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Comparative Efficiency Analysis of Zakat Institutions in Indonesia: A Data Envelopment Analysis Approach

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Abstract

Introduction: Zakat is an important Islamic economic instrument and has an important economic impact on income distribution in society. Therefore, Zakat Institution should manage Zakat appropriately and efficiently. This study examines Zakat Institution's efficiency based on its government, national scale, and local cluster. **Research Methods:** The research method is a quantitative non-parametric analysis using Data Envelopment Analysis (DEA) to measure the efficiency of zakat management across different zakat institutions scales. The input variables are amil salaries (X1), socialization costs (X2), operational costs (X3), and the number of offices (X4). The output variables are the amount of zakat collected (Y1) and zakat distributed (Y2). **Results:** The analysis results show that local-scale zakat institutions, particularly LAZ Al-Kahfi Peduli, exhibit the highest efficiency, maintaining a perfect score for four consecutive years, although there was a slight decline in the last observed year. BAZNAS, representing government-owned, ranks second in efficiency, while national-scale zakat institutions rank third. Among the national-level zakat institutions, LAZISNU and Rumah Zakat stand out as the most efficient. **Conclusion:** Improvement recommendations are proposed for each zakat institutions based on benchmarks that can be used to optimize the input-output relationship in zakat management. The government may consider stricter regulations requiring zakat institutions to conduct financial audits and publish financial reports on their websites to enhance accountability and public trust in these institutions.

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INTRODUCTION

Zakat, as the third pillar of Islam, has been extensively studied by numerous researchers using various perspectives and approaches. In Islamic economics, zakat is considered one of the most important instruments for income distribution. Beyond its economic impact, zakat is also seen as a social safety net, contributing to social justice and addressing societal problems. It is regarded as an effective mechanism for income redistribution, as Islam has clearly defined who is obligated to pay and eligible to receive zakat. Consequently, zakat is expected to redistribute wealth concentrated among the wealthy few. As a safety net for the poor and needy, zakat plays a crucial role in combating poverty.(Ibrahim & Shaharuddin, 2015)

Zakat's ability to facilitate income allocation and redistribution from *muzakki* (donors) to *mustahik* (recipients) is a phenomenon at the microeconomic level. However, zakat also has macroeconomic impacts, including its effects on economic growth, reducing inequality, and poverty alleviation. As a result, various forms of expenditures, including consumption, investment, and public spending, can be linked to zakat. These expenditures promote economic development and address basic needs. For instance, zakat empowers certain groups in society, including the poor, zakat fund managers, and those burdened with debt.

In addition to studies examining the positive impacts of zakat, significant attention has been given to the potential and efforts to optimize zakat collection in Indonesia. Puskas BAZNAS conducted a study in 2022 on the potential of zakat in Indonesia using the Zakat Potential Mapping Index (IPPZ), which covered 416 districts and 98 cities across 34 provinces. The study estimated that Indonesia's zakat potential reaches Rp 327 trillion annually. This figure could increase, given that Indonesia currently has 512 Zakat Agencies, 145 Zakat Institutions, and 49,132 Zakat Collection Units (UPZ) approved by the government.(Ditzawa, n.d.)

Despite its significant potential, the realization of zakat collection in Indonesia remains far below its estimated capacity. According to data collected by PUSKAZ from 2013 to 2023, the gap between zakat potential and actual realization has been persistently wide. While the estimated potential of zakat reaches approximately Rp 327 trillion annually, actual collections have grown from only Rp 2.6 trillion in 2013 to Rp 22.5 trillion in 2022, with a target of Rp 33 trillion in 2023. Over the past decade, zakat collection has grown at an average annual rate of 34.5%. If the 2023 zakat collection target of Rp 33 trillion is achieved, only about 10% of the projected Rp 327.6 trillion zakat potential would be realized in that year.(BAZNAS, 2024)

The growing yet insufficient trend in zakat realization highlights a critical urgency for systemic improvements in zakat management, outreach, and governance. Bridging this gap is essential not only for optimizing Islamic philanthropic resources but also for addressing socio economic inequality and enhancing the welfare of marginalized communities in Indonesia. The disparity between zakat potential and actual collection in Indonesia is illustrated in the following figure:

