

Compliance Performance in Reporting on Zakat Institution in Indonesia

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ABSTRACT

The purpose of this study is to review the compliance performance in reporting on zakat institutions in Indonesia in 2023. Based on Laporan Pengelolaan Zakat Nasional 2023, the annual report of national zakat management published by BAZNAS RI, this paper constructs and analyses the implementation of compliance in reporting of zakat institutions in Indonesia. The study uses the content analysis method in developing the compliance performance frameworks and indicators in reporting referring to the zakat regulations in Indonesia. The result of review of this article formulated two main indicators of compliance in report: completing the reports and fulfilling the provisions in reporting. These findings are applicable to implement in evaluating the compliance performance in reporting on zakat institutions in Indonesia.

Keywords: *zakat, reports, compliance, performance, Indonesia*

INTRODUCTION

Zakat in Indonesia is a legal and formal activity that is regulated by law. As mentioned in the Law No. 23/2011 on Zakat, the practice of zakat in Indonesia is aimed to increase the effectiveness and the efficiency in zakat service management and also to increase the benefits of zakat for improving the public welfare and poverty eradication. To prove these objectives, reporting in zakat management is a necessity from all zakat institutions that collect and disburse zakat in Indonesia (Wibisono, 2012).

Many experts estimate that zakat in Indonesia has an enormous potential (BAZNAS, 2019). If managed well, the potential of zakat can be a benefit that contribute positively for economic development (Ahmed, 2004; Al-Qaradhawi, 2000; Ben Jedidia and Guerbouj, 2021; Hafidhuddin, 2002; Malik, 2016; Pramanik, 1993; Saikh, 2015; Shaikat and Zhu, 2020). The latest publication from BAZNAS RI reveals that the zakat potential in Indonesia

reaches 327,6 trillion rupiahs per year (BAZNAS RI, 2024).

However, this potential value of zakat is in contrast to Laporan Pengelolaan Zakat Nasional (LPZN), an official annual report from BAZNAS RI that records the collection of zakat from all entire zakat institutions in Indonesia. In the latest LPZN, BAZNAS RI reports that the national zakat collection from all zakat institutions in Indonesia has only reach 32.3 trillion rupiahs in 2023 (BAZNAS RI, 2024), although the number of zakat institutions that reporting to BAZNAS RI is claimed continues to increase every years.

Since 2021, BAZNAS RI completed the LPZN with the Lampiran Laporan Zakat Nasional (Lampiran-LPZN), an appendix of the annual report presenting zakat management data from each zakat institutions that reports to BAZNAS RI (BAZNAS RI, 2022; BAZNAS RI 2023; BAZNAS RI 2024). The publication of Lampiran LPZN by BAZNAS seems to be to improve the accountability and the compliance

in reporting from the zakat institutions in Indonesia.

Utilizing data from LPZN published by BAZNAS RI, this study is trying to analyse the compliance performance in reporting on zakat institutions in Indonesia. What the compliance performance in reporting on zakat institutions in Indonesia and how the analysis of the compliance performance in reporting are the purpose of this study. Previous studies have examined zakat distribution generally. however,

LITERATURE REVIEW

Zakat Management in Indonesia

The enactment of Law No. 23/2011 on Zakat Management has significantly transformed the landscape of zakat administration in Indonesia. This law brought substantial changes to the governance and legal framework of zakat (Nasution, 2020). Prior to its implementation, zakat management was informal and decentralized, typically organized by community-formed organizations. Consequently, the oversight and accountability in zakat management were at minimal level, and there were no clear regulations that required zakat institutions to report their zakat management activities. Moreover, community-based zakat management lacked proper coordination with the government.

To address these issues and promote professional, transparent, and accountable zakat governance, the government introduced Law No. 23/2011 on Zakat Management (Jamilullah & Supriyatna, 2024). This law serves as a national zakat management system aimed at ensuring that the entire process of zakat management is legally accountable. The law established the National Zakat Board (BAZNAS) as a non-structural government institution responsible for overseeing zakat management across Indonesia. BAZNAS

limited attention has been given to how BAZNAS manages and evaluates the effectiveness of its distribution system. This study seeks to fill that gap by analyzing BAZNAS's distribution management process in detail. The output of this study is expected to provide the policy recommendation to improve zakat management, especially in the aspect of compliance in reporting from all zakat institutions in Indonesia.

operates independently, but is accountable directly to the President through the Ministry of Religious Affairs.

