

Financial Performance Analysis of Zakat, Infaq, and Sadaqah Institution

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ABSTRACT

This study analyzes the financial performance of the Amil Zakat Institution (LAZ) Muhammadiyah in West Kalimantan using financial ratios, including activity ratio, efficiency ratio, growth ratio, amil fund ratio, and liquidity ratio for the period 2020-2022. The results indicate that LAZ maintains stability in managing and allocating funds, though some fluctuations are observed. The activity ratio shows that the institution improves the efficiency of distributing zakat, infaq, and sadaqah, despite a decrease in fund turnover in 2022. The efficiency ratio demonstrates that fundraising costs remain a significant challenge, with high values relative to collected funds. The growth ratio reflects a significant increase in zakat fundraising but a decline in infaq/sadaqah fundraising in 2022 after extraordinary growth in the previous year. The amil fund ratio shows a downward trend in the allocation of amil funds from zakat and infaq/sadaqah, reflecting better efficiency. The liquidity ratio indicates that the institution has sufficient liquidity to cover its obligations related to zakat and ZIS funds. Overall, this research provides insights into the effectiveness and efficiency of LAZ's financial management with several recommendations for improvement in the future.

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INTRODUCTION

Indonesia, as the country with the largest Muslim population in the world, has significant potential in zakat collection, which can contribute to poverty reduction. To minimize poverty in Indonesia, maximum efforts are required. Thus, cooperation between the government and institutions responsible for collecting, distributing, and managing zakat from muzakki (zakat payers) is necessary, ensuring that the funds are distributed evenly to those who are eligible (mustahik) (Lestari, 2015). The high potential of zakat demands careful management to ensure that the full potential of zakat is maximized. Zakat plays a crucial role in helping those in difficult times, contributing to economic equality, income redistribution, and poverty alleviation in Indonesia. If these issues are addressed effectively, the welfare of society will improve (Adawiyah, 2018).

However, the large potential for zakat is not matched by the actual zakat funds collected. This discrepancy is due to several factors, one of which is the fact that many muzakki in Indonesia prefer to pay zakat directly to mustahik, bypassing zakat institutions. As a result, these payments are not recorded by zakat management bodies. The objectives of zakat management institutions have not yet received full positive response from the public. Low public trust in zakat management institutions also contributes to the gap between zakat potential and the actual amount collected (Yasin, 2017). This phenomenon shows that muzakki need more trust in the management of zakat by the Zakat Management Institutions (LAZ) or other similar institutions (Harto, 2018). This trust will be established if zakat institutions manage zakat, infaq, and shadaqah in a transparent, trustworthy, and professional manner, encouraging muzakki to distribute their zakat through these institutions. On the other hand, government intervention in preparing various zakat regulations is also necessary.

A common issue faced by zakat institutions in Indonesia, including LAZIS Muhammadiyah, is the high expectations from the public for professional management. However, there are still challenges in financial transparency and accountability. Previous research by Hadi & Rahman (2021) identified a gap between public expectations of sound financial governance and the actual management practices of zakat institutions. This gap includes theoretical aspects regarding the optimization of zakat management as an instrument for economic empowerment, as well as empirical gaps showing that some LAZIS institutions still face challenges in financial reporting according to expected accounting standards (Ahmad & Kurnia, 2020).

From a practical perspective, one of the recurring challenges faced by LAZIS is the suboptimal management of assets and liquidity. According to Arifin (2019), liquidity management in zakat institutions should focus on quick and targeted distribution. However, in practice, some institutions face delays in zakat fund distribution, directly affecting public trust in the institution. Research by Nurhayati & Hendar (2019) shows

that liquidity issues not only affect the institution's operations but also its overall financial performance.

Additionally, a methodological gap exists in studies related to the financial performance analysis of zakat institutions. Most previous studies rely on descriptive approaches to analyze financial performance without using specific financial ratios. For instance, Efficiency Ratios and Distribution Ratios are often overlooked, even though they are crucial for assessing how effectively institutions manage the funds they receive (Hassan & Syukri, 2022). This study aims to fill this gap by adopting a more comprehensive financial ratio analysis to evaluate the financial performance of LAZIS Muhammadiyah Kalimantan Barat.

