

From Allocation to Distribution: Are Islamic Banks Effective in Managing Zakat Funds?

Sri Maulida*

Universitas Lambung Mangkurat Banjarmasin, Indonesia

*Corresponding Authors: srimalida@ulm.ac.id

Muhammad Sofyan

Universitas Lambung Mangkurat Banjarmasin, Indonesia

Email: muhammadsofyansyahrir@gmail.com

Abstract: The high potential of zakat funds in Indonesia makes various parties contribute to the collection process. One of them is the Islamic Commercial Bank which also has a role as a recipient and distributor of zakat funds. The purpose of this study was to determine how the effectiveness of the performance of zakat fund management in Islamic Commercial Banks. This study adopts a descriptive qualitative approach. It gathers data on the sources and utilization of zakat funds from the annual reports of ten Islamic Commercial Banks spanning the years 2019 to 2023. To assess financial performance, the study employs two ratio analyses pertinent to Sharia Commercial Bank conditions: the Activity Ratio and the Growth Ratio. This study found that the performance of the Activity Ratio, namely the zakat allocation ratio, is in a good performance position, zakat turnover with a not good performance position, and the average of days zakat outstanding ratio with not good performance results in 2023. Then for the Growth Ratio, both allocation and distribution are both at a not good performance in the final year of the study.

Keywords: Zakat, Islamic Banks, Social, Finance

Introduction

The potential for zakat in Indonesia in 2019 reached IDR 233.8 trillion. In this case, the income zakat indicator is the sector that has the highest potential zakat value of IDR 139.07 trillion, which is then followed by cash zakat of IDR 58.76 trillion, agricultural zakat of IDR 19.79 trillion and livestock zakat of IDR 9.51 trillion¹. However, the potential is still far from the realization of the

¹ Pusat Kajian Strategis BAZNAS, *Outlook Zakat Nasional 2020* (Jakarta: Pusat Kajian Strategis BAZNAS, 2020), <https://www.puskasbaznas.com/publications/books/1113-outlook-zakat-indonesia-2020>.

collection, so that various parties are involved in the collection process, including one of which is the Islamic Bank.

In Indonesia, zakat mandates Muslims to allocate a portion of their wealth for humanitarian purposes, including aiding those in financial distress, the impoverished, and the underprivileged. Effective management of zakat not only contributes to poverty alleviation but also creates opportunities for economic empowerment and improves societal welfare². With growing awareness of zakat's importance, Islamic banks in Indonesia, as financial institutions grounded in Islamic principles, perform dual roles: as commercial entities and social agents responsible for zakat management³.

Islamic banks in Indonesia have established zakat management structures that serve as intermediaries between muzakki (zakat payers) and *mustahik* (zakat recipients)⁴. Through dedicated units for zakat collection, management, and distribution, Islamic banks ensure that the collected funds are allocated appropriately and efficiently to achieve social objectives⁵. Nevertheless, challenges persist in terms of transparency, efficiency, and effectiveness in zakat management. Public trust in Islamic banks as zakat administrators hinges on the bank's ability to manage zakat funds transparently and efficiently, ensuring optimal utilization of these funds for the benefit of the needy⁶.

The challenges faced by Islamic banks in managing zakat include insufficient regulatory support, limited public participation, and issues in effective distribution. Existing regulations often fall short of addressing the operational needs for complex zakat management. Low public participation also poses a problem, stemming from a lack of awareness or trust in the zakat management mechanisms of Islamic banks⁷. On the other hand, advancements in information technology and innovations in financial management offer significant opportunities for Islamic banks to enhance their zakat management performance. Implementing technology in data collection, zakat distribution, and

² Sri Herianingrum et al., "Zakat as an instrument of poverty reduction in Indonesia," *Journal of Islamic Accounting and Business Research* 15, no. 4 (2024): 643–60, <https://doi.org/10.1108/JIABR-11-2021-0307>.

³ Alfitri, *Islamic Law and Society in Indonesia: Corporate Zakat Norms and Practices in Islamic Banks*, 2022, <https://doi.org/10.4324/9781003183112>.

⁴ Herianingrum et al., "Zakat as an instrument of poverty reduction in Indonesia."

⁵ Ahmad Dakhoir et al., "The Construction of Law of Institutional the Management of Zakat Through Functions of Islamic Banking in Perspective Maqasid Al-Sharia," *International Journal of Education and Research* 2, no. 5 (2014): 89–98.

⁶ Norazlina Abd. Wahab dan Abdul Rahim Abdul Rahman, "A framework to analyse the efficiency and governance of zakat institutions," *Journal of Islamic Accounting and Business Research* 2, no. 1 (1 Januari 2011): 43–62, <https://doi.org/10.1108/17590811111129508>.