BAZNAS has several functions in carrying out its mandate (Law No. 23/2011, Article 7). The first function, BAZNAS has to make and own a planning document about the activity on collection, distribution, and utilization of zakat so that national zakat management can be implemented in a focused and purposeful manner. The second function, BAZNAS is actively involved in collecting zakat and distributing it to mustahik who are entitled to it. Thirdly, BAZNAS is actively involved in the supervision and control of zakat management activities to ensure that all zakat management throughout Indonesia is in accordance with applicable regulations and sharia rules. The fourth function, BAZNAS has to make reports and be accountable of all national level zakat management activities to the government.

To ensure that zakat management can run effectively and efficiently nationwide, the law also mandates the establishment of provincial and regional (regency/city) BAZNAS branches. Provincial BAZNAS is formed based on the governor's recommendation, while regional BAZNAS is established following a proposal from the regent or mayor, with input from BAZNAS (Law No. 23/2011, Article 15). These regional branches perform the same

functions as the national BAZNAS but at a local level, allowing the public to more easily engage in zakat management as either zakat payers (muzakki) or recipients (mustahik). This structure ensures that zakat management can be adjusted to the diverse needs of different regions.

To assist BAZNAS in the processes of zakat collection, distribution, and utilization activities, the general populace is permitted to establish private-based zakat institution (LAZ), a private-based zakat institution, as delineated in Law No. 23/2011, Article 17. Nevertheless, the creation of LAZ necessitates formal endorsement from the Ministry of Religious Affairs, contingent upon a recommendation from BAZNAS. Upon formation, LAZ is required to consistently report all zakat management activities to BAZNAS. Similar to BAZNAS, LAZ is required to provide audited reports that ensure transparency and accountability in managing zakat. In fact, the existence of LAZ - supporting BAZNAS in various regions - is very important to extend the coverage of zakat management all over Indonesia.

Zakat management in Indonesia, therefore, has been conducted according to a hierarchy based on the regional scale from national, provincial, and regency/city level, and all zakat institutions are coordinated by BAZNAS. Each level of zakat management would carry out its functions and roles, also including collection, distribution, and utilization activities, as well as planning and reporting. While BAZNAS runs the coordination at a national level, the provincial and regency/city branches of BAZNAS perform similar functions in the provinces and regions. Meanwhile, LAZ supports BAZNAS by collecting and distributing zakat funds. This tiered system of management is expected to ensure that zakat can be distributed more equitably or effectively to meet the divergent

needs of different communities across the country.

Regarding reporting, Law No. 23/2011 requires regional BAZNAS to submit zakat management reports to provincial BAZNAS and the regent/mayor every six months and at the end of the year (Law No. 23 of 2011, Article 29). Similarly, provincial BAZNAS must report zakat management activities to national BAZNAS and the governor with the same reporting frequency. LAZ branches are also required to submit reports to BAZNAS, with copies sent to local governments and the provincial or regional Ministry of Religious Affairs offices. At the national level, BAZNAS is required to submit a national zakat management report to the Minister of Religious Affairs every six months and at the end of the year.

Reporting System on Zakat Management

Reporting on zakat institutions is one of the obligations mentioned in the zakat management regulations in Indonesia. There are several regulations that state the function of reporting in zakat management in Indonesia, including: Law of the Republic of Indonesia no. 23/2011 on Zakat Management, Government Regulation no. 14/2014 on zakat management, Ministerial Decree no. 733/2018 and no. 606/2020 on sharia audit guidelines for zakat reports, and BAZNAS Regulation no. 1/2023 on zakat reporting. Law of the Republic of Indonesia Number 23 of 2011 on Zakat Management regulates the compliance in reporting that zakat institutions are required to submit their zakat report for once a semester and once a year. The law also regulates that the zakat report has to be audited and be submitted to BAZNAS RI.

The Government Regulation no. 14/2014 also regulates the reporting compliance, including the obligation for every zakat institution to submit their zakat report for once

a semester and once a year. This regulation also states that zakat institutions are required to carry out reporting functions and make zakat reports periodically. Moreover, the Government Regulation no. 14/2014 stipulates that the zakat report form each zakat institution has to submit to BAZNAS. The submitted zakat reports have to contain financial and performance reports and have to be audited in terms of financial and sharia aspect. In addition, this regulation also states the sanction for zakat institutions if they do not make the zakat reports in accordance with the provisions above.

In the regulation context of reporting function in zakat management in Indonesia, Ministerial Decree no. 733/2018 and no. 606/2020 on sharia audit guidelines for zakat report are technical guidance for the implementation of sharia aspect in the zakat report arrangement and the audit of the zakat reports. BAZNAS Regulation no. 1/2023 on zakat reporting is the technical guidance for zakat institutions in making and submitting their zakat reports. This regulation contains the definitions, variable data, and timeline in making and submitting the zakat reports.

