



**BAZNAS**  
Badan Amil Zakat Nasional



# NATIONAL ZAKAT INDEX

Center of Strategic Studies

The National Zakat Board  
The Republic of Indonesia





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## **NATIONAL ZAKAT INDEX**

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## **PREFACE FROM DIRECTOR OF CENTER OF STRATEGIC STUDIES - BAZNAS**

*Bismillaahirrahmaanirraahim*

One of the mandates that become the responsibility of the existence of the Center of Strategic Studies (Puskas) BAZNAS is to develop measuring tool of the national zakat management, which can be used as a reference by the Executive Members of BAZNAS in evaluating the current condition of the national zakat management, as well as a reference in defining right policy. Therefore, Puskas BAZNAS has developed a study related to the measuring instruments, which was called the National Zakat Index.

In this brief report of the study edition of the National Zakat Index, it will be presented how the process of formulation of the National Zakat Index (NZI) is. Furthermore, NZI was designed by using a SMART principle, which consists of Specific, Measurable, Applicable, Reliable, and Timely. In general, the index is designed to improve the management of zakat so that national zakat management objectives as stated in the Act No. 23/2011 on Management of Zakat can be achieved.

With the approach of this quantitative index, it is expected that NZI existence is able to be a reference in assessing the performance of BAZNAS who is responsible in managing zakat nationally. Insha Allah, through the approval of Executive Members of BAZNAS, NZI

implementation can be executed in the first quarter of 2017, and can be calculated periodically one or two times a year.

Hopefully the existence of the National Zakat Index can bring benefits to the successful development of zakat in the country. Puskas BAZNAS is very open to any suggestions in the completion of this index concept. Lastly, May Allah SWT bestows on us. Amin yaa Rabbal 'aalamiin.

Jakarta, December 1 2016 / Rabiul Awwal 2 1438

Dr. Irfan Syauqi Beik

Director of the Center of Strategic Studies - BAZNAS

## **PREFACE FROM THE CHAIRMAN OF BAZNAS**

*Assalamualaikum Warahmatullahi Wabarakatuh.*

*Bismillahirrahmanirrahim.*

Zakat is a pillar of Islam with the scope of its vast dimensions, ranging from aspects of faith, economic, and social; a dimension of a big matter to the nation as big as Indonesia. So, it is very unfortunate when the dynamics of zakat in Indonesia does not have standard measuring tools to evaluate and assess the performance of the National Zakat. Therefore, on this occasion we should be grateful and welcome the public dissemination of the National Zakat Index (NZI), which is a publication launched by the Center of Strategic Studies BAZNAS (Puskas BAZNAS).

National Zakat Index (NZI) becomes important because until today Indonesia, as the largest Muslim country in the world, does not have measurement standards of national zakat management to measure the performance and development of the national zakat. Hence, with this NZI is also able to reflect the real work of BAZNAS who fought in the favor of resurrection of zakat Indonesia. National Zakat Index is expected to be an objective parameter in assessing the successful achievement of the objectives of the zakat management based on the Act No. 23/2011 on Zakat Management.

Hopefully, in the future the National Zakat Index can be applied by BAZNAS and zakat institutions at the national level, as well as at the regional level so that each zakat institution has qualified of quality

standards. Lastly, as a form of collective responsibility, we openly accept criticism and constructive suggestions to produce a National Zakat Index that adequate the needs and interests of the people and nation.

*Wassalamualaikum warahmatullahi wabarakatuh.*

Jakarta, December 1 2016 / Rabiul Awwal 2 1438

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## EXECUTIVE SUMMARY

National Zakat Index (NZI), which is prepared by the Center of Strategic Studies Team (Puskas) BAZNAS, is a composite index for the purpose to measure the development of zakat nationally. NZI is expected to be an indicator that can provide an information on the role of zakat to the zakat recipients' welfare, and also to indicate at what stage zakat institutions have been developed, from internal of institution, community participation, until the support provided by the government.

