Value for Money Analysis of Zakat Institutions: Insights from Indonesia

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Abstract: This study aims to analyze the growth, effectiveness and efficiency ratio of zakat institutions activites. To achieve this goal, this research uses qualitative methods with a content analysis approach. This study examines 9 zakat institutions in Indonesia for 3 years from 2019 to 2021 with 27 observations. Data analysis uses a value for money approach modified by Puskas BAZNAS. To measure effectiveness using the net allocation to collection ratio (NACR), while to measure efficiency using the operational costs ratio (OCR), human resource costs ratio (HRCR), and operational costs ratio of amil rights (OCRAR). This study found that there were quite significant fluctuations in the growth of zakat institutions in the last two years. This study also found that the average NACR at zakat institutions for the last three years was considered very effective. While the efficiency ratio measured using OCR, HRCR, OCRAR is considered efficient. The performance of zakat institutions in Indonesia from a value for money perspective can be said to be good.

Keywords: value for money; effectiveness; efficiency; zakat institutions

INTRODUCTION

The main principle of zakat management is the delivery of funds collected to *mustahik*. Therefore, zakat institutions must be truly selective in determining *mustahik* so that they are suitable on target. According to Mubarokah et al. (2018), the collection and distribution of funds and the efficiency of operational costs measure the performance of zakat institutions.

The activity of zakat institutions can be measured using the effectiveness of distribution of the collection. In contrast, the efficiency of operational costs can be measured using how efficiently zakat institutions use their operational costs for organizational operations, human resources, and amil rights (Bastiar & Bahri, 2019; BAZNAS, 2019). With the excellent performance of zakat institutions, good organizational governance will be formed. The impact on credibility,

accountability, reputation, and the formation of trust in society (Saad et al., 2017; Wahab et al., 2011; Zakiy et al., 2023).

Figure 1 shows that the growth trend in zakat collection fluctuated quite a bit from 2002 to 2022. The growth in collection increased quite significantly in 2005 and 2007. This happened because of natural disasters in Aceh and Yogyakarta. The Puskas BAZNAS policy brief stated that the growth in collections increased quite significantly, which also occurred in 2020 during the Covid-19 pandemic, the number of donations increased than usual (BAZNAS, 2023). Meanwhile, collections in 2022 will reach 22 trillion, an increase of 84.16% from 2021.

Apart from that, the effectiveness of distribution towards collections in 2021 and 2022 is considered very effective at 92.77%. The Directorate of Studies and Development in early 2022 mapped the national zakat potential, and the result was that the potential zakat that could be collected in 2023 was 250 billion (BAZNAS, 2022, 2023).
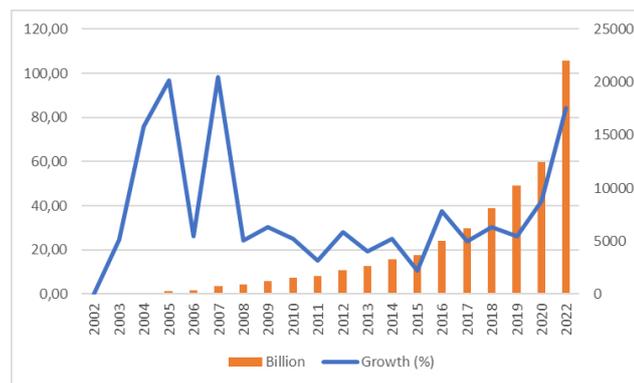

Figure 1. Growth of ZIS Collection period 2002-2022
Source: (BAZNAS, 2022, 2023)

Widiastuti et al. (2021) said that the potential for zakat is excellent and the performance is so good in terms of collection. However, Anwar & Khalsiah (2017) show that zakat institutions in Indonesia still face many problems. The results of the research by Widiastuti et al. (2021) show that the priority problems facing zakat institutions include too many zakat institutions, resulting in a lack of coordination and synergy between zakat institutions, and overlapping collections, the inability of zakat institutions to identify potential *muzakki* both individually and corporately, limited human resources in quality and quantity, the high cost of promotion, the low effectiveness of the zakat utilization program due to the absence of a focus on empowerment in particular fields or sectors, the lack of knowledge and use of technology, and limitations regarding management, especially in the areas of governance and finance. As a result, it will affect the governance, effectiveness, efficiency, and performance of zakat institutions (Lestari, 2015; Munadi & Susilayati, 2016; Samsul Haidir, 2020).