⁷ Ram Al Jaffri Saad dan Abubakar Umar Farouk, "A comprehensive review of barriers to a functional Zakat system in Nigeria," *International Journal of Ethics and Systems* 35, no. 1 (1 Januari 2019): 24–42, <https://doi.org/10.1108/IJOES-06-2018-0090>.

financial reporting can improve transparency and efficiency, as well as extend the reach of zakat services⁸.

This research is crucial because evaluating the financial performance of zakat at Islamic banks provides valuable insights into the effectiveness and efficiency of zakat management. It also helps identify areas needing improvement and opportunities for innovation in zakat management. Good financial performance in zakat management by Islamic banks strengthens their role not only as financial institutions but also as social entities supporting economic development and social welfare in Indonesia. By understanding and enhancing the financial performance of Zakat, Islamic banks can more effectively fulfill their role as agents of social change, contributing to equitable and inclusive economic development.

Research on the financial performance of zakat management in Islamic banks has evolved significantly, with a focus on enhancing efficiency and socio-economic impact. Further, the current research shows that IISCF is increasingly in demand, while the application of technology is simultaneously becoming more prominent in supporting integration⁹. Several previous research described Zakat and other Islamic social institutions can adapt to modern challenges in personal finance¹⁰. Salleh¹¹ described that Zakat contributes positively to both the firm's profitability and value and can be considered as a win-win strategy to maximize returns and improve performance while considering the society as a whole. Islamic finance between social and commercial must be integrated with each other. the integration of commercial and social Islamic finance can be an effective solution to reducing income inequality in Indonesia by providing broader financial access and supporting inclusive social development¹².

Islamic social finance can be used as an instrument to eradicate financial exclusion¹³, because Islamic finance has immense potential to fight any kind of

⁸ Sharifah Norzehan Syed Yusuf et al., "Examining technology improvement, procedural application and governance on the effectiveness zakat distribution," *International Journal of Ethics and Systems* 40, no. 1 (1 Januari 2024): 103–26, <https://doi.org/10.1108/IJOES-02-2022-0031>.

⁹ Rindawati Maulina, Wawan Dhewanto, dan Taufik Faturohman, "The integration of Islamic social and commercial finance (IISCF): Systematic literature review, bibliometric analysis, conceptual framework, and future research opportunities," *Helicon* (Elsevier Ltd, 2023), <https://doi.org/10.1016/j.helicon.2023.e21612>.

¹⁰ Ak Md Hasnol Alwee Pg Md Salleh, "Integrating financial inclusion and saving motives into institutional zakat practices," *International Journal of Islamic and Middle Eastern Finance and Management* 8, no. 2 (1 Januari 2015): 150–70, <https://doi.org/10.1108/IMEFM-12-2013-0126>.

¹¹ Al-Malkawi & Javaid (2018)

¹² Arif Widodo, "the Role of Integrated Islamic Commercial and Social," *Journal of Islamic Monetary Economics and Finance*, 5, no. 2 (2019): 263–86.

¹³ S Khan et al., "Zakat-financial inclusion nexus: empirical evidence from Pakistan," *International Journal of Innovation, Creativity and Change* 8, no. 9 (2019): 44–56.

situation/pandemic¹⁴. Zakat is an important Islamic social finance tool to assist in socioeconomic development¹⁵. The development of blockchain in the zakat collection system could eradicate extreme poverty and boost shared prosperity among the community in the country¹⁶. Hoque's¹⁷ research can be used as a guide to promote business zakat to finance social programs aimed at ensuring the well-being of the underprivileged of all societies particularly of Muslim countries representing one-fourth of the world population.

Method's

This study aims to evaluate the effectiveness of zakat fund management by Sharia Commercial Banks in Indonesia. Using a qualitative descriptive methodology, this study examines data from the Annual Reports of ten Sharia Commercial Banks obtained from their official websites, covering the period 2019 to 2023, with a focus on the sources and applications of zakat funds. The analysis covers the collection (both from internal and external sources) and distribution of these funds by reviewing reports that detail initial balances, amounts collected, distribution values, and ending balances. The financial performance of these banks is assessed through two specific ratios relevant to their operations: the Activity Ratio, which measures the efficiency of fund utilization, and the Growth Ratio, which evaluates the growth in the collection and distribution of zakat funds. The financial performance ratios used are the Activity Ratio and the Growth Ratio.

¹⁴ Mohammad Haider Syed et al., "Model Combining Zakat and Qardh-Al-Hasan for Countering the Adverse Impact of COVID 19 on SMEs and Individuals," *International Journal of Economics and Business Administration* VIII, no. 2 (2020): 351–64.