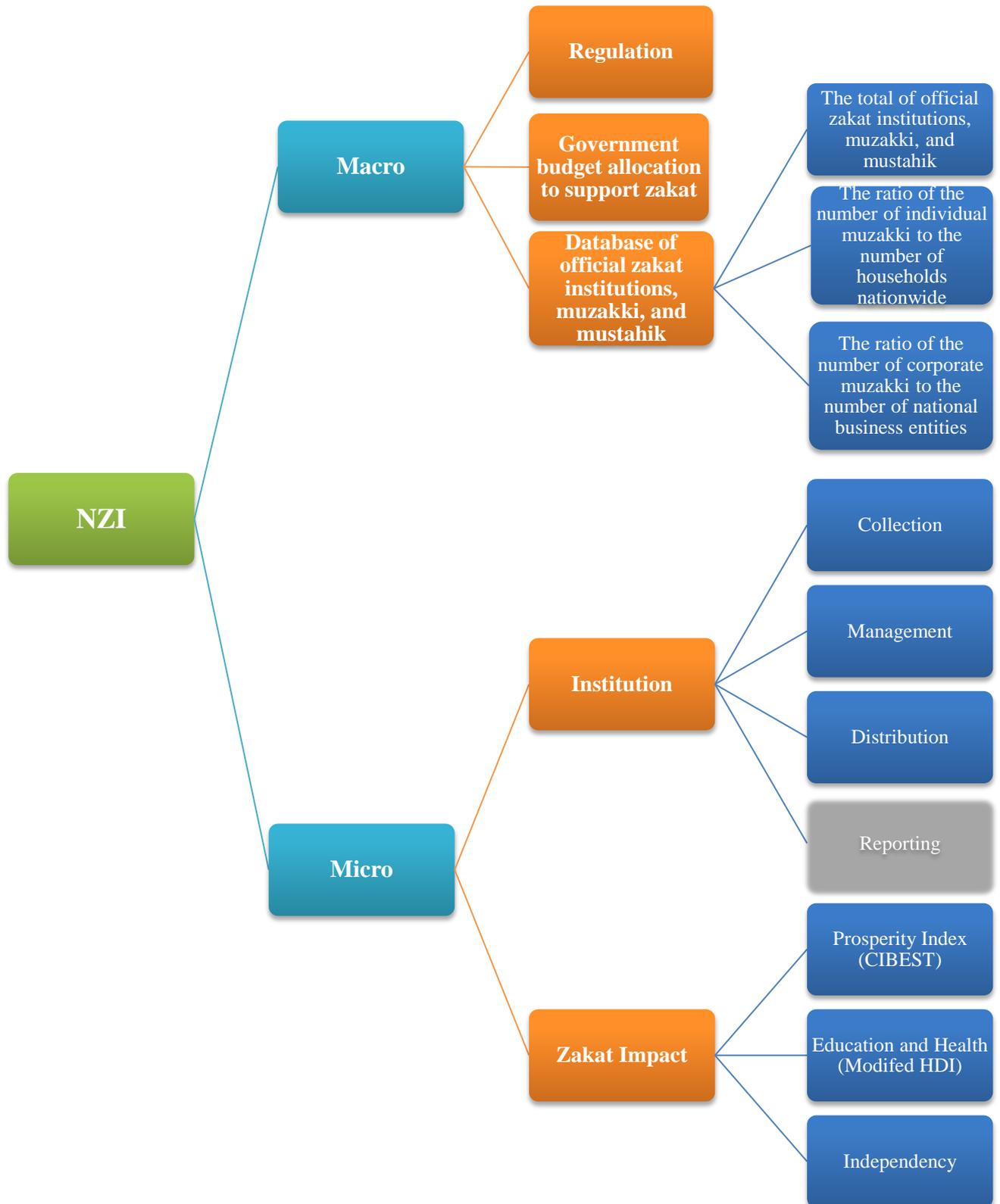
In the development of zakat management, both in Indonesia and international level, to date there are no standard measuring tools can be used to measure the performance and development of zakat. In fact, the existence of this measurement standard is very important in determining the successful achievement of zakat development. Furthermore, by knowing the achievement of zakat development, it can also measure zakat contribution to the national economic development. Therefore, NZI is expected to become a standard measurement that can be used by regulators, zakat institutions, and public in evaluating the zakat development nationally.

NZI was developed by using Mixed Method as a research-based. Mixed method research is a research methodology that integrates quantitative and qualitative method. In this study, qualitative method was used in compiling NZI components, whereas quantitative method was used in forming the estimation model of calculations. In determining the components which construct NZI, Puskas research team was also set a

guideline that became a concept in the whole process of preparing the index. The guideline is referred to SMART, the components of the index that meet the criteria of Specific; Measurable; Applicable; Reliable; and Timely.

From the studies that have been done, it was obtained NZI forming components, which are divided into dimensions of macro and micro dimension. Both dimensions then break-down into a number of components that are more detail. Furthermore, each component also has a weight contribution which was determined through the mechanism of FGD and expert judgment criteria. In general, all the NZI components can be illustrated in the chart below:

Chart 1 NZI Components



The estimation technique of calculation in obtaining the value of NZI is using a method called Multi-Stage Weighted Index. The method combines several processes of weighting stages that are given to each index components so that the weighted score to each of these components must be performed gradually and procedural. Weighting process is done after calculation of the index for each variable was obtained by following the formula below:

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

Where,

$I_i$  = Index score of variable  $i$

$S_i$  = actual score on the measurement of the variable  $i$

$S_{max}$  = Maximum score

$S_{min}$  = Minimum score

The result of the index will be within the range of 0.00 to 1.00. This means that the lower of the index value obtained, the worse the performance of national Zakat, and the larger the index value means the better conditions of national zakat. The value of 0.00 means the National zakat index obtained is the lowest, which is "zero". While the value of 1.00 means the highest index, which is "perfect".