Amalia (2019) explains that performance in an organization is essential for the continuity of its business. Besides that, it is also used as material for evaluating and formulating policies in the future. The same thing was conveyed by Mediawati & Fitrijanti (2016) that performance can be influenced by factors such as good organizational governance, competent human resources, and internal controls.

According to Bahri & Arif (2020), the effectiveness and efficiency of zakat institutions can be gauged by successfully implementing planned programs that achieve social change objectives. This includes empowering low-income people, providing them with knowledge, and enhancing their ability to lead physically and economically fulfilling lives. Other research also conveys that zakat institutions can be considered reputable, successful, and proficient when they satisfy diverse indicators, such as aligning organizational goals with community needs, executing programs by missions and strategic plans, and allocating ample resources to ensure each program attains its intended goals and objectives. (Fathurrahman & Hajar, 2019; Laela, 2010; Zakariya, 2016).

The relevant performance measurement model will describe the conditions of zakat institutions. Pratama (2018) & Zakariya (2016) have measured the performance of zakat institutions using a balanced scorecard. This method can be interpreted into four perspectives: finance, internal business processes, customers, learning and growth. The results show that not all the objects studied describe good performance. Other research using the data envelopment analysis (DEA) approach shows that many zakat institutions studied have an efficiency level in managing zakat reaching 100%, while the rest still show inefficiency because the value is below 100% (Akbar et al., 2020; Fathurrahman & Hajar, 2019; Saputra, 2020).

Ardani et al. (2019) used the Indonesian magnifince zakat (IMZ) method, which describes the performance of sharia compliance, management, finance, utilization, and social legitimacy. The results have been quite good over the last five years, and a significant increase has been experienced in the last two years. CIBEST measures the impact of zakat on the welfare index. Research conducted by Samsul Haidir (2020) on zakat institutions shows that the zakat index value is 0.4878, meaning that the performance of zakat institutions is considered quite good.

Performance measurement research using various methods is a popular research subject and tremendously impacts zakat institutions. However, performance measurement research using the value for money approach modified by Puskas BAZNAS is rarely done. In addition, research on performance measurement provides a comprehensive picture as evaluation material for zakat institutions so they can develop appropriate strategies and policies for both the short and long term. In addition, this research also contributes to the development of insights that highlight that performance measurement at zakat institutions is different from other profit and non-profit institutions.

Effectiveness and efficiency are measured using growth, activity, and efficiency ratios. The growth ratio is the ratio that measures the growth in collection and distribution each year. In contrast, the activity ratio determines the effectiveness of the distribution of zakat funds, and the efficiency ratio shows how efficiently zakat institutions manage their operational costs (BAZNAS, 2019; Zakiy et al., 2022). This research aims to analyze the growth of collections, the effectiveness of the distribution of collections, and the efficiency in regulating the proportion of expenditure in carrying out the operational activities of zakat institutions in Indonesia.

RESEARCH METHODS
This research uses qualitative research with a content analysis approach (Bungin, 2012; Kamayanti, 2016). The data used in this study is secondary data, namely financial reports or annual reports. This research takes the object of zakat institutions in Indonesia with the following criteria:

- Zakat institutions have an average total collection of 70 billion. The selection of these criteria is based on the level of credibility of the zakat institution, so researchers draw conclusions based on several studies such as Assa'diyah & Pramono (2019); Tahliani (2018); Zakiy et al. (2023), zakat institutions that are accountable, transparent and credible have high collections. Apart from that, zakat institutions that have high collections also have good organizational governance;
- National-scale zakat institutions that have permission from the government; and
- Zakat institutions that release financial or annual reports for the last three years from 2019 to 2021.

Value for money as a performance measurement tool in the public sector. The indicators used are economy, efficiency, and effectiveness (Ameyaw et al., 2015; Changalima et al., 2022; Ismail, 2013; Zhao et al., 2022). With the limited data obtained in this study, only two indicators were used: effectiveness and efficiency. Measuring effectiveness and efficiency uses the results of modifications developed by Puskas BAZNAS. The reason is that the measurement model is more relevant for use in zakat institutions.

