministry of Islamic Affairs (MIA) is the government ministry responsible for all matters pertaining to the practice of Islam, including zakat management; 6) the Zakat Management Council (ZMC) is the national body for the management of zakat and other Islamic charity funds under the MIA; 7) a Baitul Maal is a fund comprising all zakat

and non-zakat charity collections under the ZMC; and 8) the Shariah Advisory Committee (SAC) is a body of Shariah experts with the function of providing Shariah legal opinion on matters pertaining to the management of zakat and sadaqa as periodically requested by the ZMC.

Article 3 of the proposed zakat law states that the aim of zakat management is to maximize the efficiency of zakat collection and the effectiveness of zakat utilization in order to optimize the benefits of zakat for public welfare and poverty alleviation. Article 4 states that zakat includes both zakat maal and zakat fitr. Zakat maal denotes zakat on property, with property referring to various forms of wealth, assets, output, and earnings. Zakatable assets and wealth include, but are not limited to, the following: gold, silver, and other precious metals; cash and other securities; and trade and business inventory. Zakatable output and earnings include, but are not limited to, those derived from the following sources: agriculture, horticulture, and forestry; livestock and fisheries; mining; revenues and services, and wealth extracted from the sea or excavated from underground. Zakat maal shall also be levied on zakatable assets, output, and any earnings over and above the amount stated, as determined by the ZMC in consultation with the SAC.

Article 5 of the proposed zakat law states that the payment of zakat is compulsory for individuals and business entities who own wealth, assets, output, and earnings that are zakatable as per the provisions of the proposed law and any subsequent rules and regulations formulated under the proposed law. Article 6 states that zakat maal shall be levied on a property that is under the clear and unambiguous ownership of an individual or business entity. If there is any debt inherent in a property subject to zakat, then such debt shall first be deducted from the property prior to computation of the zakat liability. Article 7 states that, notwithstanding the fact of ownership of property, a property shall not be zakatable under the following conditions: the property has no earning potential; the owner is not authorized to spend from the property; the property is in private or personal usage; and the property is being used as an evidentiary asset.

Article 8 states that where a property belongs to more than one person, zakat shall be determined on the basis of the pro-rata shares held by the respective individuals, while considering the property to be a jointly owned property (or severally owned property). Severally owned or jointly owned properties here include private businesses organized as partnerships and companies.

Article 9 states that property of the state, government organizations, and service administrations, city councils, atoll councils, and island councils, or similar property, are not zakatable, except when this is in the nature of investments. Zakatable property as given here shall include the property of all commercial ventures and companies in which the government may hold shares.

Article 10 states that property set aside especially for the benefit of the general public, or the property of non-profit entities such as trust funds and non-government organizations, is not zakatable. Article 11 states that in order to be zakatable, the asset must have been in the ownership of a muzakki for at least one lunar year (hawl). In addition, to qualify as zakatable, the asset or output/earnings must exceed the nisab as

defined by Islamic law. Zakat cannot be levied on any asset/output/earnings that have already been subjected to zakat during a given year.

Article 12 states that the terms, conditions, and methods of zakat calculation shall be in accordance with Islamic law and shall be provided by the "Rules of Zakat Calculation" as formulated by the ZMC in consultation with the SAC. Further provisions regarding the requirements and procedures for zakat calculation shall be determined by the ZMC. Provisions regarding the collection and distribution of zakat al-fitr shall be given in the "Rules of Zakat al-Fitr."

Article 13 states that MIA shall be the competent authority responsible for the administration of zakat on behalf of the State. A dedicated national body for zakat management, the Zakat Management Council (ZMC), shall be established and staffed within 14 days of this Act being promulgated by its publication in the official government gazette. The ZMC shall function as an integral and constituent body within the MIA. Article 14 states that the ZMC shall deposit all zakat and non-zakat charity funds in a dedicated account, to be called the Baitul Maal. The ZMC shall keep separate the zakat and non-zakat charity funds that are part of the Baitul Maal.

Article 15 states that in carrying out the tasks referred to in Article 13, the ZMC shall have the following functions: planning of the zakat management process, i.e. the collection, distribution, and utilization of zakat; implementation of the zakat management plan; monitoring and control of the zakat management process; and reporting of the operational performance of zakat management. The ZMC shall manage all non-zakat charity, with the exception of waqf. In carrying out its duties and functions, the ZMC will work with stakeholders in accordance with the provisions of the legislation.

Article 16 states that a Shariah Advisory Committee (SAC) shall be constituted by the MIA to advise the ZMC on Shariah issues pertaining to zakat management. Members of the SAC shall be appointed and dismissed by the MIA and shall comprise eminent scholars of Islamic law. The SAC shall periodically deliberate on issues relating to zakat management as referred by the ZMC and share its opinion with the ZMC. Further provisions on procedures for the administration of the SAC shall be elaborated by the MIA. The SAC shall be led by a chairman and a vice-chairman.

Article 17 states that each atoll council and city council, except Male', shall provide full support and coordination to the ZMC in order to receive zakat from the respective constituents, to distribute zakat, and to send a predetermined portion to ZMC. In addition, each island council shall coordinate in full with atoll councils on all issues with respect to zakat management. The portion of zakat to be sent to ZMC, as stated here, shall be determined by the MIA after considering the total wealth received from each local community, the number of people eligible to benefit from zakat, the degree of poverty among the people, and based on the information provided by the local councils regarding this issue. A dedicated member of staff shall be identified in every atoll council, island council, and city council, excluding Male', to represent the ZMC and ensure zakat management is carried out in accordance with the provisions of the Act and all relevant rules and regulations. The dedicated staff member, as stated here,

shall be a civil service employee and shall be appointed following a process of consultation with the MIA and Civil Service Commission.

Article 18 states that a muzakki can undertake a self-calculation of their zakat obligation and may seek assistance from the ZMC for the purpose of determining this calculation. Article 19 states that the ZMC may appoint a bank, financial institution, or any other body to act as its agent for the collection, distribution, or both of zakat and non-zakat charity funds. Article 20 states that all zakat funds collected by the ZMC shall be placed in the Baitul Maal. Article 21 states that the ZMC can, in addition to zakat, collect sadaqa, infaq, tabarruat, and all non-zakat charity funds (except waqf), to be placed in the Baitul Maal. Article 22 states that zakat paid by muzakki to the ZMC shall be eligible for a full rebate in respect of income tax. Article 23 states that the ZMC shall provide each muzakki with a receipt as a record of their zakat payments, which shall be used by the muzakki to claim the rebate on their income tax payable. Article 24 states that further provisions relating to the enforcement and compliance mechanisms for zakat management shall be defined and elaborated by the MIA.

Article 25 states that zakat shall be distributed to mustahiq among the asnaf or persons considered to be eligible in accordance with Islamic law. Those persons considered to be eligible include the fuqara (poor), masakin (pauper), fi-riqab (under bondage), gharimun (heavily indebted), muallaftul qulubum (those whose hearts are inclined toward Islam), ibn-sabeel (traveler), amileen alaih (zakat officials), and fi-sabilillah (those in the path of Allah SWT).

Article 26 states that the specific criteria for the categorization of asnaf, along with definitions of the eligibility criteria to be used for recipients of zakat, shall be set out in the "Rules of Zakat Distribution," which shall be formulated by the ZMC in consultation with the SAC. The zakat allocation ratios for the various categories of eligible recipients shall be determined by the ZMC in light of the priorities and based on the principles of equity and justice.

Article 27 states that a muzakki has the right to distribute, in private, up to 20% of the amount that corresponds to his/her zakat liability. If a muzakki exercises his/her right in this manner and distributes any portion of zakat in private to those rightfully eligible to receive it, the details of the recipients shall be submitted to the ZMC or respective council office in the declaration provided in Appendix 1 of this Law.

Article 28 states that Zakat can be utilized for productive activities in order to alleviate poverty and improve quality of life. The utilization of zakat for productive activities as referred to in paragraph (1) shall be conducted after fulfilling the basic needs of the mustahiq. When zakat is utilized for productive activities, the poor person or other beneficiary must be made the owner of the zakat that is paid to him/her in conformity with the principle of *tamleek*, either on an individual or group basis. Further provisions for the productive utilization of zakat as mentioned here shall be determined by the ZMC.

Article 29 states that the ZMC shall strive to distribute the entire amount of zakat collected in a given year during that same year, with no amount carried forward to the next year. In exceptional cases, any surplus zakat in the Baitul Maal may be carried forward or invested in safe avenues for the short term.

Article 30 states that the distribution and utilization of sadaqa funds shall be in accordance with Islamic law and shall consider the intention of the giver, if explicitly communicated. Article 31 states that surplus non-zakat funds in the Baitul Maal should be invested in safe avenues in a prudent manner. Guidelines for the prudent investment of surplus funds shall be formulated by the ZMC.

Article 32 states that, in order to perform their duties, the ZMC shall be financially supported as part of the State Budget and also zakat collection. The ZMC may thus utilize a small proportion of the zakat collected, not exceeding one-eighth, to cover the overall cost of collection or to incentivize the collection activity by entities acting as agents of the ZMC.

Article 33 states that in order to maintain the reliability of the process of zakat, the Auditor General's Office of the Maldives shall perform an annual audit of the ZMC. In addition to the ZMC, the respective councils and all other parties involved in zakat management shall extend their full cooperation and assistance to the representatives of the Auditor General's Office in relation to the performance of this audit. During the audit, if it is discovered that the proper documentation procedure has not been followed, the auditors shall have the right to hold those staff responsible accountable in order to investigate and clarify the details of the issue.

Article 34 states that the funds received in the form of zakat and non-zakat charity shall be deposited in the Baitul Maal as a separate specialized account with the Maldives Monetary Authority. The funds held here shall not be amalgamated with any other sources of government funds and shall not be deemed to be the property of the state. The State is also unable to borrow the funds deposited here for fiscal purposes. Separate books shall be maintained for zakat and non-zakat funds, and all correspondence entered into during the process of mobilizing zakat into the Baitul Maal shall be in writing.

Article 35 states that the ZMC shall periodically compile a report on the zakat management, which must be submitted to the MIA on a regular basis. The compiled report on zakat management should be made available every quarter in both printed and electronic media. Further provisions on the reporting mechanism shall be determined by MIA.

Article 36 states that the public may participate in the advising and supervision of the ZMC. The advising undertaken here shall be in order to increase the public awareness of giving charity through the ZMC and to provide suggestions for improving the performance of the ZMC. The type of supervision as outlined here takes the form of access to information about the management of zakat by ZMC and the delivery of information in case of irregularities in the management of zakat by the ZMC.

Article 37 states that if the muzakki discovers that the amount of zakat paid exceeds the obligatory amount, then the additional amount may be claimed back by submitting a request to the ZMC, accompanied by details of the calculations, within one month of having paid the money. If not submitted within one month, the muzakki shall cede the right to submit such a request at a later date. If the ZMC discovers that an amount of zakat received exceeds that of the requirement, the initial owner may be given the opportunity to outline in writing what could be done next, in response to

them being notified of the excess, as per the rules to be established under this proposed law. If there is a valid claim for the subsequent recovery of any excess, this shall be carried out as per the procedure described in the rules, also considering the following year's zakat to be paid by the same muzakki.

Article 38 states that it is the responsibility of MIA to audit and confiscate any amount due as zakat but that has not been paid, with MIA having complete authority in the confiscation of such property. MIA has the right to obtain any assistance that may be required from the respective government administrations in order to complete the undertaking defined in para (1) of this Article. All State institutions shall provide their full cooperation in assisting MIA should such assistance be requested, in order to collect unpaid zakat funds.

Article 39 states that in the event of anybody having any grievance or complaint regarding zakat, this may be submitted to the ZMC or, via an island council, to the member of staff appointed as the representative of ZMC at the atoll council. Such complaints shall be submitted in writing, within 2 months of the occurrence of the issue, to the relevant authority. There shall be no fees applicable to any such complaints. Any issue regarding zakat will be sent to a court of law only if the complaints process described herein has been followed, by submitting the complaints to the relevant authority, and only if the issue is deemed to have been resolved unsatisfactorily. If the resolution of the complaint is deemed unsatisfactory, the matter may be lodged at a court of law within two months of the date of notification of the decision, or from the date on which the outcome is known, whichever is later. If, within such period, the matter has not been submitted, it shall be concluded that a full resolution has been achieved.

Article 40 states that every person is prohibited from owning, pledging, granting, selling, and/or diverting the zakat, sadaqa, and/or other non-zakat charity funds that are under their management. Article 41 states that it is forbidden to deliberately engage in the collection, distribution, or utilization of zakat without the prior consent and/or authorization of the ZMC. This prohibition does not apply to zakat distribution by a muzakki under Article 27 of this Act.

Article 42 states that any person who intentionally violates the provisions of Article 25 in the distribution of zakat shall be punished with imprisonment of 5 (five) years and/or a maximum fine of MVR 500000. Article 43 states that any person who willfully and unlawfully violates the provisions of Article 40 shall be punished with imprisonment of 5 (five) years and/or a maximum fine of MVR 500000. Article 44 states that any person who willfully and unlawfully violates the provisions of Article 41 shall be punished with imprisonment for a maximum of 1 (one) year and/or a maximum fine of MVR 50,000.

RECOMMENDATIONS

The stakeholders' perception of the proposed zakat framework is important. On January 12, 2015, a workshop on the proposed zakat law for Maldives was held at the Grand Islamic Center of Maldives, for IRTI to meet the stakeholders and discuss the proposed zakat framework. The stakeholders in this workshop included officials from the relevant ministries and members of the legal

fraternity, public, and the media. The feedback received from the participants is summarized as follows:

1. The definition of Muzakki needs further clarification, especially where the zakatable entity is a Joint Venture with non-Muslim owners.
2. The definition of Baitul Mal in the context of Maldives generally means state treasury. Therefore, a different term should be used for the Zakat Fund.
3. Article 8-2 of the proposed zakat law should include cooperatives in the list of zakatable entities.
4. The Membership number, qualification, power, and function of the SAC may be made part of the law and not left to be determined later by the ZMC.
5. The annual audit by the Auditor General should be of the Zakat Fund and the affairs of the ZMC.
6. The term "investigate" should be replaced by "inquire," and the term "staff" should be replaced by "party."
7. Zakat Fund financials should be in line with the applicable reporting and accounting standards.
8. The collection of Zakat function should be entrusted to MIRA (that can also act as an agent) in view of its capabilities, in order to avoid duplication.
9. The formulation of the ZMC needs to be articulated more clearly. It should include members of the community and civil service and not political appointees. Members should be qualified and should have no prior convictions or bankruptcies. The appointment mechanism, term duration, and break between consecutive terms all need to be spelled out. The models used by MIRA and Maldives Pension Administration Office may be followed.
10. Article 40: There is a need to clarify the term "Every Person."
11. Article 44: Punishment should be more severe, in line with other penalties.
12. Article 38: An additional paragraph should be added stating "MIA should have a dedicated internal audit function to provide objective and independent assurance and risk management, governance, and internal control of the ZMC."
13. The collection of zakat needs to be integrated with the IT system at MIRA.

CONCLUSION

Maldives, as a one hundred percent Muslim country, needs to enhance its national zakat framework. It is imperative to have a zakat law. The Zakat law proposed by IRTI is indeed a sophisticated draft law that the country needs to adopt as soon as possible in order to strengthen the zakat framework and boost the confidence of zakat payers in the zakat system. Zakat, as a pillar of Islam, needs to be handled in a transparent manner by the state to ensure the fulfillment of shariah objectives in terms of both its collection and disbursement. Adoption of the proposed zakat framework will definitely enable these objectives to be achieved.

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Factors Affecting Palm Farmers' Decisions to Dispense Plantage-Product Zakat in Labuhanbatu Selatan Regency

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ABSTRACT

Zakat is one of the five points in rukun Islam and consists of two types: zakat nafs (soul) and zakat maal (wealth). One of the many kinds of zakat maal is plantage-product zakat. Labuhanbatu Selatan Regency is an area that contains 160,785.04 hectares of palm plantation land as recorded in 2016. The area also produced 7,493,696.18 tons of Fresh Fruit Bunches (FFB) in the same year. The objective of this study is to identify the potential of plantage-product zakat (specifically palm plantage) and analyze the factors that affect farmers' decision to dispense plantage-product zakat in Labuhanbatu Selatan Regency. Logistic regression analysis was the method of analysis used in this study. Based on data obtained from Dinas Perkebunan Provinsi Sumatera Utara 2016, the potential of plantage-product zakat in Labuhanbatu Selatan Regency reached 25.6 billion rupiahs in 2014; 21.6 billion rupiahs in 2015, and 370.4 billion rupiahs in 2016. The variables that significantly affected farmers' decisions to dispense plantage-product zakat were comprehension of zakat, faith, rewards, Islamic study, and frequency of worship.

Keyword: Logistic Regression Analysis, Labuhanbatu Selatan Regency, Plantage-Product Zakat Potential.

INTRODUCTION

Zakat (alms) is the third point in *rukun Islam* – Islamic acts – and is considered to be a major pillar of Islam. The divine command regarding zakat is clearly stated in Qur'an Surah At-Taubah, verse 103: *"Of their goods, take alms, that so thou mightest purify and sanctify them; and pray on their behalf. Verily the ibadahs are a source of security for them: And Allah is One Who heareth and knoweth."* Zakat is deemed to be capable of enhancing equality in the economic sector by improving the living standards of mustahiks. Therefore, in various different countries, zakat serves as an alternative tool for overcoming economic inequality. Zakat as a form of wealth is given out by a *muzaki* – a Muslim that gives zakat – to *mustahik* – people who are eligible to receive zakat – when the wealth meets various conditions according to Islamic law. This is in line with the divine command in Qur'an Surah At-Taubah, verse 60, which explains the following eight *asnaf* of *mustahik*: *fakir*, *miskin*, *amil*, *mualaf*, *riqab*, *gharim*, *sabilillah*, and *ibnu sabil*. These translate as poor people with a job, poor people without a job, people who have converted to Islam, slaves, people who collect the zakat, people in debt arising from daily basic needs, people who are striving for Islam, and people who are on a journey, provided there is no contravention of any Islamic principle.

Table 1. National Zakat Potential

Sector	Zakat Potential (trillion rupiahs)
Household zakat potential	82.7
BUMN zakat potential	2.4
Private industry zakat potential	114.9
Savings zakat potential	17.0
Total national zakat potential	217.0

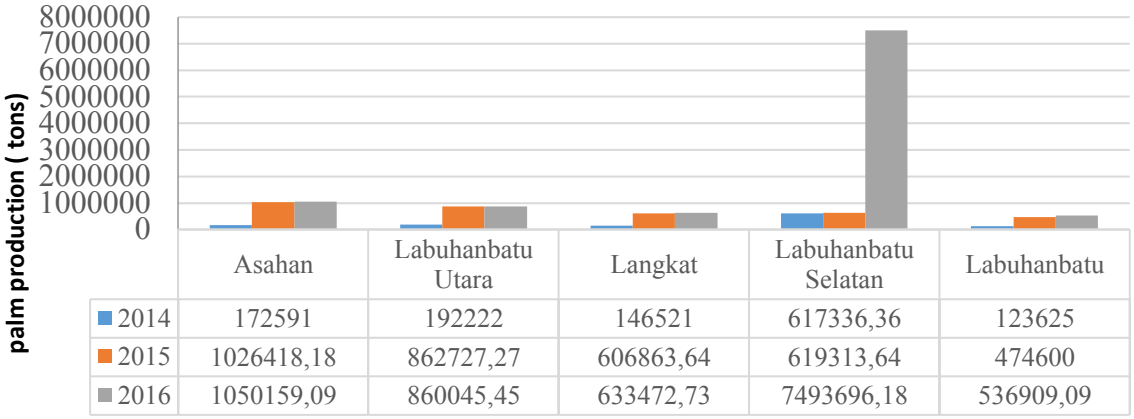
Source: BAZNAS and FEM IPB (2011)

From Table 1 we can observe the national zakat potential in Indonesia across a number of sectors, as follows: household zakat potential, BUMN zakat potential, private industry zakat potential, and savings zakat potential, with a total national zakat potential reaching 217 trillion rupiahs (BAZNAS and FEM IPB, 2011). This huge potential of zakat has been noticed by the government, specifically the Ministry of BAPPENAS. Subsequently, BAPPENAS coordinated with OPZ – a zakat organization – to integrate the zakat program into a national program as part of the drive for the attainment of the Sustainable Development Goals (SDGs). Besides that, BAPPENAS also included zakat in the *Masterplan Arsitektur Keuangan Syariah Indonesia* (MAKSI) – Indonesia's Islamic Finance Architecture Masterplan – that was published in 2015. Based on MAKSI, BAZNAS has the role of coordinator for the arrangement, collection, and distribution of zakat at the national level, with the Ministry of Religion as the regulator and superintendent for BAZNAS performance (BAZNAS 2016).

There are two types of zakat, namely zakat *nafs* (fitrah/soul) that is mandatory to be given out at the end of Ramadhan, and zakat *maal* (wealth), which includes business revenue, wages/salaries, mining, agriculture, marine products, farming, plantage products, treasure, gold, and silver. Each type of zakat has its own *nishab*, which is the minimum amount of wealth to be distributed as zakat. Nowadays, the definition of zakat *maal* is not restricted only to wealth that can be used generally, but also includes amendable wealth, such as plantage-product. Every plantation that has economic value, except for those that are haram, or prohibited, is obliged to distribute this wealth as zakat once it reaches the *nishab*. This is in line with the divine command stated in Qur'an Surah Al-An'am, verse 141: *"It is He who produceth gardens, with trellises and without, and dates, and tilth with produce of all kinds, and olives and pomegranates, similar (in kind) and different (in variety): eat of their fruit in their season, but render the dues that are proper on the day that the harvest is gathered."* Whatever plantation that is not a staple food is not obliged to be given out as zakat, except for those that are put up for sale and from which an income of more than 200 dirhams would need to be given out zakat equal to five dirhams . Based on this notion, annual plantage-product, including palm, is analogized as business zakat. With such an analogy, the nishab of plantage-product is also equal to that of business zakat, namely 85 grams of gold, and this amount needs to be held for at least one year. If these conditions are met, then it is obligatory to dispense the wealth as zakat equal to 2.5 percent of the total wealth (Zuhri, in Qardhawi, 2011)

Indonesia is a predominantly agrarian economy, with palm as one of its principal commodities. Palm production in Indonesia reached 31,070, 015 tons in 2015. North Sumatra Province is one of the regions in Indonesia that produces a high quantity of palm, accounting for the second-highest production in Indonesia, behind Riau Province in first place. In 2015, its palm production reached

5,193,135 tons. These data demonstrate the huge potential of palm and the demand that exists in both local and international markets. Palm is one of Indonesia's principal plantage products and a major source of income for the country (Ministry of Agriculture, 2015).



	Asahan	Labuhanbatu Utara	Langkat	Labuhanbatu Selatan	Labuhanbatu
2014	172591	192222	146521	617336,36	123625
2015	1026418,18	862727,27	606863,64	619313,64	474600
2016	1050159,09	860045,45	633472,73	7493696,18	536909,09

Figure 1. The five regencies with the highest Fresh Fruit Bunches (FFB) production in North Sumatra Province, 2016

The total plantage area in Labuhanbatu Selatan is no greater than that found in the other regencies of North Sumatra Province; however, it achieves a considerably greater volume of palm production. Figure 1 shows the five regencies with the highest FFB production in North Sumatra Province. Labuhanbatu Selatan has not always occupied first place in terms of the highest FFB production; however, its land is considerably more productive than that in the other four regencies. One hectare of palm land in Labuhanbatu Selatan can produce 500 to 600 kilograms of FFB in one harvest period, with the province capable of producing up to three harvests per month. Meanwhile, the other three regencies with production above that of Labuhanbatu Selatan were only able to produce a maximum of 400 kilograms in one harvest, with a maximum of one to two palm harvests per month. Labuhanbatu Selatan produced 617, 336.36 tons of FFB in 2014; 619,313.64 tons in 2015, and 7,493,696.18 tons in 2016 (BPS Sumut, 2016).

If the average selling price of palm during the period 2014–2016 ranged from Rp 1,400 to Rp 1,900 per kilogram, then one hectare of palm land was capable of generating Rp 1,400,000 to Rp 3,420,000 per month. Based on this, with a minimum 3.5-hectare area of productive palm land, palm production is capable of generating an income of Rp 58,800,000 per year, which meets the nishab of plantage-product zakat following conversion to the average price of gold for the corresponding year. Based on this condition, a palm farmer is obliged to distribute plantage-product zakat. However, many farmers lack comprehension of plantage-product zakat, meaning that, in practice, they do not distribute it. Based on these notions, the major problems to be addressed by this study are as follows:

(1) What is the plantage-product (palm) zakat potential in Labuhanbatu Selatan?
(2) What factors affect farmers' decisions to give out plantage-product zakat in Labuhanbatu Selatan Regency?

The objective of this study is to describe the palm zakat potential in Labuhanbatu Selatan and to analyze the factors affecting a farmer's decision to give out palm zakat in Labuhanbatu Selatan.

LITERATURE REVIEW

Pertiwi (2017) with respect to the factors that affect the decision by rice farmers to dispense agricultural zakat in Kebumen Regency, the amount of agricultural zakat given out by the farmers was Rp 191,051,720,000 for ten percent zakat, and Rp 95,525,851,000 for five percent zakat. The variables that significantly affected agricultural zakat were faith, altruism, education level, and a dummy of Islamic study .

Prastyawan (2016) seeking to identify the factors affecting a farmer's willingness to pay (WTP) plantage-product zakat in Lampung Timur, showed these to be education level, faith level, altruism, and a dummy of Islamic study. In that study, only 70.6 percent of the farmer respondents were obliged to give zakat. This was demonstrated by the measurement result and the WTP estimation on the payment of agricultural zakat for each Rp 1,000,14 000 of Rp 17,647 per month. This result indicated the considerably high level of farmers' WTP regarding zakat. A total of six variables were measured in the study. Two were found to have no significant effect on the model, while the other four were found to have a significant effect .

Hanapi (2014) found *fuqaha* (an expert in Islamic law), the base of accountancy for agricultural zakat stipulates the types of plantation that are obliged to distribute zakat and also the type of zakat that is applied to non-staple plantations in Malaysia, in addition to determining the method to be used. The study in question was a literary study. The results indicated that non-staple plantations need to give out zakat, which is a conclusion based on the concept of wealth. Nowadays, most non-staple foods are in the form of commercial goods that yield a profitable result. Meanwhile, the type of zakat that is applied to a plantation depends on its reason.

Mukhlis (2013) found the case study from Bogor Regency to see the factors that affect people's obedience in giving out zakat. The study used factor analysis, with the results indicating the presence of several factors affecting people's obedience in giving out zakat, as follows: religious reasons such as faith, religious comprehension, and religious rewards. There were also other factors such as social care, self-satisfaction, and organization. These results serve to emphasize that in order to increase the amount of zakat collection, the focus of socialization should not be restricted only to religious reasons but should also include a social aspect, self-satisfaction, and organization .

Muda (2006) conducted an exploratory investigation into the factors influencing individual participation in zakat contribution, this was an exploratory investigation. The study employed factor analysis as its method, with the results indicating that the following factors motivated muzaki in their zakat contribution: altruism, religion, self-satisfaction, and organization. Based on the result of the study, organization exerted an important influence on the muzaki's motivation in giving out zakat since most of the respondents mentioned that they gave out zakat because of their satisfaction with the service provided by the zakat institution/organization, which was deemed to be responsible in its management of zakat.