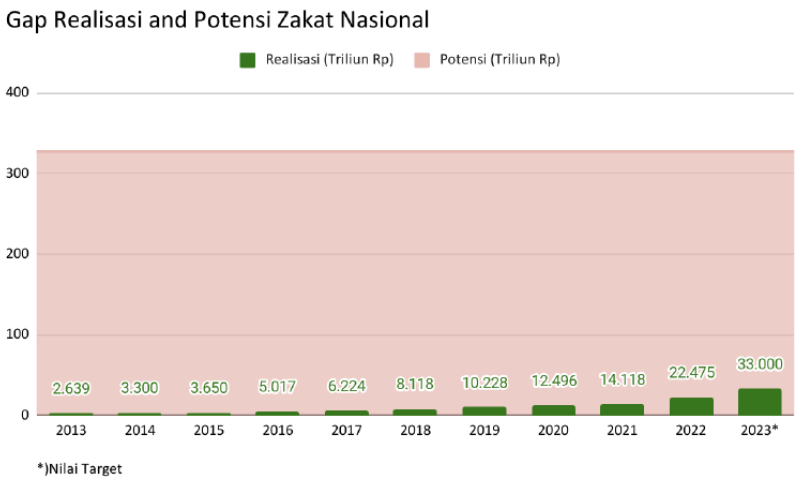

Figure 1 The Gap Between National Zakat Realization and Potential (2013-2023)
Source: Puskas BAZNAS (2024)

The significant gap between zakat potential and its realization is largely due to the lack of public trust in zakat institutions. Therefore, measuring the management and efficiency of zakat institutions can help enhance public trust.(Lessy, 2009)

One of the key factors in increasing zakat collection lies in the role of zakat administrators (*amil zakat*). The higher the trust of *muzakki* (donors) in *amil zakat*, the higher the amount of zakat collected. *Muzakki* often assess the credibility of *amil zakat* before making their zakat payments. Additionally, the zakat funds collected must be properly distributed to *mustahik* (recipients) to fulfill the objectives of the zakat command in Islamic law.

Amil zakat play a crucial role in managing zakat funds. As trustees of zakat fund management, if *amil zakat* manage the funds well, the eight categories of zakat beneficiaries (*ashnaf*) will benefit accordingly. However, if the funds are poorly managed, the *ashnaf* will not receive the intended benefits. This highlights the strategic importance of *amil zakat*. In other words, the most critical aspect of zakat is how its funds are managed (management).(Rusydiana & Al Farisi, 2016)

According to Zakat Law Number 23 of 2011, the entities legally authorized to manage zakat funds are Zakat Institutions (OPZ), which consist of BAZNAS and LAZ, supported by Zakat Collection Units (UPZ). OPZ is a social intermediary organization whose operational costs are covered by the zakat and *infak* funds collected. Islamic law permits OPZ, as *amil zakat*, to allocate one-eighth (1/8) of the total zakat and *infak* funds, or no more than 12.5%, for operational costs.

Although zakat institutions are based on social activities, their management must adhere to the principles of accountability, professionalism, and transparency. Another important principle is that OPZs must operate effectively and efficiently.(Rusydiana & Al Farisi, 2016) Trust and professionalism are essential to support the development of zakat institutions. The challenges currently faced by zakat institutions require management that can make effective decisions to achieve high levels of productivity and efficiency.

Effectiveness in a company or organization is related to the determination of organizational policy objectives or how well the organization can realize its own goals. Organizational effectiveness can be analyzed through organizational commitment, which manifests in various forms, such as the relationship between leaders and staff, involvement in decision-making processes, and the psychological attachment felt by individuals. Efficiency, on the other hand, measures the relationship between input and output or how successfully input is transformed into output.(Bartuševičienė & Šakalytė, 2013)

In 2016, BAZNAS, in collaboration with Bank Indonesia, introduced the concept of the Core Principles for Effective Zakat Supervision to measure the effectiveness of zakat management.(BAZNAS & Bank Indonesia, 2016) Meanwhile, efficiency measurement has largely been conducted using Data Envelopment Analysis (DEA). DEA is employed to measure the level of technical efficiency, economies of scale, and efficiency in the banking and financial sectors. However, DEA is now also used to measure the efficiency of non-banking institutions, such as hospitals, universities, tax offices, and nonprofit organizations.