This study measures effectiveness and efficiency using growth, activity, and efficiency ratios. The growth ratio is a ratio that measures the growth rate from previous years. The activity ratio is used to see the effectiveness of distribution to collection (NACR). Then the efficiency ratio to measure the efficiency of costs for collection and distribution activities (BAZNAS, 2019). Measurement of each ratio is as follows:

1. Growth ratio

The growth ratio is the ratio that describes the growth of ZIS funds at zakat institutions from previous years. The growth ratio can be formulated as follows:

$$\frac{\text{Receipt of ZISt} - \text{receipt of ZISt} - 1}{\text{Distribution of ZISt} - 1} \qquad (1)$$

2. Activity ratio

Net allocation to collection ratio considers the collection and distribution issued in one period without considering the balance of ZIS funds from the previous period. This ratio measures the effectiveness of distribution to the collection in a certain period. Net allocation to collection ratio can be formulated as follows:

$$\frac{\text{Distribution of ZIS}}{\text{Receipt of ZIS}} \qquad (2)$$

The interpretation of the ACR ratio value is as follows:

R < 45%   : Not effective
45% ≤ R < 60%   : Less effective
60% ≤ R < 75%   : Fairly effective
75% ≤ R < 90%   : Effective
R > 90%   : Very effective

3. Efficiency ratio

The ratio of operational costs is a calculation of the composition of operational costs to the total collection. The ratio of operational costs can be formulated as follows:

$$\frac{\text{Total operational cost}}{\text{Total collection}} \qquad (3)$$

The interpretation of the value of this ratio is as follows:

R < 12.5%   : Efficient
12.5% ≤ R ≤ 17.5%   : Fairly efficient
R > 17.5%   : Not efficient

The ratio of HR costs is a calculation of HR performance to total collection. HR cost ratio can be formulated as follows:

$$\frac{\text{Total HR cost}}{\text{Total collection}} \qquad (4)$$

The interpretation of the value of this ratio is as follows:

R ≤ 10%   : Efficient
R > 10%   : Not efficient

The ratio of operational costs to total amil rights is a ratio to measure how much amil rights funds are used in the operational process. The ratio of operational costs to total amil rights can be formulated as follows:

$$\frac{\text{Total operational cost}}{\text{Total amil rights}} \qquad (5)$$

The interpretation of the value of this ratio is as follows:
R < 80% : Efficient
80% ≤ R ≤ 90% : Fairly efficient
R > 90% : Not efficient

RESULTS AND DISCUSSION

There are 9 zakat institutions in this study included in the criteria above, with 27 observations. The nine institutions have an average total collection of 70 billion. They also release financial reports or annual reports consistently from 2019 to 2021.

Table 1. Samples of Zakat Institutions

No	Name	Status
1	Rumah Zakat	National scale – registered
2	Dompet Dhuafa	National scale – registered
3	Nurul Hayat	National scale – registered
4	Inisiatif Zakat Indonesia	National scale – registered
5	LAZISNU	National scale – registered
6	LAZISMU	National scale – registered
7	Rumah Yatim Ar-Rohman Indonesia	National scale – registered
8	Yayasan Daarul Qur'an Nusantara	National scale – registered
9	Yayasan Mizan Amanah	National scale – registered

Growth of Collection

The growth in collection over the last two years has been very volatile for each zakat institution. There is an increase that is not too significant; there is also a significant enough, and there is even a significant decrease. In 2021, LAZISMU will significantly increase collection by 107.38%. However, in 2020, Dompet Dhuafa saw a decline in collection of 8.84% from the previous year. Overall, the average collection growth over the last two years was 22.61%.