This formulation of National Zakat Index is expected to become a standard measurement or the measurement of performance standard of national zakat which is measured periodically (eg; every year) so the evaluation can be done sustainably. In addition to the national level,

NZI is applicable at the regional level so that the comparison between local provinces, and the evaluation of the performance of Zakat distribution can be performed. Moreover, at each of its constituent components such as at the institution aspect, the index in regards to the institution can be calculated separately. In other words, the application of NZI can be implemented in zakat management institutions both at the national level and the region level. It is intended that all stakeholders in zakat can measure themselves and improve their performance in zakat, as well as to improve public understanding of zakat contribution for Indonesia.





## 1. INTRODUCTION

In the development of zakat management, both in Indonesia and international level, to date, there has been no standard measuring tool to measure and evaluate how the performance of zakat in the aggregate (overall). In fact, the existence of this measurement is very important in determining the successful achievement of zakat development. Furthermore, by knowing accurately the achievement of zakat development, then it can also measure zakat contribution to the public welfare and economic development.

Indeed, there are several studies and researches, which seek to establish indicators in evaluating the performance of zakat. Abdullah et.all (2012), for example, was established indicators of zakat effectiveness index. This indicator measures the role of government, which can be observed from the budget allocation for the welfare of zakat recipients. In different dimension, Noor et.all (2015) also gave an idea on how to build an indicator to evaluate the performance of zakat from the institutional aspects. This indicator, which is called zakat index, includes the evaluation of the overall performance of a zakat institution which started from inputs, processes, outputs, and outcomes.

In Indonesia, some studies have also been conducted. Such as Beik (2011) evaluating the impact of zakat which is viewed from the standard measurement of poverty by Central Board of Statistic (Badan Pusat Statistik abbreviated as BPS) such as the poverty gap index, the severity of poverty index, and so forth. This study later was enhanced by adding a spiritual aspect to the method, which is called Cibest (Beik and

Arsiyanti, 2015). Similar research was done by Nurzaman (2011, 2015); he modified the Human Development Index as a measuring tool for the household of zakat recipients.

In general, based on the previous studies, it can be seen that there have been attempts to establish indicators to evaluate the performance of zakat. However, it can be observed that there are two major drawbacks from the previous studies. First, the studies were made based on the partial dimension, such as either the institutional aspect only or zakat recipients only. Hence, the indicators cannot be used to evaluate the overall zakat performance. Second, most of the previous studies were only focus at the micro level or case studies which cannot be assumed as an indicator to evaluate zakat at the national level or macro scale.

Hence, Centre of Strategic Studies BAZNAS has initiated to conduct a study in formulating National Zakat Index (NZI). It is being prepared as a measuring tool that is designed for the purpose to evaluate the development of the zakat at the aggregate level (national and province). NZI is projected to be an indicator that can provide an information on the role of zakat to the zakat recipients' welfare, and also indicate at what stage zakat institutions have been developed, from internal of the institution, community participation, until the support provided by the government. Finally, NZI is expected to become a measurement standard which can be applied by the regulators, zakat institutions, as well as the public in evaluating zakat development nationally.

## **2. OBJECTIVES**

This study aims to establish an indicator that will be used as a reference of zakat performance in Indonesia. These indicators should be reflected in an index that is called National Zakat Index (NZI). NZI is expected to become the standard evaluation of zakat development that will be measured on a periodic basis.

Based those objectives, the expected results of this study includes:

1. To establish the constituent components of NZI
2. To explain the procedure of NZI formulation
3. To generate calculation methods of NZI

## **3. METHODOLOGY**

This section will explain the methods used in conducting studies to design NZI. In general, the methods used can be described into two parts, those are the methods of formulation and the stages of formulation. Methods of formulation provide an overview of the methods and techniques made in calculating the index, while the stages of formulation are explaining the process and the steps being taken to construct the whole index and its components. Further explanation is as follows.

### **3.1 The Preparation Methods**

Formulation of NZI was conducted by using research-based Mixed Methods. Mixed method research is a research methodology that combines qualitative and quantitative methods in the process of collecting, analyzing and integrating quantitative methods (eg; survey,

and modeling of the economy) and qualitative methods (eg; Desk Study, FGD, and interview). This method is a relatively new approach, and it has been frequently used as a standard in social research since the 1980s (Tashakkori and Tedlie, 2003). In this study, qualitative methods were used in compiling NZI components, whereas quantitative methods were used in forming the estimation of calculation model.

There are three qualitative methods used in formulating NZI, which are Desk Study, Focus Group Discussion (FGD), and Expert Judgement. Desk Study is a literature review conducted by taking the reference and literature from a variety of sources related to the measurement of the index and the issues that relate directly and indirectly about zakat. A literature review was not only aim for research related, but also seeking sharia point of view for each component in NZI<sup>1</sup>.

Acquiring information and formulating NZI was also done through the mechanism of Focus Group Discussion which was conducted 2 times. FGD process was involving zakat experts from BAZNAS, Zakat Forum (FOZ), the Indonesian Ulama Council (MUI), an economist of the Central Bank of Indonesia (BI), as well as academicians in the field of Islamic economics. After the FGD process, expert judgment was conducted to ask for feedback directly and inscribed, especially in determining the weighted score of the dimensions, indicators and variables chosen that was conducted to obtain the results of the study which are more valid.