RESEARCH METHODOLOGY

Two types of data were used in this study: primary data and secondary data. The primary data were obtained from interviews conducted directly with the farmer respondents, accompanied by a questionnaire. Meanwhile, the secondary data were obtained from agriculture commodity reports published by *Dinas Perkebunan Sumatera Utara*, *Badan Pusat Statistik Sumatera Utara*, BAZNAS, books, and other institutions involved in this area. Descriptive analysis was the method used to estimate plantage-product zakat potential. Meanwhile, logistic regression analysis was

used to analyze the factors that affect a farmer's decision to give out zakat. The analysis tools used were the software Statistical Product and Service Solution (SPSS) 24 and Microsoft Excel 2016. The descriptive analysis was conducted using the following two approaches: (1) a quantitative approach with the data displayed in the form of graphs/tables, and (2) a qualitative approach comprising respondent interviews. Palm zakat potential was analyzed by estimating the total palm production. Plantage-product zakat was measured using the concepts from the zakat profession. Palm farmers derive their income from palm plantage; therefore, zakat potential was measured based on the plantage-product zakat. The nishab is 85 grams of gold, with as much as 2.5 percent of the total income needing to be given out.

Plantage-Product Zakat = Total palm production x palm price x 2.5 percent

Logistic regression analysis describes the correlation between independent variables (X) and a dependent variable (Y) using a certain mathematic model. The dependent variable (Y) was not inserted directly into the logistic regression model to be estimated along with the independent variables; instead, it was transformed into a logit variable as a natural logarithm (0 and 1). 0 Always for the "no" or "not" category. While the number 1 is now used to describe the respondent who corresponds to the purpose of the study. The dependent variable is a categorical type of data or, more specifically, a dichotomous type of data. Logistic regression was used to analyze the likelihood of farmers dispensing plantage-product zakat using the model set out as follows:

$$Z_i = Z_n\left(\frac{Pi}{1-Pi}\right) = \beta_0 + \beta_1 PHZ_i + \beta_2 KMN_i + \beta_3 PHR_i + \beta_4 KPD_i + \beta_5 ALT_i + \beta_6 PGJ_i + \beta_7 FSI_i + \mathcal{E}_i$$

where:

Z_i = the chance of a farmer giving out plantage-product zakat (1 for "gives out zakat" and 0 for "does not give out zakat")
β_0 = Constant
$\beta_1 \beta_7$ = Regression coefficient
PHZ_i = Comprehension of zakat
KMN_i = Faith
PHR_i = Rewards
KPD_i = Self-satisfaction
ALT_i = Altruism
PGJ_i = Islamic study
FSI_i = Ibadah frequency
$\mathcal{E}_i$ = Error
i = Respondent-i (i = 1, 2, 3, ..., n)

RESULTS AND DISCUSSION

A significantly large plantation with high productivity is expected to have a huge plantage-product zakat potential. Details of the plantage-product zakat potential for the last three years can be seen in Table 2. Plantage-product zakat is measured by multiplying the total production by the commodity price in the corresponding year, then summing them up.

Table 2. Plantage-product zakat potential in Labuhanbatu Selatan

Year	Land Area (Ha)	Total production (Tons)	Price (Rp/Kg)	2.5 percent zakat potential (million) rupiahs)
2014	42,544.00	617,336.36	1,659	25.6
2015	42,567.00	619,313.64	1,400	21.6
2016	160,785.04	7,493,696.18	1,977	370.4

Source: *Dinas Perkebunan Sumatera Utara* (processed)

Based on Table 2, there is a huge amount of palm land in Labuhanbatu Selatan, with a corresponding very sizable total amount of palm production. The land area given in the table is the total sum of Productive Plant (PP), Pre-Productive Plant (PPP), and Unproductive Plant (UP). The year 2016 saw a significant increase in total production in line with an increase in the amount of land area.

Knowledge of zakat eventually leads farmers to give out zakat, including zakat *nafs* and zakat *maal*. Each respondent had their own perspective on the benefits of zakat. A total of 24 respondents stated that zakat is an obligatory act for Muslims, while 5 respondents stated that zakat is a manifestation of faith. A total of 66 respondents stated that zakat is a tool by which to cleanse wealth, with 5 respondents stating that zakat is an example of an act of humanity by helping others in need.

Factors Affecting Farmers' Decisions to Give Out Plantage-Product Zakat

A number of independent variables were identified in this study as the factors deemed to affect farmers' decisions to give out plantage-product zakat. They were zakat comprehension, faith, rewards, self-satisfaction, Islamic study, and ibadah frequency. The dependent variable in this study comprised two probabilities: (1) the respondent gives out plantage-product zakat (Y=1), and (2) the respondent does not give out plantage-product zakat (Y=0).

Table 3. Logit estimation result

Observed		*Predicted* Zakat		*Percentage Correct*
		Does not give out zakat	Gives out zakat	
ZAKAT	Did not give out zakat	33	4	89.2
	Gave out zakat	5	58	92.1
Overall Percentage				91.0

Source : Primary data 2018 (processed)

The results in Table 3 show that the percentage correct of 91.0 percent represented the overall classification result. The regression model is therefore considered to be fit. According to the result above, the percentage correct for the estimated classification of respondents that did not give out zakat was 89.2 percent. This means, out of the 37 respondents who stated that they did not give out zakat, in practice 33 did not give out zakat, while the other 4 respondents did actually give out plantage-product zakat. Meanwhile, the percentage correct for the estimated classification of respondents that gave out zakat was 92.1 percent. This means that, out of the 63 respondents who stated that they gave out zakat, 5 respondents actually did not give zakat, while the other 58 respondents did give out zakat.

Table 4. Logistic Regression Output of Classification Table, Omnibus Test of Model Coefficients, Model Summary, and the Hosmer–Lemeshow test

Classification Table		
Overall Percentage		91.0
Omnibus Test of Model Coefficients		
Chi-square	*Df*	*Sig.*
89.472	7	0.000
Model Summary		
-2 Log Likelihood	*Cox & Snell R-squared*	*Nagelkerke R-squared*
25.140	0.591	0.867
Hosmer–Lemeshow test		
Chi-square	*Df*	*Sig.*
0.083	8	1.000

The Model Summary indicates a Nagelkerke R-squared value of 0.867, while the Cox & Snell R-squared value was 0.591. This shows that the independent variables could explain 86.7 percent of the model, with other variables outside of the model explaining the remaining 13.3 percent. The Hosmer–Lemeshow Test, which describes the goodness of the model, showed the chi-square value to be 0.083, which was significant at the 0.05 significance level. Therefore, it can be stated that the value of the regression analysis is reliable (Sarwono, 2009).

Table 5 shows that the variables of zakat comprehension, faith, rewards, and ibadah frequency significantly affected the dependent variable. The logistic regression model demonstrated that the independent variables significantly affected the dependent variable at the 95 and 90 percent significance levels. The variables of faith, Islamic study, and ibadah frequency significantly affected the dependent variable at $\alpha<0.05$. Specifically, $0.034<0.05$ for the variable of faith, $0.034<0.05$ for Islamic study, and $0.021<0.05$ for ibadah frequency. The variables that affected the dependent variable at the 90 ($\alpha<0.1$) percent significance level were comprehension of zakat and rewards. Specifically, $0.073<0.1$ for the variable of zakat comprehension, and $0.055<0.01$ for rewards. Meanwhile, the variables of self-satisfaction and altruism had no significant effect on the dependent variable. Each independent variable had a different value for the odds ratio. This was because of the different chances of the variables in affecting a farmer's decision to give out plantage-product zakat.

Table 5. Results of the logistic regression analysis on the "variable in the equation"

Variable	B	Sig.	Exp(B)
Comprehension of Zakat	4.732	0.073**	79.198
Faith	0.892	0.034*	2.439
Rewards	2.751	0.055**	15.656
Ibadah Frequency	1.062	0.291	2.893
Islamic Study	1.648	0.182	4.340
Self-Satisfaction	-2.811	0.034*	0.060
Altruism	0.680	0.021*	1.975
Constant	-85.050	0.041	0.000

*Significant at 5%
** Significant at 10%

Variable of Comprehension of Zakat

The variable of zakat comprehension was deemed to represent the respondents' comprehension of zakat, including zakat nafs and zakat maal. Based on the logistic regression analysis, this variable had an odds ratio of 79.198, which was shown by the value of its Exp(B).This indicated that the farmers who has considerably deep comprehension towards zakat, had the 79.198 times higher chance to give out zakat than the farmer who has considerably shallow comprehension towards zakat, *ceteris paribus*. One of the respondent who is a religion teacher stated that he already understand the concept of zakat maal since a long time ago. He added that zakat maal which was given out by him was purely from palm-plantage and did not mixed up with his other income sources. He also added that many farmers which voluntarily set aside some amount of their farming profit to be given out, did not understand the objective of the act. As for them who understand the concept of zakat but do not understand. He measurement, tend to mix his plantage income with the other income. These facts indicated that muzaki's comprehension towards zakat is an important aspect in the attainment of boosting zakat collection which eventually contributes to the decrease of economic inequality for both short and long term economyThis finding is in line with the divine command found in Qur'an Surah Al-Mujaadilah, verse 11: *"Allah will rise up, to (suitable) rank and (degrees), those of you who believe and who have been granted knowledge."*

Variable of Faith

The variable of faith describes the relationship between a human being and God that is represented by his behavior, which is in line with the divine command. The odds ratio for the variable of faith was 2.439. This indicates that farmers with a high level of faith had a 2.439 times greater chance of giving out zakat than those farmers with a lower level of faith, *ceteris paribus.* One of the respondents stated that the act of zakat is proof that he is grateful for his God's mercy. This corresponds to the divine revelation that states: *"Those who believe, and do deeds of righteousness, and establish regular ibadahs and regular charity, will have their reward with their Lord: on them shall be no fear, nor shall they grieve"* (Q.S. Al-Baqarah: 277).

Variable of Rewards

The variable of rewards represents the respondents' expectation of God's and society's rewards for giving out zakat, such as blessing and prosperity from God, and also praise or respect from other people. The odds ratio for the variable of rewards was 15.656, indicating that the farmers who felt highly appreciated and rewarded had a 15.656 times greater chance of giving out zakat than those who did not feel appreciated and rewarded, *ceteris paribus*. Several of the respondents stated that their income and prosperity increased if they set aside some amount of their profit to be given out to the orphans and widows in their neighborhood, and they also felt satisfaction and happiness when they were praised for their good deeds. These statements indicate that rewards motivate farmers to routinely dispense plantage-product zakat.

Variable of Ibadah Frequency

The variable of ibadah frequency describes how often the farmers undertake their daily ibadah, in terms of both *wajib* (obligatory) and *sunnah* (voluntary). The representative ibadahs in this study were shalat, sunnah fasting, infak (charity), and several other ibadahs. The odds ratio for the variable of ibadah frequency was 1.975, thus indicating that those farmers who had a considerably higher ibadah frequency had a 1.975 times greater chance of giving out

zakat than those farmers with a considerably lower ibadah frequency, *ceteris paribus*. One of the respondents, who is a religious figure in Kotapinang District, stated that ibadah is not restricted to shalat or zakat. Numerous small good deeds would also be counted as ibadah; moreover, zakat is already predetermined and even stated as a pillar of Islam. These facts show how the farmers' religious obedience affected their behavior and their decisions to give out plantage-product zakat. Basically, zakat is an ibadah that is commanded for Muslims, as stated in the divine revelation, *"Worship none but Allah, treat with kindness your parents and kindred, and orphans and those in need; speak fair to the people; be steadfast in prayer; and practise regular charity"* (QS Al-Baqarah verse 83).

Variable of Islamic Study

The variable of Islamic study describes the period devoted by people to Islamic study and knowledge that was obtained from the study. The odds ratio for the variable of Islamic study was 0.060. This indicated that those farmers with a considerably higher level of Islamic study had a 0.060 times greater chance of giving out zakat than those farmers with a considerably lower level of Islamic study, *ceteris paribus*. The variable of Islamic study had a negative effect on the farmers' decision to give out zakat. This occurred since most of the Islamic study forums that the farmers attend tended to involve a discussion of Muslims' attitudes toward other Muslims, while knowledge of zakat was only discussed during Ramadhan, in addition to being restricted only to zakat fitrah. Knowledge regarding zakat *maal* was very limited and hard to obtain in the Islamic study forums; indeed, if it was present at all, then it tended to cover only a very basic or brief concept, without any detail. One of the respondents who attended an Islamic study forum stated that he had attended the forum three times a week and had never heard any discussion regarding zakat maal.

Variable of Self-Satisfaction

The variable of Self-Satisfaction in this study describes the respondents' satisfaction after helping others through zakat. The significance value of the variable of self-satisfaction exceeded 0.100, which means this variable did not significantly affect the farmers' decision to give out zakat. The odds ratio for this variable was 2.893, thus showing that those farmers with considerably higher self-satisfaction had a 2.893 times greater chance of giving out zakat than those farmers with a considerably lower self-satisfaction, *ceteris paribus*. One of the respondents stated that zakat was one of the things that made him happy. He added that when he witnessed someone else thanking him or smiling at him, he felt as though he always wanted to help others in need.

Variable of Altruism

The variable of altruism in this study describes the farmers' level of social care that drives them to give out plantage-product zakat. Social care is represented by the farmers' attitude of wishing to give out some amount of their wealth to people in need, especially mustahik. The significance value of the variable of altruism exceeded 0.100, indicating that this variable did not significantly affect the farmers' decision to give out zakat. The odds ratio for the variable of altruism was 4.340, which shows that those farmers who had considerably higher altruism also had a 4.340 times greater chance of giving out zakat than farmers with a considerably lower level of altruism, *ceteris paribus*. One of the respondents stated that giving out zakat reminded him of his past, whereby he had attended school with the help of zakat funds. His recent economic status as a muzaki made him understand

the hustle of life. This respondent added that giving out zakat meant helping others in need. This is in line with the divine revelation in the Qur'an: *"Seest thou one who denies the judgment (to come)? Then such is the (man) who repulses the orphan (with harshness), and encourages not the feeding of indigent"* (Qs. Alma'un verse 1-3).

CONCLUSION

Based on the results of this study, there are several conclusions that can be drawn. First, zakat potential reached 25.6 billion rupiahs in 2014; 21.6 billion rupiahs in 2015, and 370.4 billion rupiahs in 2016. These figures were obtained using a calculation that multiplied the commodity price, total commodity production, and 2.5 percent (zakat amount). This huge potential is expected to offer an alternative solution to the problem of inequality by increasing the living standards of mustahik. The variables that significantly affected farmers' decisions to give out zakat at the 95 percent significance level ($\alpha<0.05$) were faith, Islamic study, and ibadah frequency. The variables that significantly affected the farmers' decision to give out zakat at the 90 percent significance level ($\alpha<0.01$) were comprehension of zakat, and rewards. Meanwhile, the variables of self-satisfaction and altruism were shown to have no significant effect on the model.

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Implementation of the Zakat Village Index to Support a Zakat Community Development Program in Bedono Village, Demak District

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ABSTRACT

BAZNAS is the organization that manages zakat on a national level, working toward alleviating poverty in Indonesia through its Zakat Community Development (ZCD) program. The ZCD program focuses on community-based development through the empowerment of the mustahik community living in rural areas. This study aims to measure the level of welfare and determine the eligibility of Bedono Village, Demak District to receive assistance in the form of zakat funds through the ZCD program. This research employed a survey method using interviews and focus group discussion, combined with a questionnaire. The analytical tool used in this analysis is the Multi-Stage Weighted Index. This research reveals the condition of Bedono Village to be "fairly good," with an index score of 0.49. This means that Bedono Village can be considered for eligibility to receive help in the form of zakat.

Keywords: Zakat Community Development (ZCD) program, Zakat Village Index (ZVI)

INTRODUCTION

Bedono Village in Sayung Subdistrict, Demak Regency experiences the most severe impacts of tidal flooding compared to other areas in Demak Regency (Damaywanti, 2013). The village covers an area of 739.20 ha, with 331.31 ha of yard and pond areas that become submerged in the event of a flood (Sayung Subdistrict in Figures or *Kecamatan Sayung dalam Angka* 2017). Bedono Village formerly comprised seven hamlets (*Dusun* in Indonesian), namely Morosari, Tambaksari, Pandansari, Tonosari, Rejosari Senik, Bedono, and Mondoliko. Since 2004, however, only five hamlets have remained. Tambaksari and Rejosari Senik were relocated to Sidogemah and Purwosari Villages in 2004 due to the increasingly severe erosion, which had led to them being permanently flooded with sea water (Damaywanti 2013).

Zakat, as one of the tools for distributing assets in Islam, is considered to provide a means of reducing the problems of inequality and poverty. Based on data for the management of zakat provided by The National Board of Zakat (BAZNAS, or *Badan Amil Zakat Nasional*) Demak Regency (2018), a total of 3,332,125,197 rupiahs in zakat funds was collected in 2017, which was an increase of 46.49 percent from 2016.

BAZNAS, as the organization that manages zakat nationally, contributes to resolving the problems of poverty and the gaps that occur in Indonesia. One of the ways in which it does this is via the implementation of the Zakat Community Development (ZCD) program. The ZCD program aims to empower communities by targeting those groups of *mustahik* who live in villages but who have tended to be left behind in terms of prosperity, facilities, and infrastructure. The allocation of productive-based zakat to the village community aims to help the *mustahik* community work together to utilize the managed funds, with the goal of raising

their prosperity not only in material terms but also in the areas of education, health, and spiritual well-being.

The Zakat Village Index (ZVI, *or Indeks Desa Zakat*) is considered to be a benchmark in assessing and evaluating the process of empowerment programs for rural communities. The ZVI comprises the following five dimensions: Economic, Health, Education, Social Humanity, and Da'wah. Each dimension consists of 15 variables and 39 indicators with their own contribution weightings. By calculating the ZVI value/score of a village, we can reveal the status of that village in terms of its potential to receive zakat funds. In addition, zakat management institutions can determine the productive distribution programs that are appropriate for the *mustahik* community in the village.

LITERATURE REVIEW

ZVI is a new index for the purpose of measuring the status of a village. Prior studies using ZVI analysis tools have been carried out by the BAZNAS Center of Strategic Studies (*Puskas* or *Pusat Kajian Strategis*) in three locations: Secanggang Village and Selontong Village in Langkat Regency, and Buring Village in Malang City. Nurzaman and Annisa (2017) stated that those three locations had index values that were categorized as "fairly good," with Secanggang Village at 0.51, Selontong Village at 0.53, and Buring at 0.59. Since these three index values fall within the range 0.41–0.60, the three locations can be considered for zakat fund assistance.

Studies looking at the classification of villages in Demak Regency and Sayung Subdistrict have also previously been carried out using the Village Development Index (IPD, or *Indeks Pembangunan Desa*) and Village Building Index (IDM or *Indeks Desa Membangun*). The IPD was developed by Bappenas and the Central Bureau of Statistics (BPS or *Badan Pusat Statistik*) in 2014 and measures the level of village development based on five dimensions: services, infrastructure condition, accessibility/transportation, public services, and government administration. It has three different statuses for the purpose of classifying villages: independent, developing, and left behind. Demak Regency has an IPD value of 66.74, which means that villages in Demak Regency, based on the average, can be categorized as "developing."

The IDM was produced by the Ministry of Villages in 2015. It measures the level of village development based on the three dimensions of social, economic resilience, and ecology. The IDM has five statuses for the purpose of classifying villages: very underdeveloped, underdeveloped, developing, developed, and independent. Demak Regency has an IDM value of 0.6186, which means that its villages can be categorized as "developing."

Ali et al., in their study entitled "The Comparative Study between Productive and Consumptive Based Zakat" in 2016, stated that the distribution of zakat in both a consumptive and productive manner is able to concurrently improve prosperity and reduce poverty among *mustahik*. However, productive zakat is more effective in reducing poverty than consumptive zakat since the distribution of productive zakat by *amil* to *mustahik* is always accompanied by business assistance that not only provides information on how to properly run a business, but also on how to practice religion in line with Islamic law. The religious education provided by an *amil* plays an important role in enhancing religious understanding and awareness among *mustahik*, in addition to playing an important role in lifting them out of spiritual poverty.

One of the indicators in the ZVI is the dimension of da'wah; indeed, aside from the aspect of material improvement, the spiritual aspect is very important

(Puskas BAZNAS, 2017). This is consistent with the research of Beik and Arsyianti (2016) entitled "Measuring Zakat Impact on Poverty and Welfare using the CIBEST Model Method." The authors of that study stated that zakat management organizations must improve their programs of supervision in order to better anticipate the degradation of the spiritual conditions of *mustahik*. Specifically, evaluation based on knowledge assistance and spiritual conditions must be improved.

Wijaya (2010), in a study entitled *Kemiskinan dan Pemberdayaan Masyarakat* (Poverty and Community Empowerment), highlighted the tendency for empowerment-based poverty eradication in developing countries such as Indonesia. Community empowerment in the context of community development refers to the community gaining increased power and authority to act in order to overcome its own problems. The duty of the empowerment facilitator is to develop a learning process for local communities to build a level of independence in solving the problems that they face. Such independence then manifests itself in the increasing empowerment of social groups to fulfill the basic needs of their members.

The ZCD program is based on the empowerment of communities and village and aims to comprehensively integrate the dimensions of Da'wah, Economic, Education, Health, and Social Humanity, funded through zakat, infaq, alms, and other social religious funds. Based on the Zakat Community Development Guidelines (2017), there are four principles of the ZCD program: (1) trustworthy and responsible; (2) sustainable; (3) participatory; and (4) integrated. The main objective of a ZCD program is the creation of a prosperous and independent society (2017 Zakat Community Development Guidelines). The ZCD program has the following outputs: (1) The realization of a community with morality (*akhlaqul karimah*); (2) The realization of strong and independent community institutions; (3) An increase in the rate of participation in compulsory education; (4) An increase in public knowledge about health and health status through the development of a clean and healthy lifestyle; (5) Increases in income and the existence of a sustainable community livelihood system; and (6) An increasing comprehension of disaster risk reduction among the community based on the local culture.

RESEARCH METHODOLOGY

Data

This research was conducted in Bedono Village in February 2018. Bedono is one of BAZNAS's targets for implementation of the ZVI. The data used in this research comprise primary and secondary data. The primary data were obtained through a process of interviews and focus group discussions (FGDs) with respondents, while the secondary data were obtained through BAZNAS Demak, BPS Demak, BPS Sayung, the administration data of Bedono Village, and a review of the literature based on research derived from journals, books, and other sources. Purposive sampling was employed as the sampling technique.

The participants in this study comprised the Head of Bedono Village and the five heads of RTs (hamlets) as the main respondents, with members of Bedono Village, local village officials, health cadres, State Electricity Company (PLN) officers, and Bedono Village religious figures as the supporting respondents. The eligibility criteria for the respondents in this study were interviewees with an in-depth understanding of the environmental conditions of villages considered to be vulnerable or critical based on the aspects of economic, health, education, social humanity, and da'wah.

Both quantitative and qualitative approaches to data analysis were used in this study. The qualitative approach was employed for the purpose of identifying facts from the results of the literature studies and interviews, FGDs, and questionnaires obtained from the sources. The quantitative approach, meanwhile, was used to generate the components of the ZVI. The quantitative analysis uses the Multi-Stage Weighted Index as its calculation estimation technique in order to display data in the form of ZVI calculation results.

Zakat Village Index (ZVI) Analysis

ZVI is an instrument used to measure the condition of a village, in order to identify those villages that are eligible for assistance in the form of zakat funds. The ZVI can also be used as a tool for the monitoring and evaluation of the zakat management process in place in a village. The ZVI is organized based on process-oriented principles that can be used by zakat management organizations to obtain a view of the program's ongoing progress. The objective is for the ZVI to be used as a reference for zakat management organizations in terms of creating certain village or community-based empowerment programs, implemented either presently or in the near future, to be more measurable and integral to the management. The purpose of ZVI is to measure the potential of a village or urban village and evaluate the village-based *mustahik* community that has been assisted by zakat funds.

ZVI takes the form of a composite index composed of a number of indices for each component. This format is determined using mixed methods-based research. Mixed methods is a type of research methodology that involves a combination of quantitative and qualitative methods. The qualitative method is used to develop the components of the National Zakat Index (NZI or *Indeks Zakat Nasional*), while the quantitative method is employed to construct the calculation estimation model.

ZVI comprises the five dimensions of Economic, Health, Education, Social Humanity, and Da'wah. Each dimension is reduced to 15 variables and 39 indicators, accompanied by their respective contribution weightings. The calculations for obtaining ZVI values are conducted using the Multi-Stage Weighted Index method. This method combines every weighted score for the constituent components of each index, with the aim of conducting a gradual and procedural weighting (measuring). Details of the ZVI components are presented in Table 1.

Table 1. Weighted scores of the ZVI components

Dimension	Weighted score	Variable	Weighted score	Indicator	Weighted score
Economic	0.25	Productive economic activities	0.28	Number of superior products	0.33
				Labor force participation rate	0.35
				Number of creative industry activists	0.32
		Trade centers	0.24	Market	0.53
				Trading center	0.47
		Access to transportation & logistics / shipping services	0.22	Accessibility of village roads	0.42
				Modes of public transportation	0.32
				Logistics / shipping services	0.26
		Access to financial	0.26	Availability and accessibility of financial institutions	0.37

		institutions		Percentage of people in debt to moneylenders	0.29
				Percentage of people who use financial services products	0.34
Health	0.16	Public health	0.41	Clean water facilities	0.37
				Number of houses with bathrooms and toilets	0.29
				Number of houses with access to drinkable water	0.34
		Health services	0.36	*Puskesmas* (public health center) facilities	0.25
				Polindes (village childbirth/maternity post) facilities	0.25
				Posyandu (child development center) facilities	0.25
				Certified doctors	0.25
		Health insurance	0.23	-	1.00
Education	0.20	Level of education and literacy	0.50	Level of the village population	0.48
				Ability to read and count in communities	0.52
		Educational facilities	0.50	Availability of learning facilities and infrastructure	0.34
				Access to schools	0.34
				Availability of qualified teachers	0.32
Social Humanity	0.17	Open public interaction space facilities	0.36	Availability of sports facilities	0.44
				Community activity groups	0.56
		Electricity, communication, & information infrastructure	0.43	Availability of electricity	0.32
				Access to communication (*handphone*)	0.25
				Internet access	0.23
				TV / radio broadcasts	0.20
		Mitigation of natural disasters	0.21	-	1.00
Da'wah	0.22	Religious facilities and companions	0.33	Availability of mosques	0.31
				Access to mosques	0.32
				Religious companions	0.37
		Rate of religious knowledge of the community	0.30	Level of Qur'an literacy of the community	0.46
				Indicators of public awareness of zakat and infaq	0.54
		Rate of religious activity and community participation	0.37	Routine religious activities	0.30
				Participation in five-times-daily prayer activity	0.39
				Participation in religious routine activities	0.31

Source: BAZNAS Center of Strategic Studies (2017)

The ZVI formulation model was systematically divided into five steps. The first step involved the creation of a 1–5 Likert scale, with a score of 1 representing

the worst condition, and a score of 5 representing an excellent condition. The second step was the measurement of every variable against the index. The formulation of this step is provided below:

$$I_i = \frac{(S_i - S_{min})}{(S_{max} - S_{min})}$$

Where,

I_i : Value of indicator i
S_i : Actual score of indicator i
S_{max} : Maximum score (5)
S_{min} : Minimum score (1)

In the third step, the values obtained for each of the indicators were multiplied by their respective weights to derive the index for that indicator. The fourth step involved multiplying the values obtained for each indicator by their respective weights to derive the index for each variable. The final step was to multiply the index obtained for each variable by its respective weight in order to obtain an index score for every dimension. The results were in the form of the ZVI composite index, as follows:

$$ZVI = 0.25X_1 + 0.16X_2 + 0.20X_3 + 0.17X_4 + 0.22X_5$$

Where,

ZVI : Zakat Village Index
X_1 : Economic dimension
X_2 : Health dimension
X_3 : Education dimension
X_4 : Social Humanity dimension
X_5 : Da'wah dimension

The index generated scores in the range 0.00–1.00. The ZVI valuation scale was then used to organize the rural conditions into the following five classifications:

1. (0.00–0.20) "not good" and highly prioritized for assistance by zakat funds.
2. (0.21–0.40) "less good" and prioritized for assistance by zakat funds.
3. (0.41–0.60) "fairly good" and considered for assistance by zakat funds.
4. (0.61–0.80) "good" and less prioritized for assistance by zakat funds.
5. (0.81–1.00) "very good" and not prioritized for assistance by zakat funds.