¹⁵ Shifa Mohd Nor, Mariani Abdul-Majid, dan Siti Nabihah Esrati, "The role of blockchain technology in enhancing Islamic social finance: the case of Zakah management in Malaysia," *foresight* 23, no. 5 (1 Januari 2021): 509–27, <https://doi.org/10.1108/FS-06-2020-0058>.

¹⁶ Khairil Faizal Khairi et al., "The Development and Application of The Zakat Collection Blockchain System," *Journal of Governance and Regulation* 12, no. 1 special issue (2023): 294–306, <https://doi.org/10.22495/jgrv12i1siart9>.

¹⁷ Hoque (2023)

The Activity Ratio

The activity ratio is a ratio that measures the effectiveness of asset use in an institution. In relation to zakat amil institutions, the activity ratio in question is the effectiveness of the distribution of zakat, infaq and Sedekah funds¹⁸.

Zakat Allocation Ratio

The zakat allocation ratio (zakat fund distribution ratio) is specifically used to measure the extent to which zakat funds collected by OPZ can be distributed to *mustahik*. Zakat allocation ratio formula:

$$zar = \frac{\sum dz}{\sum cz} \tag{1}$$

Information:

- zar : zakat allocation ratio
- $\sum dz$: total distribution of zakat funds
- $\sum cz$: total collection of zakat funds

The following is the interpretation of the Zakat allocation ratio:

Table 1.

ZAR Interpretation

ZAR Ratios				
R < 45%	45% < R < 60%	60% < R < 75%	75% < R < 90%	R > 90%
Not effective	Less effective	Effective enough	Effective	Very effective

Zakat Turn Over Ratio

The zakat turnover ratio is a ratio that describes the amount of zakat funds distributed to the total average zakat receipts. The Zakat turn over ratio formula is as follows:

$$zto = \frac{zfd_x}{(ib_x + fb_x)/2} \tag{2}$$

Information:

- zto : zakat turn over
- zfd_x : zakat funds distributed in year x
- ib_x : initial balance of zakat funds for year x
- fb_x : final balance of zakat funds for year x

This ratio is used to measure how active OPZ is in collecting and distributing zakat. The higher the value, the more active OPZ is in collecting and distributing. The interpretation of the value of this ratio is as follows:

- If the value of the zakat turnover ratio is <1, then it is not good because it shows that the funds collected in a period were not fully distributed.

¹⁸ Puskas Baznas, *Rasio Keuangan Organisasi Pengelola Zakat* (Pusat Kajian Strategis BAZNAS, 2019).

- If the zakat turnover ratio = 1, then it is good because it shows that the funds collected in a period were distributed in full in the period in question.
- If the zakat turnover ratio value is > 1, then it is very good and shows that OPZ is very active in collecting and distributing.

Average of days zakat outstanding

This ratio is a ratio that describes how long the collected zakat is stored/settled in the OPZ. The formula for Average of Days Zakat Outstanding is as follows:

$$adzo = \frac{360}{zto} \tag{3}$$

Information:

adzo : average of days zakat outstanding

zto : zakat turn over

The assessment of zakat amil performance according to the length of time zakat is retained for zakat distribution is as follows:

≤ 12 months: Good

> 12 months: Not Good

Growth Ratio

Growth of Zakat

The main revenue growth ratio capacity measurement is to assess the ability of zakat institutions to increase zakat funds collected from the previous year. The bigger the better. This growth ratio in fund collection will have an impact on the distribution and expansion planning of zakat institutions. The growth of zakat formula is as follows:

$$goz = \frac{zc_t - zc_{t-1}}{zc_{t-1}} \tag{4}$$

Information:

goz : growth of zakat

zc : zakat collection

The interpretation of this ratio is:

R > 130%: Very Good

120% < R < 130%: Good

100% < R < 120%: Fairly Good

R < 100%: Not good

Growth of Allocation

The distribution growth ratio reflects the growth in distribution of zakat funds this year compared to the previous year. The growth in funds distributed will reflect the efficiency of zakat institutions in distributing the funds collected. Growth of Allocation is used to measure distribution growth this year compared to the previous year. However, if distribution growth is increasingly high, a deeper analysis must be carried out whether the increase comes from

distributions for the current year alone or includes remaining distributions from the previous year. If what happens is the second, then the high growth in distribution indicates that funds were deposited in the previous year. Just like with the ZIS growth ratio, if the distribution growth ratio value is more than 100% then it can be said to be good and if the growth value is less than 100% then it is not good. the formula is as follows:

$$goa = \frac{\Sigma d_t - \Sigma d_{t-1}}{\Sigma d_{t-1}} \quad (5)$$

Information:

goa : growth of allocation

Σd_t : total distribution

The interpretation of the value of this growth ratio is:

$R > 130\%$: Very Good

$120\% < R < 130\%$: Good

$100\% < R < 120\%$: Fairly Good

$R < 100\%$: Not good.