For zakat institutions operated by both the government and private sectors, achieving optimal efficiency is crucial. The more efficient a zakat institutions is, the more significant the positive impact on the process of zakat collection, utilization, and distribution. Efficiency is essential for zakat institutions to maximize the benefits for the community.

Research using Data Envelopment Analysis (DEA) as a tool to analyze the efficiency of non-profit institutions, including amil zakat institutions, has been conducted by various researchers. Hastutik *et al.* (2020)analyzed the efficiency of BAZNAS and BAZIS in Jabodetabek in 2016 and 2017. The inputs used are operational costs and the number of amil, while the outputs used are the amount of ZIS funds collected and the amount of ZIS funds distributed.

Another study was conducted by Uula & Maziyyah (2023) during 2016-2022. Based on the average efficiency score, it can be concluded that there is no zakat institution in Indonesia that reaches the maximum efficiency level. Research that focuses on amil zakat institutions owned by the banking sector was conducted by Wahyudi & Setyohadi (2021). The results showed that all amil zakat institutions based on Islamic banks have efficient performance with a value of 100% both on CRS and VRS assumptions. This means that Islamic bank-based amil zakat institutions can collect and distribute ZISWA funds well.

Meanwhile, research that combines DEA and Malmquist Productivity Index analysis is conducted by Rustyani & Rosyidi (2018) who analyzed six amil zakat institutions in Indonesia. The inputs used are the amount of funds raised, total costs, and amil revenue. While the outputs used are funds distributed and total assets. The result of MPI analysis shows that the studied LAZ experienced fluency in achieving efficiency.

Another research that combines DEA with MPI was conducted by (Ardiani, 2023). DEA analysis was conducted in the period before and during the Covid-19 pandemic. The analysis results showed that amil zakat institutions experienced fluctuations in efficiency. The efficiency during the pandemic period is better than before the pandemic.

Comparative study of efficiency between various clusters of zakat institutions has not been conducted by many researchers. The existing comparison was conducted by Al-Ayyubi,

et al.(2018) who divided the cluster of amil zakat institutions into two groups, namely amil zakat institutions based on mass organizations and non-mass organizations. The inputs used are the number of volunteers, the number of amil, socialization costs, salary costs, operational costs, and the number of branch offices. While the output used is the amount of zakat collected and the amount of consumptive programs distributed. The result stated that the efficiency of mass organization-based amil zakat institution is higher than non-mass organization amil zakat institution.

Another comparison was conducted by Ryandono *et al.* (2023) who divided amil zakat institutions into three groups, namely amil zakat institutions managed by the government, social organizations, and corporations. The inputs used are salary cost, socialization cost, and operational cost. While the output used is the amount of zakat collected and the amount of zakat distributed. The result states that amil zakat institution managed by the government is the most efficient compared to other groups. The efficiency level of amil zakat institutions is influenced by their management group or affiliation (government, corporation, or social organization).

While the novelty of this research is to compare amil zakat institutions based on their scale, namely amil zakat institutions owned by the government at the national scale, national scale zakat institutions, local scale zakat institutions that have not been done by previous researchers. The inputs used are also different compared to previous studies which mostly only use financial statements. In this study, it adds input variables obtained not from the financial statements of amil zakat institutions, namely the number of offices. So that this research combines data from financial reports and non-financial report data for input and output variables.

RESEARCH METHOD

This study employs a quantitative research design with a non-parametric approach. The non-parametric approach in quantitative research involves the use of specific numerical data and statistics. In this research, the non-parametric method applied is Data Envelopment Analysis (DEA). The non-parametric DEA approach is used to measure the efficiency level of the Decision Making Units (DMUs) being analyzed.(Rusydiana & Al Farisi, 2016)

Charnes *et al.* (1978) initially developed the DEA method to measure the efficiency of non-profit and public sector organizations by calculating the use of inputs to produce multiple outputs. DEA can accommodate a variety of inputs and outputs to provide insights into potential efficiency improvements and the relationship between inputs and outputs. This method allows for a more flexible and comprehensive analysis of institutional performance by comparing similar units and identifying areas where efficiency can be enhanced.(Ryandono et al., 2023)

Sherman & Zhu (2006) mathematically formulated the DEA formula as follows:

$$\frac{u_1 y_{1o} + u_2 y_{2o} + \ldots + u_r y_{ro}}{v_1 x_{1o} + v_2 x_{2o} + \ldots + v_m x_{mo}} = \frac{\sum_{r=1}^{s} u_r y_{ro}}{\sum_{i=1}^{m} v_i x_{io}}$$

Where:

j number of DMUs: This represents the total number of Decision-Making Units that are being evaluated for efficiency.

