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## *Performance Analysis of Zakat Practices in East Lampung Regency using National Zakat Index (NZI)*

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## ***Abstract***

*Zakat is the third pillar of Islam which has an important role to the society and the economic development. It is also the instrument that can be used to alleviate poverty. Zakat collection in Lampung Province, Indonesia in 2016 has increased, however in the same year, the poverty level also increases. One of the regencies that has the largest number of poor people is East Lampung Regency. This region has large zakat potential but the fund collected was less than one percent of its potential. Thus, the purpose of this paper is to assess and evaluate the performance of zakat practices that include the role of government, society, institutional performance and the zakat impact to the mustahik welfare in East Lampung Regency. The research took a sample of 100 households of mustahik by using purposive sampling technique. The analytical tool used is the National Zakat Index (NZI) which uses a Multi-Stage Weight Index estimation method. The result of this paper shows that the performance of zakat practices in East Lampung Regency is in the less good category with the index value of 0.38.*

***Keywords:*** *National Zakat Index (NZI), poverty, performance*

### **1. Introduction**

East Lampung Regency has the most number of poor people in Lampung Province, by 170,730 persons (Central Bureau of Statistics, 2016). This high number of poor people in East Lampung showed that the welfare rate in this region was still low. Thus, Beik (2009) and Murniati (2014) stated that this poverty problem can be solved through zakat since it is an instrument of wealth transfer from *muzakki* (zakat donor) to *mustahik* (zakat receiver) (Hafidhuddin, 2002). In addition, based on the *fiqh* context, zakat is defined as a certain amount of wealth that Allah requires the owner to be handed over to those who are entitled to receive it (Qardawi, 2011).

The National Board of Zakat (BAZNAS) of East Lampung Regency stated that this regency has a quite high zakat potential, by 650 millions rupiah per month or 7.2 billions rupiah per year (BAZNAS Center of Strategic Studies, 2016). East Lampung Regency, with a total Muslim population (924,563 persons or 94 percent of total population) also shows a high zakat contribution potential. However, this potential must be balanced with the good zakat performance. Therefore, to measure the zakat performance in this region, some indicators are needed. The zakat performance indicator which can be used is the National Zakat Index (NZI). Thus, this research aims to assess and evaluate the performance of zakat practices in East Lampung Regency by using the NZI.

## 2. Methodology

### *Data*

This research uses two sources of data: primary and secondary data. Primary data is acquired through questionnaire survey and interview. Both the questionnaire survey and interview questions are asked to the *mustahik* of BAZNAS, zakat unit of Ministry of Religious Affairs (UPZ Kemenag) of East Lampung, and zakat institutions in East Lampung Regency. On the other hand, secondary data is obtained from literature study such as books, journals, articles and relevant documents from the Central Bureau of Statistics, BAZNAS East Lampung Regency, and UPZ Kemenag.

This research applies purposive sampling by choosing the respondents with the selected characteristics. There are 100 households *mustahik* who received zakat from BAZNAS East Lampung Regency, UPZ Kemenag, and zakat institutions in East Lampung Regency in 2016. The *mustahiks* come from eight districts in East Lampung namely Labuhan Ratu, Way Jepara, Jabung, Braja Selehah, Sukadana, Marga Sekampung, Marga Tiga and Bandar Sribhawono Districts.

### *Data Analysis Methods*

#### a. National Zakat Index (NZI) Analysis

This research used National Zakat Index as its method of analysis. The NZI was created by the Center of Strategic Studies (PUSKAS) of BAZNAS. This index is a composite index which was built to measure the condition of national zakat development (Nurzaman *et al*, 2017). The NZI is divided into two dimensions: macro and micro dimension. The macro dimension reflects on how the role of government and society in aggregate, contribute to build the zakat institution. This dimension has three indicators, namely regulation, government budget (APBN), and database of zakat institutions. Except for regulation and government budget support, the indicator of database of zakat institution was subdivided into three variables: the number of official zakat institutions, individual muzakki and enterprise muzakki.