The novelty of this research lies in the approach used to analyze the financial performance of LAZIS Muhammadiyah Kalimantan Barat by employing a more comprehensive financial ratio analysis. This research will provide new insights into the efficiency and effectiveness of zakat, infaq, and shadaqah management at zakat institutions, which has been rarely discussed in previous studies.

Thus, sound governance is required, which should be reflected in the accountability provided by Zakat Management Organizations (OPZ) to muzakki, as it will enhance the reputation and public trust in OPZ and potentially increase zakat collection in Indonesia. Furthermore, growing public awareness and trust in zakat can be realized through accountable, transparent, and professional performance by Zakat Management Institutions (LAZ). As Darmawati & Mukti (2013) explained, zakat institutions function similarly to financial institutions and must be managed according to financial and professional principles, requiring good management of zakat, infaq, and shadaqah.

The financial performance of zakat institutions should be measured to demonstrate the efficiency and capacity of the institution in managing the funds entrusted by the public. This can help to build public trust, which, in turn, is expected to unlock the significant potential of zakat in Indonesia that can be collected by Zakat Management Institutions (LAZ) (Utami, 2021). Therefore, financial ratios that can measure the stability, sustainability, efficiency, and effectiveness of zakat management organizations in Indonesia need to be developed. One measure of the general performance of a zakat institution is the OPZ Financial Ratio (2019), which provides information to zakat management organizations in terms of improving the accountability of each institution by evaluating their performance using financial ratios. Financial performance indicators include five ratios: activity ratio, efficiency ratio, amil fund ratio, liquidity ratio, and growth ratio. Financial ratios are figures obtained from comparisons between relevant and significant financial accounts (Harahap, 2010). According to the OPZ Financial Ratio Guide (Theory and Concepts) (BAZNAS, 2019), published by the BAZNAS Strategic Study Center.

Activity performance can be measured by assessing all zakat, infaq, and shadaqah collection and distribution activities for the relevant year. Efficiency ratios are used to measure the cost-effectiveness of fundraising and distribution activities. The amil fund ratio is used to assess the efficiency and effectiveness of amil funds used in the operational activities of fundraising and distribution. Liquidity ratios should be measured to analyze the amount of funds retained within zakat institutions. Growth ratios are essential to measure the development of zakat, infaq, and shadaqah collection and distribution from year to year.

LITERATURE REVIEW

Research on the financial performance of zakat management institutions has been conducted by various researchers using different approaches. According to research by Rahman et al. (2020), the financial performance of zakat institutions is measured using operational efficiency ratios and fund distribution ratios, which are important indicators in assessing the effectiveness of the management of funds received by the institution. Meanwhile, Hassan & Syukri (2022) added that the measurement of financial performance in zakat institutions can also include liquidity ratios and solvency ratios to assess the institution's ability to meet its obligations. In addition, the research conducted by Kurniawan & Fauzi (2020) highlighted the importance of risk management in zakat institutions. Risk management is necessary to ensure that the management of zakat funds adheres to established principles and avoids potential misuse. In this regard, their research found that most zakat institutions, including LAZIS, still face challenges in implementing effective risk management, particularly in managing undistributed funds optimally.

In previous studies, operational efficiency was a key focus in evaluating the performance of zakat institutions. According to Hadi & Rahman (2021), operational efficiency is measured through the ratio of operational costs to managed funds. The lower this ratio, the more efficient the institution is in managing the funds received. This efficiency also includes how well the institution can distribute funds to mustahik in a timely and targeted manner. Based on this research, inefficiencies in operations can be caused by the institution's inability to manage overhead costs or by high administrative costs that are not proportionate to the increase in the amount of distributed funds.

From a methodological perspective, most previous research has focused on measuring financial performance using a descriptive quantitative approach. However, this study seeks to fill the methodological gap by using a more in-depth financial ratio analysis, such as liquidity ratios, efficiency, solvency, and distribution ratios. According to Hassan & Syukri (2022), liquidity ratios help assess the extent to which institutions can meet their short-term obligations, while solvency ratios evaluate the institution's ability to manage long-term obligations. Meanwhile, distribution ratios provide an overview of the percentage of managed funds that have been successfully distributed to mustahik.

