

Performance Measurement System for Zakat Institutions:
Integrating Maqashid Sharia and Sharia Enterprises Theory

Ataina Hidayati, Achmad Tohirin

Universitas Islam Indonesia

Paper to be presented at International Conference of Zakat 2019
3-4 October, Universitas Padjadjaran, Bandung, Indonesia

ABSTRACT

This study aims to build a performance measurement system of zakat institutions from the perspective of maqashid sharia and sharia enterprise theory. This study embarks from previous studies focusing on the performance measurement methods applied to the zakat institutions. Understanding of maqashid sharia in this paper refers to the concept formulated by Al Ghazali and Ibn Ashur. Their applications in contemporary research can be found in various studies. This paper concludes that performance measurement based on maqashid sharia for Islamic bank can be used by zakat institution, by making various adjustments according to the characteristics of zakat institutions. In addition, this study also designed a performance scorecard to assess the performance of zakat institutions based on the perspective of maqashid sharia and sharia enterprises theory. From the scorecard, the zakat institution can calculate the zakat management index from a broader perspective.

Keywords: performance, measurement, maqashid sharia, enterprise theory

INTRODUCTION

Poverty is a classic problem that has existed since humanity existed. Poverty is a complex problem, and will continue to be a problem from year to year. Poverty and its implications can involve all aspects of human life. To reduce the problem of poverty, one solution in Islamic sharia is zakat. One of the reasons for establishing zakat institution is to improve the effectiveness of zakat management. The zakat institution established by the government is called the National Zakat Amil Agency, hereinafter referred to as BAZNAS and was established by the government based on Presidential Decree No. 8 of 2001.

According to the book titled "National Zakat Statistics 2017" published by BAZNAS, the number of zakat management

organizations in Indonesia is 603, however, the percentage of zakat revenues at the national level in 2017 is only 2.9% of the potential 217 trillion rupiah (BAZNAS, 2018). Aibak (2015) argues that one of the reasons for the low interest of the community in paying zakat through zakat management organizations is because the institution is only waiting for those who will pay zakat (*muzakki*), in other words the zakat management institution seems to be passive in collecting zakat.

In order for zakat to achieve its objectives, then the management of zakat must be in accordance with the objectives of Islamic sharia known as maqashid sharia. Maqashid sharia is the basic paradigm of Islamic economics (Muzlifah, 2013). Because of the importance of the concept of maqashid sharia, some researchers have

reviewed the effectiveness of zakat management in that perspective. Hapsari and Abidin (2016) examined the distribution of zakat based on the maqashid shariah framework. In the same year, Mardiah and Jamil (2016) also reviewed the effectiveness of the distribution of zakat at the Dompot Dhuafa Palembang. The results of the study show that through various programs that are carried out, Dompot Dhuafa Palembang has been able to achieve maqashid sharia, namely preserving religion, life, intellectual, progeny and preserving wealth.

Furthermore, Fitria (2018) examines the conformity of social entrepreneurship programs in amil zakat institutions, Dompot Dhuafa, from the perspective of maqashid sharia. Recent research, Nugroho and Wahyuni (2019) states that understanding maqashid sharia is necessary for enabling us to develop a framework for designing and implementing performance measurement processes. The author conducts research on measuring the performance of the Al Haromain zakat institution in Malang based on the concept of the balance scorecard and the perspective of maqashid sharia.

To expand on the previous studies, the objective of this study is to build a more comprehensive model of performance measurement of zakat institutions based on maqashid sharia and stakeholder theory. In other words, this study targets to build performance measurements for zakat institutions by integrating the concept of maqashid sharia and stakeholder theory. Measuring performance of zakat institutions is important because in general, we need to assess the effectiveness and the efficiency of zakat institutions. The most simple way to evaluate the effectiveness of zakat institutions is by looking at the speed of transformation of converting a mustahiq to be a muzakki, in economic sense this means an empowerment. However to achieve this conversion is of course not a trivial works. In

the next section, the theoretical basis be displayed to explain the concept of maqashid sharia, innovation in the management of zakat and an explanation of stakeholder theory. Before proceed to the main section, this paper discusses the theoretical foundation and reviews some relevant previous studies. The main part of this paper discussing the design of performance measurement for zakat management. At the end this paper provides conclusions, implications and suggestions.