According to BAZNAS Regulation no. 1/2023 on zakat reporting, there are three types of reports that should be submitted by zakat institutions, including zakat performance report, zakat financial report, and regional zakat report as a compilation of zakat performance reports from all institutions in a province. The format of the zakat performance report has been developed to adapt the development of the needs of national zakat data. The variable data of zakat performance reports are general institutional data, governance data, collection data, muzaki data, distribution and utilization data, mustahik data, off balance sheet data of zakat, operational cost data from the government budget for BAZNAS, operational cost data from the local government budget for BAZNAS Provincial and BAZNAS

Regency/City; and local government support data for zakat. Meanwhile, the format of the zakat financial report is based on Indonesian Financial Accounting Standards (PSAK) no. 409 titled Zakah and Infaq/Shadaqah Accounting which takes effect on 1 January 2024.

There are two main timelines as the deadline to BAZNAS Province, BAZNAS Regency/City, and LAZ to submit the zakat performance report and zakat financial report to BAZNAS via SiMBA application, including mid-year and end-year. The first timeline is the submission deadline of mid-year reports. BAZNAS Province, BAZNAS Regency/City, and LAZ are required to submit performance reports to BAZNAS through the information system no later than July 10 of the current year. BAZNAS Province, BAZNAS Regency/City, and LAZ are also required to submit financial reports that have not been audited to BAZNAS through the information system no later than August 15 of the current year. Lastly, BAZNAS Province is required to submit regional zakat reports to BAZNAS through the information system no later than July 31 of the current year. The regional zakat reports are the compilation of zakat performance reports of BAZNAS Province, BAZNAS Regency/City, and LAZ in a province.

The second timeline is the submission deadline of end-year reports. BAZNAS Province, BAZNAS Regency/City, and LAZ are required to submit a 1 (one) year performance report to BAZNAS through the information system no later than January 10 of the following year. BAZNAS Province, BAZNAS Regency/City, and LAZ are also required to submit a 1 (one) year unaudited financial report to BAZNAS through the information system no later than February 15 of the following year. BAZNAS Province, BAZNAS Regency/City, and LAZ are required to submit a 1 (one) year audited financial report

to BAZNAS through the information system no later than August 15 of the following year. Lastly, BAZNAS Province is required to submit a 1 (one) year regional zakat report to BAZNAS through the information system no later than January 31 of the following year.

To improve the effectiveness and efficiency in reporting the implementation of the management of Zakat, Infak, alms, and other social religious funds, BAZNAS developed and managed the web-based information system namely SiMBA application. The use of SiMBA can be done in two ways. Zakat institutions input the data manually to SiMBA, or zakat institutions exchanging data

METHODOLOGY

This research employed a qualitative descriptive method using secondary data from BAZNAS annual reports and supporting literature. Data were analyzed using content analysis to identify recurring themes in zakat distribution management. This study makes an analytic description of the compliance performance in reporting on zakat institutions in Indonesia during 2021 to 2023. There are two main steps in this study.. The first step is the conceptual construction of the compliance performance in reporting. The second step is analysing the data of compliance performance in reporting from zakat institutions. In the first step, conceptual construction is aimed to find the key variables on compliance performance in reporting on zakat institutions. Those key variables are based on the regulation document that states the obligation and its compliance in reporting for all zakat institutions in Indonesia.

In the first step, data processing technique uses the content analysis to identify

RESULTS AND DISCUSSION

In this study, the concept of compliance performance in reporting is developed by

from host to host if the zakat institution already has a similar application. The zakat performance reports and the zakat financial reports from all zakat institutions in Indonesia are submitted to SiMBA and the data processed by BAZNAS. BAZNAS then submit the national zakat management report (LPZN) which contain the national zakat recapitulation data, along with the attachment (Attachment of LPZN) which contain the data of each zakat institution, and also submit the BAZNAS performance report once a semester (mid-year report) and once a year (end-year report) to the President of the Republic of Indonesia and the Minister of Religious Affairs.

the key variables of the compliance performance in reporting. The content analysis in this study is used to determine the presence of key variables in a qualitative method (Bengtsson, 2016; Cresswell, 2002, 1994; Neuman, 2006). This content analysis focuses on the provisions on the compliance in reporting on zakat institutions from legal documents in the context of zakat practice in Indonesia. Identifying those key variables, this study continues to operationalize the concept of the compliance in report on zakat institutions in Indonesia as the analytical framework in this study.