This research will use these approaches to obtain a more comprehensive picture of the financial performance of LAZIS Muhammadiyah Kalimantan Barat.

In the context of fund distribution efficiency, research conducted by Ismail & Salim (2020) shows that distribution efficiency is heavily influenced by the institution's internal policies and readiness to handle fluctuations in fund receipts. Policies that support fast and targeted fund distribution will enhance the efficiency and effectiveness of zakat institutions. In the case of LAZIS Muhammadiyah Kalimantan Barat, this research will also explore how internal distribution policies and governance affect the efficiency of zakat, infaq, and shadaqah fund distribution.

METHODOLOGY

This research uses a quantitative approach with a descriptive-analytical design to analyze the financial performance of LAZIS Muhammadiyah Kalimantan Barat. The quantitative approach was chosen because it allows for the objective measurement of variables through available financial data. The descriptive-analytical design is used to describe the phenomena that occur and to analyze the relationships between the variables being studied.

The research was conducted at the headquarters of LAZIS Muhammadiyah Kalimantan Barat, which manages zakat, infaq, and shadaqah funds in the region. This location was selected based on the consideration that LAZIS Muhammadiyah Kalimantan Barat is one of the largest zakat institutions in West Kalimantan, with a significant amount of funds received each year. The subjects of this research include the financial reports of the institution for the past three years (2020–2022), as well as the management and staff responsible for financial management.

The data source for this research is the financial reports of LAZIS Muhammadiyah Kalimantan Barat and internal policy documents. The data collection technique used is the documentation method for quantitative data. The instrument used in this research is the financial report documentation format. The scale used for quantitative analysis includes relevant financial ratios, such as liquidity ratios, solvency ratios, operational efficiency ratios, and distribution ratios.

The data analysis technique employed in this research is financial ratio analysis using Microsoft Excel. The validity of the financial analysis will be tested by comparing the financial ratios of LAZIS Muhammadiyah Kalimantan Barat.

RESULTS AND DISCUSSION

The measurement of activity performance can be assessed by evaluating all the activities related to the collection and distribution of zakat, infaq, and shadaqah funds

within the relevant year. Below is Table 1 showing the Activity Ratios. Table 1. Activity Ratio

No	Ratio	2020	2021	2022
1.	Gross Allocation Ratio (%)	71,1	67,9	69,0
2.	Gross Allocation Ratio Non Amil (%)	68,3	64,6	66,6
3.	Net Allocation to Collection Ratio (%)	100,9	81,3	94,6
4.	Net Allocation to Collection Ratio Non Amil (%)	101,1	78,9	94,1
5.	Zakah Allocation Ratio(%)	100	88,5	90,3
6.	Zakah Allocation Ratio Non Amil (%)	108,3	86,9	89,1
7.	Infaq and Shodaqa Allocation Ratio (%)	96,7	79,0	96,6
8.	Infaq and Shodaqa Allocation Ratio Non Amil (%)	96,2	76,4	96,3
9.	Zakah Turn Over	2,6	2,4	2,4
10.	Average of Days Zakah Outstanding (bulan)	4,4	4,9	4,8
11.	Infaq Sedekah Turn Over	2,3	2,8	2,2
12.	Average of Days Infaq Sedekah Outstanding (bulan)	5,1	4,1	5,3
13.	ZIS Turn Over	2,4	2,6	2,2
14.	Average of Days ZIS Outstanding (bulan)	4,9	4,5	5,2
15.	Rasio Piutang Penyaluran	0,03	0,05	0,02
16.	Waktu Realisasi Piutang Penyaluran (bulan)	0,003	0,007	0,004
17.	Rasio Aset Kelolaan Zakat	4,3	7,1	11,3

Source: Processed Data (2024)

Based on the calculation of the activity ratio at the Muhammadiyah Amil Zakat Institution of West Kalimantan during the period 2020 to 2022, several key indicators

were used to measure the institution's activity efficiency, including zakat, infaq, shadaqah allocation, fund turnover, and receivables management.