Y_{rj} the sum of output *r* produced by DMU *j*: This indicates the quality of output *r* produced by DMU *j*. Output is the result or product produced by a DMU.

X_{rj} number of inputs *i* used by DMU *j*: this indicates the quantity of inputs *i* used by DMU *j*. Inputs are the resources or factors used by a DMU to produce outputs.

i the number of inputs used by the DMU: It determines the total number of input variables considered in the analysis.

r the number of outputs produced by the DMU: It indicates the total number of output variables considered in the analysis.

U_r the weight assigned by DEA to output *r*: This is the weight given to output *r* in the DEA model. It reflects the importance or contribution of output *r* to the overall efficiency score.

V_i the weight assigned by DEA to input *i*: This is the weight assigned to input *i* in the DEA model. It reflects the significance or cost of input *i* in the efficiency evaluation.

m number of inputs: This is the total number of input variables used in the DEA model.

s number of outputs: This is the total number of output variables used in the DEA model. This study focuses on comparing the efficiency levels of the clusters examined, which include government-owned zakat management institutions at the national level, national-level zakat management institutions, and district/city-level zakat management institutions.

The selection of institutions was based on strict data validity criteria. Only zakat institutions that publicly disclosed their audited annual financial statements on their official websites from 2018 to 2022 were included. These reports must have been audited by a registered Public Accounting Firm and obtained an *unqualified opinion.* In addition, the financial reports were required to explicitly state the amount of expenditure on amil expenses, socialization cost, operational cost, zakat funds collected, and zakat funds distributed. The input and output variables used in the analysis are as follows:

Table 1 Operational Variable Definitions

Variable	Definition	Source
	Input	
Amil Expenses (X1)	Cost for salaries and allowances received by *amil* in one year	Ryandono et al. (2023) Atiya et al. (2020) Al-Ayubi et al. (2018)

Variable	Definition	Source
Socialization Cost (X2)	Expenses incurred for socialization, promotion, and education activities to the public in one year	Ryandono et al. (2023) Atiya et al. (2020) Al-Ayubi et al. (2018)
Operational Cost (X3)	All expenditures of *amil* funds except for personnel and socialization costs in one year	Ryandono et al. (2023) Atiya et al. (2020)
Offices (X4)	Total number of offices (headquarters, branches, service offices, and overseas branches)	Al-Ayubi et al. (2018) Muslimah and Akbar (2021)
	Output	
Zakat Funds Collected (Y1)	Total zakat funds collected by LAZ in one year	Ryandono et al. (2023) Atiya et al. (2020) Al-Ayubi et al. (2018)
Zakat Funds Distributed (Y2)	Total zakat funds disbursed by LAZ in one year	Ryandono et al. (2023) Atiya et al. (2020)

Source: Data processed by the author, 2024

Based on these criteria, a total of 11 zakat institutions at the national and local levels were selected as Decision Making Units (DMU) for the efficiency analysis.

This study also employs an output-oriented approach and assumes Variable Returns to Scale (VRS) along with a production approach. The choice of output orientation is considered more appropriate as it can determine the maximum amount of funds that can be collected and distributed by the Zakat Management Organizations (LAZ).(Ryandono et al., 2023) The use of output orientation is also suitable for evaluating how well LAZ can maximize their output with the available resources.

The DEA analysis is conducted using the OSDEA software. The data processing steps include: *first*, sorting the data from the financial statements and tabulating it into a single dataset using Microsoft Excel. *Second*, the tabulated and grouped data is imported into the OSDEA software. *Third*, the data processing is executed using the software, ensuring that the assumptions, orientation, and methods chosen are correct. Once all the steps are completed, the interpretation of the results can be conducted. The DEA model produces an efficiency score equal to 1. The interpretation is carried out by analyzing the efficiency of the Zakat Management Organizations based on their respective groups.