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<sup>1</sup> Compilation of literature review is presented in the appendix

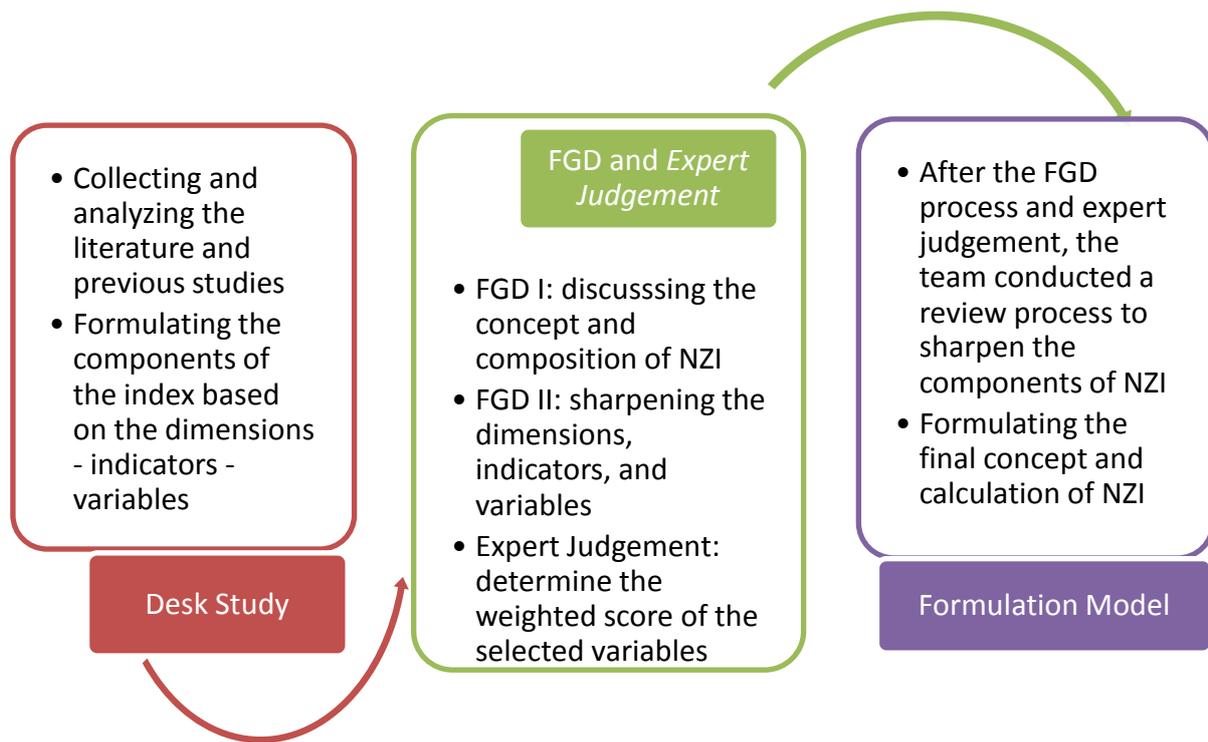


Figure 1 the Preparation Methods of NZI

While on the quantitative side, the estimation method of calculation was conducted in obtaining the value of NZI by using a method called Multi-Stage Weighted Index. The method combines several process weighting stages to each given component of the index. This method became the most appropriate approach as the components of NZI consists of three parts, namely: dimensions, indicators, and variables. So that the weighting given to each of these components should be conducted gradually and procedural. In determining the components that construct the NZI, the research team of PUSKAS was also set a guideline that became the basic concept in the whole planning processes. The guidelines referred to SMART, which consists of:

- a. **S**pecific; components presented must be specific
- b. **M**easurable; components presented must be measurable
- c. **A**pplicable; components presented can be applied
- d. **R**eliable; components presented are trustworthy
- e. **T**imely; calculation is conducted in periodically manner

This basic concept is a very important reference for the formulation process of NZI. If one of these guidelines cannot be performed, it will be very difficult to form an index measurement which can function properly. These guidelines, which were also intended in order to NZI become a standard that can be implemented not only at the national level, but also at the province level so that the scope can be broader and deeper.

### **3.2 Stages of Index Preparation**

Preparatory studies of NZI was created with the objective to obtain index formulations, including dimensions, indicators and variables that can reflect the development of zakat in Indonesia. In this study, the discussion begins with the selection of the dimensions that will reflect the index which will be compiled. These dimensions are the components which are most comprehensive, capturing the whole section constituting NZI. The dimensions then elaborated in the indicators that construct those particular dimensions. After obtaining the dimensions and indicators that form NZI, then it is described in more detail in the form of the selected variables.