Whereas the micro dimension has two indicators; performance of zakat institution and the zakat impact to *mustahik*. Performance indicators of zakat institution were then described into more detailed variables that measure the performance of the institution from the aspect of the collection, management, distribution, and reporting. While indicators of zakat impact are a combination of five variables that view the impact from economic, spiritual, education, health, and independency side. Thus, the NZI components are illustrated in Figure 1 and the

weighted score for each component can be observed in the Table 1.

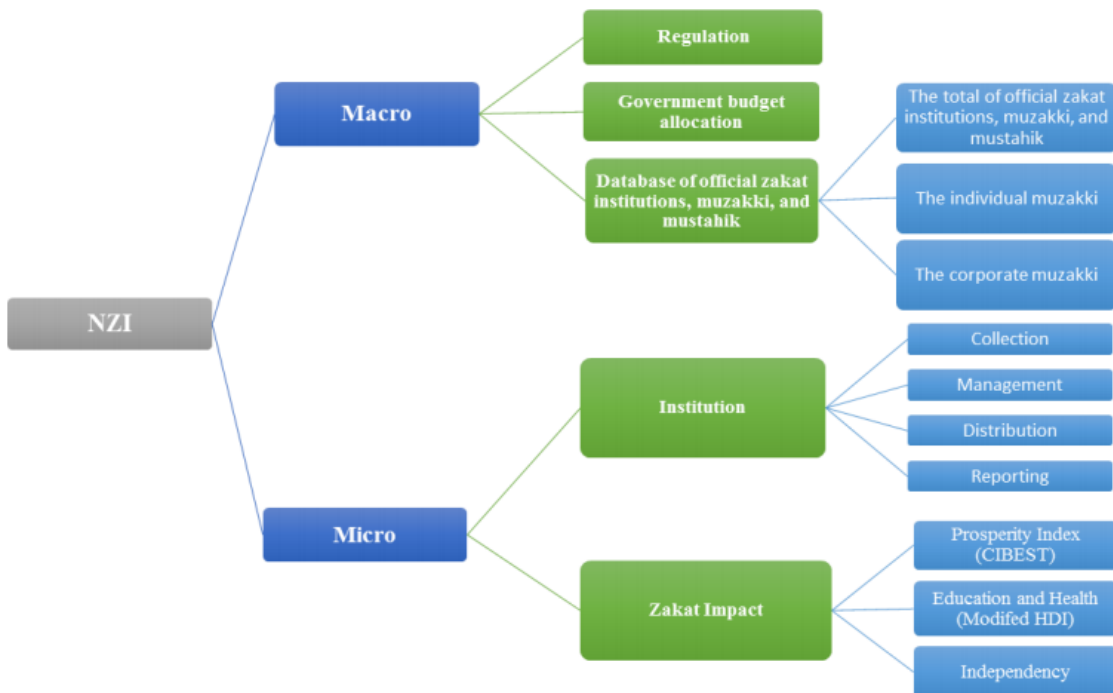


Figure 1. NZI Components

Table 1. Weighted Score of NZI Components

Dimension	Weighted score	Indicator	Weighted score	Variable	Weighted score
Macro (X <sub>1</sub> )	0.40	Regulation (X <sub>11</sub> )	0.30	Regulation	1.00
		Government budget (X <sub>12</sub> )	0.40	Government budget	1.00
		Zakat Institution database (X <sub>13</sub> )	0.30	Number of official zakat institution (X <sub>131</sub> )	0.33
				Individual <i>Muzakki</i> ratio (X <sub>132</sub> )	0.33
Enterprise <i>Muzakki</i> ratio (X <sub>133</sub> )	0.33				
Micro (X <sub>2</sub> )	0.60	Institutional (X <sub>21</sub> )	0.40	Collection (X <sub>211</sub> )	0.30
				Management (X <sub>212</sub> )	0.20
				Distribution (X <sub>213</sub> )	0.30
				Reporting (X <sub>214</sub> )	0.20
		Impact of Zakat (X <sub>22</sub> )	0.60	Material and Spiritual (CIBEST) (X <sub>221</sub> )	0.40
				Education and Health (HDI Modified) (X <sub>222</sub> )	0.40
				Independency (X <sub>223</sub> )	0.20