The Gross Allocation Ratio and Gross Allocation Ratio Non-Amil indicate the proportion of funds allocated to non-amil programs. These ratios fluctuated slightly but remained within the range of 64% to 71%, indicating that the majority of collected funds were allocated to programs outside of operational amil needs.

The Net Allocation to Collection Ratio and Net Allocation to Collection Ratio Non-Amil reflect the efficiency in fund allocation after deducting operational amil costs. Although these ratios decreased significantly in 2021 (81.3% and 78.9%), they increased again in 2022 to 94.6% and 94.1%, showing that the institution improved its efficiency in distributing the collected funds, particularly in 2022.

The Zakah Allocation Ratio and Zakah Allocation Ratio Non-Amil both showed a decline in 2021 but increased again in 2022. These ratios represent the percentage of zakat funds appropriately allocated according to their purpose, with values reaching around 90% in 2022, indicating that most of the zakat funds were successfully distributed.

The Infaq and Shadaqah Allocation Ratios followed a similar pattern, with a significant increase in 2022 after a decline in 2021, where the allocation ratio for infaq and shadaqah surpassed 96%. This indicates that the institution was able to stabilize the allocation of infaq and shadaqah funds after experiencing inefficiency in 2021.

The Zakah Turnover and Infaq Shadaqah Turnover measure the turnover of zakat, infaq, and shadaqah funds. Both ratios remained relatively stable, although there was a slight decline in 2022. Zakah turnover stood at 2.4 times per year, while infaq and shadaqah turnover fluctuated, decreasing to 2.2 times per year in 2022. The ZIS Turnover, which combines zakat, infaq, and shadaqah, also experienced a slight decline to 2.2 times per year in 2022.

The Receivables Turnover Ratio improved in 2022, decreasing to 0.02, indicating that the institution became more efficient in managing receivables related to fund distribution. Meanwhile, the Zakah Managed Asset Ratio increased significantly from 4.3 in 2020 to 11.3 in 2022, indicating growth in zakah assets managed by the institution.

Overall, these activity ratios show that the Muhammadiyah Amil Zakat Institution of West Kalimantan was able to maintain stability in fund management and allocation, despite some fluctuations. The institution also demonstrated improvements in allocation efficiency and fund management, especially in 2022.

Saad and Anuar (2016) researched the importance of transparency and efficiency in zakat fund distribution in various countries. Their study showed that institutions that implement good management practices in zakat allocation gain higher levels of public

trust. Research by Ibrahim and Ghazali (2014) also found that efficiency in fund distribution is crucial for maintaining public trust, particularly in zakat institutions that must respond quickly to mustahik needs.

Efficiency ratios are calculated to measure the effectiveness of costs associated with fundraising and distribution activities. Below is Table 2, showing the Efficiency Ratios.

Table 2. Efficiency Ratios.

No	Ratio		2020	2021	2022
1.	Rasio Penghimpunan (%)	Biaya	798,3	968,5	792,6
2.	Rasio Biaya Operasional		12,5	10,3	12,6
3.	Rasio Biaya SDM		6,5	4,8	6,2

Source: Processed Data (2024)

Based on the calculation of the efficiency ratio at the Muhammadiyah Amil Zakat Institution of West Kalimantan from 2020 to 2022, three main indicators were measured: the fundraising cost ratio, the operational cost ratio, and the human resource cost ratio. For the fundraising cost ratio, there was a significant increase in 2021, reaching 968.5%, before slightly decreasing to 792.6% in 2022. This very high figure indicates that the cost of raising zakat funds far exceeded the amount of funds collected. In fact, in 2021, the fundraising costs were almost 10 times the amount collected. Although there was a slight decrease in 2022, this ratio remains quite high and is a point of concern regarding the institution's efficiency.

Next, the operational cost ratio appears to be more stable and efficient, ranging from 10.3% to 12.6% over the past three years. This shows that the costs incurred to run the institution's operations are still within reasonable and controlled limits. Meanwhile, the human resource cost ratio also remained relatively stable, ranging from 4.8% to 6.5%, indicating that the management of human resource costs was done quite efficiently.

Overall, while the operational and human resource costs can be considered efficient, the high fundraising cost ratio is a major challenge for the institution. Ratios well above 100% show that fundraising costs remain very high compared to the amount of funds collected, requiring further efforts to improve the efficiency of zakat fundraising activities.