LITERATURE REVIEW

Maqashid sharia

According to al-Syathibi, quoted by Aibak (2015), the sharia actually aims to realize the welfare of humans in the world and the hereafter, or the laws are prescribed for human welfare. So, it is clear that in fact the laws were not made for the law itself, but were made for another purpose, namely the welfare for all human being. Muhammad Abu Zahrah asserted that the welfare for all human being should be achieved through individual education, the realization of justice and welfare of the community (Mohammed et al. 2008).

Al-Ghazali as quoted by Syofyan (2017) states that the main purpose of sharia is to promote human welfare, which lies in the protection of the faith (din), life (nafs), intellectual (aql), progeny (nasl), and their wealth (maal). Mulyana (2017) concludes that the concept of welfare in Islam especially which is rooted in Al Ghazali's notion of maqashid sharia is the most comprehensive welfare concept. Because it not only includes elements of human material needs but also moral and spiritual. It is different from the concept of welfare which is predicted by the western concept which only focuses on the material aspects and ignores the moral and material aspects. This means that the

dimension of maqashid sharia does not only have the dimension of the moment (worldly) but also the future (ukhrawi).

Innovation in zakat management

Komariyah (2013) states that the main purpose of zakat is to realize distributive justice. Therefore zakat is required, among others, and aimed at narrowing economic inequality in the society by distributing it specifically to certain groups. As prescribed in the Qur'an, zakat are distributed to eight ashnaf, namely: fakir, the poor, amil, muallaf, to liberate slaves, people who are in debt, fisabilillah and the wayfarer.

There are many innovations in management of zakat to increase the benefit of zakat to the society, one of them is the concept of productive zakat. According to Aibak (2015), based on the form of goods given to mustahiq, zakat can be classified in 4 groups namely a) traditional consumptive, b) creative consumptive, c) traditional productive and d) creative productive. Traditional consumptive is the distribution of zakat to be used directly by the mustahiq, to meet their daily needs. The creative consumptive is the distribution of zakat which is manifested in other forms of the original goods, but still in the consumptive category, for example zakat is distributed in the form of school tools or scholarships. Furthermore, traditional productive zakat is the distribution of zakat given in the form of productive goods such as buying goats, cows, commercial equipment and so on. Finally, namely creative productive zakat, which is the distribution of zakat which is realized in the form of business capital.

According to Muhammad and Mas'ud (2005) quoted by Ningrum (2016) productive zakat is the giving of zakat enabling the recipients to produce something continuously with the property from the received zakat. In other words productive zakat is zakat where

the assets or zakat funds given to mustahiq are not directly spent but it converts into a capital like asset to strengthen their businesses capacity and capability and with enhanced capacity and capability their business will be able to generate more income and profit so that their need fulfilment can be easier met continuously and sustainably.

There are four models of productive zakat (Muhammad, & Mas'ud, 2005). First, *budget surplus model* is a zakat distribution model where zakat is partly distributed and the rest is used for productive projects. Second, *in kind model*. In kind system is a system of zakat distribution where zakat funds are not distributed in the form of money but zakat funds are given in the form of production equipment. Third, the *revolving fund model*. The *revolving fund* system is a system of zakat management in which zakat institutions provide zakat fund loans to the mustahiq in the form of qardhul hasan financing. The task of mustahiq is to return the loan to a zakat institution in part or in full, depending on the initial agreement.

Sharia enterprises theory

This theory was developed by Triyuwono (2001). The theory was developed based on the idea that profit-oriented or stockholders-oriented underlying conventional companies are not the right orientation for sharia-based companies. To replace the concept of stockholders-oriented the authors suggest the use of sharia enterprises theory which is oriented to zakat (zakat-oriented), oriented to preservation of nature (natural environment) and oriented to stakeholders.

Furthermore Triyuwono (2001) explains that the orientation of zakat means that the company will strive to achieve the optimum realization of zakat (both material and value). Then the environment and stakeholder-oriented has the implication that

sharia organizations must have a concern to distribute the "welfare" (added value) that has been successfully created to nature and stakeholders. This sharia enterprises theory has been used by Hermawan and Rini (2016) to analyse the effectiveness of the management of zakat institutions. In their research Hermawan and Rini (2016) stated that the zakat institution studied had carried out its obligations to God, to direct and indirect stakeholders. However, for obligations to nature and employees have not been fully met.