Rumah Zakat in 2020 experienced an increase in collection of 11.48%, but in 2021 it was only 4.72%. Dompet Dhuafa after experiencing a significant decline in 2020, will increase by 5.55% in 2021. The same thing was experienced by Nurul Hayat, in 2020 it experienced a decrease in collection of 6.10%, but in 2021 it increased only by 1.79%. Unlike the case with IZI, in 2020 it increased by 27.69%, but in 2021 there was a decrease in collection of 4.33%. LAZISNU has increased for 2 consecutive years, in 2020 it rose by 51.23% and in 2021 it increased by 27.57%. Likewise, with LAZISMU, there was a significant increase in 2021 of 107.38%; the previous year, it increased by 35.10%. Likewise, with Rumah Yatim, two years in a row the collection has increased, in 2020 it was 54.96% and in 2021 it was 10.74%. This also happened to Daarul Qur'an, in 2021 it will increase by 74.76% and in 2021 it will increase by 1.57%. Mizan Amanah in 2021 the income will decrease by 3.40% and in 2021 it will increase by 15.07%. Details of the collection growth can be seen in Figure 2.
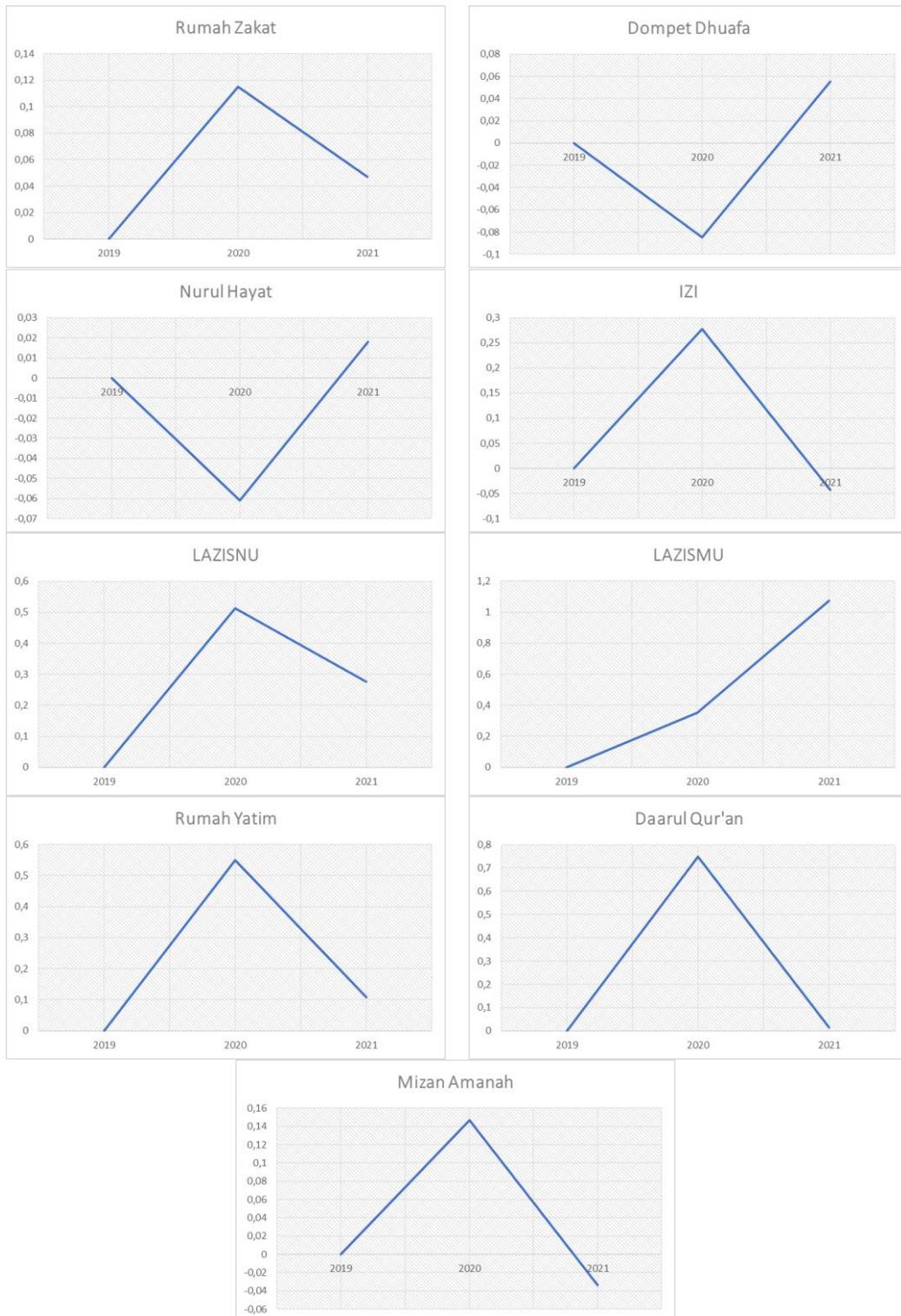
Figure 2. Growth of Collection over the last 2 years