RESULTS AND DISCUSSION

ZVI measurements were taken across the five dimensions of Economic, Health, Education, Social Humanity, and Spiritual (da'wah). In the Economic dimension, Bedono Village has an index value of 0.18 and is classified in the "not good" category. The Economic dimension has the lowest score out of all the dimensions in the ZVI. This dimension consists of four variables: productive economic activities, trade centers, access to transportation and logistics / shipping services, and access to financial institutions.

The variable of productive economic activities consists of three indicators: number of superior products, labor force participation rate, and number of creative industry activists. Meanwhile, the main trade centers variable consists of two indicators: market and trading center. The variable access to transportation and logistics services / shipping consists of three indicators: accessibility of village roads, modes of public transportation, and logistics / shipping services. The fourth variable of the Economic dimension is access to financial institutions and is made up of three indicators: availability and accessibility of financial institutions, percentage of people in debt to moneylenders, and the percentage of people who use financial services products.

Bedono Village does not have any superior products, which means the index score for this indicator is 0. Even so, Bedono Village does have some economic potential that can be developed, in the

form of the fisheries and tourism sectors. The fisheries sector in Bedono Village includes the cultivation of milkfish, mullet fish, tilapia fish, white shrimp, mangrove crabs, and blood clams. The yield derived from milkfish cultivation in Bedono Village reached 1.5 tons per year (Widiyanto, 2013). Meanwhile, the cultivation of blood clams remains in a trial phase with the formation of a group of residents focused on cultivating blood clams in Bedono Village.

The economic potential of the tourism sector comprises the mangrove forest and religious tourism destinations in the form of the ancestral graves of K.H. Abdulloh Mudzakir. The area of Bedono's mangrove ecosystem saw extensive changes during the period 2004–2009, increasing in size from 22.41 ha to 43.03 ha (Chafid et al., 2012). The economic value of the mangrove ecosystem stands at 2,037,005,895 rupiahs / year (Widiyanto, 2013).

K.H. Abdulloh Mudzakir's ancestral graves are located in the Java Sea, with access via a wooden bridge connected to Tambaksari hamlet, leading to its naming by locals as a floating tomb. Based on the interviews with informants, there has been a continual increase in tourists as pilgrims arriving to visit the floating tomb. The visitor numbers usually peak every Friday night and then every day during the month of Ramadan.

The labor force participation rate indicator had an index score of 0.5. Bedono Village has a labor force participation rate of 58.07 percent based on a population of 2,611 people of productive age (15–64 years old). The majority of people in the Bedono Village community are laborers, consisting of farm workers (21.46 percent), construction workers (17.19 percent), and industrial workers (15.92 percent). Fishing is also a dominant profession in Bedono Village, with fishermen accounting for 19.30 percent of the workforce. These three indicators can be combined to give a score for the productive economic activities variable of 0.26, thus indicating that the productive economic activities in Bedono Village fall within the "less good" category.

For the trading center variable, the market and trading center indicators have index scores of 0 and 0.25, respectively. This is due to the unavailability of markets in rural areas, including both permanent and semi-permanent markets (seasonal markets). Many sale and purchase transactions are held at Sayung Market, ± 6 km from the center of the village. Difficult transportation access is one factor that contributes to the difficult availability of goods in Bedono Village. Economic activities continue to be held traditionally and have to fully utilize technology or online marketing. Based on the interviews with informants, there are approximately 31 small shops (*warung* in Indonesia) for the provision of daily goods, while minimarkets and stores are yet to become available in the village areas. When these two indicators are combined, the trade centers variable has a score of 0.12. This means that trade centers for Bedono Village sits within the "not good" category.

On the other hand, the access to transportation and logistics services / delivery variable has an index score of 0.25. The tidal flooding that has occurred continuously from 1980 has damaged the village road, resulting in a very low level of accessibility to the village of Bedono. Indeed, some parts of Bedono Village have been submerged by tidal floods. The hamlets of Tambaksari and Rejosari Senik have also been affected by tidal flooding and erosion, eventually leading to them becoming cut off by the sea. Roads and bridges have been damaged, meaning that transportation is mostly via the sea. Meanwhile, the remaining land routes are in a poor and damaged state, in addition to becoming submerged almost every afternoon or during high tide. At high tide or when there is rain, roads and bridges

can become submerged in water up to 20–30 cm deep. Most land routes are impassible by even four-wheel-drive vehicles throughout the year. This lack of transportation access has resulted in the two hamlets of Bedono and Mondoliko becoming cut off from the center of the village. The only access to Bedono and Mondoliko is via the sea or through other villages, notably Sidogemah Village that has access via damaged roads. Meanwhile, the modes of public transportation and logistics / shipping service indicators have an index score of 0, as Bedono Village has no public transportation routes or logistics services/delivery of goods. When these three indicators are combined, the access to transportation and logistics / shipping services variable is in the "not good" category, with an index score of 0.11. This variable therefore has the lowest score of any indicator in the Economic dimension and ZVI.

Bedono Village has no financial institutions, either conventional or sharia, thus generating an index score for this indicator of 0. The indicator percentage of people using financial services products also has an index score of 0, based on the fact that only 8 percent of the population, or about 300 out of 3,740 residents, use financial products / services. For the indicator percentage of people in debt to moneylenders, the index score is 0.75, as only 1.87 percent of people hold debts to moneylenders. When these three indicators are combined, the access to financial institutions variable has an index score of 0.22 and is classified as being in the "less good" category. Details of the index scores for the Economic dimension can be seen in Table 2.

Table 2. Economic dimension index scores

No	Variables	Index Score
1	Productive economic activities (X_{11})	0.26
2	Trade centers (X_{12})	0.12
3	Access to transportation and logistics / shipping services (X_{13})	0.11
4	Access to financial services (X_{14})	0.22
Economic dimension index scores: $X_1 = 0.28X_{11} + 0.24X_{12} + 0.22X_{13} + 0.26X_{14}$ $X_1 = 0.28(0.26) + 0.24(0.12) + 0.22(0.11) + 0.26(0.22)$ $X_1 = 0.18$		

Source: Primary data (2018)

The second dimension of the ZVI is Health, comprising the three variables of public health, health services, and health insurance. Public health is divided into the three indicators of clean water facilities, number of houses with bathrooms and toilets, and number of houses with access to drinkable water. Meanwhile, the health services indicator consists of four indicators: *Puskesmas* (public health center) facilities, *polindes* (village childbirth post) facilities, *posyandu* facilities, and certified doctors.

The public health indicator has an index score of 0.66, meaning that the health condition of the village of Bedono is classified as "good." Based on the administration data of Bedono (2018), the village contains a total of 1,246 houses. The condition of the villagers' houses in Bedono on average is habitable, with permanent roofs, walls, and floors made of wood or concrete. However, the majority of Bedono villagers' houses are in a poor state of repair due to being permanently flooded with seawater measuring a depth of 20–30 cm every day. The natural condition of Bedono Village means that the villagers are compelled to continuously carry out repairs to their houses. According to the Bedono Village Chief, houses built on stilts are the best type to

withstand the natural conditions in the village. However, most of the villagers do not possess the financial means to embark on a remodeling of their houses to stand on stilts, or even to carry out the necessary repairs. As a result of these economic factors, many villagers are forced to remain in their homes in spite of their damaged state.

Meanwhile, clean water facilities cover all of the villagers' houses in Bedono Village. Drinkable water can also be accessed at 80 percent of the villagers' houses. The clean water used by the village community is PAM (water utility company) water. Despite this, however, out of 1,246 houses, only 10 percent have interior bathrooms and toilets, with the majority of these facilities located 10 meters from each house.

For the health services variable, the Bedono Village health service has an index score of 0.31, meaning that the Bedono Village health services are in the "less good" category. There are several factors contributing to this, including the unavailability of *puskesmas* (public health centers) in the village area. The nearest health service that can be accessed is ± 8 km from the center of the village, in the center of Sayung Subdistrict and the center of Demak Regency. This makes access to health services somewhat difficult for the village community. On the other hand, there are *polindes* facilities available in the village area, and these can be easily accessed by villagers, being located less than 2 km from the village center. Every two weeks, the polindes move from one village to another. With this system, every village, especially those that are isolated, maintains its access to midwives. Meanwhile, the availability of *posyandu* in the village area is considered to be good. Four out of five villages have active posyandu programs.

The health insurance variable is in the "not good" category, with an index score of 0. Only 7.22 percent of the Bedono Village community have health insurance. The low rate of community participation in health insurance is partly due to the poor access to financial institutions.

Overall, the health dimension has an index value of 0.38. This shows that the health condition in Bedono is classified as "less good" and prioritized for assistance by zakat funds. The details of the Health dimension index scores are presented in Table 3.

Table 3. Health dimension index scores

No	Variables	Index Score
1	Public health (X_{21})	0.66
2	Health services (X_{22})	0.31
3	Health insurance (X_{23})	0
Health dimension index scores: $X_2 = 0.41X_{21} + 0.36X_{22} + 0.23X_{23}$ $X_2 = 0.41(0.66) + 0.36(0.31) + 0.23(0.00)$ $X_2 = 0.38$		

Source: Primary data (2018)

The Education dimension consists of two variables: level of education and literacy, and educational facilities. The level of education and literacy variable comprises the indicators of the village population, and the ability to read and count in communities. In 2016, the percentage of Bedono villagers with a min. age of 10 years who had upper secondary school as their minimum education background stood at only 21.33 percent of the total population (BPS 2017), which resulted in an index score of 0.25. Most people have graduated from lower

secondary school, with a total of 830 people, followed by 863 upper secondary school graduates, 569 elementary school graduates, and 31 academy / college graduates. Meanwhile, the ability of the communities to read and count has an indicator of 0.5, reflecting the fact that 71.43 percent of the Bedono Village population aged 15–45 years can read and count (BPS, 2017). When these two indicators are combined, the level of education and literacy variable is in the "less good" category, with a score of 0.38.

The other variable for the Education dimension is educational facilities, which consists of the following three indicators: the availability of learning facilities and infrastructure, access to schools, and the availability of qualified teachers. The educational facilities variable has an index score of 1 and is in the "very good" category. There are three elementary schools in Bedono Village: SDN Bedono I, SDN Bedono II, and SDN Bedono III in Morosari, Pandansari, and Tonosari, with an average of 17 students per class. The three elementary schools have classrooms, desks, a chair for each student, and blackboards, all in good condition. There are 10 teachers, meaning the availability of teachers is also fulfilled. Despite this, however, the supporting facilities, such as fields for sports and ceremonies, are not suitable for use. The fields are always muddy and slippery due to the impact of the high tides and sea water that cover them on a daily basis.

The closest schools for residents to access are relatively short distances away: ±1 km for the elementary school, and ±8 for the middle and high schools. However, at certain times, such as when the tide and floods occur, access to schools becomes difficult. Supporting facilities such as public transportation are also not yet available. When these two variables are combined, the education dimension is in the "good" category, with an index score of 0.69, and is deemed to be less of a priority for assistance by zakat funds. The details of the index scores for the Education dimension are presented in Table 4.

Table 4. Education dimension index scores

No	Variables	Index Score
1	Level of education and literacy (X_{31})	0.38
2	Educational facilities (X_{32})	1
Education dimension index scores: $X_3 = 0.50X_{31} + 0.50X_{32}$ $X_3 = 0.50(0.38) + 0.50(1.00)$ $X_3 = 0.69$		

Source: Primary data (2018)

The Social Humanity dimension has an index score of 0.48 and is classified in the "fairly good" category and considered for assistance by zakat funds. This dimension comprises the three variables of open public interaction space facilities; electricity, communication, and information infrastructure; and mitigation of disasters. The open public interaction space facilities variable has the two indicators of availability of sports facilities, and community activity groups. In Bedono Village, there are no sports facilities, thus giving an index score for this indicator of 0. The village formerly had five sports facilities; however, the fields became submerged by sea water and could no longer be used. The community activity groups indicator has an index score of 0.75, which reflects the following five types of community activity groups that are active in Bedono Village: mangrove activists, PAMSIMAS (water supply and sanitation for low income

communities) , fishermen, and shellfish cultivation. When these two indicators are combined, the open public interaction space facilities variable has a score of 0.42 and falls within the "fairly good" category.

Meanwhile, the variable of electricity, communication, and information infrastructure consists of four indicators: the availability of electricity, access to communication, Internet access, and TV/radio broadcasts. The availability of electricity and TV/radio broadcasts indicators have an index score of 1, reflecting that all villagers have access to electricity as well as to TV and radio broadcasts. However, the access to communication and Internet access indicators have an index score of 0.5, which is due to the very poor access to communication in Bedono Village. The telecommunication signal in the village area registers a signal strength of only 1–2 bars. Meanwhile, only 35 percent of the population has Internet access, with this predominantly being via villagers' cellphones. When these four indicators are combined, the electricity, communication, and information infrastructure variable has a score of 0.76 and is classified in the "good" category.

On the other hand, however, Bedono Village does not have a disaster prevention system. Therefore, the mitigation of natural disasters variable has an index score of 0. Details of the scores for the Social Humanity dimension are given in Table 5.

Table 5. Social Humanity dimension index scores

No	Variables	Index Score
1	Open public interaction space facilities (X_{41})	0.42
2	Electricity, communication, and information infrastructure (X_{42})	0.76
3	Mitigation of natural disasters (X_{43})	0
Social Humanity dimension index scores $X_4 = 0.36X_{41} + 0.43X_{42} + 0.21X_{43}$ $X_4 = 0.36(0.42) + 0.43(0.76) + 0.21(0.00)$ $X_4 = 0.48$		

Source: Primary data (2018)

The final dimension of the ZVI is Da'wah. This dimension has an index score of 0.75, thus indicating that the spiritualism activities in Bedono Village fall in the "good" category and are less prioritized for assistance by zakat funds. The Da'wah dimension has three variables: religious facilities and companions, the rate of religious knowledge of the community, and the rate of religious activity and community participation.

The facilities and religious companions variable comprises the three indicators of availability of mosques, access to mosques, and religious companions. This variable has an index score of 0.765, which places it in the "good" category. Bedono Village has four mosques and 17 *musola* (small mosques), all in a fairly decent condition, which gives an index score for this indicator of 0.5. Meanwhile, access to mosques has an index score of 0.75, due to the fact that the nearest mosque and *musola* are less than 500 meters away, along a predominantly soil/stone road.

The religious companions indicator has an index score of 1. This is due to the number of religious companions assigned to teach religion and recite the Quran in Bedono Village reaching ±40 persons.

The rate of religious knowledge of the community variable consists of the two indicators of level of Qur'an literacy of the community indicator, and indicators of public awareness of zakat and infaq. This variable has an index score of 1 and is classified as being in the "very good"

category. The entire population of Bedono Village is made up of Muslims who are able to read Al-Quran and fulfill the obligation of zakat fitrah in the month of Ramadan. However, Bedono Village does not have a zakat management institution, and zakat collection has not been properly recorded. Zakat distribution is either performed traditionally or is not conducted through the institution, meaning it is given to the *mustahik* directly, in this case by the people acting as religious teachers/ companions.

The rate of religious activity and community participation variable has an index score of 0.53, which places it in the "good" category. This variable contains the three indicators of routine religious activities, participation in five-times-daily prayer, and participation in religious routine activities. The religious routine activities indicator has an index score of 1, reflecting the fact that routine religious activities are held once a week every week. Since only 10 percent of the people who perform Friday prayers also engage in daily prayers, this gives an index score of 0 for the participation in five-times-daily prayer indicator. The participation in religious routine activities indicator, meanwhile, has an index score of 0.75, since 60 percent of the Muslim community attend and participate in every religious activity held in the village. Details of the Da'wah dimension scores are given in Table 6.

Table 6. Da'wah dimension index scores

No	Variables	Index Score
1	Religious facilities and companions (X_{51})	0.765
2	Rate of religious knowledge of the community (X_{52})	1
3	Rate of religious activity and community participation (X_{53})	0.53
Da'wah/spiritual dimension index scores $X_5 = 0.33X_{51} + 0.30X_{52} + 0.37X_{53}$ $X_5 = 0.33(0.765) + 0.30(1.00) + 0.37(0.53)$ $X_5 = 0.75$		

Source: Primary data (2018)

Based on the calculation of the index scores for the Economic, Health, Education, Social Humanity, and Da'wah dimensions, the overall ZVI value for Bedono Village is found to be 0.49. This means that Bedono Village is categorized as "fairly good" and can be considered for assistance by zakat funds. Details of the ZVI results are shown in Table 7.

Table 7. Zakat Village Index (ZVI) in Bedono Village

Dimension	Index Score	Information	Interpretation
Economic (X_1)	0.18	Not good	Highly prioritized for assistance by zakat funds
Health (X_2)	0.38	Less good	Prioritized for assistance by zakat funds
Education (X_3)	0.69	Good	Less prioritized for assistance by zakat funds
Social Humanity (X_4)	0.48	Fairly good	Considered for assistance by zakat funds
Da'wah (X_5)	0.75	Good	Less prioritized for assistance by zakat funds
ZVI scores in Bedono Village $ZVI = 0.25X_1 + 0.16X_2 + 0.20X_3 + 0.17X_4 + 0.22X_5$ $ZVI = 0.25(0.18) + 0.16(0.38) + 0.20(0.69) + 0.17(0.48) + 0.22(0.75)$ $ZVI = 0.4904 \sim 0.49$			

Source: Primary data (2018)

CONCLUSION AND RECOMMENDATIONS

The results of the ZVI calculation show that Bedono Village falls within the "fairly good" category, with an index value of 0.49, and is thus categorized as considered for assistance by zakat funds. The lowest index scores are for the Economic (0.18), Health (0.38), and Social Humanity (0.49) dimensions, while the Education and Da'wah dimensions have index scores of 0.69 and 0.75 respectively.

Some of the measures that may be taken to improve the ZVI of Bedono Village are: (1) improve transportation accessibility; (2) initiate a ZCD program based on economic development, such as the opening of a floating market and maximizing the maritime and tourism sectors to support the market in Bedono; and (3) launch a floating house program to minimize the impact of tidal flooding in Bedono.

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Contribution of Good Governance Principles to Strengthening Zakat Management in Indonesia: Confirmatory Factor Analysis

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ABSTRACT

Good governance is a crucial issue in strengthening the performance of zakat institutions. This research aims to elaborate good governance from the perspective of Islam and analyze the factors contributing to good corporate governance in a number of zakat institutions in Indonesia. Confirmatory Factor Analysis (CFA) is employed to measure the contribution of each indicator to the five principles of good governance in zakat institutions, namely transparency, accountability, responsibility, independence, and fairness. With the assistance of Partial Least Squares (PLS) version 3 it is shown that the principle of transparency contributes 60.4%; the principle of accountability 4.82%; the principle of responsibility 6.41%; and the principle of independence 53.3%. Therefore, it can be concluded that good governance in zakat institutions has been well implemented in some aspects but has not yet been implemented comprehensively. This research is significant in that it contributes guidelines on zakat management, provides teaching materials for higher education, and serves as a reference for the formulation of policies and regulations related to the standardization of good governance in zakat institutions.

Keywords: *Good Governance, Zakat Institutions, Performance, Confirmatory Factor Analysis (CFA)*

INTRODUCTION

Good governance is a crucial issue in the context of strengthening the performance of zakat institutions. As public organizations, the performance of zakat institutions, notably in relation to their management and service, serves as a benchmark for the growth of public trust. The urgency of implementation of good governance in various public institutions aims to promote their effective and efficient management in order to protect the interests of the board of directors, management, staff, stakeholders, shareholders, and customers. The principles of *transparency*, *accountability*, *responsibility*, *independence*, and *fairness* are the dimensions shaping the framework in terms of the achievement of good governance in public institutions.

As public entities, zakat institutions are expected to perform well, especially in their role of providing a service to the poor and underprivileged. Zakat institutions are a pivotal instrument in the concept and system of an Islamic economy, especially in terms of their role of redistributing wealth from the rich (*muzakki*) to the poor (*dhuafa*). As an Islamic institution, the zakat institution should comply with the ethical and moral values of Islam. The principles of *amanah* (trustworthiness), transparency, accountability, and sharia compliance are among the characteristics that differentiate zakat institutions from conventional institutions. Islam contains no specific concepts related to corporate governance but it does feature ethical and moral values that can be constructed as a framework for good governance. As

explained by Bhatti and Bhatti (2010) in their study "Development in Legal Issues of Corporate Governance in Islamic Finance," Islamic legal approaches and business ethics based on *maqashid sharia* (the noble purposes of sharia) provide a framework for Islamic corporate governance. The basic principles adopted from Islamic values that support this framework are as follows: the concepts of *hisbah*, shura (shuratic decision-making process), disclosure and transparency, bookkeeping and final accounts, and religious audit. These values can be used to formulate policies and regulations for Islamic institutions, thereby helping to achieve good corporate governance (GCG).

In the context of zakat management in Indonesia, Islamic values have been incorporated into a specific law, namely Law No. 23 Year 2011 on Zakat Management. Based on this law, there are two models of zakat management in Indonesia: (1) Zakat managed by the State through specific government bodies, and (2) Zakat managed by nongovernmental organizations (Jahar, 2008). In accordance with the law, zakat in Indonesia should be managed professionally based on the values and principles of good governance. Good governance in zakat management is a system for organizing and controlling the company to create value added for all stakeholders (Sedarmayanti, 2007). Professional management is expected to improve the performance of zakat institutions in Indonesia by maximizing their potential. Based on research conducted by IPB, Indonesia has the potential to collect an annual zakat amount equal to IDR 217 trillion. The Chairman of the National Zakat Management Board (BAZNAS), Bambang Sudibyo, mentioned that with several adjustments, BAZNAS estimated the potential value of zakat nationally to have risen from IDR 217 trillion to IDR 274 trillion (Sudibyo, 2016). Unfortunately, however, this potential is not being realized. Based on data from BAZNAS, the actual amount of zakat collected at the national level is an estimated IDR 3–4 trillion per year. In response to this situation, Irfan Syauqi Beik (2009), on the one hand, has stated that a number of government policies are not yet effective in terms of realizing the full potential value of zakat. On the other hand, however, there is no specific regulation that provides guidelines for measuring good governance in Indonesian zakat institutions. As a result, good governance continues to be interpreted differently by different zakat management institutions, especially in relation to the various individual indicators that they apply. In other words, good governance is being undertaken only partially and in a sporadic manner. This therefore makes it urgent to study the implementation of good governance in a number of Indonesian zakat institutions. This research focuses on analyzing the factors contributing to good governance in several Indonesian zakat institutions. These factors can be used as a reference in designing standards of good governance in Indonesian zakat institutions with the aim of improving their performance.

Research on zakat has been conducted by various Muslim scholars. Norazlina and Abdul Rahim (2011) set out their findings in an article entitled "The Framework Efficiency of Zakat Institutions in Malaysia: An application of data envelopment analysis." The results of their research showed that zakat institutions in Malaysia have an average efficiency of 80.6%. Using the Spearmen and Pearson correlation models, they also determined that in a number of countries, a high Muslim population is positively correlated with zakat collection and turnout. Samra (2016), in a study titled "Corporate Governance in Islamic Financial Institutions," showed that corporate governance has become a major issue since leading business institutions' failure to implement it to a good standard has been a major cause of their general failure. The enforcement of good governance principles in an integrated manner is essential to

business institutions as it allows them to compete on a more global basis, to meet the demands of investors and policymakers, and to serve their customers better. Furthermore, for Islamic financial institutions specifically, corporate governance is important to aid them in competing with conventional financial institutions.

Chapra and Ahmed (2002) conducted a survey on corporate governance in various Islamic institutions at three levels, namely those of the regulator, Islamic bank, and depositors. In their view, the growth and development of Islamic banking requires good governance so that it can reach large financial-sector markets and in order to promote moral integrity in managing and using funds. Corporate governance is implemented via a range of specific mechanisms and instruments that promote effective and accountable managerial performance in order to maximize benefits for shareholders and customers. In this context, all functions will run well, including internal surveillance, risk management, transparency, accountability, fairness, sharia compliance, external audit, regulation, and supervision enforcement. The existing research on good governance focuses more on Islamic financial institutions than on non-financial institutions such as zakat institutions. In contrast to other research, this article takes a different approach to analyzing the implementation of good governance in zakat institutions, namely that of Confirmatory Factor Analysis (CFA). This approach is used to identify the factors that contribute to good governance in a number of Indonesian zakat institutions. The study aims to enrich perspectives on GCG in zakat institutions on a theoretical level. It also aims to serve as a teaching resource reference for universities, especially on the subject of zakat, as well as a reference for policymakers in developing regulations on good governance for zakat institutions.

LITERATURE REVIEW

There have been numerous studies conducted on GCG from an Islamic perspective. These include the following: 1) Studies on good governance from an Islamic perspective conceptually by Lewis (2005: 5-29), Bhatti (2009:67-91), and Hasan (2009: 277-293). These authors state that Islamic corporate governance has its own unique features and distinctive characteristics in comparison with the western concept. It combines elements of *Tauhid*, *Shura*, and *Shari'ah* principles and seeks to achieve private goals without neglecting social welfare duty. 2) Studies on corporate governance in Islamic financial institutions by Samra (2016), Chapra and Ahmed (2002), and Wafiq and Pellegrim (2006). These studies demonstrate how corporate governance has become a major issue for Islamic financial institutions due to their failure to implement GCG. 3) Studies on Islamic governance in social organizations by Issyam et al. (2016), specifically on a sharia governance framework for Islamic co-operatives, Ramli and Muhammad (2013), on a good governance framework for corporate waqf, and Wahab and Rahman (2011) on the governance of zakat institutions in Malaysia. These prior studies demonstrate that Sharia governance is essential for enhancing the performance of the management of Islamic institutions. Unlike other studies, this study analyzes the implementation of GCG in zakat management regulation in Indonesian. It also develops and proposes a conceptual model to formulate the Sharia governance standard of zakat institutions.

METHODS

This research involves both the collection of qualitative data and the quantitative statistical analysis of data (Hermawan, 2003). The statistical analysis applies the *Second Order Confirmatory Factor*

Analysis (CFA) measurement model, which consists of two levels. At the first level, *confirmatory factor analysis* demonstrates the connections between variables as indicators of related latent variables. At the second level, confirmatory *factor analysis* demonstrates the connections between the latent variables at the first level as indicators of latent variables at the second level. The *confirmatory factor analysis* modeling in this research examines the contribution made by each indicator to the dimensions of GCG and measures the contribution of each dimension, namely the principles of *transparency*, *accountability*, *responsibility*, *independence*, and *fairness*, to the realization of the principle of *Good Governance* with the assistance of *Partial Least Squares* (PLS) version 3.

This research uses a structured questionnaire where respondents choose from a series of answers. The questionnaire comprises 27 indicators classified in accordance with the five principles of *Good Governance*; namely, (1) *transparency*, (2) *accountability*, (3) *responsibility*, (4) *independence*, and (5) *fairness*. These principles are taken from various sources and theories adapted from previous research. The respondents in this research are leaders and staff of zakat institutions. A purposive sampling method is used, namely *non-probabilistic* sampling, based on certain criteria or considerations (Masri Mansoer, 2009). Out of ten existing zakat institutions, only four were willing to share their data and information. These were BAZIS Jakarta Capital Region, BAZNAS Municipality of Bogor, BAZNAS District of Karawang, and BAMUIS BNI.