Effectiveness of Islamic Banks in Zakat Fund Management

The research was carried out by collecting data from the Annual Report of 14 (fourteen) Sharia Commercial Banks in Indonesia which were registered with the Financial Services Authority (OJK) from 2019 to 2023. From the data obtained, that in that year there were 10 banks managing zakat funds.

Bank Kepri Syariah and Aladin Syariah only have data available for 2002 and 2023. Bank BTPN Syariah and Bukopin Syariah do not report on the management of zakat funds because they do not directly manage the zakat funds. Meanwhile, Nano Syariah is a new Sharia Commercial Bank so there is only data for Quarterly/Q1 2024. From the data that has been obtained, the collection and distribution of zakat funds is as follows:

Table 2.

Total of Zakat Funding and Distribution

No	Year	Funding	Distribution
1	2019	Rp115.314.818.362	Rp83.643.863.920
2	2020	Rp127.577.000.615	Rp118.832.122.847
3	2021	Rp187.097.736.180	Rp142.480.888.162
4	2022	Rp235.954.901.336	Rp197.374.987.116
5	2023	Rp300.827.495.218	Rp230.670.037.541

Source: Annual Report Islamic Bank (2019-2023)

Based on table 2, both funding and distribution have experienced an increasing trend every year.

Activity Ratio

The Activity Ratio is employed to gauge the operational efficiency of zakat institutions. It examines factors such as the turnover rate of zakat funds, the duration funds remain within the institution before being distributed, and the average distribution of these funds. Transparency in managing the distribution process is essential for institutions, especially in comparison to the funds they receive. These results significantly influence stakeholders' perceptions of the institution ¹⁹. The following activity ratios consist of Zakat Allocation Ratio, Zakat Turn Over, and Average Of Days Zakat Outstanding:

Table 3.

Zakat Allocation Ratio (%)

	2019	2020	2021	2022	2023
BSI	69***	95*****	80**	81**	80**
Bank Muamalat	100*****	100*****	100*****	95*****	107*****
BCA Syariah	91*****	91*****	118*****	142*****	110*****
Bank Panin Syariah	48**	346*****	0*	0*	100*****
Bank Victoria Syariah	103*****	93*****	257*****	111*****	92*****
Bank Mega Syariah	94*****	39*	25*	201*****	112*****
Bank Aladin Syariah	0*	0*	0*	100*****	100*****
Bank BJB Syariah	1*	0*	638*****	324*****	141*****
Bank Aceh Syariah	87**	39*	40*	144*****	14*
Bank NTB Syariah	98*****	96*****	97*****	98*****	12*
Total	73***	93*****	76**	84**	77**

*Note: *=Not Effective; **=Less Effective; ***=Effective; ****=Effective Enough; *****=Very Effective

Source: Data Processed (2024)

In 2019, there were 5 banks in the highly effective category, namely Bank Muamalat, BCA Syariah, Victoria Syariah, Mega Syariah, and Bank NTB Syariah. In the ineffective category, namely Bank Aladin Syariah and Bank BJB Syariah. The remaining Bank Aceh Syariah is in the effective category, Bank BSI is in the Moderately Effective category, and Bank Panin Syariah is in the Less Effective category. However, in general in 2019 the Zakat Allocation Ratio was in the Moderately Effective category.

Then in 2020, namely during the Covid-19 period there were only two categories, namely Very effective for BSI, Bank Muamalat, BCA Syariah, Bank Panin Syariah, Bank Victoria Syariah, Bank Mega Syariah and Bank NTB Syariah. Ineffective category for Bank Mega Syariah, Bank Aladin Syariah, Bank BJB Syariah, and Bank Aceh Syariah. However, in general it is in the very effective category.

In 2021, the majority of ratios are in the highly effective category, namely Bank Muamalat, BCA Syariah, Bank Victoria Syariah, Bank BJB, and Bank NTB

¹⁹ Supami Wahyu Setiyowati, "Efektifitas kinerja keuangan zakat bank umum syariah di indonesia," *Liquidity: Jurnal Riset Akuntansi dan Manajemen* 10, no. 1 (2021): 125–37.

Syariah. Meanwhile, Bank Panin Syariah, Bank Mega Syariah, Bank Aladin Syariah, and Bank Aceh Syariah are in the highly effective category. The rest, namely BSI Bank is in the effective category.