Source: Center of Strategic Studies BAZNAS (2017)

The NZI formulation model was divided systematically into five steps. The first step, creating the likert scale score within the range from one to five, where the score of 1 (one) describes the worst condition, and 5 (five) describes the excellent condition. The second step, calculating the index of each variable. The formula for calculating the index on each variable can be seen as below:

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

Where,

$I_i$  = index of variable  $i$

$S_i$  = value of the actual score of variable  $i$

$S_{max}$  = maximum score

$S_{min}$  = minimum score

The value of index lies within the range of 0.00 – 1.00. This means the lower value of the index indicates the bad performance of the national zakat, and the greater value of the index indicates a better zakat condition. The index score of NZI is divided into five categories, such as 0.00-0.20 score for *not good* category, 0.21-0.40 for *less good* category, 0.41-0.60 score for *fairly good* category, 0.61-0.80 score for *good* category, and 0.81-1.00 for *very good* category.

The third step is multiplying the index obtained on each variable with the respective weights to derive the index of the indicators. Two (2) indicators which are regulation and government budgets are not specified into more detailed variables, so it does not require certain calculation at this stage. While another three indicators, which break down into several variables are calculated with below fomula:

$$X_{13} = 0.33X_{131} + 0.33X_{132} + 0.33X_{133}$$

where,

$X_{13}$  : Indicator index of database of zakat institution

$X_{131}$  : Variable index of total number of official zakat institutions, registered *muzakki* and *mustahik*

$X_{132}$  : Variable index of individual *muzakki* ratio against the number of households

$X_{133}$  : Variable index of enterprise *muzakki* ratio against the total number of enterprises

$$X_{21} = 0.30X_{211} + 0.20X_{212} + 0.30X_{213} + 0.20X_{214}$$

where,

$X_{21}$  : Indicator index of institution

$X_{211}$  : Variable index of collection

$X_{212}$  : Variable index of management

$X_{213}$  : Variable index of distribution

$X_{214}$  : Variable index of reporting

$$X_{22} = 0.40X_{221} + 0.40X_{222} + 0.20X_{223}$$

where,

$X_{22}$  : Indicator index of zakat impact

$X_{221}$  : Variable index of material and spiritual impact (based on CIBEST Model)

$X_{222}$  : Variable index of education and health (Modified Human Development Index (HDI))

$X_{223}$  : Variable index of Independence

The fourth step, multiplying the index obtained on each indicator with respective weight in order to obtain the index of the dimensions of macro and micro,

$$X_1 = 0.30X_{11} + 0.40X_{12} + 0.30X_{13}$$

where,

$X_1$  : Index of macro dimension

$X_{11}$  : Indicator index of regulation

$X_{12}$  : Indicator index of government budget support

$X_{13}$  : Indicator index of database of zakat institutions

$$X_2 = 0.40X_{21} + 0.60X_{22}$$

where,

$X_2$  : Index of micro dimension

$X_{21}$  : Indicator index of institution

$X_{22}$  : Indicator index of zakat impact

The last step is multiplying the index obtained on each dimension with respective weights to obtain a National Zakat index, which is:

$$NZI = 0.40X_1 + 0.60X_2$$

where,

NZI : National Zakat Index

$X_1$  : Index of Macro Dimension

$X_2$  : Index of Micro Dimension

## b. CIBEST Analysis

The CIBEST model combines the quadrants of human's basic needs which include both material and spiritual aspects (CIBEST quadrants) and CIBEST indices which consist of

welfare index, material poverty index, spiritual poverty index, and absolute poverty index. These indices developed by Beik and Arsyianti (2015).