The next step is to provide the weighted score to each dimensions, indicators and variables. Weighting step is required to determine the proportion of the contribution of each of the components of the index. Moreover, this step should be conducted through a method which involves input from the economists and zakat experts.

After obtaining all components of NZI, along with the weight of its contribution, the final step is to determine the quantitative method to calculate the index. In calculating the index, besides to determine the formula of calculation, it is also required the phases of calculation. This is because, as mentioned earlier in the section of formulation methods, components of NZI consist of several sections, which further divided into sub-sections hence the calculation process is in multiple steps.

#### **4. RESULT AND ANALYSIS**

From several processes of stages and the methods used throughout this study, it has obtained the results on the preparation of the NZI components, the weighted score on each components of NZI, computation and estimation methods. Components and their respective weights, obtained from desk study method, FGD, and expert judgment. As for the model of calculation, it was obtained from studies conducted by the research team after the components are finalized.

##### **4.1 Components of Index**

The obtained components of NZI were generally formed by two dimensions, which are macro and micro dimension. Macro dimension reflect how the role of government and society the aggregate in

contributing the development of 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 database of zakat institution is then subdivided into three variables: the number of official zakat institutions, individual muzakki and enterprise muzakki.

Whereas the dimension of the micro is arranged in the part of perspective of zakat institutions and zakat recipients or mustahik. Technically, micro dimension has two indicators, which are the performance of zakat institution and the impact of zakat to mustahik. Performance indicators of zakat institution were then described more detail into 4 variables that measure the performance of the institution from the aspect of the collection, management, distribution, and reporting. While indicators of the impact of zakat are a combination of five variables that view the impact from economic, spiritual, education, health, and independency.

An overview of the whole components of NZI, along with the weighted score for each component can be seen in table 1 below.

Table 1 Components of NZI

Dimension	Weighted score	Indicator	Weighted score	Variable	Weighted score
Macro ( $X_1$ )	0.40	Regulation ( $X_{11}$ )	0.30	Regulation	1.00
		Government budget ( $X_{12}$ )	0.40	Government budget	1.00
		Zakat Institution	0.30	Number of official zakat	0.33

		database ( $X_{13}$ )		institution ( $X_{131}$ )	
				Individual Muzakki ratio ( $X_{132}$ )	0.33
				Enterprise Muzakki ratio ( $X_{133}$ )	0.33
Micro ( $X_2$ )	0.60	Institutional ( $X_{21}$ )	0.40	Collection ( $X_{211}$ )	0.30
				Management ( $X_{212}$ )	0.20
				Distribution ( $X_{213}$ )	0.30
				Reporting ( $X_{214}$ )	0.20
		Impact of Zakat ( $X_{22}$ )	0.60	Material dan Spiritual (CIBEST) ( $X_{221}$ )	0.33
				Education and Health (HDI Modified) ( $X_{222}$ )	0.33
				Independency ( $X_{223}$ )	0.33

## 4.2 Formulation Model

Formulation model of the index in this study is divided systematically into several sections, so it should be done sequentially. Overall index estimation procedure is as follows:

The first section, making the likert scale score within the range from 1 to 5, where the score of 1 describes the worst condition, and 5 describes the most excellent condition. Scoring is made to overall constituent variable Index. (for details see Appendix)

The second section, 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 variable  $i$

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

$S_{max}$  = maximum score

$S_{min}$  = minimum score

The value of index is within range of 0.00 – 1.00. This means the lower value of index indicates the bad performance of the national zakat, and the greater value of index indicates a better zakat condition. The value of 0.00 means national zakat index is the lowest, which is "zero." While the value of 1.00 means the highest index value, which is "perfect."

The third stage, multiplying the index obtained on each variable with respective weights to derive the index on the indicator. 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 with a certain calculation. Those are:

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

where,

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

$X_{131}$  : Variable index of total number of official zakat institutions

$X_{132}$  : 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 (CIBEST)

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

$X_{223}$  : Variable index of Independence

The fourth stage, multiplying the index obtained on each indicator with respective weights to obtain an index on the dimensions of macro and micro dimension,

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

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

$$X_2 = 0.4X_{21} + 0.60X_{22}$$

where,

$X_2$  : Index of micro dimension

$X_{21}$  : Indicator index of institution

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

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

$$X_2 = 0.4X_{21} + 0.60X_{22}$$

where,

NZI : National Zakat Index

$X_1$  : Index of Macro Dimension

$X_2$  : Index of Micro Dimension

### 4.3 Literature Study

This section provides the results from the desk study have been done by the research team. Desk study was undertaken, as mentioned above, not only looking for related researches or studies conducted previously but also to find arguments from Islamic view regarding to the components that structure the National Zakat Index. As for the results from the desk study are briefly described in the table below.