RESULTS AND DISCUSSION

Questionnaires were distributed to all staff of the zakat institutions, from the directorates to lower-level staff, in all four of the zakat institutions that agreed to participate. Over a period of three weeks, a total of 55 questionnaires were distributed, with a total of 42 completed and returned. Of these 42, however, 2 were not suitable for data processing and analysis. In total, 40 questionnaires were put forward for data processing and analysis. The 40 questionnaires taken forward to the data processing stage contained the responses from four zakat institutions. BAZIS DKI returned 20 questionnaires (50% of the total). BAZNAS Municipality of Bogor returned 9 questionnaires (22.5%). BAZNAS District of Karawang returned 6 questionnaires (15%), while BAMUIS BNI returned 5 questionnaires (12.5%). The criteria for selecting the institutions were that they were legally recognized, had been operating for more than five years, and were willing to participate as respondents in the research.

Building the Theory-Based Model

Using the CFA method (Harrington, 2009), GCG in this research is identified as the exogenous latent variable, which is a second-stage factor not measured by the indicator. The five principles of GCG (*transparency*, *accountability*, *responsibility*, *independence*, and *fairness*) are identified as the endogenous latent variables and become the first-stage factors, with the five dimensions of these first-stage factors measured using the 27 indicators as shown in Table 1.

Table 1. Research Instrument

Variable	Dimension	Indicator	Item Code	Item Number
	Transparency	Mechanism of openness and standardization of all processes.	i1x1	1–9

Good Corporate Governance		Website available as part of the implementation of the principle of transparency.	i2x1	
		Mechanism facilitating public questions and grievances.	i3x1	
		Availability of information on the amount of funds collected.	i4x1	
		Availability of information on growth in the number of *muzakki* (people obliged to give zakat).	i5x1	
		Availability of information on growth in the number of *mustahik* (people entitled to receive zakat).	i6x1	
		Availability of financial reports (collection, distribution, utilization).	i7x1	
		Availability of sufficient knowledge to improve efficiency, effectiveness, and innovation in institutions.	i8x1	
		In implementing the principle of transparency, the zakat institutions publish their financial reports on their website.	i9x1	
	Accountability	Clarity in the function and structure of zakat institutions.	i1x2	1–10
		Presence of a Supervisory Board specifically appointed to ensure that zakat institutions comply with sharia, the law, and other regulations.	i2x2	
		Zakat institutions develop professional standardization for Human Resources (*amil*).	i3x2	
		Compliance with the applicable standard of ethics and values.	i4x2	
		Able to be responsible for every authority given to every division.	i5x2	
		Audit conducted by an external auditor.	i6x2	
		Policy on procedures and documents enabling financial accountability.	i7x2	
		Audit/evaluation on managerial performance (internal/external).	i8x2	
		Availability of data and information on the size and primary indicators of accountability of the institution and the trust from related stakeholders.	i9x2	
		Availability of a policy supporting the development of zakat.	i10x2	
	Responsibility	Availability of data and information on compliance with laws and regulations (minimum violation of service code of ethics).	i1x3	1–3
		Implementation of regular internal and external audits (financial, managerial, and sharia).	i2x3	
		Availability of analysis and research for evaluating the performance of the	i3x3	

		institution for the purpose of improving it.		
	Independence	Professional management of zakat institutions.	i1x4	1–3
		No pressure from unauthorized parties based on existing regulations.	i2x4	
		Objective and independent decision-making, free from pressure or intimidation from any party.	i3x4	
	Fairness	Fairness for all stakeholders (Human Resources, *Muzakki*, *Mustahik*).	i1x5	1–2
		Zakat institution provides opportunities for all stakeholders to provide their input and suggestions for the betterment of the institution.	i1x5	

Source: Taken from Various Sources

Results of Estimation Parameter and Path Diagram

A CFA path diagram in two levels is presented below, along with the parameter of result estimation that describes the connections between the indicators and dimensions of *transparency*, *accountability*, *responsibility*, *independence*, and *fairness*. It also describes the connection between the five dimensions and the implementation of good governance. An indicator is said to be valid at *first order CFA* and *second order CFA* if it has a *loading score* greater than 0.5. A *loading score* of less than 0.5 means that the indicator will be erased as it cannot be *loaded* to the construct representing it (Abdillah & Jogiyanto, 2015).

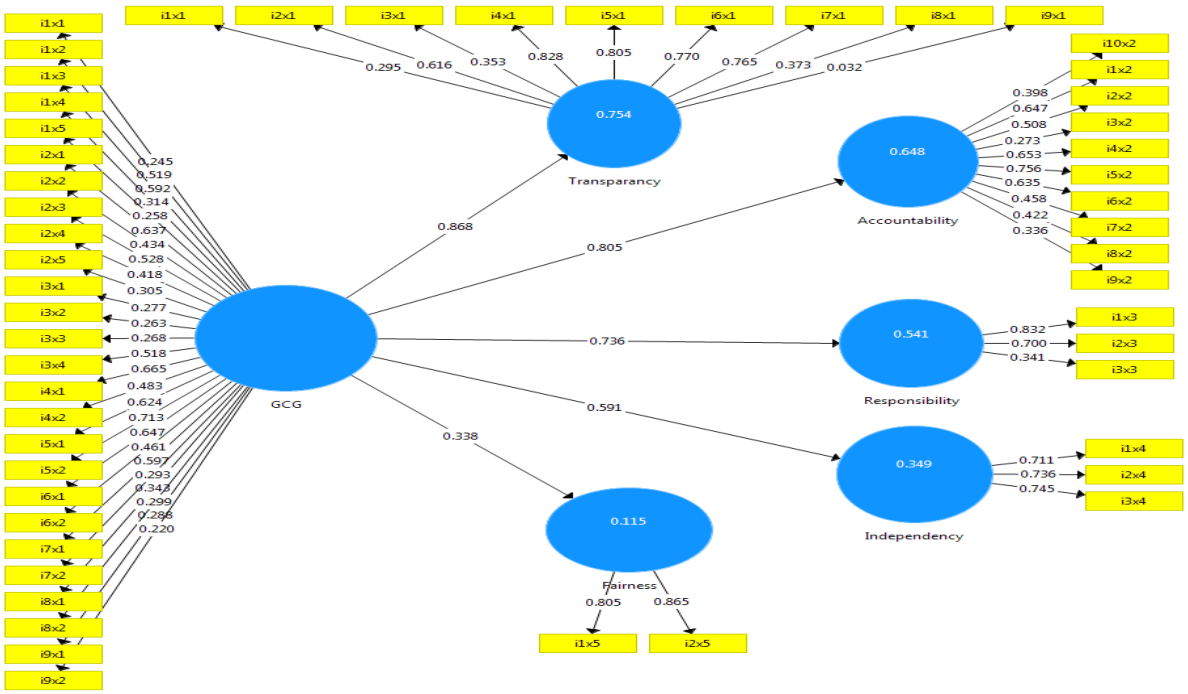

Figure 1. Path Diagram Results of Estimation Parameter

The path diagram in Figure 1 above shows that at *first order CFA*, a total of 10 indicators have a loading score of less than 0.5, namely (i1x1, i3x1, i8x1, i9x1, i3x2, i7x2, i8x2, i9x2, i10x2, and i3x3). At *second order CFA*, there is only one

construct, in the dimension of fairness, with a loading score of less than 0.5. Hence, there are 10 indicators that are not valid for *first order CFA* that must be removed from the analysis. At second *order CFA*, there is one specific dimension (fairness) with a loading score below 0.5 and two other indicators that are also erased from the model because of their weakness in explaining the construct. Hence, re-running must be done. Figure 2 shows the result of running the path diagram on the result of the estimation parameter.

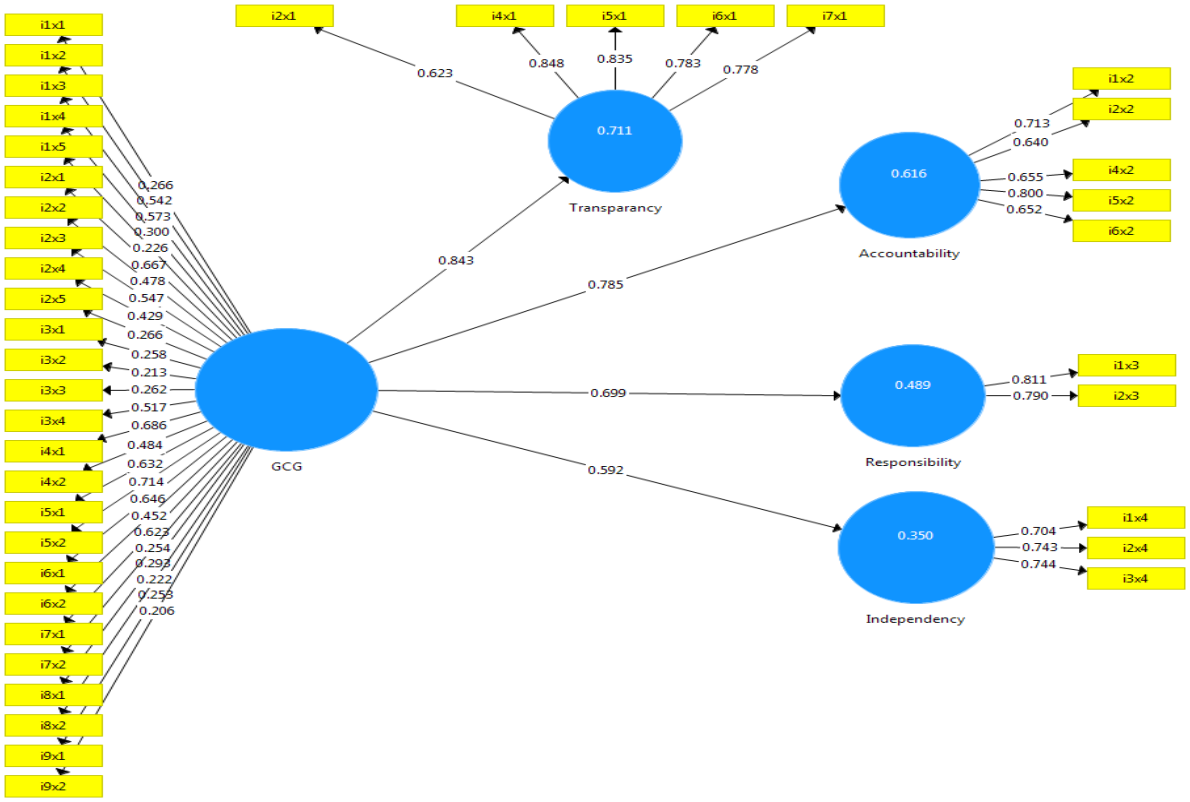

Figure 2. Test Running the Path Diagram Result of Estimation Parameter
Source: Output Smart PLS Version 3 (Student Version)

In Figure 2, the test *running* the path diagram result of estimation parameter shows that all of the indicators and constructs related to the dimensions of *transparency*, *accountability*, *responsibility*, and *independence* have a loading score above 0.5. This means that all of the indicators and constructs are valid. It can thus be concluded that the observed variables are able to measure the constructs well.

Estimation of the Outer Model

The Outer Model is a test model that includes the validity and reliability model. To test the validity of the outer model, the study uses the following hypotheses: Ho = insignificant/invalid loading factor parameter coefficient, and Ha = significant/valid loading factor parameter coefficient. With test criteria using statistic test t, if the t count ≥ t table (1.96), then Ho is rejected, and if the t count ≤ t table (1.96), then Ho is accepted. As for the reliability test, it is indicated by two measurements, namely *Composite Reliability* (CR) and *Average Variance Extracted* (AVE). A construct (latent variable) has good reliability if the CR score is ≥ 0.7 and the AVE score is ≥ 0.5. The following table describes the output of the statistical scores on the *standardized loading factor* and statistic t_{count}.

Table 2. Outer Model

Variable	*Loading Factor*	t_{test}	.
1st CFA			
		Transparency	
i2x1	0.623	3.076	Valid
i4x1	0.848	5.141	Valid
i5x1	0.835	4.383	Valid
i6x1	0.783	4.949	Valid
i7x1	0.778	7.124	Valid
		Accountability	
i1x2	0.713	2.875	Valid
i2x2	0.640	2.381	Valid
i4x2	0.655	3.190	Valid
i5x2	0.800	4.943	Valid
i6x2	0.652	2.013	Valid
		Responsibility	
i1x3	0.811	3.946	Valid
i2x3	0.790	2.684	Valid
		Independence	
i1x4	0.704	2.743	Valid
i2x4	0.743	2.116	Valid
i3x4	0.744	3.178	Valid
2nd CFA			
GCG			
Transparency	0.843	13.300	Valid
Accountability	0.785	10.327	Valid
Responsibility	0.699	7.032	Valid
Independence	0.592	5.556	Valid

Source: Output Smart PLS Version 3 (Student Version)

Table 2 shows that the standardized loading factor has a good validity, wherein the value of the t factor load factor > critical value (t count > 1.96) and the value of the standardized loading factor > 0.5. Therefore, it can be concluded that the observed variables are able to measure their constructs accurately. The next test, for *convergent validity*, relates to the reliability of the constructs by looking at their output for *composite reliability*. A criterion is said to be reliable when it has a *composite reliability* above 0.7. The following is the ***Composite Reliability (CR)*** and ***Average Variance Extracted (AVE)*** scores of *Good Governance* at zakat institutions.

Table 3. Test on the Reliability of the *Outer Model*

Construct	***Composite Reliability* (CR)**	***Average Variance Extracted* (AVE)**	Summary
Transparency	0.883	0.604	Reliable
Accountability	0.822	0.582	Reliable
Responsibility	0.782	0.641	Reliable
Independence	0.774	0.533	Reliable

2nd CFA			
GCG	0.845	0.648	Reliable

Source: Output Smart PLS Version 3 (Student Version)

Table 3 shows that all of the CR scores of the four latent variables are above the benchmark of 0.7. Hence, it can be concluded that the constructs have good reliability as a measuring instrument and their AVE scores are above the benchmark of 0.5. This indicates a fairly high level of reliability for each construct, which means that the indicators of each construct are consistent in measuring the construct.

Estimation of the Inner Model

After evaluating the outer model, the next step is to evaluate the inner model using the model purposed in respect of four dimensions (*transparency, accountability, responsibility, independence*). Evaluation of the compatibility of either the *inner model* or the entire model can be measured using *Q-Square predictive relevance*. The higher the R^2 score, the better the predictive model of the research model purposed. According to Chin, an R^2 score of 0.67 is categorized as substantial, an R^2 score of 0.33 is categorized as moderate, and an R^2 score of 0.19 is categorized as weak (Sarwono & Narimawati, 2015). However, R^2 is not an absolute parameter in measuring the precision of the prediction model since the basis of the theoretical relation is the primary parameter that explains this cause and effect relationship (Abdillah & Jogiyanto, 2015). The following is the R^2 score of each dimension (*transparency, accountability, responsibility, independence*).

Table 4. Inner Model Test

Construct	*R-squared* (R^2)
Transparency	0.711
Accountability	0.616
Responsibility	0.489
Independence	0.350

Source: Output Smart PLS Version 3 (Student Version)

Following the *outer model* evaluation, the next step is to conduct the evaluation. Table 4 shows the results of the evaluation of the compatibility of the inner model, out of all models, measured using the *R*-squared score with the following formula:

$$Q^2 = 1-(1-R_1^2)\,(1-R_2^2)\,(1-R_3^2)\,(1-R_4^2)$$
$$Q^2 = 1-(1-0.711)\,(1-0.616)\,(1-0.489)\,(1-0.350)$$
$$Q^2 = 0.9632$$

The result shows that the *R-squared* score of the four principles of *Good Governance* produced a Q^2 score that is close to 1. Therefore, it can be concluded that the compatibility of the inner model is good.

Outer Model Analysis of the Transparency Dimension

The *Outer Model* (*first order* CFA) is defined as a model for measuring the relationships between, and the relative contributions of, each indicator of the latent endogenous variable of Transparency. The results of the estimation of the standardized loading factor parameter for Transparency for the outer model based on the 5 indicators are as follows:

Table 5. Standardized Loading Factor Scores on the Transparency Dimension

Dimension	Item	Indicator	Score
Transparency	i2x1	Website available as part of the implementation of the principle of transparency	0.623
	i4x1	Availability of information on the amount of funds collected	0.848
	i5x1	Availability of information on growth in the number of muzakki (people obliged to give zakat)	0.835
	i6x1	Availability of information on growth in the number of mustahik (people entitled to receive zakat)	0.783
	i7x1	Availability of financial reports (collection, distribution, utilization)	0.778

Source: Output Smart PLS Smart version 3

Table 5 contains the loading scores of the 5 indicators for the dimension of Transparency. It can be seen that all 5 indicators provide valid and good contributions when measuring the dimension of Transparency. The following is an analysis of the levels of contribution by each indicator to the dimension (Transparency):

1) i2x1 (Website available to implement the principle of transparency) contributes to the dimension of Transparency by as much as 0.623.
2) i4x1 (Availability of information on the amount of funds collected) contributes to the dimension of Transparency by as much as 0.848.
3) i5x1 (Availability of information on growth in the number of muzakki (people obliged to give zakat)) contributes to the dimension of Transparency by as much as 0.835.
4) i6x1 (Availability of information on growth in the number of mustahik (people entitled to receive zakat)) contributes to the dimension of Transparency as much as 0.783.
5) i7x1 (Availability of financial reports (collection, distribution, utilization)) contributes to the dimension of Transparency by as much as 0.778.

For the dimension of Transparency, it can be seen that the indicator that contributes the most is i4x1 (Availability of information on the amount of funds collected), with a score of 0.848. The lowest contribution is by i7x1 (Availability of financial reports (collection, distribution, utilization)), with a score of 0.778. Taken together, the total contribution of the 5 indicators in the outer model of transparency is as much as the AVE score. A previous calculation revealed an AVE score of 0.604 for the dimension of Transparency. This means that all 5 indicators applied to measure the dimension of Transparency are able to explain as much as 60.4% of the dimension.

Outer Model Analysis of the Accountability Dimension

The *Outer Model* (*first order* CFA) is defined as a model for measuring the relationships between, and the relative contributions of, each indicator of the latent endogenous variable of Accountability. The results of the estimation of the standardized loading factor parameter for Accountability in the outer model from the 5 indicators are given as follows:

Table 6. Standardized Loading Factor Scores on the Accountability Dimension

Dimension	Item	Indicator	Score
Accountability	i1x2	Clarity in the function and structure of zakat institutions.	0.713
	i2x2	Presence of a Supervisory Board specifically appointed to ensure that the zakat institution complies fully with sharia, the law, and other regulations.	0.640
	i4x2	Compliance with the applicable standard of ethics and values.	0.655
	i5x2	Able to be responsible for every authority given to every division.	0.800
	i6x2	Audit conducted by an external auditor.	0.652

Source: Output Smart PLS Version 3 (Student Version)

Table 6 shows the loading scores of the five indicators on the dimension of Accountability. It can be seen that all five indicators have a significant loading score (above 0.5). This means that they provide valid and good contributions in measuring the dimension of Accountability. The following analysis concerns the contribution made by each indicator to the dimension of Accountability:

1) i1x2 (Clarity in the function and structure of zakat institutions) contributes as much as 0.713.
2) i2x2 (Presence of a Supervisory Board specifically appointed to ensure that the zakat institution complies fully with sharia, the law, and other regulations) contributes as much as 0.640.
3) i4x2 (Compliance with the applicable standard of ethics and values) contributes as much as 0.655.
4) i5x2 (Able to be responsible for every authority given to every division) contributes as much as 0.800.
5) i6x2 (Audit conducted by an external auditor) contributes as much as 0.652.

Regarding the dimension of Accountability, it can be seen that the indicator that contributes most is i5x2 (Able to be responsible for every authority given to every division), with a score of 0.800. The lowest contribution is from i2x2 (Presence of a Supervisory Board specifically assigned to ensure that the zakat institution complies fully with sharia, law, and other regulations), with a score of 0.640. Taken together, the total contribution of the five indicators in the outer model of Accountability is as much as the AVE score. Previous calculation shows that the AVE score for the dimension of Accountability is 0.582. This means that all five indicators applied to measure the dimension of Accountability can explain as much as 58.2% of the dimension.

Outer Model Analysis of the Responsibility Dimension

The *Outer Model* (*first order* CFA) is defined as a model for measuring the relationships between, and the relative contributions of, each indicator of the latent endogenous variable of Responsibility. The results of estimating the standardized loading factor parameter for accountability in the outer model from the two indicators in the Responsibility dimension are as follows:

Table 7. Standardized Loading Factor Scores on the Responsibility Dimension

Dimension	Item	Indicators	Score
Responsibility	i1x3	Availability of data and information on compliance with laws and regulation (minimum violation of service code of ethics).	0.811

	i2x3	Implementation of regular internal and external audits (financial, managerial, and sharia).	0.790

Source: Output Smart PLS Smart Version 3

Table 7 shows the loading scores for the two indicators with respect to the dimension of Responsibility. It can be seen that the two indicators have significant loading scores (i.e., above 0.5), which means that they provide valid and good contributions to measuring the dimension of Accountability. The following examines the contribution of each indicator to the dimension of Responsibility.

1) i1x3 (Availability of data and information on compliance with laws and regulation (minimum violation of service code of ethics)) contributes as much as 0.811 to measuring Responsibility.
2) i2x3 (Implementation of regular internal and external audits (financial, managerial, and sharia)) contributes as much as 0.790 to measuring responsibility.

Regarding the dimension of Responsibility, it can be seen that the indicator with the highest contribution is i1x3 (Availability of data and information on compliance with laws and regulation (minimum violation of service code of ethics)), with a score of 0.811. The lowest contribution is by i2x3 (Implementation of regular internal and external audits (financial, managerial, and sharia)), with a score of 0.790. Taken together, the total contribution of the two indicators in the outer model of Responsibility is as much as the AVE score. Previous calculation showed that the dimension of Responsibility has an AVE score of 0.641. This means that the two indicators applied to measure Transparency can explain as much as 64.1% of the dimension.

Outer Model Analysis of the Independence Dimension

The Outer Model (first order CFA) is defined as a model for measuring the relationships between, and the relative contributions of, each indicator of the latent endogenous variable of Independence. The results for the estimation of the standardized loading factor parameter on the Independence dimension in the outer model from the two indicators are as follows:

Table 8. *Standardized Loading Factor Scores* on the Independence Dimension

Dimension	Item	Indicator	Score
Independence	i1x4	Professional management of zakat institutions.	0.704
	i2x4	No pressure from unauthorized parties based on existing regulations.	0.743
	i3x4	Objective and independent decision-making, free from pressure or intimidation from any party.	0.744

Source: Output Smart PLS Version 3 (Student Version)

Table 8 shows the loading scores for the three indicators on the dimension of Independence. It can be seen that each of the indicators has a significant loading score (i.e., above 0.5), thus indicating that they provide valid and good contributions in measuring the dimension of Independence. The following is an analysis of each indicator's contribution to the dimension of Independence.

1) i1x4 (Professional management of zakat institutions) contributes as much as 0.704.
2) i2x4 (No pressure from unauthorized parties based on existing regulation) contributes as much as 0.743.
3) i3x4 (Objective decision-making, free from pressure or intimidation from any party) contributes as much as 0.744.

Regarding the dimension of Independence, it can be seen that the indicator with the greatest contribution is i3x4 (Professional management of zakat institutions), with a score of 0.743. The lowest contribution comes from i1x4 (No pressure from unauthorized parties based on existing regulations), with a score of 0.704. When taken together, the total contribution of the three indicators in the outer model of Independence is as much as the AVE score. Previous calculation revealed the AVE score for the dimension of Independence to be 0.533. This means that the three indicators applied to measure the dimension of Independence can explain as much as 53.3% of the dimension.

Based on the data processing conducted using *Smart PLS version 3* software, it can be concluded that the factors that lead to the establishment of *good governance* in zakat institutions, along with their indicators and contributions, are capable of measuring/evaluating good governance in zakat institutions, as described in Table 9.

Table 9. Factors for the Establishment of Good Governance in Zakat Institutions and their Contributions

Construct	Contribution of Highest Indicator	Contribution of Lowest Indicator
Transparency	i4x1 (Availability of information on the amount of funds collected) contributes 0.848 to the dimension of Transparency.	i7x1 (Availability of financial reports (collection, distribution, utilization)) contributes 0.778 to the dimension of Transparency.
Accountability	i5x2 (Able to be responsible for every authority given to every division) contributes 0.800.	i2x2 (Presence of a Supervisory Board specifically appointed to ensure that the zakat institution complies fully with sharia, the law, and other regulations) contributes as much as 0.640.
Responsibility	i1x3 (Availability of data and information on compliance with laws and regulations (minimum violation of service code of ethics)) contributes as much as 0.811 to measuring Responsibility.	i2x3 (Implementation of regular internal and external audits (financial, managerial, and sharia)) contributes 0.790 to the measurement of Responsibility.
Independence	i3x4 (Objective and independent decision-making, free from pressure or intimidation from any party) contributes 0.744.	i1x4 (Professional management of zakat institutions) contributes 0.704.

Source: Output Smart PLS Version 3 (Student Version)

CONCLUSION

Good governance is a crucial issue in the context of strengthening the performance of zakat institutions. *CFA* was conducted to evaluate the contribution of each indicator to the five principles of *good governance* in zakat institutions, namely *transparency*, *accountability*, *responsibility*, *independence*, and *fairness*. With the assistance of Partial Least Squares (PLS) version 3, it has been shown that the principle of transparency contributes 60.4%; the principle of accountability 4.82%; the principle of responsibility 6.41%; and the principle of independence 53.3%. It has been demonstrated that these four factors are able to measure/evaluate GCG in zakat institutions and to evaluate

the lowest and highest contributions from their respective indicators.

First, the highest contribution in *transparency* is i4x1 (Availability of information on the amount of funds collected) that contributes as much as 0.848, while the lowest contribution is i7x1 (Availability of financial reports (collection, distribution, utilization)), which contributes 0.778. *Second*, the highest principle in *accountability* is i5x2 (Able to be responsible for every authority given to every division), which contributes 0.800, while the lowest contribution is i2x2 (Presence of a Supervisory Board specifically appointed to ensure that the zakat institution complies fully with sharia, the law, and other regulations), which contributes 0.640. *Third*, the highest contribution in *responsibility* is i1x3 (Availability of data and information on compliance with laws and regulations (minimum violation of service code of ethics)), which contributes 0.811, and the lowest contribution is i2x3 (Implementation of regular internal and external audits (financial, managerial, and sharia)), which contributes 0.790. *Fourth*, the highest contribution in *independence* is i3x4 (Objective decision-making, free from pressure or intimidation from any party), which contributes 0.744, and the lowest contribution is i1x4 (Professional management of zakat institutions), which contributes 0.704. Therefore, it can be concluded that good governance in zakat institutions has been well implemented in certain aspects but has yet to be implemented comprehensively. This research is significant in that it contributes guidelines on zakat management, provides teaching materials for higher education, and serves as a reference for formulating policies and regulations related to the standardization of good governance in zakat institutions.

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The Effect of Productive Zakat, Business Experience, and Mentoring on Farmers' Revenues (Survey on Lumbung Desa Program by Sinergi Foundation in Cibaeud Village, Cigalontang District, Tasikmalaya Regency)

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ABSTRACT

This study aims to determine the effect of productive zakat, business experience and mentoring on the income of farmers participating in the Lumbung Desa-Sinergi Foundation program in Cibaeud Village, Cigalontang District, Tasikmalaya Regency. The research method used is an explanatory survey with a questionnaire as the data collection tool. The sampling technique is saturated sampling twith 68 respondents. Linear regression analysis is used as the data analysis technique. The results show that productive zakat and business experience have a positive and significant effect on farmers' income, while the assistance has a positive but not significant effect.

Keywords: Productive Zakat, Assistance, Farmers Income, Lumbung Desa

INTRODUCTION

Inequality of income distribution and poverty are economic problems that are difficult to solve, especially in developing countries such as Indonesia which has a relatively high number of poor people. Data from Badan Pusat Statistik (BPS) for up to 2016 shows that approximately 28 million Indonesians are in the poor category, accounting for 12% of the countrys' population. The country continues to see a wide disparity in income and poverty between people living in village and the city. In addition, the poverty index in the village is higher than in the city. According to BPS (2016) data, the village poverty depth index is 2.74 and the poverty severity index is 0.79. In urban areas, the poverty depth index is 1.19 and the poverty severity index is 0.27.