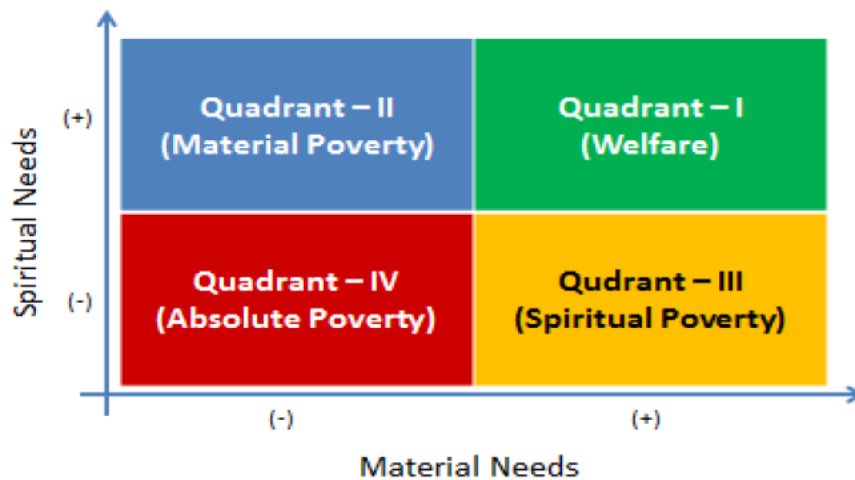


Figure 2. CIBEST Quadrant  
 Source: Beik and Arsyianti (2015)

### 3. Results and Analysis

Based on the NZI measurement, the zakat condition in East Lampung Regency is in *less good* category with index value by 0.38. This result comes from two dimensions: macro and micro dimensions. Details of the results can be observed in the Table 2.

Table 2. National Zakat Index (NZI) in East Lampung Regency

No	Dimension	Index Score
1	Macro	0.05
2	Micro	0.60
NZI score in East Lampung Regency = 0.40 (0.05) + 0.60 (0.60) = <b>0.38</b>		

Source: Primary data (2017)

On the macro dimension, East Lampung Regency has an index value of 0.05. This means that the zakat condition in East Lampung Regency is in *not good* category. This dimension consists of three indicators namely regulation, local government budget support to BAZNAS East Lampung Regency, and the database of zakat institutions in East Lampung.

From the regulation indicator, East Lampung Regency did not have a local regulation

about zakat. Thus, on this indicator, East Lampung Regency has an index score of 0. Moreover, this region also did not allocate its local government budget for the operational cost of zakat activities. So, it has an index score of 0.

On the other hand, the database of zakat institution consists of three variables, such as: (1) the number of official zakat institutions, zakat donor (*muzakki*), and zakat receiver (*mustahik*), (2) ratio of individual *muzakki*, and (3) ratio of corporate *muzakki*. East Lampung Regency already has zakat institutions and the *mustahik* who had been registered to each institution, so that the index score for this variable is 0.5. For the ratio of individual *muzakki* to household numbers, the score is 0. This is because of a very low ratio of this variable (less than one percent; only 480 *muzakki* out of 289,001 households). For the ratio of corporate *muzakki* to the number of companies, since the BAZNAS East Lampung Regency did not have any registered corporate *muzakki* yet, it also has a score of 0.

From those three variables of the database of zakat institution combined, the zakat condition in East Lampung Regency is in *not good* category with a score of 0.17. However, this indicator has the highest score among other indicators on the macro dimension. Thus, details of the macro dimension score is illustrated in the Table 3.

Table 3. Macro Dimension Index Score

No	Indicator	Index Score
1	Regulation ( $X_{11}$ )	0
2	Local government budget support ( $X_{12}$ )	0
3	Database of zakat institutions in East Lampung ( $X_{13}$ )	0.17
Index score of macro dimension in East Lampung Regency $= 0.30 (X_{11}) + 0.40 (X_{12}) + 0.30 (X_{13})$ $= 0.30 (0) + 0.40 (0) + 0.30 (0.17)$ $= \mathbf{0.05}$		

Source: Primary data (2017)

The next dimension is micro dimension which consists of two indicators: institutional indicator and zakat impact indicator. The institutional indicator is related with the performance of BAZNAS East Lampung Regency in managing zakat. This indicator is divided into four

variables such as zakat collection, management, distribution, and reporting. Meanwhile, the zakat impact indicator is associated with the impact and benefit of zakat to *mustahik* as a zakat receiver. Zakat impact indicator consists of material and spiritual welfare variable (CIBEST welfare index), education and health (Modified HDI), and Independency index.