#### 1. Macro Dimension

Table 2 Macro Dimension

No	Indicator	Literature Review	Islamic Legitimacy
1.	Regulation	<p>Publication of Law Number 23 of 2011 has pointed out that the management of zakat is very important protected by the State. This is due to the passage into the law then there is a binding law to be obeyed by the institution of zakat, and make an orderly institution of Zakat which is not official or be penalized. The existence of this law should also be supported with local regulations. By the existence of article 1 paragraph 5 of Law Number 32 of 2004 can allow local governments to establish local regulations (Perda) in</p>	<p>Kamal al-Din Ibn al-Hamam: one of the scholars of the Hanafi madhhab said that the rulers/Government has an absolute obligation in the implementation of the law of charity. So the Prophet and Caliph; Abu Bakr and Umar. Due to changes in the condition of society, then in the reign of Uthman, all of the state affairs submitted to the Governor as the representative of the Caliph. The companions of the Prophet, supports the policy. And if the resident of the State do not pay the zakat, then zakat will be taken by</p>

		accordance with the requirement in its territory and may also be issued about zakat (Saf, 2015).	force by the Government.
2.	Government budget for zakat	Some of the studies, as do Saf (2015), proving that there is a positive contribution to the role of government regulation and Government budget (local and national) against Zakat. Based on the results of a study in Mojokerto, there are an increasing number of muzakki. This is due to the operational costs of Mojokerto BAZ incurred by Government budget, so the whole of zakat fund can be routed to the mustahik.	Zakat is a personal worship who have a long-term social impact. Thus, zakat is the most important pillar in the financial system of the State who was believed to be able to realize the welfare of society (al-Falah wa al-Sa'adah). One of the functions of zakat in the financial system of the State is poverty alleviation and improved quality of education. (Al-Tayyib, al-Wafi, al-Zakat wa Dawruha al-Fa'il fi al-Takhfif..., 11, Lih. Basyir 'Abd al-Karim (2004), al-'Ab'ad al-Nadzariyah wa al-Maidaniyyah li al-Zakat, Multaqa al-Dawli Hawla Muassasah al-Zakat. Jamiah al-Balidah, 10-11)
3	Database in the institutions of zakat	The effectiveness of the collection and utulizatiton of zakat funds is very dependent on the completeness of	According to Qatadah, which referred to the Haqq in the QS Adz-dzariyat: 19 is the obligation of zakat. In

		<p>the database owned by the institutions of zakat particularly the amount muzakki and mustahik. Some studies indicate that the database is not complete being one factor inability of the institution of Zakat to perform its functions properly. Nurzaman (2011), Aedy (2013)</p>	<p>this verse, Allah praise people who are obedient due to give some of their wealth to the poor. In this way, wealth of the have will be clean and the hearts of the poor furthest from the envy. The same understanding between the have and the poor is what will create a harmonious life in the country.</p>
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## 2. Micro Dimension

Table 3 Micro Dimension

No	Indicator	Literature Review	Islamic Legitimacy
1	Institutional	<p>1.1 Good governance becomes a necessity because it relates to the trust of all stakeholders. Even, this governance organized in Zakat Core Principle chapter 8<sup>th</sup> on good amil governance to ensure the management of amil is good through a code of conduct, and other regulations, as well as the presence of the Board of Trustees at the institution of Zakat</p> <p>1.2 The financial statements instituons of</p>	<p>As the institution responsible for implementing the law of Allah in the aspect wealth of worship (Maliyah worship), the institution of Zakat has very serious a moral burden. If transparency, accountability and professionalism are the demands of religion, ethics and culture in the world of work, then the transparency, accountability and professionalism be more</p>

		<p>zakat must be audited by public accountant authorized by referring to the standard assessment The Audit Board of The Republic of Indonesia.</p> <p>1.3 On the book Antonio (2001) listed the points of Sharia audit characteristics i.e.</p> <p>a) Disclosure of the fairness of presentation of financial statements and the compliance elements of Sharia</p> <p>b) Check out the accounting in the aspect of the product, source of funding and financing</p> <p>c) Examination for the source and use of Zakat</p> <p>d) If there is a transaction which is not in accordance with sharia principles.</p>	<p>priority in the management of zakat. Institutions of zakat demanded not only firmly to the zakat payers (muzakki), but also meticulous, intelligent and wise in the allocation of zakat funds. One aspect of transparency and accountability that is exemplified by the Prophet Muhammad is the control function. The Prophet always do a check and balance against the officers zakat to evaluate their work, both aspects of the collection and distribution zakat funds periodically. It was all done to ensure its implementation in accordance with the law of Sharia. (Al-Bukhari, Sahih al-Bukhari. Kitab al-Ahkam, chapter Hadaya al-Amal, hadits number 6753,)</p>
2	The impact of zakat	<p>2.1 In the mustahik dimension, National Zakat Index measure the impact of zakat to the mustahik which can be measured from the material, spiritually, the level of life expectancy,</p>	<p>Zakat is a worship that have a social impact society other than as individual worship. Zakat is believed to be able to contribute in building a spirit of solidarity between the</p>