This study acknowledges several methodological limitations. First, the limitation of this study is the completeness of the required data. Only a few zakat institutions have published complete financial reports on their websites. Additionally, some zakat institutions publish incomplete financial statements, making them unavailable for analysis. BAZNAS, as the regulator for zakat institutions in Indonesia, could impose stricter requirements on zakat institutions to ensure they are audited and publish their financial reports. Ultimately, the availability of accountable financial reports is a key effort to improve public trust and

accountability in zakat institutions. The analysis relies entirely on quantitative data available in financial reports, limitations in data quality or variation in reporting standards may influence the results. Second, due to the lack of data, the analysis is restricted to the 2018-2022 period, which may not fully reflect long-term institutional performance. Lastly, the DEA model does not account for external factors such as national zakat policy changes or the effects of the Covid-19 pandemic, which may have influenced the operational outcomes of zakat institutions.

RESULT AND DISCUSSION

Based on the established criteria, namely Zakat Management Organizations (LAZ) that have published their financial reports for the 2018-2022 period on their websites and have consistent variables in their financial reports, the Zakat Management Organizations that can be analyzed in this study using DEA are listed in the following table:

Table 2 Zakat Institutions Analyzed

Zakat Institutions in Indonesia Based on Scale		
Government	**National Scale**	**Local Scale**
Badan Amil Zakat Nasional (BAZNAS)	LAZ Muhammadiyah	LAZ Yayasan Ukhuwah Care Indonesia
	LAZ Infak dan Shadaqah Nahdatul Ulama (LAZIS NU)	LAZ Al-Kahfi Peduli
	LAZ Dompet Dhuafa Republika	
	LAZ Rumah Zakat Indonesia	
	LAZ Yayasan Griya Yatim dan Dhuafa	
	LAZ Rumah Yatim Ar-Rohman Indonesia	
	LAZ Yayasan Daarul Qur'an Nusantara (PPPA)	
	LAZ Pesantren Islam Al-Azhar	

Source: Data processed by the author, 2024

Overall, the efficiency measurement of Zakat Management Organizations was conducted over the 2018-2022 period. According to the DEA method, an organization is considered efficient if its efficiency score is 1.(Charnes et al., 1978) Therefore, an efficiency score of less than 1 indicates inefficiency. The efficiency scores using DEA are presented in table 3.

Table 3 Efficiency Scores Using DEA

Zakat Institutions	**DEA**				
	2018	**2019**	**2020**	**2021**	**2022**
Badan Amil Zakat Nasional (BAZNAS)	1.0	0.93	1.0	1.0	1.0
LAZ Muhammadiyah	0.20	0.31	0.33	0.32	0.42
LAZ Infak dan Shadaqah Nahdatul Ulama (LAZIS NU)	0.24	1.0	0.96	0.68	1.0
LAZ Dompet Dhuafa Republika	0.60	0.77	0.86	0.85	0.79

Zakat Institutions	DEA				
	2018	2019	2020	2021	2022
LAZ Rumah Zakat Indonesia	0.65	1.0	1.0	0.96	0.89
LAZ Yayasan Griya Yatim dan Dhuafa	0.12	0.13	0.15	0.15	0.17
LAZ Rumah Yatim Ar-Rohman Indonesia	0.24	0.32	0.42	0.36	0.31
LAZ Yayasan Daarul Qur'an Nusantara (PPPA)	0.03	0.12	0.15	0.09	0.08
LAZ Pesantren Islam Al-Azhar	0.62	0.53	0.51	0.79	0.90
LAZ Yayasan Ukhuwah Care Indonesia	0.82	0.66	1.0	1.0	0.68
LAZ Al-Kahfi Peduli	1.0	1.0	1.0	1.0	0.94

Source: Data processed by the author, 2024

Based on the efficiency scores of the zakat institutions, it can be concluded that BAZNAS (a government institution) demonstrates relatively stable efficiency with DEA values close to 1. National LAZs such as LAZISMU, LAZISNU, Dompet Dhuafa, Rumah Zakat, Griya Yatim dan Dhuafa, Rumah Yatim, DAQU, and Al-Azhar show variations in efficiency, with some experiencing significant fluctuations. District/City LAZs, such as Ukhuwah Care and Al-Kahfi Peduli, also exhibit varying performance, but generally approach or achieve full efficiency.