West Java, as one of the most populous provinces, has a sizable poor population (i.e., the population living below the poverty line). Between 2012 until 2016, the number of poor people in West Java province fluctuated. In September 2015, there were a total of 4.48 million poor people in West Java. This represented a fall of 261.33 thousand people compared to the previous month, although the dicline was less significant when viewed in percentage (BPS, 2016).

Tasikmalaya Regency is one of the districts with the highest number of poor people in West Java. In the West Java provincial governments' regional development report (West Java Provincial Government, 2015), Tasikmalaya Regency is cited as a district with below average. In addition, it has shown an increase in its Human Development Index (HDI) is below the provincial average.

Cibaeud Village is village in Cigalontang District, Tasikmalaya Regency. Most of the people in the village earn their livelihood as farmers and peoples' welfare in Kampung Ciabeud remains low. Based on information from the Chairman of Lumbung Desa Cibaeud

Village, Ust Gugun Gunawan, household income in Cibaeud Village averages around Rp.800.000 per month, while most of them earn below Rp.500.000 per month.

The Minister of Agriculture, Amran Sulaiman (tabloid-desa.com), stated that poor farmers account for 23 percent of the 17 million poor people live in the village. Some of factors that make it difficult to increase the productivity of farmers, thereby resulting in farmers on low incomes are a lack of skills and information about the market and a lack of access to capital.

According to Yeni Saptia (2017), one of the main factors contributing to low productivity, resulting in low incomes is limited access to sources of financing. The majority of farmers around 52%, continue to be reliant on their own capital, cooperatives, relatives, and other non-bank financial institutions. Even the few who do secure capital in the form of loan face high interest charges.

Islam provides solutions to a range of humanitarian issues, including poverty. Abdurrachman Qadir (2001) outlines how one way of tacklelinge poverty is through the support of people who are able to set aside a part of their wealth for the less fortunate in the form of *zakat*.

Indonesia has the largest Muslim population in the world, form which it can be assumed that the country has a very large potential amount of *zakat*. Quoted from tempo.co (2016), the Vice Chairman of National Amil *Zakat* Agency, Dr. Zainul Bahar Noor stated that the potential amount of *zakat* Indonesia has reached RP.217 trillion which equates to almost 10% of the Indonesian State Budget.

Unfortunately, however, this potential has not been optimally developed. According to the deputy chairman of Baznas, only around 1.2%, or Rp. 3 trillion, of the total potential amount of *zakat* in Indonesia (Rp. 217 trillion) has been collected. If this potential can be maximized, well-managed *zakat* funds offer the potential to reduce economic disparities and improve peoples' welfare.

Zakat management, in addition to relying on the government, will be more optimal if it conducted with the assistance of private non-profit institutions working as a trusted organization to collect *zakat* funds and then manage their allocation, utilization, and distribution. One such organization is the Sinergi Foundation.

The Sinergi Foundation distributes funds from other people in the form of *zakat*, *infaq*, and *shodaqoh* through various programs, one of which is the Lumbung Desa program that utilizes *zakat* funds to improve the welfare of farmers in rural areas. Lumbung Desa is a food security program in the form of a productive establishment movement based on the potential local rural areas, such as rice fields, gardens, livestock, and home industry. Beside productive *zakat*, there are also other factors that could be expected to help increase farmers' income, namely business experience and mentoring.

This paper is meant to examine the effect of productive *zakat*, business experience and mentoring on the incomes of the farmer partners of the Lumbung Desa-Sinergi Foundation in Cibaeud Village, Cigalontang Sub-district, Tasikmalaya Regency.

LITERATURE REVIEW

Productive Zakat

The original meanings of *zakat* are purity, growth, blessing and increase (Bouheraqua 2012; Sarif & Kamari 2009). *Zakat* is the wealth expendicture which give a certain amount of property of certain wealth or property to the person who entitled to receive it according to Islamic law (Kartika, 2007, p. 10). Productive *zakat* is *zakat* which is distributed not only in consumtive way, but also in the fund form or work tool for the business of *mustahiq*. Productive *zakat* is given to *mustahiq* to run their bussiness and develop their productivity. By productive *zakat*, people

can open a new business or run an existing business so it can increase their revenue and fulfill their life's needs countinuesly (Damanhur, Nurudin & Siregar, 2017, p. 78).

Business Experience

According to the Chalpin Theory (2006: 179), experience is knowledge or skills which are known and mastered by someone as a result of their actions or work that has been done before for a certain period of time. Someone is said to have experience when they have a certain level of relevant and adequate skills or knowledge accordingly to his field of expertise or business. Thus, it is proven that business experience is very influential on the success and development of business.

Mentoring

Mentoring is an effort to help communities, both individuals and groups, to find and develop their abilities so that they can have some skills (Suhartono, 2008: p. 93). Mentoring can be done by personal or group.

Income

Income is the result that is receive from working of a business or a job which has been done. Ash Sadr (2008) explains that based on the structure of Islamic legislation, income which is entitled to be received by someone can be determined through two methods. The first method is *ujrah* (compensation, compensation, and wages) and the second is profit sharing.

Relationship between productive zakat, business experience and mentoring on income.

Arif (2016) showed that productive *zakat* aid has an effect on the income of *mustahiq*. Productive *zakat* can be used by *mustahiq* as additional capital for use their businesses and financing their lives.

Another factor expected to have an influence is business experience, with greater experience leading to an increase in the labor productivity (Herawati & Sasana, 2013). Someone with a longer period of business experience will have spent longer working in their respective field and will be well acquainted with the conditions and strategies required to grow their business, thereby leading to an increase in their income and welfare.

There are also other factors that could be expected to help increase income, namely mentoring. Mentoring is one of the types of business assistance on the agenda of the various productive *zakat* utilization programs run by *zakat* institutions, including the Lumbung Desa Sinergi Foundation program. It is believed that mentoring play a sufficiently powerful in enabling development of the maintenance, improvement, and development of people.

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METHODS

This research was conducted using a quantitative approach (Tanjung & Dewi, 2013,p. 76) and based on the method used, is a causal study (Muhammad, 2008, p. 93). The object is the effect of the amount of productive *zakat*, assistance and long business experience on the income of farmers follow the Lumbung Desa program from Sinergi Foundation in Cibaeud Village, Tasikmalaya Regency.

Primary data are used in this study. The population in this study is those farmers who received productive *zakat* assistance in the form of funds, fertilizer, or rice from the Lumbung Desa-Sinergi Foundation, which amounted to 68 peasant farmers in Cibaeud Village. No sampling was conducted due to the limited population size. Instead, saturation sampling technique was adopted, which employs a sample size equal to the size of the population.

The data analysis technique used in this research is influence test analysis conducted through multiple linear regression testing or Ordinary Least Squares (OLS).

Ordinary Least Squares

OLS is used to determine the effect of independent variables on dependent variables either partially or simultaneously,by establishing the size of the coefficient of determination (R2), which shows the variation in the value of the dependent variable that can be explained by all of the independent variables, and to test the truth of provisional estimates on the data analysis model.

Variable Y in this research is farmers' income, variable X1 is the amount of productive *zakat* accepted by a farmer, and variable X2 is business assistance. These are accompanied by assistance as a dummy variable. The model is used in this research:

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 D_1 + ei}$$

Information:

Y = *Mustahiq* Revenue (*Mustahiq* Material Needs)
X1 = The amount of productive *zakat* earned *mustahiq*
X2 = Business Experience
D1 = Assistance. Given the value 1, if actively following mentoring and value 0 if not actively following mentoring
β0 = Constants
β1 = Regression coefficient
e = Error

Dummy Variable

According to Yana Rohmana (2013, p. 105), a dummy variable is included in a regression containing independent variables where quantitative variables may be examined alongside qualitative variables. One of the methods used to qualify quantitative attributes is by adding an artificial variable (dummy) to the regression equation model, the value of which can be 1 (one) or 0 (zero).

In this study the values 1 or 0 denote the following can:

- 1 to indicate farmers who are activelly following assistance
- 0 to indicate the farmers not actively following assistance.

Classic Assamption Test

Basuki & Prawoto (2016,p. 297) outline how the classic assumption test used in linear regression with the OLS approach include normality, linearity, multicollinearity, heteroskedasticity, and autocorrelation tests. However, the multiple regression analysis used in this research comprises tests for normality, multicollinearity, and heteroskedasticity.

Statistical Hypothesis Testing

After determining the data regression model accordingly, statistical hypothesis testing is then carried out, including the following, among others:

1. F test is used to test and determine the significance or effect of the regression so that it can deduced whether the regression affect or not affect by determining the value of F and comparing it with the value of F table (Sudjana, 2003: 91).
2. A t test is used to test the effect of certain independent variables on the dependent variable (Rohmana, 2013,p. 48-49).
3. The coefficient of determination (R2) states the proportion or percentage of the total variation of the dependent variable that can be explained by several independent variables simultaneously (Gujarati, 2007, p. 187). An R2 value close to 1 indicates that number of independent variables

can provide almost all of the information needed to predict the dependent variable.

RESULTS AND DISCUSSION

Analysis of Research Instruments

Validity Test

The validity of the data in this study was calculated using SPSS 22, with the results displayed in Table 1.

Table 1. Test Validity of Mentoring Variable

Variable	Item No.	*Corrected Item-Total Correlation*	Correlation Coeficient	Results
Mentoring	1	0.730	0.30	Valid
	2	0,827		Valid
	3	0.639		Valid
	4	0.584		Valid
	5	0.760		Valid
	6	0.623		Valid
	7	0.370		Valid
	8	0.749		Valid
	9	0.458		Valid
	10	0.501		Valid
	11	0.661		Valid
	12	0.575		Valid
	13	0.319		Valid
	14	0.490		Valid

According to Azwar (2012), an item can be said to be valid if it has a correlation coefficient greater than 0.30. However, if all of the tested items are still smaller than 0.30, the correlation coefficient can be decreased to 0,25. The research instrument has been tested, with the result indicating Corrected Item-Total Correlation values for all of the items greater than 0,30, This shows that all of the questions used are valid and worthy of use as a measuring tool.

Reliabillity Test

A reliability test is performed in order to show whether the data collection tool is accurate or inaccurate in disclosing specific symptoms of a group of individuals despite being implemented at different times, The results of this calculation are shown as follows:

Table 2. *Variable Reliability Test*

Cronbachs' Alpha	Cronbachs' Alpha Based on Standardized Items	No of Items
.857	.863	14

Azwar (2012, p. 112), explain how the high reliability of an instrument can be assessed from its reliability coefficient, the value of which is in the range 0 - 1,00. The closer the value of the coefficient to 1,00, the higher the reliability, Based on the results of the reliability tests conducted, the questionnaire can be said to be reliable if it has Cronbanch Alpha >0.60 (Ghozali, 2011). The research instrument of the

assistant variable has been tested and has a high level of reliability, that is 0.857. In other words, all the items in the research instrument of the assistant variable are trustworthy instruments.

Classic Assumption Tests

Normality Test

A normality test is used to determine wheather there is a normal distribution of data. When using a normality test, because of the parametic statistical analysis, the assumption is that the data must be normally distributed (Santoso & Ashari, 2005, p. 231). The test results can be illustrated as shown Figure 1.

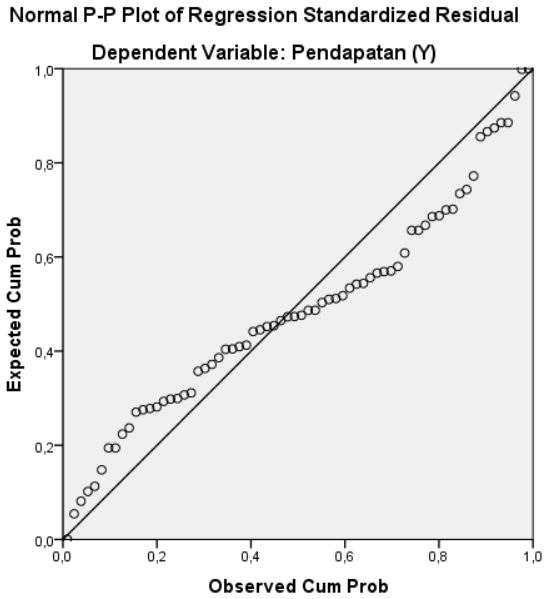

Figure 1. Normality Test

Figure 1 shows the data points spread around the diagram and follow but largely in line with the regression model. It can thus be concluded that the data are processed data that are normally distributed, which means that the normality test is met.

Multicollinearity Test

A multicollinearity test is used to ascertain the existence, or otherwise, of linier correlation relationships between the independent variables. Since there are a number of independent variables ivolvec, multicollinearity will not occur in simple regression equations, it can instead be seen from the tolerance and variance inflation factor (VIF),

Table 3. Correlation Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Productive *Zakat* (X1)	0.970	1.031
Business Experience (X2)	0.967	1.035
Mentoring (D)	0.938	1.066

From Table 3, it can be seen that the three independent variables have a tolerance value greater than 0,1 and a VIF smaller than 10, from which it can be concluded that the variables present no have multicollinearity problems.

Heteroskedasticity Test

A heteroskedasticity test aims to determine whether a regression model contains any residual variation inequality from one observation to another (Ghozali, 2011). The results of the data processing are as follows:

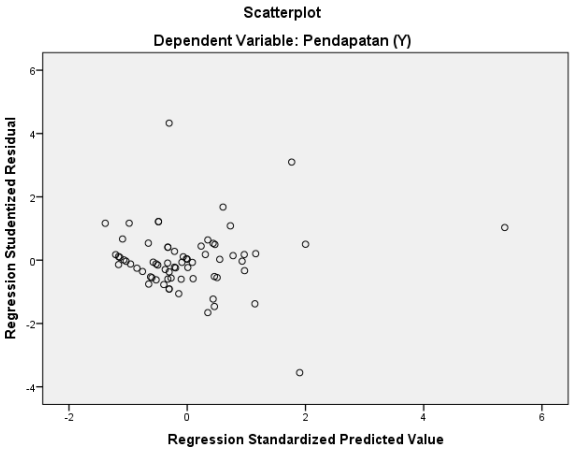

Figure 2. Heteroskedasticity Test

Figure 2 shows that there is an irregular, , residual spread. This is evidence from the irregular pattern of the points on the plot. It can thus be concluded that from the results that the data are free of heteroskedasticity problems.

Ordinary Least Squares

This section describes the data that have been analyzed with the help of the SPSS 22 program. The data have been analyzed in respect to productive *zakat* (X1), business experience (X2) and mentoring (D1) as the independent variable and income (Y) as the bound variable. The analysis of the data involved put the production of correlation matrix and descriptive statistics for the effect of correlation matrix and descrive statistics for the effect of productive *zakat*, business experience and mentoring on the income of farmers in the Lumbung Desa partner program in Cibaeud Village, Tasikmalaya Regency with the results shown in Table 4.

Table 4. Correlation Matrix and Descriptive Statistics

	Productive *Zakat* (X1)	**Business Experience (X2)**	**Mentoring (D)**	**Income (Y)**
Productive *zakat* (X1)	1.000	0.003	0.171	0.722
Business Experience (X2)	0.003	1.000	0.181	0.226
Mentoring (D)	0.171	0.181	1.000	0.219
Income (Y)	0.722	0.226	0.219	1.000
Mean	628676.65	12.41	0.82	987867.65
S,D,	612696.278	12.458	0.384	604584.671

The results obtained from the data processing, can be seen in Table 5.

Table 5. Summary of Regression Analysis for the variables Productive *Zakat*, Business Experience, and Mentoring

Model	**R (F)**	**R^2**	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**
			B.	**S.E**	**B.**	
I	0.758*** (28.815)	0.575				
(Const.)			342186.615	125076.164		2.736
X1			0.702***	0.082	0.711***	8.594
X2			10320.983**	4024.487	0.213**	2.565
D			92610.936	132494.600	0.059	0.699
II	0.756*** (43.319)	0.571				
(Const.)			405854.874	85377.412		4.754
X1			0.712***	.080	0.721***	8.883
X2			10835.406***	3941.025	0.223***	2.749

Note: *** p < 0.01
** p < 0.05
* p < 0.10

The results of the data analysis for the multiple linear regression and hypothesis testing shown in Table 4, reveal that:

1) The hypothesis that productive *zakat* positively affects the income of Lumbung Desa-Sinergi Foundation farmers in Cibaeud Village is accepted (t = 8.594: p <0,01).
2) The hypothesis that business experience has a positive effect on the income of Lumbung Desa-Sinergi Foundation farmers in

Cibaeud Village is accepted, (t = 2.565: p <0,01).

3) The hypothesis that mentoring has a positive effect on the income of Lumbung Desa-Sinergi Foundation farmers in Cibaeud Village is rejected (t = 0.699: p> 0.10).

Table 5 shows that in the first model, the Mentoring variable has no significant effect on the farmers' income variable. The model is improved by re-testing without including the Mentoring variable, The model improvement results are shown in Table 4 and illustrated in Figure 3.

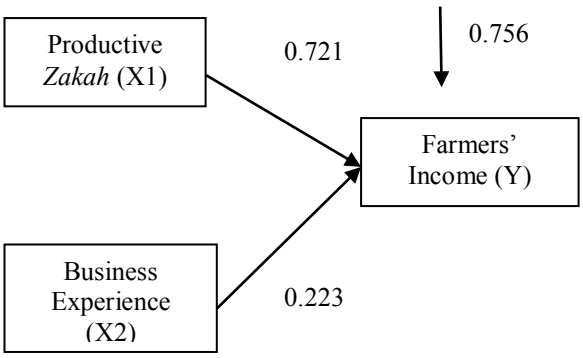

Figure 3. Diagram Model II

The Effect of Productive Zakat on Farmers' Income in Lumbung Desa-Sinergi Foundation in Cibaeud Village, Cigalontang District, Tasikmalaya Regency.

Islam offers several ways of overcoming poverty, one of which is *zakat*, Hafidhuddin (2002) explains that the two aims and wisdom of *zakat* are 1) to increase funding for the development of quality improvement of people in various fields such as education, economy, social, culture, and health; and 2) efforts to help *mustahiq* to achieve a more prosperous life. In the economic aspect, *zakat* is able to assist in developing the self-reliance to *mustahiq* while in social sphere, *zakat* is able to promote equality of position in social life, *Zakat* in the economic sphere can be regarded as productive *zakat* owning to the fact that it is given to *mustahiq* for use in productive activities (Mursalina, 2015: 9)

This result align with Mursalina (2015) who states that *zakat* can play a positive role in the economic and social spheres, In the economic sphere, *zakat* can provide independence to *mustahiq* while in social sphere, it can provide equality in social life.

From the analysis of multiple linear regression research data and hypothesis testing, it is known that the linear regression coefficient value for the effect of productive *zakat* on farmers' income is 0.702, with a t test result of 8.594 and a significance value of 0.00, These results indicate that productive *zakat* has a positive and significant impact on the incomes of the farmer partners of the Lumbung Desa-Sinergi Foundation in Cibaeud Village, Cigalontang Sub-district, Tasikmalaya Regency. The greater the level of productive *zakat* received by farmers partners, the greater will be their income. Conversely, the lower the productive *zakat* received, the lower their income.

The results observed in the case of Cibaeud Village display certain similarities with the results of research, The farmer partners in Lumbung Desa are greatly helped by the *zakat* aid they receive, whether in the form of money, rice, or fertilizer. The majority of Cibaeuds' villagers had difficulty meeting their daily needs, many children were forced to drop out of school, and the people there were heavily indebted to moneylenders.

The situation was further exacerbated by natural disasters that hit the village several years ago and damaged the homes of its citizens. After Sinergi Foundation began providing assistance and implemented the Lumbung Desa program, the people of Cibaeud Village gradually began to see improved conditions especially with regard to their economy. Besides being used as capital, the *zakat* aid they receive is used to help meet daily needs. The Lumbung Desa farmer partners not only

receive *zakat* in the form of funds, fertilizers and rice, but there are also warehouse facilities and grinding machines that can be shared with their fellow Lumbung Desa partners. These facilities prove to be very helpful in facilitating the process of rice production, reducing production costs and saving time to enable their operations to become more effective and efficient.

Influence of Business Experience on the Income of Lumbung Desa-Sinergi Foundation Farmers in Cibaeud Village, District Cigalontang, Tasikmalaya Regency.

Business experience represents the length of time a *mustahiq* has run their business, from which the assumption is made that the longer a person has worked, the greater their their experience will be to the point where they will be more versed in the strategies that need to be employed to advance the business and, ultimately, grow their productivity (Rakhma, 2014), Work experience is reflected by workers who have previously worked elsewhere. A greater level of experience gained by a worker will mean they are more trained and skilled in carrying out their work (Amron, 2009).

A *mustahiq* who has work experience is expected to work on the job in accordance with his expertise. The longer a person has been in work, the more their expertise is expected to be able to increase productivity. It can thus be stated that the length of business experience has a positive influence on labor productivity. Tambunan and Woyanti (2012) found work experience have a significant effect on labor productivity in Semarang City.

Firdausa and Arianti (2013) in their research on the effect of start-up capital, length of business, and hours of work on the income of the kiosk traders in the bintoro demak market, showed that the length of time a business has been in operation has a great influence on the merchants' trade. In contrast to the results of research by Rakhma (2014), who conducted an analysis of the factors affecting the prosperity of *mustahiq* receiving productive *zakat*, *infaq* and *shadaqah* on Lagzis Baitul Ummah Malang, The duration of the business operation was one of the variables tested. The results of their study indicated that the old variable of business had no significant effect on the *mustahiq* welfare,

From the analysis of multiple linear regression on the research data and hypothesis testing, it is known that the linear regression coefficient value for the influence of business experience on farmers' income is 10320.983, with the result of the t test 2.565 and the value of significance is equal to 0.013, These results indicate that business experience has a positive and significant impact on the income partners of Lumbung Desa-Sinergi Foundation farmers in Cibaeud Village, Cigalontang District, Tasikmalaya Regency. The longer a farmers partners, the higher their income. These results are alligned with various facts, indeed farmers who have worked as farmers for several years on average than other farmers who have only worked as farmers for several years. Farmers' who have worked in the profession for a long time usually have more knowledge and understanding of the market, thus making it easier for them to find ways to increase their income.

The Influence of Mentoring on the Income of Farmer Partners of Lumbung Desa-Sinergi Foundation in Cibaeud Village, District Cigalontang, Tasikmalaya Regency.

Mentoring is one strategy for supporting the success of an empowerment program within the community. With mentoring, the beneficiaries of *zakat* funds (*mustahiq*) are guided to be able to improve and develop their business. Mentoring also serves to overseeing the *zakat* recipient partners so that the aid is used as it should be. With

mentoring, *mustahiq* are expected to be become independent and be capable of generating an income in order to achieve a more prosperous life.

The results of research by Pailis, Burhan, Multifiah, and Ashar (2016) indicate a positive influence of the variables Mentoring efforts on welfare *mustahiq*. In addition, the productive *zakat* empowerment program which is accompanied by mentoring of business, was found to have an effect on the frugal attitudes of *mustahiq* housewife.

Based on multiple linear regression analysis of the data and hypothesis testing, it is known that the linear regression coefficient value for the effect of Mentoring on farmers' income is 92610.936 with result of t test 0.699 and a significance value equal to 0.487. These results indicate that Mentoring has a positive, but not insignificant effect on the income of Lumbung Desa farmer partners in Cibaeud Village. The results of this study are in accordance with the hypothesis that the mentoring variable has a positive influence on the income. The results of this study share similarities with those of research by Rakhma (2014), in which it was found that the business mentoring variable does not significantly affect the *mustahiq* welfare, including their income.

Since the launch of Lumbung Desa program in 2015, the primary focus has not been to increase income, but rather to end the reliance of farmers in Cibaeud Village on the moneylenders, which is certainly not easy. It took 2,5 years for the people in Cibaeud Village to be completely released from the loan sharks. Previously, many of the villagers borrowed from loan sharks at high interest rates. Those who borrow the most are the least able to afford the loans with interest, which has led to their property being taken in order to pay the debt. Oncethere were no more valuables left to remove, they were forced to convert.

Once all the partners had been released from loan sharks, the focus switched to improving the quality of the paddy produced by farmers in Cibaeud Village. According to the Lumbung Desa companion Ust. Gunawan Gugun, the quality of the rice in Cibaeud is less good than that from Cianjur and Subang. The farmers in Cibaeud have a habit of planting rice that is typical of that seen in Cibaeud Villages which is to use rice that has been subjected to hereditary plantinged. The seeds produce poor quality rice that makes it difficult to compete in the market.However, the farmers in the village of Cibaeud are fearful of planting other types of rice seeds for fear of crop failure or an unsatisfactory rice yield.

The Lumbung Desa Village Assistant continues in their efforts to change the main set of the farmers partners through training and mentoring. If their mindset could be changed, it is hoped that this would lead to an increase the quality of Cibaeud's farm produce and thus to an increase in the farmer partners in the form regular recitation and lectures to strengthen their faith, as well as education about the dangers of borrowing money with interest or usury, which is one of the major sins in Islam, so that they do not revert to borrowing money from moneylenders.

CONCLUSIONS AND RECOMMENDATION

Based on the research, the following conclusions can be drawn:

1. The productive *zakat* received by the farmers has a positive effect on their income, meaning the higher the productive *zakat* aid received, the higher the income of the farmers, When farmers obtain *zakat* funding, they obtain additional capital. As thair capital increases, their productivity also increases. Increased productivity lean to increased agricultural output, which will also affect their income.
2. The business experience of Lumbung Desa farmers has a positive effect on

their income. The longer a person has run his farm business, greater that persons' level of knowledge and understanding of his efforts, in turn leading to higher income. As a person's understanding and knowledge of his work increases, so too will that person find it easier to grow the business and increase his income.

3. The mentoring followed by farmers has a positive effect on their income. This means that the higher the level of partner participation and the perceived benefits of the program, the more their income will increase. The benefits of the Lumbung Desa companion are are fairly well perceived by the farmers, but this does not significantly affect their income. The focus of the Lumbung Desa destination in Cibaeud Village has not yet progressed to the stage an increases in income, rather, it has remained on releasing the farmer partners from loan sharks and altering their mindset to start planting rice seeds from other, better-quality areas in order to improve the quality of their rice.

The authors recommendation based on the research results are as follows:

1. Help productive *zakat* to positively affect farmers' income, This assistance is expected to continue by expanding the scope of the program so that more and more farmers / *mustahiq* can earn greater incomes.
2. The Lumbung Desa-Sinergi Foundation in Cibaeud Village should carry out recruitment and guidance for regeneration boards so that the number of companions increases and does not rest on a single person. More intensive facilitation of farmers partners' growing levies is needed and in order to help increase their income.

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Measurement of Efficiency and Productivity of Zakat Institutions in Indonesia using Data Envelopment Analysis and the Malmquist Productivity Index

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ABSTRACT

This study aims to measure the level of efficiency and productivity of zakat institutions in Indonesia.Quantitative research using the methods of Data Envelopment Analysis (DEA) and the Malmquist Productivity Index (MPI). There are six Amil Zakat (LAZ) institutions in Indonesia, namely Yayasan Dana SosialAl-Falah (YDSF), Al-Azhar Peduli Ummat, Aksi Cepat Tanggap (ACT), Yayasan Rumah Yatim Arrohman Indonesia,Pos Kemanusiaan Peduli Ummat (PKPU), and Rumah Zakat Indonesia, with 2014–2016 annual data as the number of DMUs (decision making units). This study uses an intermediation approach in determining the variables.The input variables of this research are Collected Funds (X1), Total Costs (X2), and Amil Acceptance (X3), while the Output variables are Funds Distributed (Y1) and Total Assets (Y2).There were two LAZs that experienced inefficiencies in 2014 and 2015, namely LAZ YDSF and ACT. Meanwhile, in 2016, all LAZs achieved optimal levels of efficiency. The results of the MPI analysis show that in the first year two LAZs experienced a decline in productivity, namely LAZ Al-Azhar and PKPU. The other four LAZs sawan increase in productivity, namely LAZ YDSF, ACT, Rumah Yatim, and Rumah Zakat. In the second year, three LAZsexperienced a rise in productivity, namely LAZ Al-Azhar, PKPU, and Rumah Zakat, while the other three LAZs experienced a decrease in productivity, namely LAZ YDSF, ACT, and Rumah Yatim.