Table 2. Result of NACR

Zakat institutions	Year	NACR	Interpretation	Average NACR for the last 3 years	Interpretation
Rumah Zakat	2019	94,23%	Very effective	89,35%	Effective
	2020	88,67%	Effective		
	2021	85,15%	Effective		
Dompet Dhuafa	2019	79,62%	Effective	86,96%	Effective
	2020	84,68%	Effective		
	2021	96,57%	Very effective		
Nurul Hayat	2019	116,14%	Very effective	100,65%	Very effective
	2020	89,05%	Effective		
	2021	96,77%	Very effective		
IZI	2019	120,19%	Very effective	104,71%	Very effective
	2020	103,95%	Very effective		
	2021	89,98%	Effective		
LAZISNU	2019	100,40%	Very effective	96,92%	Very effective
	2020	92,20%	Very effective		
	2021	98,16%	Very effective		
LAZISMU	2019	89,67%	Effective	90,34%	Very effective
	2020	100,98%	Very effective		
	2021	80,36%	Effective		
Rumah Yatim	2019	91,95%	Very effective	67,39%	Quite effective
	2020	51,69%	Less effective		
	2021	58,54%	Less effective		
Daarul Qur'an	2019	115,49%	Very effective	98,32%	Very effective
	2020	90,83%	Very effective		
	2021	88,65%	Effective		
Mizan Amanah	2019	96,31%	Very effective	107,83%	Very effective
	2020	128,01%	Very effective		
	2021	99,16%	Very effective		

Table 3. The best NACR rating from each zakat institution

Zakat institutions	NACR	Interpretation
Mizan Amanah	107,83%	Very effective
IZI	104,71%	Very effective
Nurul Hayat	100,65%	Very effective
Daarul Qur'an	98,32%	Very effective
LAZISNU	96,92%	Very effective
LAZISMU	90,34%	Very effective
Rumah Zakat	89,35%	Effective
Dompet Dhuafa	86,96%	Effective
Rumah Yatim	67,39%	Quite effective

Net Allocation to Collection Ratio
Details of the results based on calculations formulated by Puskas BAZNAS can be seen in table 2. Overall, the average effectiveness of distribution for collection is 67% considered very effective, 22% considered effective, and 11% considered quite effective. The NACR of Rumah Zakat over the last 3 years has been considered effective at 89.35%. Similar to Dompet Dhuafa, NACR is considered effective at 86.96%. Nurul Hayat's NACR for the last 3 years is considered very

effective at 100.65%. It's the same with IZI, LAZISNU, LAZISMU, Daarul Qur'an and Mizan Amanah. IZI's NACR was 104.71%, LAZISNU's NACR was 96.92%, LAZISMU's NACR was 90.34%, Daarul Qur'an's NACR was 98.32%, and Mizan Amanah's NACR was 107.83%. Unlike the Rumah Yatim, in 2019 the NACR reached 91.95%, but in 2020 and 2021 it was considered less effective, because the NACR in the last 2 years was 55.11%.

Rumah Zakat is considered very effective in 2019, in 2020 and in 2021 it is considered effective. Dompet Dhuafa in 2019 is considered effective, in 2020 and 2021 it is considered very effective. Nurul Hayat in 2019 and 2021 is considered very effective, and in 2020 it is considered effective. IZI in 2019 and 2020 was considered very effective, in 2021 it was considered effective. LAZISNU for three consecutive years is considered very effective. LAZISMU in 2019 and 2021 is considered effective, in 2020 it is considered very effective. Rumah Yatim in 2019 were considered very effective, but in 2020 and 2021 they were considered less effective. Daarul Qur'an in 2019 and 2020 is considered very effective, in 2021 it is considered effective. Mizan Amanah for 3 consecutive years is considered very effective.