In 2022, the majority of Islamic banks were in the highly effective category, except BSI with the effective category and Bank Panis sharia with the ineffective category. The last in 2023 is also in the highly effective category, except BSI in the effective category and Bank Aceh Syria and Bank NTB Syariah in the ineffective category. The following is the trend of zakat turnover ratio in general:

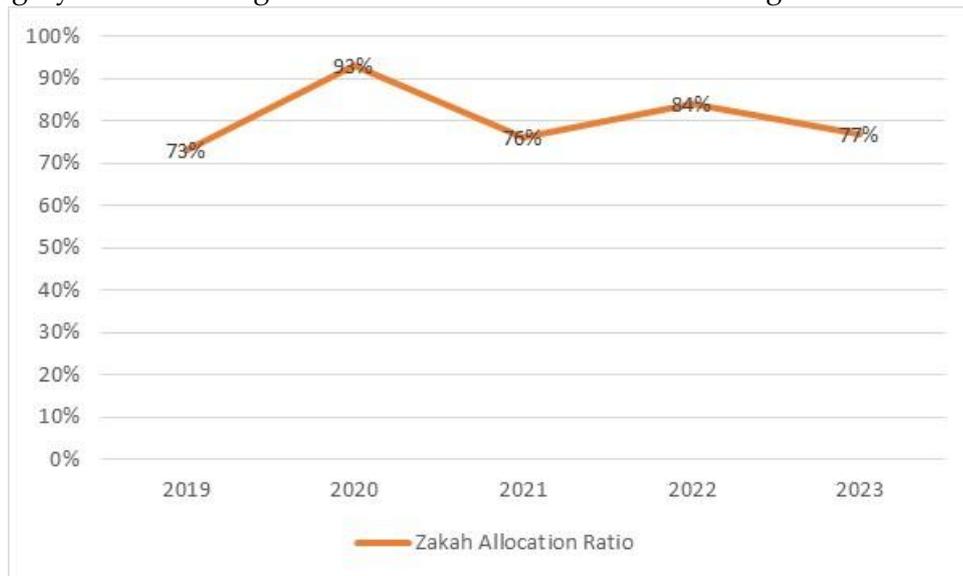


Figure 1. Zakat Allocation Ratio 2019-2023

Source: Data Processed (2024)

In Figure 1, although ZAR experienced fluctuations, the trend from 2019 to 2023 ZAR was in the effective category in terms of the collection and distribution of zakat funds. To see the activeness of the collection and distribution of funds can be described by the Zakat Turn Over Ratio as follows:

Table 4.

Zakat Turn Over Ratio

	2019	2020	2021	2022	2023
BSI	1,02*	1,18*	1,10*	1,08*	1,02*
Bank Muamalat	2,00*	2,00*	2,00*	1,89*	2,00*
BCA Syariah	0,95	0,95	1,08*	1,18*	1,05*
Bank Panin Syariah	0,96	1,55*	2,00*	0,00*	1,00***
Bank Victoria Syariah	1,31*	0,94	1,92*	1,99*	1,83*
Bank Mega Syariah	0,92	0,55	0,40	1,33*	1,06*
Bank Aladin Syariah	0,00	0,00	0,00	2,00*	2,00*
Bank BJB Syariah	0,01	0,00	1,69*	1,73*	1,67*
Bank Aceh Syariah	1,20*	0,55	0,41	0,55	0,24
Bank NTB Syariah	1,94*	1,88*	1,84*	1,82*	0,24

	2019	2020	2021	2022	2023
Total	1,08*	1,20*	1,07*	1,10*	0,99

Note: *=Very Good; **= Good

Source: Data Processed (2024)

Based on table 2, in 2019 Islamic banks that did not fully distribute the collected zakat funds were BCA Syariah, Bank Panin Syariah, Bank Mega Syariah, Bank Aladin Syariah, and Bank BJB Syariah, the rest were in a very good position in terms of collection and distribution. In 2020, banks that are very good in terms of collection and distribution are BSI, Bank Muamalat, Bank Panin Syariah, Bank Victoria Syariah, and Bank NTB Syariah. While the rest of the ZTO ratio is still below 1.

In 2021 the majority of Islamic banks are very good in terms of distribution, except for Bank Mega Syariah, Bank Aladin Syariah and Bank Aceh Syariah. Then in 2022 only Bank Panin Syariah and Bank Aceh Syariah were in a bad position, the rest were very good. Likewise in 2023, the majority were in the excellent category except for Bank Panin Syariah which was in the good category, while Bank Aceh Syariah and Bank NTB Syariah were in a not good position. The following is a graph of ZTO in general:



Figure 2. ZTO 2019-2023

Source: Data Processed (2024)

Based on figure 2, in 2019-2022 the ZTO category is very good but has decreased in 2023, which is in the category of not good, meaning that the funds collected in a period are not entirely distributed. Then to find out how long the collected zakat is stored / deposited in Islamic Commercial Banks can be seen in the following table:

Table 5. Average Of Days Zakat Outstanding

	2019	2020	2021	2022	2023
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BSI	354,33*	305,04*	326,98*	333,00*	352,04*
Bank Muamalat	0,00*	0,00*	0,00*	190,45*	179,98*
BCA Syariah	377,81	378,88	333,08*	306,32*	343,98*
Bank Panin Syariah	376,25	231,95*	180,00*	0,00*	360,10
Bank Victoria Syariah	275,07*	381,30	187,75*	180,86*	196,48*
Bank Mega Syariah	389,29	653,73	894,20	269,68*	340,17*
Bank Aladin Syariah	0,00*	0,00*	0,00*	0,00*	0,00*
Bank BJB Syariah	41987,33	0,00*	212,85*	207,67*	215,47*
Bank Aceh Syariah	300,58*	659,56	887,78	652,62	1487,58
Bank NTB Syariah	185,71*	191,77*	195,33*	197,92*	1495,88
Total	332,16*	300,35*	336,74*	328,33*	361,67

Note: *=Good

Source: Data Processed (2024)

Based on table 5, in 2019 there were only 6 Islamic banks that received good performance in terms of the length of time the collected zakat was kept in Islamic banks for less than 12 months, namely BSI, Bank Muamalat, Bank Victoria Syariah, Bank Aladin Syariah, Bank Aceh Syariah, and Bank NTB Syariah. While the rest are still more than 12 months or the category is not good. In 2020 the good category also only has 6 Islamic banks, namely BSI, Bank Muamalat, Bank Panin Syariah, Bank Aladin Syariah, Bank Aceh Syariah, and Bank NTB Syariah. The rest of the category is not good.

In 2021, it increased to 7 Islamic banks in the good category in the Average Of Days Zakat Outstanding ratio, namely BSI, Bank Muamalat, BCA Syariah, Bank BJB Syariah, Bank Panin Syariah, Bank Victoria Syariah, Bank Aladin Syariah, and Bank NTB Syariah. Then in 2022, all Islamic banks were in the good category except for Bank Aceh Syariah. Last, in 2023 the majority of the Average Of Days Zakat Outstanding ratio was in a good position except for Bank Panin Syariah, Bank Aceh Syariah, and Bank NTB Syariah.

In general, the Average Of Days Zakat Outstanding ratio can be illustrated in the following graph:

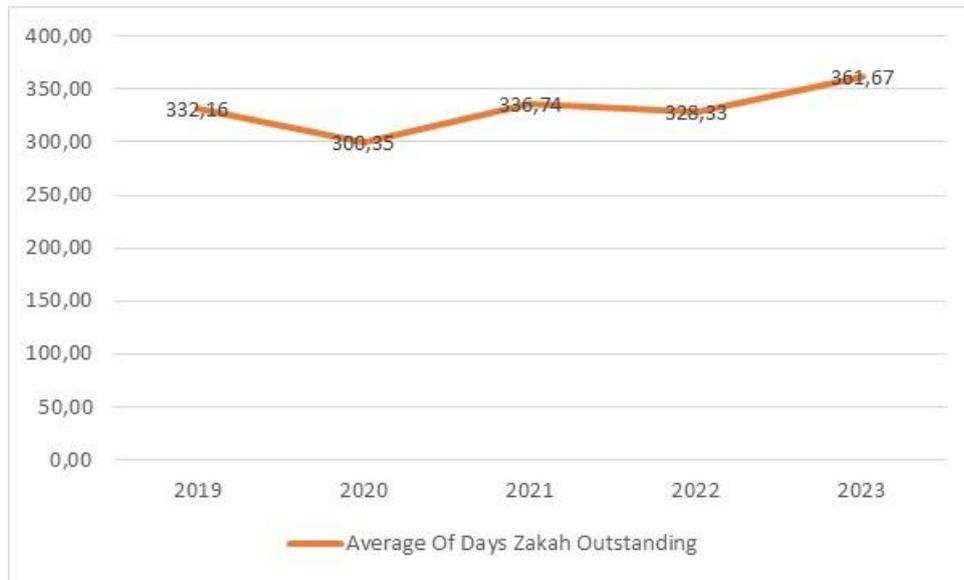


Figure 3. Average Of Days Zakat Outstanding Ratio 2019-2023

Source: Data Processed (2024)

Based on figure 3, from 2019 to 2022, the ADZO ratio of Islamic banks is in a good position, but has decreased in 2023 to be unfavorable even though it is only 1 day more than 12 months of the Average Of Days Zakat Outstanding ratio provisions.

Growth Ratio

The Growth Ratio offers insight into the annual increase in zakat revenue. This metric is crucial for assessing each institution's effectiveness in enhancing zakat receipts, especially considering that current zakat collection in Indonesia falls significantly short of its potential. In this study, the Growth Ratio is measured using two specific metrics: Growth of Zakat and Growth of Allocation.