On the institutional indicator, the zakat collection variable is showed by the growth of zakat fund collected by the zakat institutions (ex: BAZNAS and Kemenag zakat unit). The zakat collection raised by 4.57 percent in 2016. This variable has an index value of 0, since the growth is less than five percent and is in the very weak criteria. The next variable is zakat management variable. It is illustrated by the existence of Standard Operational Procedure (SOP), strategic plan, annual zakat program, and ISO certification/ quality assurance. On this variable, BAZNAS East Lampung Regency already has a SOP, strategic plan, and annual zakat program, so that it has an index score of 0.75. This means that the zakat management in BAZNAS East Lampung Regency is quite good.

On the zakat distribution variable, BAZNAS East Lampung Regency has 90 percent for the *Allocation to Collection Ratio* (ACR). Meaning that, all the zakat fund from 2015 was almost successfully distributed in 2016. It also has a good Social Program (SP), Economic Program (EP), and *Dakwah* Program (DP), therefore, the index score is 0.75.

The next variable is the zakat reporting with an index score of 0.25. It means that the zakat reporting by BAZNAS East Lampung Regency is in *less good* category. This is because of its financial report which had not been audited externally. From all the variables of institutional indicator, it is in *fairly good* category with index value of 0.43 which means that BAZNAS East Lampung Regency has a quite good institutional performance.

For the CIBEST welfare index, the material and spiritual welfare has an index score of 1. This score showed that the zakat performance to *mustahik* welfare in East Lampung Regency is in *very good* category. Meanwhile, the result of education and health measurement, using a modified HDI, has an index score of 0.5. This index measures the life viability of *mustahik* through their life expectancy assessment and level of education. The score of this modified HDI variable showed that the education and health condition of *mustahik* in East Lampung Regency is in *fairly good* category. The same score applies to the Independency variable. This variable illustrates the level of *mustahik* independency, which is measured by their occupation or business, and their savings. The index score of Independency variable in East Lampung Regency is 0.5. Meaning that the occupation and savings of the *mustahik* in this region is in *fairly good* category.

The measurement of variables on the zakat impact indicator resulted a score of 0.70.

This means that the zakat impact for *mustahik* in East Lampung Regency is in *good* category. Thus, the index score of institutional indicator (0.43) and zakat impact indicator (0.70) resulted an index value of 0.60 for the micro dimension. This shows that on the micro side, the zakat condition in East Lampung Regency, especially for the performance of BAZNAS East Lampung Regency is quite good. The details of micro dimension index score can be seen in the Table 4.

Table 4. Micro Dimension Index Score

No	Indicator	Index Score
1	Institutional ( $X^{21}$ )	0.43
2	Zakat impact ( $X^{22}$ )	0.70
Index score of micro dimension in East Lampung Regency $= 0.40 (X^{21}) + 0.60 (X^{22})$ $= 0.40 (0.43) + 0.60 (0.70)$ $= \mathbf{0.60}$		

Source: Primary data (2017)

#### 4. Conclusion and Recommendation

Generally, by using the NZI calculation, the zakat condition in East Lampung Regency is in *less good* category with index value of 0.38. On the macro dimension, the zakat condition in East Lampung Regency is in *not good* condition with a score of 0.05. While on the micro dimension, the zakat condition in East Lampung Regency, especially for the performance of BAZNAS East Lampung Regency, is in *fairly good* category with index value of 0.60.

Several steps which can be executed to improve the zakat condition in East Lampung Regency are by initiating the local government budget support to zakat and formulating local regulations for zakat. In addition, it is important to improve the zakat management on the monitoring and reporting aspects in order to build the people trust to zakat institutions, so that it can raise the zakat collection fund (Zaenal *et al*, 2017).

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