If it is ranked for the effectiveness of distribution towards collection from all zakat institutions, if you look at the average NACR for the last 3 years, Mizan Amanah is in first place at 107.83%. In second place is occupied by IZI with 104.71%. Then occupied by Nurul Hayat with 100.65%, Daarul Qur'an 98.32%, LAZISNU 96.92%, and LAZISMU 90.34%. Rumah Zakat occupies the seventh and eighth places with 89.35% and Dompet Dhuafa with 86.96%. Rumah Yatim occupies the last place with 67.39%.

Efficiency of Operational Cost Ratio
The average result of calculating the composition of operational costs to the total collection (OCR) of zakat institutions for three years is considered efficient. One zakat institution with a value above 12.5% is categorized as quite efficient. OCR results for three years, zakat houses have a value of 5.75%, 5.85% and 5.18%. This means that OCR is considered efficient. As with other zakat institutions, the average OCR is below 12.5%. Nurul Hayat has an average OCR score of 4.60%. IZI has an average OCR score of 5.85%. Meanwhile, LAZISNU and LAZISMU have an average OCR score of 2.68% and 5.41%, respectively. Rumah Yatim has an average OCR value of 7.41%. Finally, Daarul Qur'an and Mizan Amanah have an average OCR score of 6.37% and 7.23%.

There are two zakat institutions whose HR cost ratio measurements are considered inefficient, namely Dompet Dhuafa and Daarul Qur'an. Even Daarul Qur'an has HRCR values of 23.33%, 15.80% and 12.96% for three consecutive years. This means that HRCR is considered inefficient. Rumah Zakat has HRCR values of 2.24%, 9.53% and 9.56%. Nurul Hayat has HRCR values of 4.94%, 8.03% and 7.78%. IZI has HRCR values of 8.72%, 7.71% and 9.18%. Meanwhile LAZISNU has HRCR values of 0.25%, 0.22% and 0.47%. And LAZISMU has HRCR values

of 7.65%, 7.57% and 5.45%. Rumah Yatim and Mizan Amanah have an average HRCR value of 5.10% and 6.87. This means that zakat institutions with a value below 10% can be considered efficient.

Dompet Dhuafa's OCRAR values in 2020 and 2021 are 128.73% and 114.77%. This means that the OCRAR value is not efficient. Meanwhile, other zakat institutions are considered efficient and quite efficient, because their value is below 80% and between 80% and 90%. Rumah Zakat has an average OCRAR value of 37.04%. Meanwhile, IZI has an average OCRAR value of 40.68%. Furthermore, LAZISNU and LAZISMU have an average OCRAR score of 76.12% and 44.32%. Rumah Yatim and Daarul Qur'an have an average OCRAR score of 58.32% and 34.83%. Finally, Mizan Amanah has an average OCRAR score of 46.03%.

Table 4. Operating Cost Ratio

Zakat institutions	Year	OCR	HRCR	OCRAR
Rumah Zakat	2019	5,75%***	2,24%***	35,49%***
	2020	5,85%***	9,53%***	40,05%***
	2021	5,18%***	9,59%***	35,59%***
Dompet Dhuafa	2019	0,21%***	8,43%***	1,56%***
	2020	17,24%**	10,28%*	128,73%*
	2021	16,77%**	9,50%***	114,77%*
Nurul Hayat	2019	7,61%***	4,94%***	58,40%***
	2020	2,94%***	8,03%***	25,28%***
	2021	3,25%***	7,78%***	28,26%***
IZI	2019	6,30%***	8,72%***	44,99%***
	2020	5,14%***	7,71%***	34,88%***
	2021	6,12%***	9,18%***	42,15%***
LAZISNU	2019	1,13%***	0,25%***	74,85%***
	2020	1,20%***	0,22%***	68,32%***
	2021	5,70%***	0,47%***	85,20%**
LAZISMU	2019	6,02%***	7,65%***	46,49%***
	2020	5,45%***	7,57%***	43,33%***
	2021	4,77%***	5,45%***	43,15%***
Rumah Yatim	2019	10,16%***	6,25%***	58,69%***
	2020	6,77%***	4,81%***	54,06%***
	2021	5,31%***	4,24%***	62,22%***
Daarul Qur'an	2019	7,20%***	23,33%*	32,81%***
	2020	4,83%***	15,80%*	27,86%***
	2021	7,09%***	12,96%*	43,83%***
Mizan Amanah	2019	5,99%***	6,94%***	40,75%***
	2020	6,19%***	6,57%***	47,97%***
	2021	9,51%***	7,09%***	49,38%***

Notes: *** = efficient; ** = efficient enough; * = not efficient; OCR = operational cost ratio; HRCR = human resource costs ratio; OCRAR = operational costs ratio of amil rights.