		<p>literacy, and access to education. At this part, NZI uses some method of calculating which is made by local and international institutions. Such as in measuring the impact of zakat materially and spiritually, IZN using IPB CIBEST methods which is developed by Beik and Arsyanti (2015).</p> <p>2.2 The next measurement is viewed from an increase in the standard of living that is reflected from the level of health, literacy rates, and access to education that is a part of the human development index (Nurzaman, 2011).</p>	<p>have and the poor. The have don't feel arrogant because of his wealth, and the poor don't feel humiliation because of their poverty. The model of the ideal society that was described by the Prophet Muhammad: "the parable of the Muslims in terms of affection as one body, when one member of the body hurts, the other members feel the pain, so everyone can not sleep and felt a fever therefore." (HR. Bukhari dan Muslim)</p>
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## 5. CONCLUSION AND RECOMMENDATION

National Zakat Index (NZI) is a form of willingness to transform zakat management to keep moving towards a better management. Unquestionably, to make a better zakat management is necessary, hence it can be conducted by providing credible indicators that can describe the overall performance of zakat. Based on this reason, by developing a National Zakat Index (IZN) is expected that zakat institutions have the standardization of performance.

However, in evaluating zakat performance is not only judging from the zakat institution alone, but also from the government and public aspect. Then mustahik as recipients of zakat funds cannot be abandoned from the national indicators of zakat performance, because they are beneficiaries of zakat so there should be a measuring tool on how far zakat funds in improving their welfare. Hence, this indicator can be used as an evaluation for zakat institutions. In short, the purposes of the National Zakat Index are as follows:

1. Good zakat management requires the support of appropriate indicators so it is necessary for the availability of a comprehensive measuring tool in the form of index.
2. NZI acts as a standard measurement for assessing and evaluating the performance of national zakat includes the role of government and public, the performance of zakat institutions, and also the impact of zakat in improving mustahik's welfare.
3. Can be applied at National and Regional level.

In determining these measurements, NZI established guidelines that became a reference in designing the index, which is abbreviated as SMART:

- a. **S**pecific; components presented must be specific
- b. **M**easurable; components presented must be measurable
- c. **A**pplicable; components presented can be applied
- d. **R**eliable; components presented are trustworthy
- e. **T**imely; calculation is conducted in periodically manner

As discussed earlier, the performance indicators of zakat in NZI are including macro and micro dimension. Macro dimension consists of regulation, state or local government budget support, and database of official zakat institutions, including muzakki and mustahik database. While the micro dimension consists of institution, zakat impact, and independency. Moreover, the benefits of NZI are should be aligned with the goals of the index, which was initiated, that NZI can be referred as a benchmark of national zakat performance, hence it is expected to become an evaluation and a supervision tool by stakeholders.

The recommendations of the research team for the results on the NZI research are as follows. Research on National Zakat index formulation is a living document (a document, particularly as a guide that can be changed according to the context and the needs of the times) that has purposes to measure, assess and evaluate national zakat. From this study also produce some recommendations for the National Zakat index so it may be fully useful. Some of these recommendations are:

1. NZI can be used and applied in zakat institutions, from national to the local level. It is intended that all parties in zakat can measure and improve their zakat performance, as well as increasing public understanding of the zakat contribution for Indonesia.
2. NZI which has been structured can be evaluated every 3-5 years. Thus NZI will always be able to meet the needs as accordance to the time, the adjustment of context in social, economic, and political situation, as well as to have a more precise accuracy.

3. NZI can be ratified as a standard measurement to measure the standard of national zakat performance, which can be measured periodically.

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## Appendices

**Table 4. Scoring of Macro and Micro Dimension**

1. Macro Dimension						
No	Variable	Criteria (1= Very weak, 2= weak, 3= neutral, 4= strong, 5= very strong)				
		1	2	3	4	5
1	Government regulation	The availability of zakat act and its supporting regulations at the national level as well as the availability of state regulation about zakat in <25% of the provinces	The availability of zakat act and its supporting regulations at the national level as well as the availability of state regulation about zakat in 25% of the provinces	The availability of zakat act and its supporting regulations at the national level as well as the availability of state regulation about zakat in 50% of the provinces	The availability of zakat act and its supporting regulations at the national level as well as the availability of state regulation about zakat in 75% of the provinces	The availability of zakat act and its supporting regulations at the national level as well as the availability of state regulation about zakat in all provinces
2	State regulation (to measure at province level)	The availability of state regulation about zakat at province level and <25% at district level in those province	The availability of state regulation about zakat at province level and at least 25% at district level in those province	The availability of state regulation about zakat at province level and at least 50% at district level in those province	The availability of state regulation about zakat at province level and at least 75% at district level in those province	The availability of state regulation about zakat at province level and at all district/cities in those province
3	Government budget allocation for BAZNAS	Government budget ratio to operational cost of BAZNAS is <20%	Government budget ratio to operational cost of BAZNAS is at least	Government budget ratio to operational cost of BAZNAS is at least	Government budget ratio to operational cost of BAZNAS is at least	Government budget ratio to operational cost of BAZNAS is at least