Second step in this study is collecting and processing the data of the zakat reports from the zakat institution in Indonesia. Main sources of the data in this study comes from Laporan Zakat Nasional dan Lampiran which was published by BAZNAS in 2023. Based on collected data above, this study makes the cross-tabulation analysis between those key variables used in the analytical frameworks. Finally, this makes descriptive analysis from the output of statistical process analysis.

analysing the regulations of zakat in Indonesia. Currently, there are several regulations that conduct the function of reporting in zakat

management in Indonesia, including: Law no. 23/2011 on zakat management, Government Regulation no. 14/2014 on zakat management, Ministerial Decree no. 733/2018 and no. 606/2020 on sharia audit guidelines for zakat reports, and BAZNAS Regulation no. 1/2016 on zakat annual planning and no. 1/2023 on zakat reporting.

In the Law no. 23/2011, there are 8 norms that regulate the report function in zakat management. In the Act, the compliance aspect in reporting on zakat institution is to submit their zakat report for once a semester and once a year as mention in the article 7 verse (1) letter d, article 7 verse (3), article 19, and article 29 verse (1) to (6). Furthermore, the Zakat Law also regulates that the zakat report has to be audited (article 19) and be submitted to BAZNAS RI (article 19; and article 29 verse (1), (2), and (3)).

The Government Regulation no. 14/2014 contains 17 norms that regulate the report function for zakat institutions. In this regulations, the compliance aspects include the obligation for every zakat institution to submit their zakat report for once a semester and once a year conducted in article 3 verse (2) letter d, article 71 verse (1) and (2), article 72 verse (1) and (2), article 73, and article 74. This regulation also requires that zakat institutions have to run the report functions and to produce the zakat reports regularly as mentioned in article 31 verse (2), article 34 verse (4), article 41 verse (4), and article 50 letter c.

Moreover, the Government Regulation no. 14/2014 stipulate that the zakat report form each zakat institution have to submit to BAZNAS in article 38 letter c, article 45 letter c, article 71 verse (1) and (2), article 73, and article 75 verse (4). The submitted zakat reports have to contain financial and performance reports (article 76) and have to be audited in terms of financial and sharia aspect (article 75 verse (1)). In addition, this regulation also

states the sanction for zakat institutions if they do not make the zakat reports in accordance with the provisions above (article 79).

In the regulation context of reporting function in zakat management in Indonesia, Ministerial Decree no. 733/2018 and no. 606/2020 on sharia audit guidelines for zakat report are technical guidance for the implementation of sharia aspect in the zakat report arrangement and the audit of the zakat reports. Meanwhile, BAZNAS Regulation no. 1/2023 on zakat reporting is the technical guidance for zakat institutions in making and submitting their zakat reports. This regulation contains the definitions, variable data, and timeline in making and submitting the zakat reports.

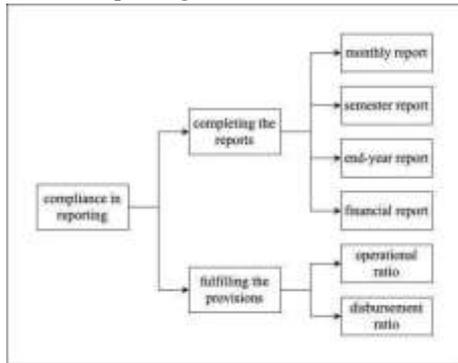
Related to the aspect of compliance in reporting, the BAZNAS Regulation no. 1/2016 on zakat annual planning also mentions the compliance aspect for zakat institutions. This regulation states that zakat institutions can take the operational budget up to 12.5 percent from their zakat collection and up to 20 percent from their non-zakat collection in a year. Another compliance performance is conducted in minutes of the annual meeting of the zakat institution (RAKORNAS) in 2018 that the amount of zakat disbursement must be at least 85 percent of the total zakat collection in a year. The use of the operational budget from zakat collection and the disbursement ratio on each zakat institution have to be reported as an aspect of compliance in reporting.

In this discourse, the study finds that there are two types of compliance aspects in reporting. The first aspect of compliance in reporting on zakat institutions is the completeness of the reports. There are two types of reports: performance reports and financial reports. According to the regulations, the performance report should be submitted every month, semester, and year-end. Meanwhile, the financial reports have to

comply with the accounting standards and be audited.

The second aspect of the compliance in reporting on zakat institutions is to fulfil the provision for the use of operational budget from the collection and the disbursement

Figure 1. concept operationalization of the compliance in reporting on zakat institution



Source: processed by the researcher

Discussion

According to the zakat regulation in Indonesia, each zakat institution has to submit their mid-year report, end-year report, and financial report once a year to BAZNAS. However, Laporan Zakat Nasional 2023 reported that not all zakat institutions comply to report regularly in mid-year and end-year. In the Laporan Zakat Nasional 2023, there are 702 zakat institutions in Indonesia. In the end-year report, there are only 667 end-year reports submitted by zakat institutions. Meanwhile, in the mid-year reports, there are 631 of 702 reports submitted by zakat institutions.