Keywords: Efficiency, Productivity, Zakat Institutions, DEA, MPI.

INTRODUCTION

Poverty in its various forms continues to be a problem on the national agenda in Indonesia, for both the government and Social Society Institutions (as NGOs). Despite the existence of many programs aimedat overcoming the problem of poverty, no significant reduction has been achieved in Indonesia. This is consistent with data from Badan Pusat Statistik (BPS), which reveals that in March 2017 the number of poor people (defined as those with monthly per capita expenditure below the poverty line) in Indonesia reached 27.77 million people, or 10.64% of the total population. This was an increase of 10 thousand people compared to September 2016,when the total was 27.76 million people, or 10.70% of the total population.

In Islamic economics, the Qur'an offers a solution to overcoming the problem of poverty, namely income redistribution. In such an income redistribution model, the circulation of assets should not be confined only to the rich, as explained in Al-Hashr verse7:

مآ أفآء ٱلله على رسوله من أهل ٱلقرى فلله وللرسول ولذي ٱلقربى وٱليتمى وٱلمسكين وٱبن ٱلسبيل كي لا يكون دولة بين ٱلأغنيآء منكم ومآ ءاتىكم ٱلرسول فخذوه وما نهىكم عنه فٱنتهوا وٱتقوا ٱلله إن ٱلله شديد ٱلعقاب 7

Meaning: *"What are the spoils (fai ') given by Allah to His Messenger (from property) that come from the inhabitants of the cities, then it is for Allah, for the Apostles, the relatives, the orphans, the poor and those who are on the journey,* ***so that the property must not circulate among the rich among you****. What the Apostle gave you, accept it. Leave what he forbids. And fear Allah. Verily Allah is severely punished."*

Zakat is one such instrument of income redistribution and is Islam's most important system of philanthropy. Zakat, as the third pillar of Islam, is a form of worship as well as muamalah. Zakat for muzaki functions as a form of obedience or worship and reflects how, in essence, the property owned by every human being belongs to Allah SWT.

In terms of muamalah, zakat serves to alleviate the economic burden of mustahiq and strengthen the brotherhood (ukhuwah) between mustahiq and muzaki. Zakat serves not only to help mustahiq to solve their economic problems, but can also become an instrument of inter-sectoral balance within the national economy. In the long run, the main purpose of zakat is the transformation ofmustahiq into muzaki, which must be accompanied by the nature of zakat worship as a built-in stabilizer. This shows that, if managed properly, zakat offers the potential to overcome economic slack and poverty in a country. In light of this objective, the existence of a Zakat Management Organization (here in after referred to as OPZ) is very important for the management of zakat funds.

According to Law No. 23 of 2011 concerning the management of zakat, the purpose of zakat management in Indonesia is to improve the effectiveness and efficiency of services in the management of zakat, along with increasing the benefits of zakat in order to achieve community welfare and poverty alleviation. To deliver an increase in the benefits felt by the community as part of a poverty alleviation effort, it is very important to ensure the efficiency and productivity of zakat institutions in carrying out their intermediary function. A form of measurement is therefore needed to determine the level of efficiency and productivity of the zakat organization, the results of which can be used as the input for LAZ policy.

LITERATURE REVIEW

Efficiency is the most commonly used metric by which to measure a company's performance. In the Big Indonesian Dictionary (KBBI), efficiency is defined as the precision with which something (i.e., business, work) is carried out (i.e., by not wasting time, effort, and costs). According to Srivastava (1999), a company is said to be efficient if it can either minimize its costs of producing a certain output (input-oriented) or maximize its profits by using an existing combination of inputs (output-oriented). Efficiency is also the most important thing for a company to consider in order to survive in a competitive market.

Islam also strongly promotes efficiency in terms of financial efficiency, timeefficiency, and the efficiency of saying in vain. In financial or property efficiency, Islam forbids (in the verse At-Takasur) boastful behavior. In time efficiency, Islam instructs people (in Surat Al-Ashr) to devote the time they have to faith and good deeds so that they do not enter the class of those who lose money. Regarding efficiency in saying, the Prophet sallallaahu 'alaihiwasallam said, "Whoever believes in Allah and the Last Day, let him say well or let him be silent" (Muttafaq 'alaih: Al-Bukhari, no. 6018; Muslim, no. 47).

According to Ali and Ascarya (2010, p. 113), the goal of achieving efficiency means to achieve optimal profits. In Islam, the realization of optimal benefits can be generated through hard

work or efforts to produce things optimally while also maintaining Islamic balance and ethics.

According to KBBI, productivity is the ability to produce something. It concerns the ability to produce the maximum amount of goods and services through the efficient utilization of human resources, in addition to all other units of input. Productivity is therefore often interpreted as the ratio between the output and input of certain units (Sedarmayanti, 2001, p. 57).

Islam teaches its followers to fill their lives by working and not allowing their time to be wasted. Prompts of work are contained in the word of God, specifically in the content of At-Taubah verse 105, which states: "And say (O Muhammad SAW), "Work!, then Allah will see your work and (so will) His Messenger will and the believers, and you will be returned to (Allah) Who Knows the unseen and the seen, then He tells you what you have done".".

In another narrative, the high status accorded to work in Islam is demonstrated in the story of the Messenger of Allāh kissing the hand of Sa'ad bin Mu'az when he saw his hand was rough after working hard to find wood. The Messenger of Allāh said: "These are two palms that are loved by Allah."

Zakat is defined as the obligation attached to a certain portion of assets that isrequired by Allah SWT to be given to those who have the right to receive it (Qardhawi, 2007, p. 34).According to Kahf (1999), the main purpose of zakat is to achieve social and economic justice.The obligation to manage zakat is contained in the Qur'an letter At-Taubah verse 103.In Indonesia, there are two types of zakat management organizations, namely Badan Amil Zakat (BAZ), which is formed by the government, and Lembaga Amil Zakat (LAZ), which is formed by the community. A LAZ requires inauguration by the government in order to exist and thus operate. This is important when we consider that the operationalization of LAZ involves public money. It should also be noted that proof of a zakat payment to LAZ can become a deduction from taxable income.

METHODS

This is a descriptive type of research that employs a quantitative approach. The object of the research is the Amil Zakat Institution (LAZ) in Indonesia.LAZ was chosen as the object of the research since only a few prior studies have discussed efficiency and productivity in the context of LAZ in Indonesia. The population in this study therefore comprises all LAZ institutions in Indonesia. The study sample consists of six zakat institutions, namely LAZ Al-Falah Social Fund Foundation (YDSF) Surabaya, LAZ Al-Azhar, LAZ Aksi Cepat Tanggap (ACT), LAZ Yayasan Rumah Yatim Ar-Rohman Indonesia, LAZ Pos Kemanusiaan Peduli Ummat (PKPU), and LAZ Rumah Zakat Indonesia.

Purposive sampling was used as the technique for selecting the sample institutions from the total population, which specifically entailed selection based on a set of criteria (Sugiyono, 2012, p. 96). The following inclusion criteria were used when determining the sample in this study: 1) Amil zakat institutions that have published financial statements for the 2014–2016 period on their website or that are willing to provide financial reports directly; and 2) Amil zakat institutions that have used the same variables in their financial statements, as a requirement of the DEA method.

The minimum number of decision making units (DMUs) in this study is three times the number of inputs and outputs. A total of five variables are used to represent the inputs and outputs in this study, thus giving a minimum number of 15 DMU observations. The study has an actual total of 18 DMUs, based on observations from six LAZs over a three-year period.

This study uses an intermediation approach in determining the variables. The table below is a summary of the input and output variables used to measure LAZ efficiency and productivity values with the intermediation approach.

Table 1. Input and Output Variables

Input (X)	Output (Y)
Collected Funds (X_1)	Distributed Funds (Y_1)
Total Cost (X_2)	Total Assets (Y_2)
Amil Acceptance (X_3)	

Source: Author's illustration

The type of data used in this study is secondary datain the form of financial statements for the 2014–2016 period for all of the LAZ that comprise the object of research. In addition, as support, literature is used in the form of books, previous research, journals, and other sources related to the material discussed.

Banxia Frontier Analyst version 4.3 is the tool used to measure the level of efficiency, while productivity is measured using DEAP version 2.1. The following is an explanation of the analytical techniques used in this study.

Data Envelopment Analysis (DEA) is a method of measuring efficiency with the use ofmathematical programming techniques. DEA measures the relative efficiency of a set ofDMUs in managing the same type of inputs so as to produce the same type of output, where the relationship of the form functions from input to output is unknown (Siswandi, 2004).

DEA was originally developed by Farell (1957) as a technique for measuring the efficiency of one input and one output in relation to multiple inputs and multiple outputs. It was subsequently popularized by Charness, Cooper, and Rhodes (1978) using the assumption of Constant Returns to Scale (CRS) and then further developed by Bunker, Charness, and Cooper (1994) through the addition of an assumption for Variables Returns to Scale (VRS).

The Malmquist Productivity Index (MPI) was first introduced by Caves, Christensen, and Diewert (1982) as a distance function approach to compare production technology in terms of defining input, output, and productivity indices. Total Factor Productivity (TFP) estimates with the DEA approach use the index approach. The following example illustrates the TFP index.If a company in period s produces 80% of its maximum capacity with an input vector xs, while in period t it produces output amounting to 30% above its maximum capacity using input vector xt, then the change in productivity from period s to t is 1.30 / 0.80 = 1.625.

RESULTS AND DISCUSSIONS

Efficiency and productivity are concepts that involve measuring the ratio of output to input. In the interpretation of results, efficiency has a scale value of 0(zero) to 1 (one), or $0 \leq e \leq 1$, with e as the efficiency score. The value e = 1 thus indicates efficiency, while avalueof e <1 indicates inefficiency.

Meanwhile, productivity is measured using DEAP software to produce the following five values: 1) EFFCH: change in efficiency (relative to CRS), 2) TECHCH: technological change, 3) PECH: pure technical efficiency change (relative to VRS), 4) SECH: change in

scale efficiency (EFFCH/PECH), and 5) TFPCH table: changes in total productivity factors, the values for which indicate the level of productivity. TFPCH has three possibilities: TFPCH < 1, which shows a decrease in productivity; TFPCH = 1, indicating no increase or decrease in productivity (stagnation); and TFPCH > 1, denoting an increase in productivity.

Table 1.2 shows the results of the LAZ efficiency scores. Two of the LAZ experienced inefficiencies in 2014 and 2015 respectively, namely LAZ ACT and LAZ YDSF. In 2014, LAZ ACT had an efficiency score of 85.8%. Wandayani (2018) found that ACT experienced inefficiencies in the period 2011–2013 prior to achieving optimal efficiency in 2014. This difference in results may have resulted from the fact that DEA uses calculations of relative efficiency; as such, if the variables used are different, then the results obtained may also be different. Yet despite the use of different variables, the results of the DEA calculation for LAZ Al-Azhar, Rumah Yatim, and Rumah Zakat all generate optimal efficiency results.

Table 2. LAZ Efficiency Values 2014–2016 (in percent)

LAZ	2014	2015	2016
YDSF	90.3	97.5	100
Al-Azhar	100	100	100
ACT	85.8	98.5	100
Orphanages	100	100	100
PKPU	100	100	100
Zakat House	100	100	100

Source: Results of data processing using Banxia Frontier Analyst 4.3

In 2014, LAZ YDSF had an efficiency score of 90.3%. By 2015, the two LAZs with suboptimal efficiency values in 2014 (YDSF and ACT) had shown an increase, with LAZ YDSF recording an increase in efficiency to 97.5% and LAZ ACT seeing an increase to 98.5%. Based on both CRS and VRS assumptions, Maulana's (2017) research results show that LAZ YDSF achieved optimal efficiency scores in 2015 and 2016.

Both LAZs were shown to have made efforts to improve their levels of efficiency, with LAZ YDSF managing to increase its efficiency by 2.5% in 2016 to reach 100%. LAZ ACT succeeded in increasing its efficiency by 1.5% to reach 100%. The results of the data processing show that in 2016, all of the LAZ in question achieved optimal efficiency levels of 100%.

Potential Improvement (PI) is the percentage of the difference between the actual and target value in the inefficient DMU. This difference indicates that a LAZ has potential for improvement in terms of the direction that must be taken in order to improve input and output that is not optimal so that the LAZ can reach an efficient point. The following table displays the potential improvement at a LAZ that is inefficient. Since there were many similarities in the potential improvement for the years 2014 and 2015, the focus will be on the LAZ'svalues for 2014 only.

Table 3. Potential Improvement (PI) for LAZ YDSF in 2014

Variable	2014		
	Value	Target	PI (%)
Collected Funds	32,124,068,476	29,007,741,617.05	-9.70
Total Cost	7,719,056,503	3,436,303,403.79	-55.48
Amil Acceptance	7,422,734,064	4,273,779,377.12	-42.42

Distributed Funds	32,616,207,093	32,616,207,093.00	0.00
Total Assets	7,894,645,912	9,971,192,713.14	26.30

Source: Results of data processing with Banxia software.

From the input side, LAZ YDSF must reduce the amount of collected funds by 9.70%, from the actual value of Rp. 32,124,068,476 to the target value of Rp. 29,007,741,617.05. In addition, LAZ YDSF must reduce its total cost by the significant amount of 55.48%, from an actual value of Rp. 7,719,056,503 to a target value of Rp. 3,436,303,403.79. Amil acceptance is another input that must be reduced by a sizable proportion, in this case42.42%, from its actual value of Rp. 7,422,734,064 to the target value of Rp. 4,273,779,377.12.

From the output side, LAZ YDSF'sdistributed funds have reached their optimal value, which means there is no target value to be achieved. However, LAZ YDSF must increase its total assets owned by 26.30%, from their actual value of Rp. 7,894,645,912 to the target value of Rp. 9,971,192,713.14. Next, Table 1.4 below shows the potential improvement for LAZ ACT in 2014.

Table 4. Potential Improvement (PI) for LAZ ACT in 2014

Variable	2014		
	Value	Target	PI (%)
Collected Funds	91,150,521,473	78,180,217,495.67	-14.23
Total Cost	16,529,100,346	10,983,204,003.42	-33.55
Amil Acceptance	18,270,584,703	11,220,337,122.29	-38.59
Distributed Funds	77,969,369,051	77,969,369,051.00	0.00
Total Assets	23,046,392,995	23,046,392,995.00	0.00

Source: Results of data processing with Banxia software.

In terms of input, LAZ ACT must reduce the amount of collected funds by 14.23%, from the actual value of Rp. 91,150,521,473 to the target value of Rp. 78,180,217,495.67. It must also reduce its total cost by 33.55%, from an actual value of Rp. 16,529,100,346 to the target value of Rp. 10,983,204,003.42. Amil acceptance is another input that must be reduced, in this case by 38.59%, from the actual value of Rp. 18,270,584,703 to a target value of Rp. 11,220,337,122.29. In terms of output, the distributed funds and total assets of LAZ ACT are already at their optimal values, so there is no target value to be achieved.

Based on the figures forpotential improvement, in order to achieve 100% efficiency values, LAZ YDSF must reduce its amount of collected funds, total costs, and amilacceptance, and increase its total assets. LAZ ACT must also reduce the amount of collected funds, total costs, and amilacceptance, but there are no changes required in respect of the output variables since the total assets and distributed funds are already at their optimal levels. Zakat institutions would seek to reduce the amount of funds in order to avoid a situation wherein the collected funds (zakat, infaq, shadaqah or ZIS) are held for too long. Ideally, zakat institutions in Indonesia compete with each other to raise funds. Since their main function is as intermediaries, in addition to raising funds, they must also deal with the challenge of distributing funds appropriately, effectively, and efficiently. In practice, each zakat institution has its own way of managing ZIS funds, involving both human resources and management, as well as its scope. Therefore, there is a risk of a large accumulation in the event that too many ZIS funds are collected while not

beingbalanced effectively and efficiently in respect of their target distribution. To this end, a large amount of collected ZIS funds does not necessarily indicate the best performance on the part of the zakat institution; instead, consideration needs to be given with regard to the capacity of the zakat institution to effectively manage its ZIS funds. Islam also teaches Muslims to be middle-class people, stated as follows in Al-Qur'an Surat Al-B aqarah verse 143: "And such that We have made you (Muslims) as a people mid so that you become witnesses of (actions) humans and so that the Apostle (Muhammad) be a witness of your actions" (QS Al Baqarah: 143).

This is in line with Rahmayanti (2014), whose research results showed that the amount of ZIS funds (collected funds) at Zakat Houses in 2009–2011 had to be reduced because the total amount held exceeded the targets to be achieved. However, there is no explanation related to the analysis of the reduction of the collected funds. If we compare the amount of collected funds and distributed funds in the period 2014–2015, LAZ YDSF had a greater amount of distributed funds than collected funds. A decision to increase the size of the distribution,as seen in that year,would usually be taken because the zakat institution has a surplus of funds from previous years that it can use to cover the excess distribution. The management of LAZ YDSF actually has a policy stipulating that it should retain a maximum zakat fund balance of Rp. 200 million each year. Situations where the amount of distributed funds exceeds that of collected funds can occur because zakat institutions are,by definition, philanthropic institutions.

In addition to reducing their amounts of collected funds, LAZs YDSF and ACT must also reduce their total costs. The year 2014 saw an earthquake in China, while there was also an earthquake in Nepal in 2015. ACT, as a LAZ operating on a global scale, has helped provide assistance to numerous countries that have experienced disasters, and this ability necessarily involves significant costs.

Many of the results from previous studies have indicated that zakat institutions needed to reduce their costs. However, the variables used were not total costs but rather the various components of costs, such as operational costs, labor costs, and socialization costs. For example, Wandayati (2018) stated that in the period 2011–2013, LAZ ACT had to reduce operational costs and employee salary costs. Aini (2012), in another study, showed that in 2008 LAZ YDSF had to reduce operational costs by 69.29% and employee salary costs by 73.07%. It is also worth noting that no previous research has been found in relation to the total cost variable. Total costs were selected as a variable in this study due to the unequal nature of the cost components in the respective LAZ financial reports. In fact, the DEA method requires that the variables used are the same. Although no research has been conducted using total costs as a variable, this is not a problem;rather, it presents a disadvantage in that it is not possible to identify the specific component of costs that should be reduced.

Most previous studies have used variable operational costs and employee salary costs, with the average research results indicating that these costs need to be reduced. In practice, in carrying out its operations, it is impossible for a LAZ to not incur some level of cost. We can cite employee salary costs as an example; thus, even if a LAZ is committed to spending as little as possible, it will still face the possibility of having to pay employees in accordance with what should be amil rights. It may thus be concluded that it is not necessarily a case of minimizing costs but rather one of making costs efficient so that those that are incurred are in accordance with the needs and do not result in money being wasted.

Furthermore, YDSF and ACT must also reduce the amount of amil

acceptance. Reducing the amount of amil acceptance represents an alignment of the collected funds target, which must also be reduced. Amil acceptance is a part of amil for ZIS funds that are entitled to be taken; therefore, the amount of amil acceptance will depend on the amount of ZIS funds collected. If, as part of a potential improvement, the amount of collected funds needs to be reduced, there will be an associated decrease in amil acceptance. BAZNAS Regulation number 1 of 2016 CHAPTER IV Article 8 paragraph 1 states that the amount of amil rights is deemed to be no more than one-eighth or 12.5% of the zakat funds. In paragraph 2, it is explained that if the receipt of amil from the zakat funds in paragraph 1 is insufficient, the allocation of infaq/shadaqah funds and other socio-religious funds can be met in the form of operational costs, to a maximum amount of 20%. Looking at ACT's financial statements, it was found that the amil portion of zakat funds exceeded the applicable provisions, namely 12.90% in 2014 and 12.65% in 2015. YDSF, meanwhile, operated in accordance with the applicable regulations. Previous research that employed the amil acceptance variable was not widely found. Difanda (2017), however, useda similar variable called amil distribution, yet this was an output as opposed to an input variable. The results of Difanda's (2017) study showed that the 2013 East Java provincial BAZNAS was required to increase itsamil distribution by 13.91%, while in 2016 DKI BAZNAS had to increase its amount of amil distribution by 17.07%.

The next interesting finding with regard to the potential improvement at LAZ YDSF is that it is necessary to increase the total assets. When viewed in the context of financial statements, this becomes apparent since YDSF has the lowest level of assets owned compared to the other LAZ. As such, the number of assets under management at YDSF remains relatively small, namely only in the form of rotating receivables with a final balance in 2014 of Rp. 397,062,500, against a balance in 2015 of Rp. 459,696,500.

In relation to the fact that each LAZ has its own capacity for managing ZIS funds, there are various different measures that can be taken in order to increase this capacity. These can include improving the quality and quantity of human resources (HR), improving technology, and opening branch offices to expand the scope of activities. A LAZ's total assets might also be increased through an increase in capacity, technology procurement, and the opening of new branch offices. No previous study was identified that used the variable of total assets, with the tendency instead to use fixed assets and current assets as variables. While these approaches are essentially the same, it is not possible with the total asset variable to identify the component that is the source of inefficiency. Unlike the results of this research, Aini (2012) showed that in 2008 LAZ YDSF had to reduce its current assets by 5.14% and its fixed assets by 48.04%. This need for asset reduction was caused by the use of less effective and productive assets; for example, the addition of branch offices in less strategic locations and with a lack of balance with socialization to the public.

The table below contains the results of data processing for the variables in LAZ financial statements for 2014–2016 using the MPI, with oriented outputs and VRS assumptions. In practice, the use of CRS or VRS assumptions has no influence on Malmquist DEA, but both are used to calculate the various distances used to construct the Malmquist index. However, with DEAP software, it is still necessary to complete the assumption option. VRS assumptions were chosen for the purpose of equating with the assumptions used in measuring efficiency. The following are the results of data processing and showthe LAZ productivity levels.

Table 5. Data processing results in the second year Malmquist Productivity Index (MPI)

LAZ (1)	2014-2015					2015-2016				
	Effch (2)	Techch (3)	Pech (4)	Sech (5)	Tfpch (6)	Effch (7)	Techch (8)	Pech (9)	Sech (10)	Tfpch (11)
YDSF	1.118	0.928	1.061	1.054	1.038	0.859	1.058	1.025	0.837	0.908
Al-Azhar	1.000	0.897	1.000	1.000	0.897	1.000	1.107	1.000	1.000	1.107
ACT	1.317	0.928	1.136	1.159	1.222	1.017	0.875	1.015	1.002	0.889
Rumah Yatim	1.000	1.039	1.000	1.000	1.039	1.000	0.812	1.000	1.000	0.812
PKPU	1.027	0.964	1.000	1.027	0.991	1.000	1.219	1.000	1.000	1.219
Rumah Zakat	1.221	0.953	1.000	1.221	1.164	1.019	1.121	1.000	1.019	1.141
Mean	1.108	0.950	1.032	1.074	1.053	0.981	1.021	1.007	0.974	1.002

Source: Data Recovery Results with DEAP 2.1

There were two periods of data processing results covering the threeyears studied. This reflects the fact that the calculation of productivity is the value of changes in total factor productivity. These changes involve at least two production technology sets. Given that the total productivity factors are the result of a multiplication between the technical efficiency changes (EFFCH) and technological changes (TECHCH), the increase and decrease in productivity can be checked by comparing the EFFCH and TECHCH values. This can be formulated as follows:

TFPCH = EFFCH X TECHCH..... (1)

In other words, increased productivity can be explained to be the result of an increase or decrease in efficiency, increase or decrease in technology, or both. Likewise, the overall efficiency change (overall efficiency), shown here as the EFFCH value, is the product of pure technical change (PECH) with a scale efficiency change (SECH). In other words, the value of scale efficiency is largely determined by the values of EFFCH and PECH and can be formulated as follows:

EFFCH = SECH X PECH..... (2)

or

SECH = EFFCH / PECH..... (3)

Based on the data above, it can be seen that in the first year there were two LAZs that had TFPCH values of less than one, namely LAZ Al-Azhar and PKPU. Meanwhile, four other LAZs had more than one TFPCH score, namely LAZ YDSF, ACT, Orphanage House, and Zakat House. As an example of the interpretation of the results from the above data processing, LAZ PKPU has a TFPCH value of 0.991, which indicates a decrease of 0.9%in productivity at the LAZ. This was caused by a decrease of 3.6% intechnical change (TECHCH), or the level of technology used,which was not compensated for by the increase in the value of efficiency change (EFFCH) ofonly 2.7%. The increase in EFFCH is below the average of 10.8%. This occurred because LAZ PKPU wanted to increase its level of efficiency and thus made savings by reducing the costs incurred for technology, and it was this reduction in technology costs that led to the decrease in LAZ PKPU's productivity. On the other hand, Rumah Yatim experienced a productivity increase of 3.9%. This was the result of a 3.9% increase in the use of technology accompanied by an unchanged level of efficiency. The increased productivity of LAZ Rumah Yatim was only caused by an increase in the

technology used; for example,it has an online donation service and cooperates with partners such as bukalapak.com and kitabisa.com.

As for the second year, three LAZs had less than one TFPCH, namely LAZ YDSF, ACT, and Rumah Yatim. The other three LAZs had more than one value, namely LAZ Al-Azhar, PKPU, and Rumah Zakat. LAZ Rumah Zakat had a TFPCH value of 1.141, meaning that it increased productivity by 14.1%. This value was produced by a 1.9% increase in efficiency changes, as well as a technology increase of 12.1%. This happened due to the improved use of technology by LAZ Rumah Zakat, namely by the presence of online donation services, host to host ATM Bersama, Infaq Card (I- Card), the creation of the sharinghappiness.org platform, and collaborations with payment channels, namely satuloket.com, blibli.com, bukalapak.com, tokopedia, paypro, and PayPal, as well as a shopping charity program. This technology improvement was also an effort to improve efficiency; for example,by enabling reductions in operating costs, store rental fees at the mall, and shop staff wages, while also providing convenience to donors for the payment of zakat, infaq, and shadaqah.

On the other hand, LAZ YDSF saw a decrease in productivity of 9.2%. This occurred because of a 14.1% decrease in efficiency change driven by an increase of 5.8% in the level of technology use. This reflects the attempts made by LAZ YDSF to improve the level of technology used; for example, the YDSF Mobile Android application and online trading site KUMYDSF (Mandiri YDSF Business Community). However, it continues to have less than optimal use, there by resulting in a decrease in efficiency due to technology procurement costs. YDSF's potential is very large but there is a need for collaboration with other partners, such as companies engaged in digital technology, along side synergies with various institutions or partners in order for this potential to be optimized.

In the first year, every LAZ under consideration experienced a decline in technology, with an average decrease of 6.6%, except for Rumah Yatim, which experienced a technology increase of 3.9%. Meanwhile, in the second year, only LAZ YDSF experienced a decrease in efficiency change, which was 14.1%. For LAZ Rumah Zakat, there was no change in the value of pure technical efficiency in either the first or second year, meaning that the change in overall efficiency was merely an escalation of the scale efficiency of 22.1% in the first year, and 1.9% in the second year.