PRELIMINARY STUDY

Maqashid-Based PMS in Islamic Banks

Mohammed, et al. (2008) developed performance measurements based on Abu Zahrah's maqashid sharia, namely individual education, establishing justice and public interest. Based on the Abu Zahrah concept, Mohammed et al. (2008) designed more technical performance measures. The first maqashid sharia element, namely educating individual, is measured by 4 performance ratios: 1) education grant / total income; 2) research expense / total expenses; 3) training expense / total expense; 4) publicity expense / total expense. The second maqashid sharia element namely establishing justice is measured by 3 performance ratios: 1) profit / total income; 2) bad debt / total investment;

3) interest free income / total income. The third element of maqashid sharia, namely public interest, is measured by 3 performance ratios: 1) net profit / total assets; 2) zakah / net income; 3) investment deposit / total deposit. Performance measures using these three dimensions have been used by several researchers to measure the performance of Islamic banks based on Maqashid Sharia, among others is Kholid and Bachtiar (2015). Few notes should be noticed from this measurement design, especially when it applies to Islamic Banking Institutions. At least is the compatibility of measurement item with the available data in Islamic Banks. In this regard, the current format of annual report, i.e. financial statement is hardly capable of capturing the essence of maqashid sharia elements. Another important notice is the fact that Islamic Banking Institutions is significantly different from Zakat Institutions.

Furthermore, Mohammed et al. (2015) designed performance measurement system of Islamic banks based on the five elements of the maqashid sharia by Al Ghazali, namely preserving religion, life, intellect, progeny and wealth. In designing performance ratios, Mohammed et al. (2015) relating the concept of maqashid of Al Ghazali with the concept of maqashid of Ibn Ashur as explained in Table 1. From Table 1, Mohammed et al. (2015) built 16 performance ratios

Table 1. Relating Al Ghazali and Ibn Ashur Maqashid Sharia

Maqashid Sharia Al Ghazali	Maqashid Sharia Ibn Ashur
Preservation of religion/faith	Freedom of faith.
Preservation of life/soul	Preservation of human dignity. Protection of human right.
Preservation of intellect/mind	Propagation of scientific thinking. Avoidance of brain drain.
Preservation of progeny	Care of family.
Preservation of wealth	Wellbeing of society. Minimising income and wealth disparity.

Source: Mohammed et al, (2015)

Maqashid Sharia on Management of Zakat

Mardiah and Jamil (2016) examined the suitability of the program run by Dompot Dhuafa Palembang with the concept of the Al-Ghazali's maqashid sharia. The results

can be seen in Table 2. The researchers concluded that with the programs implemented, Dompot Dhuafa Palembang has been able to achieve the five objectives of sharia.

Table 2. Maqashid Sharia and Type of Program in Dompot Dhuafa

Maqashid Sharia Al Ghazali	Program/Activities
Preservation of religion/faith	Amazing Muslimah. Ramadhan.
Preservation of life/soul	Health Services (Layanan kesehatan). Mustahiq Empowerment (Perberdayaan mustahik) Healthy Home (Rumah Sehat Pelita Hati)
Preservation of intellect/mind	Educational Scholarship (Beastudi).
Preservation of progeny	Indonesia Creative Orphan (Yatim Kreatif Indonesia).
Preservation of wealth	Farmer Empowerment (Pemberdayaan Petani Sumsel). Livestocks Empowerment (Pemberdayaan Peternakan). Beneficiaries Incubator (Inkubator Penerima Manfaat)

Source: Mardiah & Jamil (2016)

*Maqashid Sharia-Based PMS for Zakat Institutions**a. Benefit of Zakat for Mustahiq*

The first stakeholder of zakat institution is mustahiq. Mustahiq will receive great benefits from the zakat institutions depending on the quality of zakat distribution system. Rahmawati (2011) argues that in the view of Islamic economics, the distribution system is part of economic activity that has a strong influence on the distribution of people's welfare. Distribution system according to Islam is a rule that cannot be separated from the provisions of maqashid sharia. Therefore, there are two things that must be considered in an effort to improve welfare, namely reducing the gap between community groups by opening jobs and/or providing direct assistance to the poor so that they can improve their quality of life.