Table 1. end year report by type of institution

Zakat Institution	end year report		
	n	N	%
BAZNAS	1	1	100
BAZNAS Prov	34	34	100

allocation ratio. The fulfilment of those provisions have to be sound in the performance reports and the financial report. Completing all the reports and fulfilling all the provisions are the indication of compliance in reporting.

Zakat Institution	end year report		
	n	N	%
BAZNAS City/Reg	49 1	51 4	95.5
LAZ National	41	44	93.2
LAZ Prov	33	35	94.3
LAZ City/Reg	67	74	90.5
total	66 7	70 2	95.0

Source: BAZNAS (2024), processed by the researcher

Table 2. mid-year report by type of institution

Zakat Institution	mid-year report		
	n	N	%
BAZNAS	1	1	100, 0
BAZNAS Prov	34	34	100, 0
BAZNAS City/Reg	48 0	51 4	93,4
LAZ National	31	44	70,5
LAZ Prov	28	35	80,0
LAZ City/Reg	57	74	77,0
total	63 1	70 2	89,9

Source: BAZNAS (2023), processed by the researcher

In submitting the financial report, there are only 175 zakat institutions submitting their financial report to BAZNAS in 2023. There are

only a half of BAZNAS Provincial and a quarter of BAZNAS City/Regency that submits their financial reports. In LAZ, the rate of compliance to submit their financial report to BAZNAS is less than 30 percent from all LAZ in national, provincial, and city/regency level as shown below.

Table 3. financial report by type of institution

Zakat Institution	financial report		
	n	N	%

BAZNAS	1	1	100,0
BAZNAS Prov	17	34	50,0
BAZNAS City/Reg	12	51	24,7
LAZ National	8	44	18,2
LAZ Prov	10	35	28,6
LAZ City/Reg	12	74	16,2
total	17	70	24,9
	5	2	

Source: BAZNAS (2023), processed by the researcher

Table 4. descriptive statistics of end-year, mid-year, and monthly report

	end-y	mid-y	month	fin-r
Mean	0,95	0,9	10,1	0,36
Standard Error	0,01	0,01	0,13	0,03
Median	1	1	12	0
Mode	1	1	12	0
Standard Deviation	0,22	0,3	3,57	0,68
Sample Variance	0,05	0,09	12,8	0,46
Kurtosis	15,2	5,04	2,36	1,06
Skewness	-4,1	-2,65	-1,94	1,61
Range	1	1	12	2
Minimum	0	0	0	0
Maximum	1	1	12	2
Sum	667	631	7112	255
Count	702	702	702	702

Source: BAZNAS (2023), processed by the researcher

This study distributes the data of zakat institution reports divided by type of zakat institution and area. According to data in this study, the average rate of end-year reports submitted by zakat institutions is only 95.6

percent. This average rate is less than the average rate of mid-year reports submitted in 2023 by 86.8 percent. Following this, we can find that zakat institutions are more compliant in submitting the mid-year report than the end-

year report to BAZNAS. Compared to the financial report, only 39.6 percent of zakat

institutions submitted their 2023 financial report to BAZNAS.

Table 5. percentage of report submitted by type of zakat institution

Zakat Institution	n	% report submitted				
		end-y	mid-y	month	s-fin	avg
BAZNAS	1	100,0	100,0	100,0	100,0	100,0
BAZNAS Prov	34	100,0	100,0	96,3	50,0	86,6
BAZNAS City/Reg	514	95,5	93,4	86,4	24,7	75,0
LAZ National	44	93,2	70,5	69,5	18,2	62,8
LAZ Prov	35	94,3	80,0	82,4	28,6	71,3
LAZ City/Reg	74	90,5	77,0	75,1	16,2	64,7
total	702	95,6	86,8	84,9	39,6	

Source: processed by the researcher

Compared by area of zakat institution, this study finds that the highest compliance in report submitting comes from the area of Kalimantan by 82.1 percent at average rate of zakat institution reports. Splitting data by the type of reports, the highest compliance of end-year reports of zakat institutions in 2023 comes

from the area of Kalimantan by 98,5 percent. The highest compliance of mid-year, monthly, financial reports of zakat institutions also come from the area of Kalimantan by 97,0 percent, 92,7 percent, and 40,3 percent respectively. Overall, the lowest area in reporting rate is the area of Eastern Indonesia.