Table 6.

Growth of Zakat (%)

Bank \ Tahun	2019	2020	2021	2022	2023
BSI	-	11	44	33	22
Bank Muamalat	-	-5	-20	-10	-21
BCA Syariah	-	10	-15	-30	-9
Bank Panin Syariah	-	-85	-100	0	0
Bank Victoria Syariah	-	-45	-38	-5	147*
Bank Mega Syariah	-	162*	307*	-50	-11
Bank Aladin Syariah	-	0	0	0	240*
Bank BJB Syariah	-	-82	132*	-58	-28
Bank Aceh Syariah	-	31	8	-63	303*

Bank \ Tahun	2019	2020	2021	2022	2023
Bank NTB Syariah	-	71	18	14	679*
Total	-	11	47	26	27

Note: *=Very Good

Source: Data Processed (2024)

Based on table 6, it can be explained that in 2020 only Bank Mega Syariah experienced significant growth with the Very Good category, in 2022 only Bank Mega Syariah and Bank BJB Syariah. In 2023, the growth of zakat of all Islamic banks was not good and 2023 only Bank Aladin Syariah, Bank Aceh Syariah and Bank NTB Syariah had a very good GOZ category, while the rest were not good. However, although in general in the category of not good, the total GOZ of Islamic banks always experiences positive growth each year as shown in the following graph:



Figure 4. Growth Of Zakat 2019-2023

Source: Data Processed (2024)

In addition to the growth of zakat to see the growth ratio can also be described from the total allocation of distributed zakat funds, as in the following table:

Table 7.
Growth of Allocation (%)

Bank \ Tahun	2019	2020	2021	2022	2023
BSI	-	51	22	34	21
Bank Muamalat	-	-5	-20	-15	-11
BCA Syariah	-	10	11	-15	-30
Bank Panin Syariah	-	9	-71	-100	0
Bank Victoria Syariah	-	-50	71	-59	104
Bank Mega Syariah	-	9	163*	297*	-50
Bank Aladin Syariah	-	0	0	0	240*
Bank BJB Syariah	-	-100	0	-78	-69
Bank Aceh Syariah	-	-40	10	34	194*
Bank NTB Syariah	-	68	20	15	-3
Total	-	42	20	39	17

Soruce: Data Processed (2024)

Based on the analysis of the last 5 years, only Bank Mega Syariah experienced an increase in the very good category in terms of allocation in 2021 and 2022. In 2023, Bank Aladin Syariah and Bank Aceh Syariah were in the excellent category, while the remaining 4 years were in the unfavorable category. However, even though in the category of not good, in general, Islamic banks have positive growth every year as shown in the following graph:

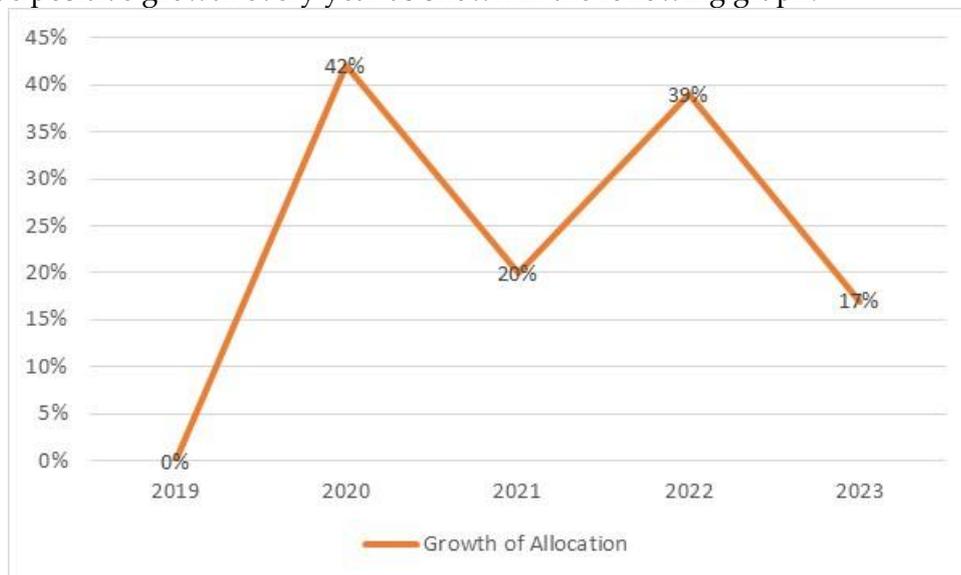


Figure 5. Growth of allocation 2019-2023

Source: Data Processed (2024)

Discussion

Zakat financial performance of Sharia Commercial Banks in Indonesia in 2019 – 2023 according to the Activity Ratio with 3 criteria, namely:

Zakat Allocation Ratio

In this study, the Zakat allocation ratio (zakat fund distribution ratio) is specifically used to measure the extent to which zakat funds collected by Islamic Commercial Banks can be distributed to *mustahik* or zakat management institutions. The higher the ZAR value, the more effective the management. In this study it was found that the Zakat allocation ratio at Islamic Commercial Banks was in effective performance. This is in line with previous research ²⁰, where the financial performance of Baznas zakat and Islamic Commercial Banks shows effective performance.