Next, the LAZs under study are compared to determine which are the most efficient based on scale. The following is a comparison of efficiency across the scales of the zakat institutions analyzed.

Table 4 Comparison of Efficiency Scores Across Scales

Scale	Zakat Institutions	DEA Efficiency				
		2018	2019	2020	2021	2022
Government	Badan Amil Zakat Nasional (BAZNAS)	1.0	0.93	1.0	1.0	1.0
National Scale	LAZ Muhammadiyah	0.20	0.31	0.33	0.32	0.42
	LAZ Infak dan Shadaqah Nahdlatul Ulama (LAZIS NU)	0.24	1.0	0.96	0.68	1.0
	LAZ Dompet Dhuafa Republika	0.60	0.77	0.86	0.85	0.79
	LAZ Rumah Zakat Indonesia	0.65	1.0	1.0	0.96	0.89
	LAZ Yayasan Griya Yatim dan Dhuafa	0.12	0.13	0.15	0.15	0.17
	LAZ Rumah Yatim Ar-Rohman Indonesia	0.24	0.32	0.42	0.36	0.31
	LAZ Yayasan Daarul Qur'an Nusantara (PPPA)	0.03	0.12	0.15	0.09	0.08
	LAZ Pesantren Islam Al-Azhar	0.62	0.53	0.51	0.79	0.90
Local Scale	LAZ Yayasan Ukhuwah Care Indonesia	0.82	0.66	1.0	1.0	0.68
	LAZ Al-Kahfi Peduli	1.0	1.0	1.0	1.0	0.94

Source: Data processed by the author, 2024

Among the three scales observed, LAZ Al-Kahfi Peduli is the most efficient. This zakat institution achieved a perfect efficiency score of 1.0 for four consecutive years (2018-2021), with only a slight decrease to 0.94 in 2022. LAZ Al-Kahfi Peduli performed slightly better (a 0.01 difference) compared to BAZNAS. This stable and high performance indicates that LAZ Al-

Kahfi Peduli has excellent management compared to other LAZs across various scales. It is able to utilize its inputs effectively to achieve optimal outputs.

A direct recommendation for the less efficient zakat institutions is to reduce the inputs causing inefficiency and increase outputs in order to achieve efficiency. The following table presents the percentage of input reductions and output increases required to achieve efficiency:

Table 5 Percentage of Total Potential Improvements for Zakat Institutions

Variable	**DEA (%)**
Input	
Amil Expenses	-10.50
Socialization Cost	-12.38
Operational Cost	-3.80
Number of Offices	-6.09
Output	
Zakat Funds Collected	235.89
Zakat Funds Distributed	267.65

Source: Data processed by the author, 2024

The DEA analysis reveals significant insights into the efficiency of zakat institutions. For input variables, there is room to reduce amil expenses by 10.50%, indicating a need for better resource management in staffing and roles. While this suggests inefficiencies, it is not the most pressing concern compared to other inputs. Socialization costs, with a potential 12.38% reduction, highlight the need for more effective outreach strategies. These inefficiencies could stem from redundant campaigns or overspending on underperforming initiatives. In contrast, operational costs show the smallest improvement potential at 3.80%, reflecting relatively optimized processes. However, further refinements through automation and centralized management could still yield benefits. The number of offices, with a potential 6.09% reduction, points to possible overexpansion or underutilization, which institutions should address by assessing office performance and exploring virtual alternatives where feasible.

For output variables, the potential improvements are strikingly high. Zakat funds collected could increase by 235.89%, underscoring severe underperformance in fundraising efforts. This may result from ineffective outreach, a lack of trust, or insufficient targeting of potential donors. Similarly, zakat funds distributed show an even larger potential improvement of 267.65%, suggesting inefficiencies in fund disbursement processes. These could be due to bureaucratic hurdles, mismanagement, or inadequate beneficiary identification systems. The disparity between modest input inefficiencies and substantial output inefficiencies indicates that the primary issue lies in the underutilization of resources rather than their wastage.

Overall, these findings emphasize the need for zakat institutions to prioritize enhancing their capacity to mobilize and distribute funds effectively. While some cost optimization is necessary, the focus should shift to building trust through transparency and improving operational systems to ensure collected funds reach beneficiaries efficiently. Strengthening

these areas will enable zakat institutions to maximize their impact and achieve greater alignment with their social welfare objectives.