Table 6. percentage of report submitted by area of zakat institution

Area	n	% report submitted				
		end-y	mid-y	month	s-fin	avg
Northern Sumatera	107	93,5	93,5	88,6	30,8	76,6
Southern Sumatra	69	97,1	95,7	92,6	26,1	77,9
Jawa and Bali	263	95,8	86,7	85,3	29,3	74,3
Kalimantan	67	98,5	97,0	92,7	40,3	82,1

Area	n	% report submitted				
		end-y	mid-y	month	s-fin	avg
Sulawesi	92	96,7	95,7	88,9	10,9	73,0
Eastern Indonesia	104	89,4	80,8	63,2	9,6	60,8
total	702	95,2	91,5	85,2	24,5	

Source: processed by the researcher

The newest Ministerial Regulation No. 19/2024 states that national level zakat institutions have to collect zakat minimum at 30 million rupiah, 10 million rupiah for provincial level, and 2 million rupiah for city/regency level. Compared to the data of LPZN 2023, there are only 40 zakat institutions that can reach the national level of collection.

80 zakat institutions are in the provincial level of collection and 252 zakat institutions are in the city/regency level of collection. There are 200 zakat institutions which are not qualified as zakat institutions even in the city/regency level and 130 zakat institutions that have no report in collection in 2023.

Table 7. number of zakat institution by type on target of collection level

Zakat Institution	Collection Level 2023					Total
	L1	L2	L3	L4	n/a	
BAZNAS	1	0	0	0	0	1
BAZNAS Prov	9	3	11	11	0	34
BAZNAS City/Reg	2	56	19	14	11	514
LAZ National	27	3	7	3	4	44
LAZ Prov	1	15	11	6	2	35
LAZ City/Reg	0	3	31	32	8	74
Total	40	80	25	20	13	702

Source: processed by the researcher

Compared to the 2023 LPZN data, only 5.7 percent of institutions were able to reach the national collection level. As many as 11.4 percent of zakat institutions were at the provincial collection capacity level, and as many as 35.9 percent of zakat institutions were

at the Regency/City collection level. There were 28.5 percent of zakat institutions that did not meet the requirements as zakat institutions at the Regency/City level and even 18.5 percent of zakat institutions did not have a 2023 collection report.

Table 8. percentage of zakat institution by type on target of collection level

Zakat Institution	% Collection Level 2023					Total
	L1	L2	L3	L4	n/a	
BAZNAS	100,0	0,0			0,0	100,0
BAZNAS Prov	26,5	8,8	64,7		0,0	100,0
BAZNAS City/Reg	0,4	10,9	37,4	28,8	22,6	100,0
LAZ National	61,4	29,5			9,1	100,0
LAZ Prov	2,9	42,9	48,6		5,7	100,0
LAZ City/Reg	0,0	4,1	41,9	43,2	10,8	100,0
Total	5,7	11,4	35,9	28,5	18,5	100,0

Source: processed by the researcher

Compared to the zakat institution region, this study found that zakat institutions with national level collections come from the Jawa and Bali regions, which are 34 zakat institutions. The largest zakat institution collection level is currently at the Regency/City collection level with a total of 252 zakat institutions. There are 80 zakat institutions with

a provincial collection level and 40 zakat institutions with a national collection level. However, there are 200 zakat institutions who do not meet the requirements of collection level as a Regency/City. Overall, zakat institutions in the Kalimantan region are the fewest in number with a total of 67 zakat institutions.

Table 9. number of zakat institution by area on target of collection level

Area	Collection Level 2023					Total
	L1	L2	L3	L4	n/a	
Northern Sumatera	3	17	52	15	20	107
Southern Sumatra	0	1	35	24	9	69
Jawa and Bali	34	49	102	61	17	263
Kalimantan	1	2	20	36	8	67
Sulawesi	1	7	29	43	12	92

Eastern Indonesia	1	4	14	21	64	104
Total	40	80	252	200	130	702

Source: processed by the researcher

Viewed from the percentage, only 5.7 percent Zakat Institution that meet the national collection and dominated by Zakat Institutions from Jawa and Bali amounting to 12.9 percent. Meanwhile the Zakat Institutions that meet the province collection amounting to 11.4 percent dominated by Kalimantan at 86.6 percent, and

there are 35.9 percent zakat institutions that meet the regency/city collection dominated by South Sumatra. However, there are 18.5 percent zakat institutions which have not yet submitted its collection report total, dominated by Eastern Indonesian zakat institutions by 61.5 percent.