			<20%	<30%	<50%	<75%
4	State government budget allocation for BAZNAS (to measure at province level)	State government budget ratio to operational cost of BAZNAS is <20%	State government budget ratio to operational cost of BAZNAS is at least <20%	State government budget ratio to operational cost of BAZNAS is at least <30%	State government budget ratio to operational cost of BAZNAS is at least <50%	State government budget ratio to operational cost of BAZNAS is at least <75%
5	Total numbers of official zakat institutions, muzakki, and mustahik	Database of total numbers of official zakat institutions, muzakki, and mustahik per institution is unavailable	Have one of database regarding numbers of zakat institutions, muzakki, and mustahik per institution	Have two of database regarding numbers of zakat institutions, muzakki, and mustahik per institution	Have all of database regarding numbers of zakat institutions, muzakki, and mustahik per institution	Have all of database regarding numbers of zakat institutions, muzakki, and mustahik per institution as well as its portray
6	The ratio of register muzakki (have NPWZ against nastional household )	The ratio of registered muzakki (have NPWZ) against national household <1%	The ratio of registered muzakki (have NPWZ) against national household 1-3,9%	The ratio of registered muzakki (have NPWZ) against national household 4-6,9%	The ratio of registered muzakki (have NPWZ) against national household 7-10%	The ratio of registered muzakki (have NPWZ) against national household >10%
7	The ratio of entity muzakki (have NPWZ against the number of business entities)	The ratio of registered entity muzakki (have NPWZ) to the number of business entities <1%	The ratio of registered entity muzakki (have NPWZ) to the number of business entities 1-1,9%	The ratio of registered entity muzakki (have NPWZ) to the number of business entities 2-2,9%	The ratio of registered entity muzakki (have NPWZ) to the number of business entities 3-3,9%	The ratio of registered entity muzakki (have NPWZ) to the number of business entities $\geq 4\%$

Explanation:

Regulation in the form of local regulations (Perda)

<b>2. Micro Dimension</b>						
No	Variable	Criteria (1= Very weak, 2= weak, 3= neutral, 4= strong, 5= very strong)				
		1	2	3	4	5
1	Collection	Growth (YoY) <5%	Growth (YoY) 5-9%	Growth (YoY) 10-14%	Growth (YoY) 15-19%	Growth (YoY) >20%
2	Management	SOP zakat management, strategic planning, ISO certification / quality management, and the annual working program are unavailable	Have at least one of documents from these required documents; SOP zakat management, strategic planning, ISO/quality management, and the annual working program	Have at least two of documents from these required documents; SOP zakat management, strategic planning, ISO/quality management, and the annual working program	Have at least three of documents from these required documents; SOP zakat management, strategic planning, ISO/quality management, and the annual working program	SOP zakat management, strategic planning, ISO certification / quality management, and the annual working program are available
3	Distribution*	ACR <20%	ACR 20-49%	ACR 50-69%	ACR 70-89%	ACR ≥90%
		SP >12 months	SP 9 - 12 months	SP 6 - < 9 months	SP 3 - < 6 months	SP <3 months
		EP >15 months	EP 12-15 months	EP 9 - < 12 months	EP 6 - < 9 months	EP <6 months
		No budget allocation for Da'wah program	Budget allocation for DP at least 0.1 - < 2.5 % from total distribution budget	Budget allocation for DP at least 2.5 - < 7.5 % from total distribution budget	Budget allocation for DP at least 7.5 - < 10 % from total distribution budget	Budget allocation for DP at least ≥ 10 % from total distribution budget
4	Reporting	Do not have any financial report	Have financial report which	Have audited financial	Have audited financial	Have audited financial

			is not audited by independent auditor	report with qualified opinion, adversed opinion, and disclaimer	report with unqualified opinion and periodic publication	report with unqualified opinion, Sharia audit report, and periodic publication
5	Prosperity index CIBEST (W)	Index value 0 – 0.20	Index value 0.21 – 0.40	Index value 0.41 – 0.60	Index value 0.61 – 0.80	Index value > 0.80
6	Modified HDI	Index value 0 – 0.20	Index value 0.21 – 0.40	Index value 0.41 – 0.60	Index value 0.61 – 0.80	Index value > 0.80
7	Independen cy	Do not have any job/business	Have an irregular job	Have either a permanent job or business entity	Have either a permanent job or business entity, and saving	Have a permanent job, business entity, and saving

Explanation:

ACR = Allocation to Collection Ratio, SP = Social Program (Consumptive Program), EP = Economic Program (Productive Program), DP = Da'wah Program

#### Definition

##### Social program

Zakat distribution program is designed to meet the needs of mustahik which are urgent and short-term (al-Hajjah al-Massah) as well as a charitable act, including health care and education.

##### Economic program

Zakat distribution program that focuses in empowering mustahik and aims to equip mustahik with the ability to meet their needs in the long term.

##### Da'wah Program

Zakat distribution program that focuses in strengthening the spiritual of mustahik, including advocacy programs within the framework to defense the interests of mustahik, as well as the overall community awareness efforts that are shown by active support on the development of national zakat.



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