The DEA analysis also allows zakat institutions to "learn" from other organizations that have already achieved efficiency. Peer groups can serve as benchmarks to help set efficiency standards by identifying units that operate at the highest efficiency levels within the studied group. This enables the evaluated units to be compared against these benchmarks to assess and improve their performance.

Based on the data, the ranking from the most to the least frequently used Decision Making Units (DMUs) as benchmarks for other DMUs is as follows:

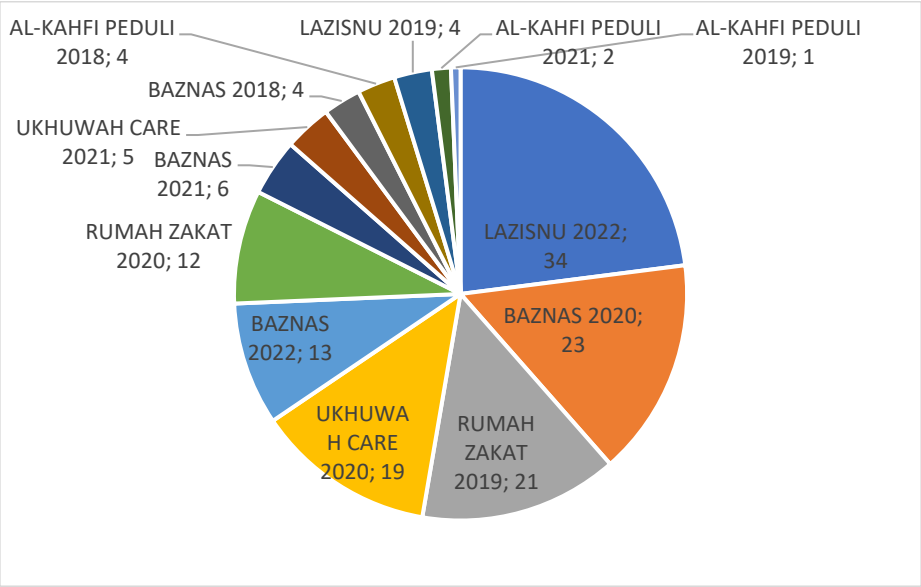

Figure 2 Number of DMU Apprearances as Benchmark

Source: Data processed by the author, 2024

The results indicate that LAZISNU 2022 appears 34 times and is the most frequently used as a peer group. This means that LAZISNU 2022 is often used as a reference or comparator for other DMUs. The more frequently a DMU appears as a peer group, the more likely it is that the DMU is considered efficient and serves as a benchmark or standard for other DMUs. This suggests that LAZISNU 2022 demonstrates superior performance or is considered efficient in managing resources and achieving optimal output within the context of zakat institutions in Indonesia.

CONCLUSION

Based on the efficiency analysis, several reccomendations are proposed in order of priority and implementation timeline. In the short term, zakat institutions need to optimize their zakat collection strategies by utilizing digital technologies, such as online donation applications and crowdfunding platforms, to reach a broader base of donors. Additionally, training and certification for zakat administrators (*amil zakat*) are necessary to improve their skills in zakat collection and distribution, ensuring that available inputs generate more optimal outputs. Expenditures on public outreach should also be evaluated to ensure that the costs

are justified by the results, and zakat institutions could adopt digital campaign methods and collaborate with community leaders to reduce expenses.

In the medium term, zakat institutions are advised to conduct a thorough audit of their operational expenditures to identify areas for optimization, such as leveraging technology to streamline administrative processes and reduce operational costs. Zakat institutions should also consider evaluating the number of physical offices, as an excessive office network can become a burden without providing significant results. Strengthening digital services through online applications and mobile banking can help reduce reliance on physical offices while continuing to provide optimal services. In the long term, systemic reforms may be required to build sustainable operational models and integrated zakat databases at the national level.

These recommendations have direct policy implications, particularly in the context of the Zakat Law No. 23 of 2011. A key consideration is the need to revise or strengthen regulatory provisions regarding the auditing and publication of financial statements for zakat institutions. For example, amendments to the relevant articles could mandate regular third-party audits and public disclosure of standardized financial data, thereby enhancing accountability and enabling more robust efficiency assessments across the sector.

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