According to sharia, mustahiq residing around zakat institutions place must get first priority to receive zakat. Once all the designated mustahiq receive their zakat distribution, then the remaining zakat can be allocated to other regions. In addition, zakat managers also need to consider the form of zakat distribution whether zakat will be distributed in the form of traditional consumptive, creative consumptive, traditional productive or creative productive. Amymie (2017) states, the programs carried out by BAZNAS can be classified based on sectoral grouping namely; (1) economy; (2) social and humanity; (3) health; (4) education; and (5) preaching, and they must be considered in accordance with the maqashid sharia.

b. Benefit of zakat for muzaqqi

For muzaqqi, zakat is the implementation of one of the pillars of Islam, therefore by

carrying out the obligation of zakat, muzaqqi has achieved the first goal of maqashid sharia which is to preserve religion. In addition, zakat serves to purify property. Therefore, by paying zakat, muzaqqi has achieved the fifth element of maqashid sharia, i.e. to preserve property. Therefore, the zakat institution has assisted muzaqqi in achieving two objectives of sharia, preserving religion and preserving wealth.

The zakat institution must help the muzaqqi to pay zakat correctly and properly. Therefore, the zakat needs to be socialized with sharia rules to determine the amount of assets that has to be zakated. Knowledge and understanding of the assets owned such as income, living expenses, debts owned, primary and non-primary needs must be known and considered.

In addition, in socializing zakat to muzaqqi, the benefits received by muzaqqi may enhance the muzaqqi easiness for paying their zakat. Aibak, (2016) in a study conducted at the Amil Zakat Agency Tulungagung, provided an explanation on how zakat institutions can improve services to muzaqqi so that muzaqqi will be more easy, comfortable and willing, to pay zakat. Zakat paid by employee in Tulungagung regency is collected by the zakat recipient unit which is usually called unit penerima zakat (UPT) at the SKPD, Work Unit and BUMD. Then, zakat recipient unit deposit the proceeds of the collection to Badan Amil Zakat

c. *Benefit for Amil*

Amil has the responsibility to manage zakat, with this responsibility, amil has sacrificed his time and energy to manage zakat institutions. Through their expertise, which requires formal and informal education, amil has worked for a significant contribution to the success of

the zakat institution. Because of the contributions they have made, amil has the right to receive rewards for what they give. In addition, most amil zakat working in zakat institutions are employees of zakat institutions. Perhaps the income from the zakat management organization is the only salary they receive. Therefore, the welfare of amil needs further attention from various related parties so that amil will get benefits, especially to get the fifth element of Maqashid Sharia, i.e. to increase prosperity through wealth improvement.

Nevertheless, improving prosperity is not the only amil objective. Amil also has the right to get other maqashid sharia elements that are preserved for their religion, life, intellect and descent. To preserve religion, zakat institutions may design programs such as religious lectures, congregational prayers and various other activities. To protect amils' children, the scholarship program is an appropriate alternative. Provision of amil salaries needs to be considered carefully, because sharia rules limit amil rights to a maximum of 1/8 of the amount of zakat received. Accordingly, amil welfare improvement can be attained by taking funds from other sources, for example unrestricted infaq or funding assistance from the state budget or regional budget. If salary payment system of zakat institution complies with sharia rules, it will be possible for amil to obtain the five elements of the maqashid sharia as explained before.