Table 10. percentage of zakat institution by area on target of collection level

Zakat Institution	% Collection Level 2023					Total
	L1	L2	L3	L4	n/a	
Northern Sumatera	2,8	78,5			18,7	100,0
Southern Sumatera	0,0	1,4	85,5		13,0	100,0
Jawa and Bali	12,9	18,6	38,8	23,2	6,5	100,0
Kalimantan	1,5	86,6			11,9	100,0
Sulawesi	1,1	7,6	78,3		13,0	100,0
Eastern Indonesia	1,0	3,8	13,5	20,2	61,5	100,0
Total	5,7	11,4	35,9	28,5	18,5	100,0

Source: processed by the researcher

Table 11 shows that the variance between zakat disbursement ratio and operational cost ratio is very high for the zakat institutions. The operational cost ratio of zakat institutions is highly spread out, indicating that some have much higher costs compared to other institutions. The zakat disbursement ratio is

more consistent; however, there are still a few institutions which give far greater or smaller amounts of zakat compared to the average. It means that zakat management and operational costs are not shared equally among the institutions.

Table 11. descriptive statistics of disbursement and operational cost ratio

	<i>dis-r</i>	<i>ops-r</i>
Mean	0,71	8,681
Standard Error	0,019	0,407
Median	0,833	6,417
Mode	0	0
Standard Deviation	0,512	10,79
Sample Variance	0,262	116,4
Kurtosis	7,478	9,772
Skewness	1,251	2,307
Range	4,14	92,24
Minimum	0	0
Maximum	4,14	92,24
Sum	498,3	6094
Count	702	702

Source: BAZNAS (2023), processed by the researcher

Based on the Decree of the Minister of Religious Affairs No. 606/2020, the ability of zakat management institutions to distribute and utilize zakat funds is calculated by dividing the total disbursement other than amil funds by the total collection. While, based on the Zakat Management Financial Ratio published by the BAZNAS, the ability of zakat management institutions to distribute and utilize zakat funds is calculated by dividing the total disbursement by the total collection.

Based on the type of zakat institution, this study found that the highest average allocation to collection ratio (ACR) comes from LAZ National at 95.9 percent. Splitting data by the ACR range, the type of zakat institution that achieved the highest average ACR of 85 percent or more (effective category) was BAZNAS Provincial at 64.7 percent. Meanwhile, the type of zakat institution that reached the most ACRs below 85 percent other than BAZNAS as a single institution in its type was LAZ Provincial at 48.6 percent. Overall, the type of zakat institution that did not have ACR data was the most from BAZNAS City/Regency at 24.9 percent.

Table 12. disbursement ratio by type of zakat institution

Zakat Institution	n	disbursement ratio						
		≥ 85	n%	< 85	n%	n/a	n%	avg
BAZNAS	1	0	0,0	1	100,0	0	0,0	72,8
BAZNAS Prov	34	22	64,7	11	32,4	1	2,9	86,3
BAZNAS City/Reg	514	236	45,9	150	29,2	128	24,9	89,7
LAZ National	44	27	61,4	12	27,3	5	11,4	95,9

LAZ Prov	35	16	45,7	17	48,6	2	5,7	78,6
LAZ City/Reg	74	43	58,1	23	31,1	8	10,8	90,0
Total	702	344	49,0	214	30,5	144	20,5	85,6

Source: processed by the researcher

Compared by area of zakat institution, this study finds that the highest average allocation to collection ratio (ACR) comes from the area of Jawa and Bali at 92.4 percent. Splitting data by the ACR range, the area that most achieved ACR value at 85 percent or more also comes from Jawa and Bali at 63.1 percent. Meanwhile, the area that most achieved ACR value below 85 percent comes from Sulawesi. Overall, the area that did not have ACR data was the most from Eastern Indonesia at 67.3 percent.

Another provision to be fulfilled as a compliance in reporting is the use of the operational budget from the fundraising. According to the Minister of Religious Affairs Decree No. 606/2020, the limit for the use of amil fund from zakat funds does not exceed 1/8 or 12.5 percent of the total collection in a year. Meanwhile, the limit for the use of infak funds, alms, and other social religious funds for the operational funds of amil is a maximum of 20 percent of the amount of funds collected.

Table 13. disbursement ratio by area of zakat institution

Zakat Institution	n	disbursement ratio						
		≥85	n%	<85	n%	n/a	n%	avg
Northern Sumatera	107	51	47,7	34	31,8	22	20,6	91,6
Southern Sumatera	69	36	52,2	23	33,3	10	14,5	88,2
Jawa and Bali	263	166	63,1	78	29,7	19	7,2	92,4
Kalimantan	67	33	49,3	24	35,8	10	14,9	89,3
Sulawesi	92	41	44,6	38	41,3	13	14,1	81,5
Eastern Indonesia	104	17	16,3	17	16,3	70	67,3	81,5
Total	702	344	49,0	214	30,5	144	20,5	87,4

Source: processed by the researcher

Based on the type of zakat institution, this study found that the most compliant in using operational expenses on average comes from LAZ Provincial at 12.3 percent. Splitting data by 12.5 percent of operational ratio, the LAZ Provincial is also the most compliant at 45.7 percent of institutions reaching an operational ratio below than or equal to 12.5 percent.