Zakat Turn Over Ratio

In this study, the zakat turnover ratio represents the proportion of zakat funds distributed relative to the total average zakat revenue at Islamic Commercial Banks. The Zakat Turn Over Ratio is used to see how intensive the institution is in receiving and distributing zakat. The more intense an institution is in its reception and distribution activities, the better its performance can be said to be. The zakat financial performance of Sharia Commercial Banks shows fluctuating performance but in 2023 in the category of not good, meaning that the funds raised in 2023 were not entirely distributed in that year. The same thing happened in Malang as Imran and Badriyah's research ²¹, that there was a decline in performance, especially during the Covid-19 period.

Average Of Days Zakat Outstanding

In this study, the average of days zakat outstanding ratio is a ratio that describes how long the collected zakat is stored / deposited at Islamic Commercial Banks. Average Of Days Zakat Outstanding is used to measure the time when zakat is deposited by the zakat manager. The zakat financial performance of Sharia Commercial Banks shows fluctuating performance but decreases in 2023 in the category of not good because it is more than 360 days. In general, Sharia Commercial Banks have very good criteria conditions, but the high number of undistributed zakat funds by Bank NTB Syariah and Bank Aceh Syariah makes the general numbers decrease.

²⁰ Setiyowati; Siti Nur Azizah, "Efektivitas Kinerja Keuangan Badan Amil Zakat Nasional (Baznas) pada Program Pentasharufan Dana Zakat di Baznas Kota Yogyakarta," *el-Jizya : Jurnal Ekonomi Islam* 6, no. 1 (2018): 91–112, <https://doi.org/10.24090/ej.v6i1.2049>.

²¹ Nadya Tri Octaviani Imran dan Nurul Badriyah, "Analisis Perbandingan Kinerja Keuangan Lembaga Amil Zakat Yayasan Amal Sosial Ash Shohwah Malang Sebelum dan Selama Pandemi Covid- 19," *MES Managemen Journal* 3, no. 1 (2024): 32–42.

Growth of Zakat

In this study, growth of zakat to assess the ability of Islamic Commercial Banks to increase zakat funds collected from the previous year. The bigger the better. The growth ratio of this fund collection will have an impact on the distribution and expansion planning of zakat institutions in this case it will increase customer confidence in Islamic Commercial Banks in the management of Zakat. based on the results of the analysis, although not in the good category, the growth trend of fund collection from 2019 to 2023 has never decreased or has always been in positive growth. This research is in line with previous research ²², where there are LAZs in not good condition.

Growth of Allocation

Like the growth of zakat ratio, the growth of allocation ratio also continues to experience positive growth. The distribution growth ratio reflects the growth in the distribution of zakat funds this year against the previous year. The growth of funds disbursed will reflect the efficiency of Islamic Commercial Banks in channeling the funds raised. Similar to the ratio of average of days zakat outstanding, the high decline in this ratio is caused by the high zakat funds that have not been distributed by Bank NTB Syariah and Bank Aceh Syariah in 2023 making the numbers generally decrease and are in a bad position..

Conclusion

Based on the analysis, the zakat allocation ratio shows good performance, while zakat turnover and the average days zakat outstanding ratio indicate poor performance. Similarly, the Growth Ratio for both allocation and distribution reflects weak performance in the final year of the study. These results suggest that Islamic Commercial Banks need to strengthen the efficiency of zakat distribution processes, accelerate fund disbursement to beneficiaries, and adopt more innovative mechanisms for zakat growth. Optimisation efforts may include the use of digital platforms to reduce delays, improved coordination with zakat institutions to ensure timely allocation, and developing targeted programs that link zakat distribution with sustainable economic empowerment. In doing so, banks can enhance their role in social finance and ensure that zakat funds generate greater impact.

²² Shella Juniet Dubelta et al., "Analisis Rasio Keuangan Organisasi Pengelola Zakat (Studi Kasus Kota / Kabupaten Di Indonesia) Universitas Islam Negeri Raden Intan Lampung , Fakultas Ekonomi Bisnis dan Islam , Menurut data yang disajikan Badan Pusat Statistik persentase penduduk miski" 2, no. 2 (2024).

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