Growth fluctuations in the collection of zakat institutions
The growth ratio is the ratio that describes the growth in ZIS collection at zakat institutions from previous years. The measurement of the capacity of the primary collection growth ratio is to assess the extent to which zakat institutions can increase ZIS funds collected from the previous year. The bigger the better. This ratio of

growth in fundraising will have an impact on planning the distribution and expansion of zakat institutions (BAZNAS, 2019; Safitri & Huda, 2021).

Figure 2 illustrates that zakat institutions have increased or decreased collection growth over the last 2 years. If interpreted, only one growth can be considered good, because the increase in the association is above 100%. The majority of significant increases in collection occurred in 2020, this was due to the Covid-19 pandemic. This is in line with research conducted by Kadir et al. (2020), that the use of zakat funds for handling Covid-19 is by the maqashid sharia rules and Amanda et al. (2021) that zakat can be a solution to overcome Covid-19.

The fluctuations in collection experienced by zakat institutions can be due to the lack of synergy and coordination from all zakat institutions. As a result, there is overlapping collection between zakat institutions with one another. In addition, it is possible that zakat institutions have not been able to optimize the available zakat potential, both individual and corporate zakat potential. According to Widiastuti et al. (2021) the challenge encountered by zakat institutions in optimizing their collection of ZIS funds stems from inadequate coordination and synergy among these institutions. The presence of numerous zakat organizations leads to overlapping collections. Additionally, the incapacity of zakat institutions to identify potential zakat contributors, both individual and corporate, exacerbates the issue.

Apart from these problems, Mediawati & Fitrijanti (2016) also explained that a lack of public trust in zakat institutions caused the low collection. The level of public trust is intricately linked to the quality of information presented in financial reports. This is because financial reports serve as a reliable source of information that users can depend on to assess the performance of management and the financial standing of an organization.

In addition, public awareness regarding the obligation of zakat is still low and the explored zakat base is still concentrated on several types of zakat, for example zakat fitrah. The difference in calculations is also a factor in the low ZIS collection. There is a wide gap between fiqh opinion and contemporary reality. This means that the more diverse the economic activities, the more difficult it will be to find new analogies by current calculations (Amanda et al., 2021; Fathony, 2018; Lubis et al., 2022).

The effectiveness of distribution to the collection of zakat institutions
NACR is an activity ratio to measure the effectiveness of using assets in an organization. Concerning zakat institutions, the activity ratio in question is the effectiveness of the distribution of ZIS funds (BAZNAS & Indonesia, 2016; BAZNAS, 2019; Ermawijaya, 2018). Based on the zakat core principles document, zakat institutions must ensure that their organizations run as they should (Alim, 2016) Therefore, indicators are needed to measure the performance of zakat institutions (Bastiar & Bahri, 2019; Harto et al., 2018) One thing that must be

considered is how the effectiveness of channeling funds to zakat institutions can be measured using the net allocation to collection ratio (BAZNAS, 2019)

According to NACR calculations (shown in table 2), the results are very effective, effective, and quite effective, if averaged over the last 3 years. This means that the funds raised by zakat institutions have been channeled to *mustahik* during that period. During the last three years, the average amount of funds collected has been channeled to *mustahik* by 93.61%. This aligns with research conducted by Ardani et al. (2019) & Zakiy et al. (2022), that funds raised by zakat institutions must be immediately distributed to *mustahik* during that period. According to Ghaouri et al. (2023), the funds collected should not take too long to collect, because in these funds there are *mustahik* rights that must be distributed immediately.