Overall, a trend can be detected for increasing levels of technology between the first year and second year. This reflects the Minister of Religion Decree No. 333 of 2015 concerning Guidelines for the Granting of Establishment of Amil Zakat Institutions that came into effect on November 6, 2015. The decision was made in order to increase the efficiency and orderly administration of government administration and improve public services. The decree contains requirements for LAZ on a national scale to collect zakat, infaq, shadaqah, and other socio-religious funds of at least Rp. 50,000,000 (fifty billion rupiah) per year. This mandatory target led to the decision by LAZs to harness technology to enable them to meet the requirement for results that demonstrated an increase in the level of funds collected. Meanwhile, only LAZ ACT and Rumah Yatim experienced a decline in technological levels. This was because in the period 2015–2016 these two LAZs had not become LAZNAS, which meant there was no obligation for them to increase their amounts of collected funds. In addition, Act No. 23 of 2011 concerning Zakat Management, article 23 paragraph 1 requires LAZs to provide proof of zakat deposits to each muzaki that can then be recorded as a deduction from taxable income as explained in the Literature Review. The obligation of LAZ to provide a

proof of zakat deposit to muzaki is what prompted their investment in the procurement of recording technology, namely in the form of software/applications for recording and printing proof of zakat deposits.

No prior research has been found on calculating the productivity of zakat institutions using the MPI. One study carried out in Indonesia, namely Al-Parisi (2017), aimed to measure efficiency and productivity, in addition to determining the factors that influence the level of efficiency using Tobit regression. The results revealed that four OPZ, namely YBM BRI, Rumah Zakat, PKPU, and BAZNAS, experienced an increase in productivity. This was indicated by a TFPCH score of more than 1 (one). One OPZ, namely Dompet Dhuafa, saw a decrease in productivity, with a score of 0.845.

Norazlina and Abdul Rahim (2013), in their study, aimed to measure the efficiency and productivity of zakat institutions in Malaysia and identify the factors influencing the level of efficiency using Tobit regression. The results showed that the TFPCH of zakat institutions in Malaysia had increased at an average rate of 2.4% during the period 2003–2007. This increase was associated with a 3.5% change in TECHCH and a -0.1% change in EFFCH. Unfortunately, the current study has examined different objects, meaning it cannot be compared with the research by Norazlina and Abdul Rahim.

Efficiency and productivity are two areas of performance that can run in the same direction but also in the opposite direction. They can go in the same direction since efficiency is a component of productivity. This can be seen from the value of productivity (TFPCH), which is a decomposition of the efficiency value (EFFCH) and technology level (TECHCH). That is, if the efficiency value (EFFCH) increases, there will also be an increase in the productivity value (TFPCH). However, the opposite may also be the case, with institutions unable to optimize their existing resources, in the form of either technology or human resources (HR). If technology is not used optimally, then its procurement can increase costs, with these costs not being proportional to the results obtained, thus reducing the level of efficiency. This can be seen in Table 1.5, namely in relation to LAZ YDSF experiencing an increase in efficiency in the first year although the level of technology used was low. In the second year, LAZ YDSF opted to increase the level of technology used and thus incurred some technology procurement costs. However, LAZ YDSF failed to use the technology optimally, resulting in a decrease in efficiency in the second year. Meanwhile, LAZ Al-Azhar experienced a decrease in productivity in the first year due to the low level of technology used. However, in the second year, LAZ Al-Azhar saw an increase in productivity that resulted from its improved use of technology. LAZ Al-Azhar was thus able to use technology optimally so that the procurement costs incurred could be aligned with the benefits derived from the use of the technology. This can be seen in the success of LAZ Al-Azhar in maintaining its efficiency value.

The decision as to whether or not to use technology must also be madein line with an improvement in the quality and quantity of HR. There are also costs associated with improving the quality of HR, such as training costs. In this era of digitalization, it is only natural that a LAZ also uses advanced technology to optimize the collection and distribution of zakat and aid in the creation of a LAZ database. However, this also needs to be balanced against improvements to the quality of HR. The aim of HR extends beyond the collection and distribution of the most ZIS funds possible to a duty to care about the problems of the ummah and to the adoption of an aim of da'wah to educate the public about the importance of zakat, infaq, and shadaqah.

CONCLUSION

Two of the observed LAZs experienced inefficiencies in 2014 and 2015, namely LAZ YDSF and ACT. Meanwhile, the results of the data processing for 2016 showed that all of the LAZsin this study had achieved an optimal level of efficiency. The results of the MPI analysis show that in the first year there were two LAZs with TFPCH values of less than one, namely LAZ Al-Azhar and PKPU. Meanwhile, four other LAZs had more than one TFPCH score, namely LAZ YDSF, ACT, Orphanage House, and Zakat House. In the second year, three LAZs experienced increases in productivity, namely LAZ Al-Azhar, PKPU, and Rumah Zakat. Meanwhile, three other LAZs experienced a decrease in productivity, namely LAZ YDSF, ACT, and Rumah Yatim.

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The Implementation of *Indeks Desa Zakat* (IDZ) for Priority Areas of the *Zakat* Community Development (ZCD) Program for the Empowerment of Productive Mustahiq in South Kalimantan

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ABSTRACT

A number of different parties, from both the governmental and private sectors, have attempted various means of overcoming poverty, such as through a zakat institution. As an official zakat institution, BAZNAS has established the Zakat Community Development (ZCD) program. The ZCD program seeks to empower communities by targeting the mustahiq living in underdeveloped villages in terms of prosperity, facilities, and infrastructure. The program has the objective of enabling the members of mustahiq communities to help each other manage the funds provided by BAZNAS, so that their prosperity can be increased. Related to this program, BAZNAS has developed a measurement tool called the Indeks Desa Zakat, or IDZ, which emphasizes Islamic elements, such as those relating to religion, as its very important aspects, in addition to the economic, social, health, and education aspects. This research aims to answer questions regarding the overall condition of villages targeted for the ZCD program by central BAZNAS, in addition to identifying underdeveloped villages to prioritize for assistance. The results demonstrate that from the implementation of Indeks Desa Zakat (IDZ) calculations in the priority areas of the ZCD program, it can be concluded that among the three research locations, RT 34 Beruntung Jaya Village is the village that should be most highly prioritized for a ZCD program, with an index value of 0.48. This value places the village in the good category based on the IDZ score range; therefore, it can be considered for assistance.

Keywords: Implementation, Indeks Desa Zakat, Zakat Community Development

INTRODUCTION

One of the fundamental issues facing every developing country is that of poverty. Countries such as Bangladesh, Cambodia, India, and Indonesia are developing countries, with the governments of each country always seeking to establish a range of programs aimed at reducing poverty. According to March 2018 data from the Central Statistics Agency, around 25.95 million people in Indonesia, or 9.82 percent of the population, live below the poverty line. Specifically, according to the head of BPS Kalsel, Diah Utami, the number of poor people in South Kalimantan (South Kalimantan) for the period September 2017–March 2018 had risen to 2,490. This data reflects a rise in the number of poor people in urban society; in contrast, however, there has been a decline in the number of poor people in rural areas (http://banjarmasin.tribunnews.com/2018/08/01/data-bps- level -kemiskin-kalsel-terendah- di- kalimantan).

Various parties, from both the governmental and private sectors, have made many attempts to tackle poverty and have launched a series of programs aimed at overcoming it. Through its use of the social scope of Islam, *zakat* development has been empirically proven to contribute to poverty reduction. According to Beik (2009), *zakat* can be empowered to realize public prosperity since it is one of the largest Islamic social instruments for handling poverty. Also, the role and functions of *zakat* administrators have started to be fixed and perfected along with such development, which also includes an organization for *zakat* administration in Indonesia by the name of Badan *Zakat* Nasional (BAZNAS). This administrator institution has the role of working to alleviate poverty, which in this context refers not solely to a narrow perspective but also incorporates a broader one. In general, *zakat* management has not previously included a wide perspective on poverty as it has been limited only to overcoming the problem of basic needs. Moreover, there has been no encouragement of community independence or community self-help (www.pusatbaznas.go.id).

The capability approach through community development is considered to be the best approach for *zakat* institutions to adopt. This approach prioritizes the empowerment process and establishes the community members as the owners of the program. The external role played by BAZNAS is thus solely to support the empowerment process. As an official *zakat* institution, BAZNAS has established the *Zakat* Community Development (ZCD) program. The ZCD program aims to empower the community by targeting mustahiq communities who live in underdeveloped villages in terms of their levels of prosperity, facilities, and infrastructure. The goal of the program is for members of the mustahiq community to help each other in managing the funds provided by BAZNAS, so that the prosperity of the mustahiq community can be increased.

These types of programs are conducted throughout Indonesia, including BAZNAS in South Kalimantan. In accordance with its principles, the ZCD program is implemented with the aim of assisting the mustahiq or beneficiaries within a specified geographical area or place based on various special conditions. *ZCD* is a national program of BAZNAS that works in collaboration with Provincial BAZNAS, Regency or City BAZNAS, and other partners. Related to this program, BAZNAS has developed a measurement tool that places a special emphasis on Islamic elements, such as those relating to religion, as the very important aspects, alongside the economic, social, health, and education aspects. This tool is called the Indeks Desa Zakat, or IDZ, and can be used to measure or assess the condition of a village with the aim of categorizing it as either eligible or ineligible for funding by *zakat*.

In 2013, the BAZNAS ZCD program was carried out in 100 villages across Indonesia, three of which are in South Kalimantan Province – Ulin Village Simpur District in Hulu Sungai Selatan District; RT 34 Beruntung Jaya Village, Sungai Tiung Village, Cempaka District in Banjarbaru City; and Ujung Batu Village, Pelaihari District, Tanah Laut District. At the beginning of March 2018, BAZNAS in South Kalimantan Province launched a ZCD program in the village of Palimbangan Sari, Haur Gading Subdistrict, with assistance from BAZNAS of Hulu Sungai Utara Regency and BAZNAS of South Kalimantan Province (http://kalsel.baznas.go.id/berita/BAZNAS -kalal-title-training-assessment-program-*Zakat*-community-development-zcd.html).

Based on this background, the researchers in this study are interested in conducting an assessment of the three villages deemed by central BAZNAS as being potentially eligible for assistance from the ZCD program. According to one of the Three Pillars of Higher Education comprising Education, Research and Community Service at the Faculty of Economics, Lambung Mangkurat University, this research will be useful to the community in South Kalimantan Province. Moreover, it relates to implementation of the ZCD by using the IDZ approach in order to empower productive mustahiq.

The research aims to answer questions regarding the overall condition of the villages targeted by central BAZNAS for the ZCD program, along with identifying other underdeveloped villages to prioritize for assistance. The results of this study can be used by BAZNAS in South Kalimantan province, BAZNAS Tanah Laut, BAZNAS Kandangan, and BAZNAS Banjarbaru City as a reference for the implementation of the ZCD program.

LITERATURE REVIEW

Previous Research

A number of previous studies have been conducted in Indonesia in the areas of the IDZ, ZCD, productive-based zakat, the religiosity of mustahiq, and the index calculation of certain villages. Herdayanti (2018), in her research entitled "The Measurement of *IDZ* in Supporting the Zakat Community Development (ZCD) Program at Popongan Village, Semarang Regency," explained how the prosperity of the village was rated as good, with an index value of 0.56. An index value in the range of 0.41–0.60 indicates that, in general, the village in question is in good condition. Thus, according to its index value, Popongan Village is not prioritized; however, it might still be considered for assistance in the form of a ZCD program. This is due to the fact that the index value for the Economic dimension was 0.33, meaning it does not have a particularly good economic condition and could thus be prioritized for assistance from zakat funding. The index value of the Health dimension was 0.60, while an index value of 0.55 was recorded for the Social and Humanity dimension. It can thus be concluded that although the health and social and humanity conditions of the community are good enough, it could still be considered for assistance. Moreover, the Education and Da'wah dimensions had index values of 0.72 and 0.68, respectively. Generally, the Education and Da'wah dimensions of the community are good, which means that the village is not prioritized for assistance from the perspective of either of these dimensions. Based on the data, it can be seen that the lowest index value was for the Economic dimension, at 0.33, with the highest for the Education dimension, at 0.72.

Aside from an index calculation based on the religious aspect, the calculation of index values can also be based on the classification of villages, such as in the *Indeks Desa Membangun* (IDM). The IDM was developed by the Ministry of Villages in 2015. Setyobakti (2017), in his research, looked at the condition of a village based on the *IDM*. The results served to illustrate both the deficiency and potency in Gondowangi Village. The village was examined using the variables and indicators of the IDM. In the field, it was found that Gondowangi Village falls within the category of sub-urban village, so that the nature of society is united, not geographically separated. Gondowangi Village is close to the community service center, including a service center that was built by the village authority. There are basic service facilities and infrastructure

available in the village; however, there is suboptimal utilization of these services, which is why the community needs to optimize them. The supporting potential in this village comprises the availability of human resources, a proactive village authority, local culture such as garbage management, and an economic institution in the form of Bumdesa.

Sartika (2008), who carried out research at LAZ Surakarta Solo Care Foundation, explains the impact of productive zakat on the income of mustahiq. A similar study was conducted by Beik (2009), who used tools of analysis such as the headcount ratio (to determine the total and percentage of poor families), poverty gap ratio, and income gap ratio (used to ascertain the poverty level of the community), in addition to the Sen index and the Foster–Greerdan–Thorbecke (FGT) indices (used to measure the seriousness of poverty). The results of the study indicated that a productive zakat fund is capable of significantly increasing the income of mustahiq. In addition, the poverty analysis revealed that zakat can reduce the percentage of poor families and the severity of poverty.

Rusli et al. (2015) set out to analyze the impact of productive zakat in the form of financial capital for business, as awarded to the poor community by the Baitul Mall of North Aceh District. This financial capital was given in an effort to ameliorate the poverty situation in North Aceh District. The results of this research demonstrated the positive impacts of awarding productive zakat in the form of financial capital for business, with it being shown to have reduced the level of poverty in North Aceh District by 0.02%; however, the authors also pointed to the fact that this type of effort can be improved.

Mafruhah et al. (2015) also conducted research related to the ZCD program, entitled "The Implementation of Zakat Community Development (ZCD) concept in Empowerment of productive mustahiq in Sukoharjo District." Their study was a collaboration between the researchers and society based on the zakat function of continuous strategic efforts in helping people who lack ability in both economic and business terms to become more capable and independent. The results of the study showed that (1) dissemination by Baitul Maal is able to increase understanding with regard to community-based zakat, and (2) community-based fundraising efforts can yield positive results in terms of improving the performance of Zakat Collecting Unit (Unit Pengelola Zakat or abbreviated as UPZ) and public access in the utilization of zakat.

Zakat

The term *zakat* is derived from the basic word *zaka*, which means holy, blessed, growing, and praiseworthy. In terms of *Fiqh*, *zakat* denotes a certain quantity of assets that Allah instructs should be handed over to those who have a right to receive them (Qardhawi, 1997: 34). Allah SWT mentions *zakat* and prayer in a total of 82 verses, thus making *zakat* the most important pillar of Islam after prayer.

The foundation of *zakat* as an obligation is mentioned in Qur'an Surat Al-Baqaraah, verse 43: *"Establish prayer and give zakat and bow with those who bow (in worship and obedience)."* From the hadits narrated on the authority of Abdullah bin Umar, Rasulullah SAW said: *"Islam is built on five pillars: testifying (the fact) that there is no God except Allah, Muhammad SAW is the messenger of Allah, and establishment of prayer, paying of zakat, pilgrimage to the House (Ka'ba) and the fast of Ramadhan"* (HR Bukhari and Muslim). There is also an Ijma Ulama (agreement of ulama) in relation to both ulama *salaf* (classical) and *khalaf* (contemporary), with an agreement on the obligation of *zakat*. They state that a denial by anyone of this

obligation equates to their disbelief in the principles of Islam.

Muzakki or *zakat* payers are people who are obliged to pay *zakat* from their property. According to Jumhur Ulama, a *zakat* payer is required to be a Muslim but is not required to be baligh or intelligent. *Mustahiq*, meanwhile, are those people who are entitled to receive *zakat*. Allah SWT states the following in Surah At-Taubah verse 60: *"The alms are meant only for the poor and for the needy and for those employed to collect (zakat) and for those whose hearts are to be reconciled and for freeing captives (or slaves) and for those in debt and for expenditure in the Way of Allah and for the wayfarer. This is an obligation from Allah, and Allah is All-Knowing and All-Wise."*

The National Board of Zakat

The National Board of Zakat, or BAZNAS, is the official and only institution established by the government based on the Republic of Indonesia Presidential Decree No. 8 of 2001. Its function as an institution is the collection and distribution of *zakat*, infaq, and alms at the national level. Law Number 23 of 2011, which relates to *zakat* management, accords BAZNAS the capacity, as an authorized institution, to handle the national management of *zakat*.

In terms of the law, BAZNAS is deemed to be a non-structural government institution that is independent yet accountable to the President through the Minister of Religion. Therefore, BAZNAS works together with the government and is responsible for overseeing the management of *zakat* based on Islamic law, a mandate, expediency, justice, legal certainty, integration, and accountability. BAZNAS performs the following four functions: planning for the collection, distribution, and utilization of *zakat*; implementation of the collection, distribution, and utilization of *zakat*; control of the collection, distribution, and utilization of *zakat*; and reporting of and accountability for the implementation of *zakat* management.

In order to perform these duties and functions, BAZNAS has the authority to collect, distribute, and utilize *zakat*; to provide recommendations concerning the formation of BAZNAS at the Province, Regency/City, and LAZ levels; and to request reports from BAZNAS at the Province and LAZ levels on the implementation of *zakat* management, donation, charity, religious, and other social funds.

Zakat Community Development (ZCD) Program

The ZCD program is a community development program aimed at integrating social aspects (education, health, religion, environment, and other social aspects) and comprehensive economic aspects. It is mainly funded by *zakat*, infaq, and alms, with the objective of realizing a prosperous and independent community. The ZCD program covers community development activities in various aspects of life, with that result that the community will be empowered in the four areas of education, health, economy, and religious life, collectively termed *"Caturdaya Masyarakat"*. *Caturdaya Masyarakat* forms the main element of a ZCD program, with each of the areas being interrelated. As a result, a community that has fulfilled these four elements of *Caturdaya Masyarakat* can be categorized as prosperous and independent.

The ZCD program incorporates six principles that must be listed in the concept and stages of a program's implementation. The *zakat* administrators also have to understand these principles. The six principles of ZCD are: community-based, Islamic Sharia, participation, utilization, sustainability, and synergy. The overall objective of a

ZCD program is the realization of a prosperous and independent community. In addition, however, there are the following specific objectives: fostering mustahiq/beneficiaries' awareness of the quality of life; boosting participation in community independence; growing a network of socioeconomic societies, and creating a sustainable empowerment program for realizing a prosperous and independent community.

Indeks Desa Zakat (IDZ)

The *Indeks Desa Zakat*, or IDZ, created by the Research Team and Pusat Kajian Strategis (Puskas) of BAZNAS, is a tool used to measure and/or assess the condition of a village, with the aim of determining whether or not it is eligible to receive funding in the form of *zakat*. According to Puskas of BAZNAS, IDZ can also be used as a monitoring and evaluation tool for the *zakat* management process in a village. The *IDZ* is based on the process-oriented principle, which enables it to be used by *zakat* institutions. This index is used to monitor the progress of a BAZNAS program.

The IDZ consists of five dimensions, namely Economic, Health, Education, Social and Humanity, and Da'wah. Each dimension comprises 15 variables and 39 indicators, which are assigned contribution weightings. The constituent parts of the IDZ are given in Table 1:

Table 1. Components of the *Indeks Desa Zakat (IDZ)*

Dimension	Weighted Score	Variable	Weighted Score	Indicator	Weighted Score
Economic (X_1)	0.25	Productive economic activities (X_{11})	0.28	Superior product diversification / production center (defined) (X_{111})	0.33
				Participation level of the workforce (X_{112})	0.35
				There is a creative industry community (X_{113})	0.32
		Village trade center (X_{12})	0.24	There is a market as a trading facility and a provider of community needs, both traditional and online marketing (X_{121})	0.53
				There is a trading place (shopping sites, minimarkets, food stalls, culinary center) (X_{122})	0.47
		Transportation access and logistics /shipping services (X_{13})	0.22	Accessibility of village roads (X_{131})	0.42
				There are public	0.32

				transportation modes (X_{132})	
				There are logistics / shipping services (X_{133})	0.26
		Access to financial institutions (X_{14})	0.26	Availability of and access to both Islamic and non-Islamic financial institutions (X_{141})	0.37
				Involvement of the community with moneylenders (X_{142})	0.29
				Level of service users/services of financial institutions (X_{143})	0.34
Health (X_2)	0.16	Public health (X_{21})	0.41	Availability of clean water facilities for bathing and washing in every household (X_{211})	0.37
				Availability of bathroom and latrine facilities of the house (X_{212})	0.29
				The source of drinking water (X_{213})	0.34
		Health service (X_{22})	0.36	Availability of *Puskesmas / Poskesdes* facilities (X_{221})	0.25
				Availability of *Polindes* facilities (X_{222})	0.25
				Availability of *Posyandu* facilities (X_{223})	0.25
				Availability of certified doctors or midwives (X_{224})	0.25
		Health insurance (X_{23})	0.23	Membership level of BPJS (Healthcare and Social Security Agency) in the community (X_{225})	1.00
Education (X_3)	0.20	Level of	0.50	Education level of	0.48

		education and literacy (X_{31})		villagers (X_{311})	
				The community can read and count (X_{312})	0.52
		Education facilities (X_{32})	0.50	Facilities for learning are available (X_{321})	0.34
				Easy and affordable access to schools (X_{322})	0.34
				Availability of adequate numbers of teachers (X_{323})	0.32
Social and Humanity (X_4)	0.17	Interaction facilities for the community(X_{41})	0.36	Availability of sports facilities (X_{411})	0.44
				Community activity groups (discussion committees, recitation of the Qur'an, youth clubs, *arisan*, etc.) (X_{412})	0.56
		Electricity infrastructure, communication and information (X_{42})	0.43	Availability of electricity (X_{421})	0.32
				Communication access (handphone) (X_{422})	0.25
				Internet access (X_{423})	0.23
				TV or radio broadcasts (X_{424})	0.20
		Mitigation of natural disasters (X_{43})	0.21	Disaster management (X_{425})	1.00
Da'wah (X_5)	0.22	Availability of religious facilities (X_{51})	0.33	Availability of a mosque in the neighborhood (X_{511})	0.31
				Mosque access (X_{512})	0.32

		Presence of religious associates (religious teachers, etc.) (X_{513})	0.37
Level of religious knowledge of the community (X_{52})	0.30	Al-Qur'an literacy level of community (X_{521})	0.46
		Public awareness of *zakat* and infaq (sharing with fellow human beings) (X_{522})	0.54
Level of community participation in religious activity (X_{53})	0.37	Implementation of routine religious activities (X_{531})	0.30
		Level of community participation in 5-times-daily prayer in the way of *jama'ah* (X_{532})	0.39
		Level of community participation in routine religious activities (weekly or monthly Qur'an recitation) (X_{533})	0.31

Source: Puskas BAZNAS 2017

An index score will be calculated in respect of each of these dimensions, which will eventually produce a final score in the form of the *IDZ*.

METHODOLOGY

The Types of Data and Data Sources

This research is categorized as field research. In this type of research, data are sourced directly from the research objects (i.e., social community) in a certain region. There are two forms of data source in this research, namely secondary data and primary data. The secondary data were obtained from various sources, including that published by the central and regional arms of BAZNAS. The primary data were obtained through the conducting of interviews with village heads or the heads of neighborhood associations. In this respect, the villages are prioritized for a ZCD program by BAZNAS in South Kalimantan using a checklist in the form of a Likert scale, based on the collection of documentation and secondary data from various sources.

The Research Schedule and Location

This research was conducted during the period August–September 2018. The data collection was carried out by interviewing the informants from the research locations, namely in RT 34 Beruntung Jaya Village (Sungai Tiung Village, Cempaka District in Banjarbaru City), Simpur Village (Hulu Sungai Selatan District), and Ujung

Batu Village (Pelaihari District in Tanah Laut City).

The Analysis Method

The analysis method used in this research is the *Indeks Desa Zakat* or IDZ (Pusat Kajian Strategis BAZNAS, 2017). The methods employed to calculate, score, and evaluate the procedures of IDZ are as follows:

First, each indicator is assessed using a five-point Likert scale, with the value of 1 being the lowest and 5 being the highest. As such, a village scoring higher values on this scale is not prioritized for assistance, while a village with low scores will be considered to be prioritized for assistance.

Second, after obtaining the actual figures (based on adjustment of the facts, findings, and data obtained from the Likert scale criteria), the indicator is calculated using the following method:

$$Indicator_x = \frac{(Score_x - Score_{min})}{(Score_{max} - Score_{min})} \quad \text{(i)}$$

where:
Indicator $_x$: the value of x Indicator
Score $_x$: the score on x Indicator
Min score : 1 (the smallest value)
Max score : 5 (the biggest value)

Once the value for an indicator has been obtained, it is then multiplied by the respective weight of each indicator in order to obtain an indicator index. The indicator indices are grouped according to the variable and multiplied by the weight of each variable to obtain the variable index.

Third, the index of each variable is multiplied by the weight in each dimension to obtain the dimension index. The result is a composite index that can be referred to as *IDZ*. The formula is as follows:

$$IDZ = (X1ek + X2ks + X3pe + X4ke + X5da) \quad \text{(ii)}$$

Where:
IDZ: *Indeks Desa Zakat* /*Zakat* Village Index
X1 .... X5: Weight of assessment
ek: Economic dimension
ks: Health dimension
pe: Education dimension
ke: Social and humanity dimension
da: Da'wah dimension

To derive the IDZ weight, the following formula is used to calculate the indicator, variable, and dimensional weights:

$$IDZ = 0.25X_1 + 0.16X_2 + 0.20X_3 + 0.17X_4 + 0.22x_5 \quad \text{(iii)}$$

Where:
X $_1$: Economic
X $_2$: Health
X $_3$: Education
X $_4$: Social and Humanity
X $_5$: Da'wah

Economic Dimension

$$X_1 = 0.28X_{11} + 0.24X_{12} + 0.22X_{13} + 0.26X_{14} \quad \text{(iv)}$$

$$X_{11} = 0.33X_{111} + 0.35X_{112} + 0.32X_{113} \quad \text{(v)}$$

$$X_{12} = 0.53X_{121} + 0.47X_{122} \quad \text{(vi)}$$

$$X_{13} = 0.42X_{131} + 0.32X_{132} + 0.26X_{133} \quad \text{(vii)}$$

$$X_{14} = 0.37X_{141} + 0.29X_{142} + 0.34X_{143} \quad \text{(viii)}$$

where:
X $_1$: Economic dimension
X $_{11}$: Productive economic activities
X $_{12}$: Village trade center
X $_{13}$: Transportation access and logistics /shipping services
X $_{14}$: Access to financial institutions
X $_{111}$: Superior product diversification / production center (defined)
X $_{112}$: Participation level of workforce

X_{113} : There is a creative industry community

X_{121} : There is a market as a trading facility and a provider of community needs, both traditional and online marketing

X_{122} : There is a trading place (shopping sites, minimarkets, food stalls, culinary center)

X_{131} : Accessibility of village roads

X_{132} : There are public transportation modes

X_{133} : There are logistics / shipping services

X_{141} : Availability of and access to both Islamic and non-Islamic financial institutions

X_{142} : Involvement of the community with moneylenders

X_{143} : Level of service users/services of financial institutions

Health Dimension

$$X_2 = 0.41X_{21} + 0.36X_{22} + 0.23X_{23} \quad \text{(ix)}$$

$$X_{21} = 0.37X_{211} + 0.29X_{212} + 0.34X_{213} \quad \text{(x)}$$

$$X_{22} = 0.25X_{221} + 0.25X_{222} + 0.25X_{223} + 0.25X_{224} \quad \text{(xi)}$$

$$X_{23} = 1 \quad \text{(xii)}$$

where:

X_2 : Health dimension

X_{21} : Public health

X_{22} : Health services

X_{23} : Health insurance

X_{211} : Availability of clean water facilities for bathing and washing in every household

X_{212} : Availability of bathroom and latrine facilities of the house

X_{213} : The source of drinking water

X_{221} : Availability of *Puskesmas* / *Poskesdes* facilities

X_{222} : Availability of *Polindes* facilities

X_{223} : Availability of *Posyandu* facilities

X_{224} : Availability of certified doctors or midwives

Education Dimension

$$X_3 = 0.50X_{31} + 0.50X_{32} \quad \text{(xiii)}$$

$$X_{31} = 0.48X_{311} + 0.52X_{312} \quad \text{(xiv)}$$

$$X_{32} = 0.34X_{321} + 0.34X_{322} + 0.32X_{323} \quad \text{(xv)}$$

where:

X_3 : Education dimension

X_{31} : Level of education and literacy

X_{32} : Education facilities

X_{311} : Education level of villagers

X_{312} : The community can read and count

X_{321} : Facilities for learning

X_{322} : Easy and affordable access to schools

X_{323} : Availability of adequate numbers of teachers

Social and Humanity Dimension

$$X_4 = 0.36X_{41} + 0.43X_{42} + 0.21X_{43} \quad \text{(xvi)}$$

$$X_{41} = 0.44X_{411} + 0.56X_{412} \quad \text{(xvii)}$$

$$X_{42} = 0.32X_{421} + 0.25X_{422} + 0.23X_{423} + 0.20X_{424} \quad \text{(xviii)}$$

$$X_{43} = 1 \quad \text{(xix)}$$

where:

X_4 : Social and Humanity dimension

X_{41} : Interaction facilities for the community

X_{42} : Electricity infrastructure, communication and information

X_{43} : Mitigation of natural disasters

X_{411} : Availability of sports facilities

X_{412} : Community activity groups (discussion committees, recitation of the Qur'an, youth clubs, *arisan*, etc.)