According to Rahman and Dewi (2019), efficient management in zakat institutions is essential to ensure the proper allocation of funds and avoid excessive costs.

The amil fund ratio must also be calculated to assess the efficiency and effectiveness of amil funds used in the operational activities of zakat, infaq, and shadaqah fundraising and distribution. Below is Table 3, showing the Amil Fund Ratios.

Table 3. Amil Fund Ratios

No	Ratio	2020	2021	2022
1	Rasio Hak Amil	13,1	13,0	11,1
2.	Rasio Hak Amil Atas Zakat	11,9	11,6	10,9
3.	Rasio Hak Amil Atas Infaq/Sedekah	12,9	11,0	9,6

Source: Processed Data (2024)

Based on the calculation of the amil fund ratio at the Muhammadiyah Amil Zakat Institution of West Kalimantan for the period 2020 to 2022, three main indicators were measured: the overall amil fund ratio, the amil fund ratio for zakat, and the amil fund ratio for infaq/sadaqah.

The overall amil fund ratio shows a downward trend over the past three years. In 2020, the amil fund ratio stood at 13.1%, then slightly decreased to 13.0% in 2021, and further declined to 11.1% in 2022. This indicates that the proportion of funds allocated to amil from the total collected funds has been decreasing.

The amil fund ratio for zakat followed a similar trend. In 2020, this ratio was 11.9%, then dropped to 11.6% in 2021, and reached 10.9% in 2022. This decline indicates that the portion of zakat funds allocated to amil has been decreasing year by year.

The amil fund ratio for infaq/sadaqah shows an even more significant decline. In 2020, this ratio stood at 12.9%, then decreased to 11.0% in 2021, and further dropped to 9.6% in 2022. This decrease indicates that the allocation of amil funds from infaq and sadaqah has experienced a greater reduction compared to amil funds from zakat.

Overall, the downward trend in these three ratios indicates a reduction in the proportion of funds allocated to amil, whether from zakat or infaq/sadaqah, during the period 2020 to 2022. This can be interpreted as an increase in the efficiency of amil fund allocation or a possible decrease in the receipt of amil funds.

According to research by Karim et al. (2017), efficient management of amil funds is key to ensuring that the collected funds are used to the maximum extent for beneficial purposes for the community. This efficiency is important for maintaining public trust.

The liquidity ratio must be measured because analyzing the liquidity performance can help determine the amount of idle funds within the zakat institution. Below is Table 4, showing the Liquidity Ratios.

Tabel 4. Liquidity Ratios

No	Ratio	2020	2021	2022
1.	Cash to Zakah Ratio	3,4	5,3	4,6
2.	Cash to ZIS Ratio	1,1	1,2	1,1

Source: Processed Data (2024)

Based on the calculation of the liquidity ratio at the Muhammadiyah Amil Zakat Institution of West Kalimantan for the period 2020 to 2022, two main indicators were measured: the Cash to Zakah Ratio and the Cash to ZIS Ratio.

The Cash to Zakah Ratio, which shows the comparison between available cash and zakat funds collected, fluctuated over the three-year period. In 2020, this ratio was at 3.4%, then increased significantly to 5.3% in 2021, before slightly decreasing to 4.6% in 2022. Despite the decrease in 2022, this ratio still indicates that the institution has relatively good liquidity to cover its obligations related to zakat funds.

The Cash to ZIS Ratio, which measures the comparison between available cash and the total ZIS (Zakat, Infaq, Sadaqah) funds collected, remained relatively stable year after year. In 2020, this ratio was at 1.1%, increased slightly to 1.2% in 2021, and returned to 1.1% in 2022. This stability shows that the institution maintains a balance between available cash and the ZIS funds managed, with sufficient liquidity to meet operational obligations related to ZIS.

Overall, these two ratios indicate that the institution has good liquidity to meet its obligations related to the zakat and ZIS funds collected. Although there was a small fluctuation in the Cash to Zakah Ratio, the institution consistently maintained enough cash to cover its obligations.