The benefits received by amil from zakat institutions are greatly influenced by the level of public trust on the zakat institutions. One important aspect affecting the level of public trust on zakat institutions is the accountability of zakat institutions. This is part of the findings of study by Ikhwanda and Hidayati (2019). The findings of the study imply that zakat

institutions need to improve their accountability to gain trust from the public. By enhancing trust from the public, zakat institutions will be able to develop and continue functioning effectively as zakat institutions. In addition to accountability, public trust is also influenced by the degree of transparency, professionalism and competency of zakat institutions in managing zakat.

d. Benefit for nature/environment

Sharia enterprises theory (Triyuwono, 2001) states that organizations based on Islamic sharia must provide benefits to all stakeholders, both direct and indirect stakeholders and provide benefits to nature. Nevertheless, the results of a study conducted by Hermawan and Rini (2016) stated that zakat institutions have not fully been able to provide benefits to nature even though responsibilities to other stakeholders have been fulfilled.

e. Performance measurement system for zakat institution

To develop a quantitative performance measurement system so that an index can be produced to measure the performance of zakat institutions, this study suggests zakat institution to adopt the performance measurement scorecard. This method is

designed by this study to complement the performance measurement designed by Mohammed et al. (2008) (Based on 3 elements of maqashid sharia) or developed by Mohammed et al. (2015) (Based on 5 elements of maqashid sharia). Because the characteristics and activities of zakat institutions are different from Islamic banks, it is necessary to make changes to or modify the performance ratio used.

In the author's opinion, the performance measurements proposed by Mohammed et al. (2008) (Based on 3 elements of maqashid sharia) or developed by Mohammed et al. (2015) are more appropriate for measuring performance at the overall organizational level, because the data used to measure performance ratios are taken from the annual reports / financial statements of zakat institutions as a whole. Another weakness of the performance measurement is not considering whether the zakat institution has fulfilled its obligations to all stakeholders.

To make practical contributions to zakat institutions, this study designed a more comprehensive performance measurement scorecard that can be applied at the organizational level as well as the organizational unit level described in Table 3.

Table 3. Performance Measurement Scorecard for Zakat Institution

Program/ Activity	Maqashid Sharia					Financial Benefit					Index/ Item		
	MS1	MS2	MS3	MS4	MS5	Index/Item	Muzakki	Mustahiq	Amil	Nature		Society	
1	A	1	1	0	1	1	0,80	1	0	1	0	0	0,40
2	B	0	1	1	1	1	0,80	0	1	0	0	1	0,40
3	C	1	1	0	0	1	0,60	1	1	1	1	1	1,00
4	D	0	0	1	1	1	0,60	1	0	1	0	0	0,40
5	E	1	1	0	1	1	0,80	1	0	0	0	0	0,20
Index/Item		0,60	0,80	0,40	0,80	1,00		0,80	0,40	0,60	0,20	0,40	
Maqashid Index							0,72						
Benefit Index												0,48	
Performance Index							0,60						

CONCLUSIONS

This study aims to discuss previous research relating to performance measurement based on maqashid sharia in zakat institutions. The results of a previous research review found that researchers had made various efforts to develop the concept of performance measurement for zakat institutions. To complement what has been designed by previous research, this study designed a performance measurement scorecard whose function is to complement existing performance measurements. The discussion in this paper leads to conclude that, the performance measurement techniques in zakat institutions consist of at least: 1) performance measurements that identify the allocation of resources for each element of the maqashid sharia; 2) performance measurement that identifies the allocation of resources to each stakeholder; 3) performance measures that integrate the concepts of maqashid sharia (MS) and sharia enterprises theory (SET) as exhibited in Table 3 that identify whether or not the programs carried out by zakat institutions have met with maqashid sharia and fulfilled their obligations to all interested parties and stakeholders.