X_{421} : Availability of electricity

X_{422} : Communication access (handphone)

X_{423} : Internet access

X_{424} : TV or radio broadcasts

Da'wah Dimension

$$X_{5=}0.33X_{51} + 0.30X_{52} + 0.37X_{53} \quad \text{(xx)}$$

$$X_{51=}0.31X_{511} + 0.32X_{512} + 0.37X_{513} \quad \text{(xxi)}$$

$$X_{52=}0.46X_{521} + 0.54X_{522} \quad \text{(xxii)}$$

$$X_{53=}0.30X_{531} + 0.39X_{532} + 0.31X_{533} \quad \text{(xxiii)}$$

where:

X_{5} : Da'wah dimension

X_{51} : Availability of religious facilities

X_{52} : Level of religious knowledge of the community

X_{53} : Level of religious activity and community participation

X_{511} : Availability of a mosque in the neighborhood

X_{512} : Mosque access

X_{513} : Presence of religious associates (religious teachers, etc.)

X_{521} : Al-Qur'an literacy level of community

X_{522} : Public awareness of *zakat* and infaq (sharing with fellow human beings)

X_{531} : Implementation of routine religious activities

X_{532} : Level of community participation in 5-times-daily prayer in the way of *jama'ah*

X_{533} : Level of community participation in routine religious activities (weekly or monthly Qur'an recitation)

The IDZ values range between 0 and 1. The results of the IDZ will be divided into five categories or score ranges, as described in the following table.

Table 2. IDZ Score Ranges

Score range	Information	Interpretation
0.00–0.20	Not good	Highly prioritized for assistance
0.21–0.40	Not good	Prioritized for assistance
0.41–0.60	Pretty good	Can be considered for assistance
0.61–0.80	Good	Less prioritized for assistance
0.81–1.00	Very good	Not prioritized for assistance

Source: Puskas BAZNAS 2017

Table 2 thus shows that as its IDZ value approaches 1, a village is less prioritized. In contrast, an IDZ value closer to 0 indicates that the village will be prioritized for assistance.

RESULT AND DISCUSSION

Based on the measurements of IDZ, RT 34 Beruntung Jaya Village is the most highly prioritized village for assistance from a ZCD program. This result is based on measurements for the five dimensions of the score index, namely the Economic, Health, Education, Social and Humanity, and Da'wah dimensions. More detailed results for each research location are presented in the following tables.

Table 3. IDZ for Ulin Village

No.	Dimension	Weight	Index
1	Economic (X_{1})	0.25	0.35
2	Health (X_{2})	0.16	0.73
3	Education (X_{3})	0.20	0.60
4	Social and Humanity (X_{4})	0.17	0.64

5	Da'wah (X_5)	0.22	0.89

IDZ Scores for Ulin Village

$IDZ_{=}0{,}25X_1 + 0{,}16X_2 + 0{,}20X_3 + 0{,}17X_4 + 0{,}22x_5$

$IDZ = 0{,}25\ (0{,}35) + 0{,}16(0{,}73) + 0{,}20(0{,}60) + 0{,}17(0{,}64) + 0{,}22(0{,}89)$

IDZ = 0,09 + 0,12 + 0,12 + 0,11 + 0,20

$IDZ = 0{,}63$

Source: Primary data (2018)

The greatest weighting in the IDZ calculation is for the Economic dimension. However, the results shown in Table 3 reveal that the lowest score among the five dimensions for Ulin Village is also for the Economic dimension, at 0.35. The lowest research weighting is for the Health dimension, although the finding from the field was that the health index has the second highest value, of 0.73, after the Da'wah dimension value of 0.89. This is followed by the Education and Social and Humanity dimensions with their variable index values of 0.64 and 0.60, respectively.

For the Economic dimension, there are no productive economic activities in Ulin Village producing creative products such as those that are typically produced by creative industries. Most of the villagers work as farmers, and there is only one village trade center in Ulin Village in the form of a traditional market, which operates every Thursday. The transportation access is very limited, and there are no logistics/shipping services.

In respect of the Health dimension, it can be said that the villagers are very healthy because this village has health services. Also, members of the community are registered for health insurance, which is organized by the government. The village scores well against the Education and Social and Humanity dimensions. Indeed, there are many facilities provided that are needed in order for teaching and learning activities to take place. Interaction facilities for the community are also provided in the form of a tennis table. However, there is no mitigation of natural disasters in Ulin Village. From the other dimensions, Da'wah has the highest index value, which reflects the fact that there is a mosque and 11 *langgar* in the village. There is also *majelis taklim* (Islamic Forum) managed by an *ustazd* (spiritual teacher). Sometimes, the *ustazd*, as the organizer of *majelis taklim*, invites the *habaib* or *'ulama* to a twice-weekly Al-Qur'an recitation event.

Table 4. IDZ Ujung Batu Village

No.	Dimension	Weight	Variable Index
1	Economic (X_1)	0.25	0.38
2	Health (X_2)	0.16	0.80
3	Education (X_3)	0.20	0.73
4	Social and Humanity (X_4)	0.17	0.70
5	Da'wah (X_5)	0.22	0.86

IDZ Scores for Ujung Batu Village

$IDZ_{=}0{,}25X_1 + 0{,}16X_2 + 0{,}20X_3 + 0{,}17X_4 + 0{,}22x_5$

$IDZ = 0{,}25\ (0{,}38) + 0{,}16(0{,}80) + 0{,}20(0{,}73) + 0{,}17(0{,}70) + 0{,}22(0{,}86)$

$IDZ = 0{,}10 + 0{,}13 + 0{,}15 + 0{,}12 + 0{,}19$

$IDZ = 0{,}68$

Source: Primary data (2018)

The condition of Ujung Batu Village is similar to that of Ulin Village. Table 4 indicates that the lowest index value for Ujung Batu Village is also for the Economic dimension, with a score of 0.38. The Da'wah and Health Dimensions occupy the first and second positions, respectively, with weights of 0.86 and 0.80. These are followed by the Education dimension with an index of 0.73, and, finally, the Social and Humanity dimension, which has the lowest index score of 0.70.

The economic sector in Ujung Batu is considered to be the best among other villages. This is because this village has a range of agricultural, plantation, and livestock products such as rice, palm oil, tomatoes, chillies, goats, cows, chickens, and other livestock. However, Ujung Batu Village has very little in the way of creative productive economic activities, with traditional gold mining being the only form. All of the villagers are permitted to mine gold using traditional tools due to the availability of a small mining area that belongs to the public. Every Saturday, there is a village market where the community can engage in the purchase and sale of goods. For transportation services, despite there being no fixed-route public transportation, people are able to travel outside the area using a number of transportation services. People can call transport agencies who will pick up passengers from their homes. On the financial literacy side, there are three groups of merchants led by women entrepreneurs in Ujung Batu Village. These groups are financed by one of the Islamic banks in Indonesia to enable them to conduct their business, thus meaning they do not have to borrow from moneylenders.

The village scores well in both the Health and Education dimensions, reflecting the many health and education facilities available. Ujung Batu Village has one soccer field for sports, which has a border with the market and junior high school. The village also has a Fire Department located in the Village Office. The index for the Da'wah dimension in Ujung Batu Village is very high due to the fact that its religious facilities are well regulated by the village administration. In 2017, the regency administration conducted a *Safari Ramadhan* event at Al-Khif Mosque in Ujung Batu Village, donating 100 million rupiahs to the mosque. Moreover, the mosque received 10 prayer rugs from various banks in South Kalimantan, and 10 copies of Al-Qur'an from the religious community. As a result of this assistance, the village is making progress with regard to religious literacy, facilities, and infastructure.

Table 5. IDZ for RT 34 Beruntung Jaya Village

No.	Dimension	Weight	Index
1	Economic (X_1)	0.25	0.28
2	Health (X_2)	0.16	0.80
3	Education (X_3)	0.20	0.38
4	Social and Humanity (X_4)	0.17	0.35
5	Da'wah (X_5)	0.22	0.57

IDZ Scores for RT 34 Beruntung Jaya Village

$$IDZ_{=}0{,}25X_1 + 0{,}16X_2 + 0{,}20X_3 + 0{,}17X_4 + 0{,}22x_5$$

$$IDZ = 0{,}25\ (0{,}28) + 0{,}16(0{,}80) + 0{,}20(0{,}38) + 0{,}17(0{,}35) + 0{,}22(0{,}57)$$

$$IDZ = 0{,}07 + 0{,}13 + 0{,}08 + 0{,}06 + 0{,}13$$

$$IDZ = 0{,}46$$

Source: Primary data (2018)

RT 34 Beruntung Jaya Village has the lowest ratings across all of the dimensions examined. The village is difficult to find due to a lack of road signs. It is also categorized as a neighborhood association, with the number of households reaching 100 families. Table 5 reveals that the Economic dimension has the lowest index value of 0.28, with the highest index value of 0.80 for the Health dimension. In third position is the Da'wah dimension with an index value of 0.57, followed by the Education dimension on 0.38 and, finally, the Social and Humanity dimension on 0.35.

The majority of the community in this village is made up of farmers, who earn an income through agricultural activity and selling seasonal fruits such as durian. There is no productive economic activity in the village, and there is no trade center. Logistics/shipping services can be carried out only within the district due to the difficulty of transportation access, and there is a very low level of public literacy on finance. RT 34 Beruntung Jaya Village scores better on the Health dimension, however, with there being health care and health professionals in the village to treat people's health issues. Health insurance is also provided for the villagers, coordinated by the district and the village administrators. RT 34 Beruntung Jaya Village has a relatively low score on the Education dimension, with a majority of the villagers completing only an elementary school level of education. This helps to explain the low level of literacy among people in the village. RT 34 Beruntung Jaya Village has no sports facilities, good Internet access, or natural disaster mitigation. Religious activity is only carried out once a week, at night. This leads to a situation where only a few villagers join religious activity because they prefer to rest at night. A summary of the analysis of the IDZ results for each research location is given as follows:

Table 6. IDZ Values in the ZCD Village Program

No.	Village	Dimension Score Index					IDZ
		Economic	Health	Education	Social and Humanity	Da'wah	
1	Ulin	0.09	0.12	0.12	0.11	0.20	**0.63**
2	Ujung Batu	0.10	0.13	0.15	0.12	0.19	**0.68**
3	RT 34 Beruntung Jaya Village	0.07	0.13	0.08	0.06	0.13	**0.46**

Source: Primary data (2018)

Based on the IDZ scores displayed in Table 6, Ulin and Ujung Batu Villages fall within the good category, which means they are less prioritized for assistance. It can be seen that the scores range between 0.61 and 0.80. RT 34 Beruntung Jaya Village, meanwhile, falls within the category of good enough, thus indicating that it can be considered for assistance. RT 34 Beruntung Jaya Village has scores in the range 0.41–0.60, which therefore makes it the most highly prioritized for assistance from a ZCD program. RT 34 Beruntung Jaya Village has the lowest IDZ score, followed by Ulin and Ujung Batu villages. The latter two have scores approaching 1, which means they are not prioritized for assistance.

According to the analysis, RT 34 Beruntung Jaya Village can be considered as being eligible for assistance in the form of a ZCD program, which seeks to develop communities by integrating a range of social aspects (education, health, religion, environment, and other social aspects) and overall economic aspects, with funding from *zakat*, infaq, and alms funds. The overall goal of this type of program is

the creation of a prosperous and independent community.

CONCLUSION AND RECOMMENDATION

Based on the results of the research and discussion presented in the previous chapter, and from implementing the IDZ calculations in the priority areas of the ZCD program, it can be concluded that out of the three research locations, RT 34 Beruntung Jaya Village is the village that is accorded the highest priority for a ZCD program, with an index value of 0.48. This value is categorized as good enough, and, according to the IDZ score range, means that it can be considered for assistance.

This research can form a reference for BAZNAS in South Kalimantan with regard to the implementation of a ZCD program in RT 34 Beruntung Jaya Village. This village contains cattle and goat farms, in addition to a beautiful forest that may be used for nature-based halal tourism. There could also be increased development of quality farming in Ulin Village, and it is also highly recommended that creative industries for women are developed in Ujung Batu.

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Repositioning SOZECOM, Nigeria for Navigating the Digital Economy

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Sokoto State Zakat and Waqf (Endowment) Commission

ABSTRACT

Sokoto State Zakat and Waqf (Endowment) Commission aims to eradicate extreme poverty among the poor, vulnerable and mostly rural people inhabiting Sokoto state in North-western Nigeria. To achieve this aim, SOZECOM is currently restructuring its zakat, waqf and general administration processes. Part of the restructuring is the need to utilize the extensive network of paid and volunteer personnel, vast amount of data and several collaborative efforts with other institutions inorder to explore the potentials of digital finance in the administration of zakat and waqf. A major constraint toward the realization of this aim is limited digital capability. As a first imperative the need to develop SOZECOM's institutional capacity through the strengthening of its digital capabilities was identified. This paper outlines the framework for building the capabilities needed to successfully navigate the digital economy and align its operations toward such realization

Keywords: SOZECOM, Digital capability, Capacity Development, ICT

INTRODUCTION

The world as we know it is continually changing, and one of the fundamental reasons is digital transformation. The global economy is also undergoing digital transformation and it's happening at rapid speed. The digital economy refers to a broad range of economic activities that use digitized information and knowledge as key factors of production (World Economic Forum, 2016). The internet, cloud computing, big data, fintech, and other new digital technologies are used to collect, store, analyze, and share information digitally and transform social interactions. The digitization of the economy creates benefits and efficiencies as digital technologies drive innovation and fuel job opportunities and economic growth. The digital economy also permeates all aspects of society, influencing the way people interact and bringing about broad sociological changes (Global e-Sustainability Initiative and Accenture Strategy, 2015).

The digital economy is undermining conventional views about how organisations are structured; how organisations interact; and how people obtain services, information, and goods. Because digital products and services play an increasingly important role in the day-to-day operations of normal commerce, it no longer makes strategic sense to outsource these activities wholesale. Instead, many traditional establishments are starting to build internal digital capacity, which they can then enhance and extend with partnerships (La Trobe University, 2018). This ensures that these organisations have control over their long-term digital future. Organizations must rethink their structures and culture to better deal with new market environments and transaction models. The traditional organizations that prevailed before this shift will not work in the more global and fast-changing digital economy, where decision making is increasingly based on data rather than on the opinions.

Financial technologies have also introduced new ways of delivering financial services, particularly in facilitating

payment and promoting financial inclusion in many developing countries. Fintech-based services further improved the efficiency of the payments system and digitized, networked, and intelligent information and communications technologies (ICTs) enable modern economic activities to be more flexible and responsive [4]. Digital transformation is about not only data and digital platforms but also how those advanced technologies can be utilized to maximize opportunities for innovative organizational models, processes, and services. While the world continues to benefit from this digital transformation, navigating the digital economy remains a challenge because of its complexity (World Economic Forum, 2016).

Given the widening digital skills gap and differences in the level of regulations and infrastructure, not all countries take full advantage of the benefits offered by the digital economy. Although the digital economy has the potential to radically change the social environment and economic activities of Africa. it has not yet fully realized the potential of harnessing digital technology for sustainable development, due to (among others) poor ICT infrastructure, inadequate skills development, and socioeconomic barriers that prevent much of the rural population from engaging in the digital economy (Bukht & Heeks, 2017). The goal of financial services made available via digital means is to contribute to the reduction in poverty and deliver on the recognized benefits of financial inclusion in developing countries. Financial inclusion means the sustainable provision of affordable financial services that bring the poor into the formal economy. An inclusive system includes a range of financial services that provide opportunities for accessing and moving funds, growing capital, and reducing risk.

Study Area

The immediate area of Sozecom's operation is Sokoto State but because in most cases humanitarian need transcends geography, we also are increasingly engaged beyond Sokoto State and Nigeria. Sokoto State(13°05′N, 05°15′E), located in Northwestern Nigeria has a population of about 5.7 million people predominantly (80%) engaged in farming as primary occupation. The state covers a total of about 26,000 km² and shares borders in the north with the Republic of Niger, to the east with Zamfara State and with Kebbi State to the southwest. It comprises 23 Local Government Areas and 86 districts.

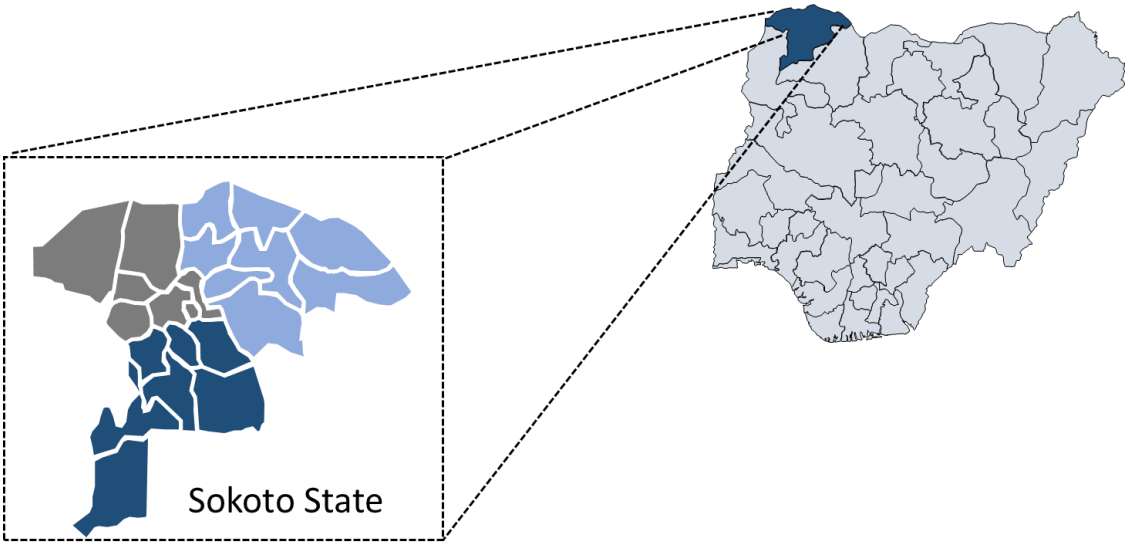

Figure 1. Location of Sokoto State

Contextual Setting

In Sokoto state, North western Nigeria the majority of people living in rural areas are poor, financially excluded, digitally excluded subsistence farmers. Through the assistance of the Sokoto Sultanate Council, SOZECOM has extensive presence covering the entire 86 districts of the state, strategic collaboration with and access to other organizations also working in the same areas and a comprehensive agro-waqf initiative. Since nearly 50% of people in the rural areas already own or have access to a mobile phone, SOZECOM has seen the potential of greater financial inclusion, expansion of financial services to non-financial sectors, and the expansion of basic services to the poor particularly in the management of its extensive waqf system and state-wide zakat networks. An inclusive financial system is desirable and will provide opportunities for all people, particularly the poor, to access and move funds, grow capital, and reduce risk. With greater financial inclusion, individuals who were previously financially excluded will be able to invest in education, save and launch businesses, and this contributes to poverty reduction and economic growth.

To orchestrate this transition, SOZECOM has to as a first imperative, embark on institutional capacity development to create the requisite enabling environment. This requires not only the building of fresh capacity, but also the strengthening, mobilising and changing of existing capacity. Institutional capacity encompasses, on the one hand, the functions (tasks) that institutions should have, the competence (ability) to perform, and, on the other, the resources (human, technical and financial) and structures they need to that end. Capacity building is a cross-cutting issue, and it is critical for the achievement of all Sustainable Development Goals (SDGs). For this reason, capacity building is mainstreamed into the implementation of development programmes related to the SDGs across all sectors. The rapid pace of technological changes in the ICT sector demands a matching pace in the development of the skills and competencies required to fully leverage the benefits of these new technologies. The imperative for public services to fully exploit the potential of modern digital tools, technologies and approaches in order to improve delivery and save money has never been greater especially now when rising people's demand, needs and expectations coincides with a time of severe spending and resource constraints. Digital Capabilities are the key skills and capabilities a organization requires to transform itself into a sustainable and successful entity by considering digital technology as the enabling component. An institutional workforce that can make informed choices around the tools and technology they use, is essential in ensuring that institutions realise their strategic goals across all aspects of their operation (Roehrig & Pring, 2016).

DIGITAL CAPABILITY FRAMEWORK

The SOZECOM Digital Capability Framework was developed in order to articulate the capabilities in a way that can be contextualized to suit the need of staff working in the different areas of SOZECOM operations such as zakat collection, zakat disbursement, zakat management, community and district waqf, property waqf, tree waqf, fund admnistration, investment, public awareness, planning and policy formulation among others. In developing the framework, SOZECOM has drawn upon the experience and expertise of professionals and staff working across higher education in a range of jobs in order to create a framework that can be adapted for all staff and integrated into staff development activities. Digital Capability Framework (DCF) is a digital transformation framework designed to help organizations innovate and coordinate

digitally enabled transformation. It helps organizations analyse their current situation and identify new cases, which are enabled by technology trends in terms of six digital capabilities tailored to transform the organisation into a digital entity [8].

Figure 2. Sozecom Digital Capability Framework

Capacities can be enhanced through improved knowledge, personnel competencies and organisational processes, structures and systems. This will assist it in acquiring knowledge required to better design and implement systems, programs and services at the individual, organisational and institutional levels. It will also strengthen participatory mechanisms that would facilitate effective, responsive and accountable governance.There is the need to develop the capacity of SOZECOM in the broad areas of ICT proficiency, information and data literacy, media literacy, Networking and digital participation, digital research and innovation, E-learning and professional development, digital reputation and identity management. The unctional roles to be targetted include: leadership, administration, operations, IT facilities infrastructure, content/Knowledge mangement, research and scholarship, teaching and learning support,staff/educational development as well as public engagement/communication.

To facilitate basic work readiness the aggregate competencies will ensure:

- Understanding, managing, customizing and efficiently using core ICT devices, apps, services and resources such as mobile devices, productivity software (e.g. word-processing, PowerPoint, e-mail, web browsing, Cloud tools).
- Finding, managing, sharing and organizing digital information in a range of media and ability to judge the quality, relevance, trustworthiness and value of information.
- Basic knowledge and management of digital safety, footprint, identity/reputation, security and compliance (e.g. data privacy and copyright).

- Communicating effectively and with e- etiquette with different stakeholders, using a range of digital media, devices and tools e.g. e- mail, video conferencing, social media.
- Keeping up-to-date with collaboration, communication and information and management tools.
- Choosing and implementing appropriate collaboration, communication, information and management tools for use by teams.
- Following effective practices and key principles for efficient digital communication, collaboration, information management, productivity and self/team management.
- Influencing and motivating team members to use chosen digital tools and guiding them to appropriate awareness- raising, training and support.
- Managing risks with teams when using digital tools e.g. privacy, identity/reputation, data protection, security.

Figure 3. Overview of Sozecom envisione transformation

Challenges and Constraints

Capacity building usually a slow process so the pace of this transformation is slowed by paucity of fund, existing workload and other responsibilities. Another constraint is the limited IT infrastructure and services.

For this reasons and to overcome these limitations, a gradual and phased transformation is chosen. The imperative of overcoming these limitations is recognized and the efficiency gains are expected to overweigh the challenges.

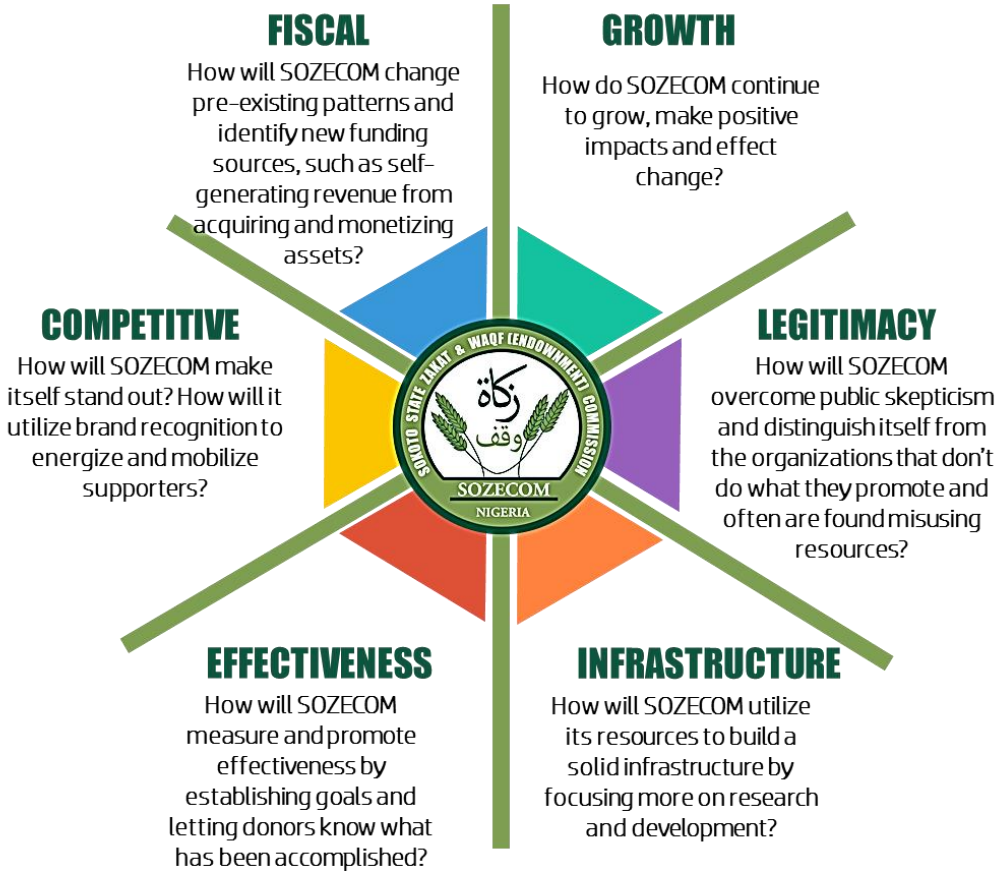

Figure 4. General Challenges facing Sozecom

CONCLUSION

A succesfully reformed Sozecom will improve the outlook for the general administration of zakat and waqf in Sokoto state. A digitally empowered Sozecom will deliver on the promise of greater financial inclusion, expansion of financial services to rural areas of the state, and the expansion of basic services to individuals this in turn will help in accomplishing the aim of eliminating poverty in the state.

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