Research by Saad and Anuar (2016) emphasized the importance of maintaining the liquidity of zakat institutions so that collected funds can be distributed promptly to mustahik. Liquidity stability helps ensure that the institution is ready to respond to urgent needs. Ali et al. (2020) also showed that good liquidity allows zakat institutions to be more flexible in distributing funds according to the needs of the community.

Growth ratios are essential to measure the development of zakat, infaq, and sadaqah collection and distribution year by year. Below is Table 5, showing the Growth Ratios.

Tabel 5. Growth Ratios

No	Ratio	2020	2021	2022
1.	Rasio Pertumbuhan Penghimpunan Zakat (%)	21,5	20,7	41,3
2.	Rasio Pertumbuhan Penghimpunan Infak/Sedekah (%)	46,0	161,2	-4,0
3.	Rasio Pertumbuhan Penghimpunan ZIS (%)	35,0	102,5	5,3
4.	Rasio Pertumbuhan Penyaluran ZIS (%)	32,2	64,8	24,5
5.	Rasio Pertumbuhan Biaya Operasional (%)	92,03	73,96	50,0

Source: Processed Data (2024)

Based on the calculation of the growth ratio at the Muhammadiyah Amil Zakat Institution of West Kalimantan during the period 2020 to 2022, five main indicators were measured: zakat collection growth, infaq/sadaqah collection growth, ZIS (Zakat, Infaq, and Sadaqah) collection growth, ZIS distribution growth, and operational cost growth.

The zakat collection growth ratio shows a significant upward trend. In 2020, this ratio was recorded at 21.5%, slightly decreasing to 20.7% in 2021, before sharply increasing in 2022 to 41.3%. This indicates a substantial improvement in the institution's ability to collect zakat funds, especially in 2022.

The infaq/sadaqah collection growth ratio shows more extreme fluctuations. In 2020, the ratio was at 46%, then skyrocketed to 161.2% in 2021. However, in 2022, there was a significant decline, with the ratio dropping to -4%. This reflects a considerable decrease in infaq and sadaqah collection in 2022 after extraordinary growth in the previous year.

The ZIS (Zakat, Infaq, and Sadaqah) collection growth ratio also experienced fluctuations. In 2020, the ratio was at 35%, then dramatically surged to 102.5% in 2021, but sharply declined again to only 5.3% in 2022. This indicates that after the very high growth in 2021, the ability to collect ZIS stagnated in the following year.

The ZIS distribution growth ratio followed a similar pattern. In 2020, the ratio was at 32.2%, increased to 64.8% in 2021, but then dropped again to 24.5% in 2022. This reflects a decline in ZIS fund distribution, although there was still positive growth.

The operational cost growth ratio showed a gradual downward trend. In 2020, this ratio stood at 92.03%, then decreased to 73.96% in 2021, and further declined to 50% in 2022. Although operational costs increased each year, the rate of growth slowed down, indicating improved efficiency in cost management.

Overall, despite fluctuations in some aspects, particularly in the collection of infaq/sadaqah, the institution still recorded positive growth in ZIS collection and distribution. However, the challenge moving forward is to maintain this growth stability and manage operational costs more efficiently.

According to Hasan and Khan (2015), zakat fund collection growth can be influenced by various factors such as economic conditions and the marketing strategies of zakat institutions.

CONCLUSION

This study concludes that the Muhammadiyah Amil Zakat Institution of West Kalimantan has demonstrated financial stability through the measurement of five key ratios. Despite challenges related to high fundraising costs and declining infaq/sadaqah growth, the institution has generally succeeded in maintaining liquidity and improving efficiency in the allocation and distribution of ZIS funds. The downward trend in the amil fund ratio also reflects better efficiency in the management of the institution's operational funds.

This study is limited to the analysis of financial reports from a single zakat institution over a three-year period (2020–2022). The data used only cover financial aspects and do not take into account external factors such as macroeconomic conditions, marketing strategies, or public trust, which could also influence the institution's performance. Additionally, the methodology used only involves financial ratio analysis without considering qualitative approaches related to internal management and decision-making within the institution.

Future research is recommended to expand the scope of data by involving more zakat institutions and considering external variables such as the economic and social impacts on the collection and distribution of funds.

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