Meanwhile, the type of zakat institution that reached the most operational ratio more than 12.5 percent on average is LAZ City/Regency at 39.2 percent. Overall, the type of zakat institution that did not have an operational ratio was the most from BAZNAS City/Regency at 42.2 percent.

Table 14. operational ratio by type of zakat institution

Zakat Institution	n	operational ratio						
		≤12,5	n%	>12,5	n%	n/a	n%	avg
BAZNAS	1	0	0,0	1	100,0	0	0,0	14,9
BAZNAS Prov	34	14	41,2	12	35,3	8	23,5	16,4
BAZNAS City/Reg	514	154	30,0	143	27,8	217	42,2	13,7
LAZ National	44	16	36,4	16	36,4	12	27,3	14,0
LAZ Prov	35	16	45,7	13	37,1	6	17,1	12,3
LAZ City/Reg	74	25	33,8	29	39,2	20	27,0	14,5
Total	702	225	32,1	214	30,5	263	37,5	14,3

Source: processed by the researcher

Compared by the area of the zakat institution, this study found that the most compliant in using operational costs on average came from the Eastern Indonesia region, which was 9.6 percent. However, Eastern Indonesia is also the region with the most no operational ratios, which was 76 percent. If the data is broken down by an operational ratio of 12.5 percent, the Jawa-Bali is the area that most

often achieves an operational ratio below or equal to 12.5 percent, but also most often achieves an operational ratio above 12.5 percent, which are respectively 39.2 percent and 40.7 percent of the total institutions of its type. The centralized distribution system improves accountability but may reduce flexibility at regional levels. Future

improvement could balance efficiency and local responsiveness

Table 15. operational ratio by area of zakat institution

Zakat Institution	n	operational ratio						
		≤12,5	n%	>12,5	n%	n/a	n%	avg
Northern Sumatera	107	30	28,0	27	25,2	50	46,7	12,7
Southern Sumatera	69	24	34,8	23	33,3	22	31,9	13,2
Jawa and Bali	263	103	39,2	107	40,7	53	20,2	14,2
Kalimantan	67	23	34,3	18	26,9	26	38,8	15,2
Sulawesi	92	26	28,3	33	35,9	33	35,9	15,2
Eastern Indonesia	104	19	18,3	6	5,8	79	76,0	9,6
Total	702	225	32,1	214	30,5	263	37,5	13,4

Source: processed by the researcher

CONCLUSION

This study finds the rate of compliance performance in reporting on zakat institutions in the category of LAZ is lower than in the category of BAZNAS in 2023. This can be seen in all the category data examined in this paper: end-year report, mid-year report, monthly report, and financial report. Unpredicted finding in this study is that the average report submitted by zakat institutions from the area of Jawa and Bali is lower than zakat institutions from the area of Sumatra and Kalimantan. In this finding, the better information and communication access for zakat institutions in Jawa and Bali to BAZNAS RI gives no effect to improve their compliance performance in reporting. While, the compliance performance

in reporting on zakat institutions from the area of Eastern Indonesia is the lowest.

The data on this research also reveals that not all zakat institutions can reach their collection target level based on Ministerial Regulation. There is only 61,4 percent of LAZ in national scale that can reach their national target in collection. There are less than a half of BAZNAS and LAZ in provincial and city/regency level that are able to gain their provincial target in collection. This finding raises the question: does the zakat institutions not have good capacity in reaching their target of collection or is the target of collection not relevant to the capacity of the zakat institutions in Indonesia?

The other aspect of compliance in reporting researched in this study is disbursement ratio and operational ratio aspect. This study finds that only 49 percent of the zakat institutions in Indonesia can reach the minimum 85% disbursement ratio which has been agreed by all zakat institutions since 2018. In operational cost ratio, there is only 32,1 percent of zakat institutions that can control their operational cost ratio below 12,5 percent. This study informs that most of the zakat institutions cannot disburse their zakat effectively and most of them are not efficient in operational activities. This findings also raises another question: are zakat institutions inefficient in using their operational budgets or

are their own zakat collections insufficient to meet the minimum operational budget?

From those findings, this paper recommends three recommendations for improving the compliance in reporting for the zakat institutions. The first recommendation is for BAZNAS RI to invest more in monitoring the process of reporting for all zakat institutions, especially from the area of Eastern Indonesia. The second recommendation is for the Ministry of Religious Affairs to review their criteria of zakat collection level for the zakat institutions. The third recommendation is for the management of all zakat institutions to improve their process in disbursement of zakat and to make their operational activities more efficient to save the use of operational cost.

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