REFERENCES

- Aibak, K. (2015). Zakat dalam perspektif maqashid al-syariah. *Ahkam: Jurnal Hukum Islam*, 3(2), 199-218.
- Aibak, K. (2016). Pengelolaan zakat dalam perspektif maqashid al-syariah: Studi kasus di badan amil zakat Kabupaten Tulungagung. *Ahkam: Jurnal Hukum Islam* 4(2), 247-288.
- Amymie, F. (2017). Optimalisasi pendistribusian dan pendayagunaan dana zakat dalam pelaksanaan tujuan program pembangunan berkelanjutan (SDGs). *Anida: Aktualisasi Nuansa Ilmu Dakwah*, 17(1), 1-18.
- Fitria, A. (2018). Social entrepreneurship dalam perspektif maqashid al-syariah. *Iqtisad*, 4(1).
- Hapsari, M. I., & Abidin, Z. (2016). Zakat distribution in maqasid al-shariah framework. *Journal of Islamic Financial Studies*, 2(02).
- Hermawan, S., & Rini, R. W. (2016). Pengelolaan dana zakat, infaq, dan shadaqah perspektif Syariah Enterprise Theory. *Riset Akuntansi dan Keuangan Indonesia*, 1(1), 12-24.
- Ikhwanda, M.F., & Hudayati, A. (2019). The influence of accountability, transparency, and affective and cognitive trusts on interest in paying zakat. *Jurnal Akuntansi dan Auditing Indonesia* 23(1), 39-51.
- Kholid, M. N., & Bachtiar, A. (2015). Good corporate governance dan kinerja maqasid syariah bank syariah di Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 19(2), 126-136.
- Komariyah, O. (2013). Analisis implementasi maqashid syariah pada lembaga pengelola zakat dalam membangun konsep pemberdayaan masyarakat. *ISLAMINOMICS*, 4(1).
- Mardiah, S., & Jamil, M. A. (2016). Efisiensi alokasi berdasarkan maqashid syariah: Studi kasus terhadap pola distribusi LAZ. *I-Finance: a Research Journal on Islamic Finance*, 2(2), 21-33.
- Mohammed, M. O., Razak, D.A. & Taib., F.M. (2008). The performance of islamic banking based on the maqasid syariah. IIUM International Accounting Conference (INTAC IV). Putra Jaya Marriott, 25 June 2008.
- Mohammed, M. O., Tarique, K. M., & Islam, R. (2015). Measuring the performance of islamic banks using maqasid-based model. *Intellectual Discourse*, 23, Special Issue, 401-424.

- Muhammad, & Mas'ud, R. (2005). Zakat dan Kemiskinan: Instrumen Pemberdayaan Ekonomi Umat. Yogyakarta: UII Press.
- Mulyana, R. A. (2017). Peran negara untuk mewujudkan kesejahteraan dalam kerangka maqashidus syariah. *Al-Urban: Jurnal Ekonomi Syariah dan Filantropi Islam*, 1(2), 155-175.
- Muzlifah, E. (2013). Maqashid syariah sebagai paradigma dasar ekonomi Islam. *Economic: Journal of Economic and Islamic Law*, 4(2), 73-93.
- Ningrum, R. T. P. (2016). Penerapan manajemen zakat dengan sistem revolving fund models sebagai upaya efektifitas penyaluran zakat produktif: Studi pada lembaga manajemen infaq Madiun. *El-Wasathiya: Jurnal Studi Agama*, 4(1), 1-21.
- Nugroho, A., & Wahyuni, N. (2019). Pengukuran kinerja dengan menggunakan balance scorecard dan pemahaman maqashid syariah. *El Muhasaba: Jurnal Akuntansi*, 10(1), 90-104.
- Rahmawati, Y. (2011). Refleksi sistem distribusi syariah pada lembaga zakat dan wakaf dalam perekonomian Indonesia. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 3(1).
- Rusydiana, A. S., & Firmansyah, I. (2018). Efficiency versus maqashid sharia index: An application on Indonesian Islamic Banks. *Shirkah: Journal of Economics and Business*, 2(2), 2503-4243.
- Setiawan, I. (2019). Inovasi penyaluran dana zakat pada program pemberdayaan di lembaga amil zakat. *Asy-Syari'ah*, 21(1), 55-68.
- Syofyan, A. (2017). Analisis kinerja bank syariah dengan metode indeks maqasid syariah di Indonesia. *Al-Masraf: Jurnal Lembaga Keuangan dan Perbankan*, 2(2), 145-158.
- Triuwono, I. S. (2001). Metafora zakat dan shari'ah enterprise theory sebagai konsep dasar dalam membentuk akuntansi syari'ah. *Indonesian Journal of Accounting and Auditing*, 5(2), 131-145.
- Toriquddin, M. (2015). Pengelolaan zakat produktif di rumah zakat kota Malang perspektif maqashid al-syariah Ibnu 'Asyur. *Ulul Albab: Jurnal Studi Islam*, 16(1), 62-79

Ataina Hidayati
Universitas Islam Indonesia

Achmad Tohirin
Universitas Islam Indonesia