This ratio is considered very important for use in zakat institutions because the jumhur ulama's opinion must immediately distribute the distribution of zakat. What is meant by immediate in this case is that the zakat collected in one year must be distributed immediately in that year. This aligns with the opinion Ibn Bathol, Ibn Hajar, and Imam Nawawi (BAZNAS, 2019; Nomran, 2021; Zakiy & Falikhatun, 2023). Apart from that, the zakat core principles also explain that zakat collected in one period must be distributed immediately or at the latest within one year must be distributed to *mustahik* (BAZNAS & Indonesia, 2016)

Even though, according to the interpretation, the effectiveness of distribution towards collection is considered very effective, there are problems faced by zakat institutions related to distribution. According to Widiastuti et al. (2021), some zakat institutions do not have programs or focus on empowerment in specific sectors or fields, resulting in a low NACR and distribution that is not on target. On the other hand, the lack of a program or focus on empowerment is due to limited human resources in quantity and quality. The quality of human resources at zakat institutions greatly influences the realization of good organizational governance.

Efficiency of operational costs of zakat institutions
The efficiency ratio is the ratio that measures the efficiency of the operational costs incurred by zakat institutions in collecting or channeling funds. Efficiency ratios are used to measure the effectiveness of costs for collection and distribution activities. What percentage of the costs are used for collecting and distributing ZIS funds (BAZNAS, 2019).

The results show that the three operating cost ratios are considered efficient. This means that zakat institutions can manage their operational costs using existing provisions and not exceed the limit. However, some zakat institutions get inefficient results due to the high cost of human resources. Dompet Dhuafa has been considered inefficient for three consecutive years regarding human resource costs. Even though the trend shows a decline from 2019 to 2021, this is an evaluation material regarding whether it is necessary to spend large amounts of money by considering whether it positively impacts collection performance. The fact is that

in that year the growth trend of collections fluctuated, and in 2021 collections decreased. Dompet Dhuafa is experiencing a similar situation, which is too large in the ratio of operational costs to amil rights in 2020 and 2021.

These findings are supported by research conducted by Mardian et al. (2021), which explains that more attention should be paid to input variables by adjusting HR costs to increase efficiency. Zakat institutions must stabilize salary costs to achieve efficiency (Hikmah & Shofawati, 2020). In other studies, it has been revealed that HR costs lead to resource inefficiencies in zakat institutions (Hayati & Putri, 2020).. In other words, inefficiencies can be reduced by reducing HR costs. One way is to optimize HR costs without reducing their right to get rewards according to their performance while managing zakat institutions.

The results of the operational cost ratio are considered efficient and quite efficient. This means that zakat institutions can manage operational costs very well. The allocation of operational costs is used as much as possible to support all activities of zakat institutions. The factor causing inefficiency is the occurrence of quite large expenses that do not really affect the performance of zakat institutions, even though these costs cannot be avoided. Widyaningrum (2018) found that zakat institutions need to increase efficiency by optimizing operational costs and impacting performance, especially in collection. Other studies have also revealed that the cause of inefficiency in zakat institutions is due to the high operational costs incurred (Suhail et al., 2019).

CONCLUSION

Based on the findings above, we need to underline several points. First, that zakat collection at zakat institutions has fluctuations over the past two years. The analysis results found that only one period saw good growth in zakat collection from zakat institutions, while the others were still below the specified average. Fluctuations in collection growth occur due to several factors faced by zakat institutions including the lack of synergy and coordination between zakat institutions resulting in overlapping collections, the inability of zakat institutions to identify potential zakat, lack of trust in society, and lack of public awareness of zakat obligations.

The second point that needs to be highlighted is that the NACR zakat institutions have been considered very effective over the past three years. This ratio is significant for zakat institutions, because it concerns how zakat institutions can distribute zakat funds collected during that period. The measure of this ratio is that the more zakat institutions can channel the funds collected in that period, the better the performance will be. However, there are still obstacles related to distribution, namely that most zakat institutions still do not have a program or focus on empowerment in certain sectors, which will later impact the effectiveness of distribution.

Then the findings for the third point are that operational costs at zakat institutions are considered efficient. However, several things need special attention for zakat institutions related to the high operational and human resource costs impacting

performance. Zakat institutions need to optimize in this regard. One way is to reduce operational costs but still impact performance, especially collection and reduce HR costs without reducing the reward for the performance produced by amil.

The limitation of this study is the limited access to research data caused by the low publication of zakat institutions' financial reports in Indonesia, so this study cannot analyze all financial ratios. The recommendation for further research is that researchers can empirically test whether operational costs affect the performance of zakat institutions. Empirical research on zakat institutions with secondary data is still rarely done.

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