

## Evaluation of the performance of the national zakat agency (BAZNAS) using financial ratios for optimization

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### Abstract

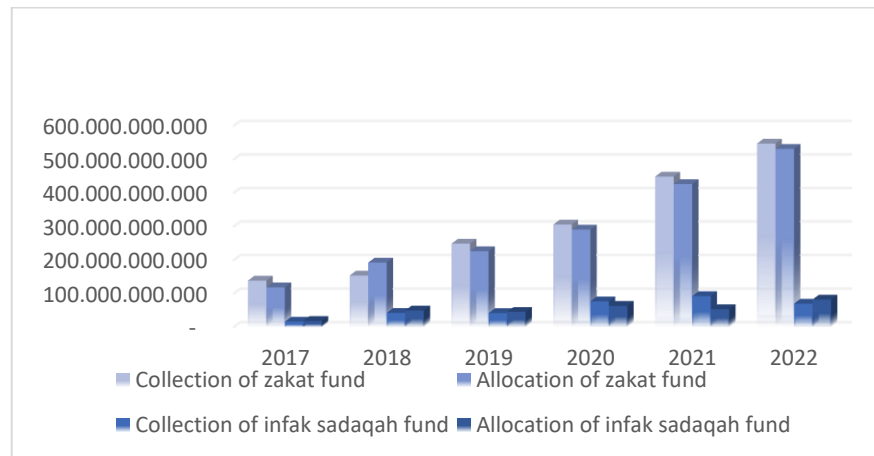
*As the coordinator of zakat management institutions in Indonesia, BAZNAS has undertaken various efforts to enhance performance. However, the overall performance of zakat management organizations (OPZ) remains suboptimal. A precise and timely performance analysis method is needed to evaluate OPZ comprehensively and identify priority areas for improvement. To address this, BAZNAS has developed a financial ratio analysis as a tool to measure the performance and sustainability of non-profit zakat organizations, consisting of the activity ratio, efficiency ratio, amil fund ratio, liquidity ratio, and growth ratio. Therefore, this research aims to analyze the performance of BAZNAS using special financial ratios for Zakat Management Institutions. This research uses a descriptive method with a quantitative approach, namely by describing the financial performance of BAZNAS over the last five years by first determining the financial ratios for non-profit institutions and then comparing them between years. This type of research data is secondary data, namely the audited financial reports of BAZNAS for 2018-2022. The results of this research state that BAZNAS' financial performance is declared optimal based on the activity ratio and amil fund ratio, while the other 3 ratios (efficiency ratio, liquidity ratio and growth ratio) state that BAZNAS' performance is not good.*

**Keywords:** Activity ratio; efficiency ratio; amil fund ratio; liquidity ratio; growth ratio

## Introduction

The National Zakat Agency (BAZNAS) has made various efforts to improve its performance in order to provide high-quality services. This improvement was achieved through better zakat governance and improving the qualifications of amil throughout BAZNAS spread across Indonesia (BAZNAS RI, 2023d). With effective zakat management, public trust and interest in paying zakat through BAZNAS continues to increase (Bahri, Putri and Romansyah, 2022). This is evidenced by the achievement of three awards from Marketing Magazine, namely The Best in Marketing Driving Company, The Best Innovation in Marketing, and The Best in Marketing Campaign for the fundraising category.

The use of information technology also makes an important contribution to improving the performance of BAZNAS. Bahri (2022) revealed that the use of financial technology (fintech) influences people's interest in paying zakat, because it makes it easier for muzaki to pay zakat and get information about zakat. BAZNAS through the ZakaTech innovation provides services that support fundraising and socialization, creates efficient zakat governance and improves organizational performance. Utami's research shows that digitalization of zakat payments can increase potential revenue by up to 55.9% (Utami et al., 2020). In addition to BAZNAS, other zakat institutions, such as Dompot Dhuafa, have also experienced an increase in zakat collection through the implementation of online zakat payments (Hidayat & Mukhlisin, 2020).



**Figure 1.** Collection and Allocation of ZIS 2017-2022

Based on BAZNAS' financial report from 2017 to 2022, it can be seen that the highest increase in ZIS collection occurred in 2019 by 62%, and in 2021 by 47%. This increase was largely due to the use of technology in fundraising during the COVID-19 pandemic. In the last five years, zakat funds have been distributed an average of 100%, while infaq and sedekah funds have been distributed up to 97%, indicating that BAZNAS' collection and distribution performance is very good.

BAZNAS has also succeeded in demonstrating accountability and transparency, as evidenced by obtaining an Unqualified Opinion (WTP) on the 2022 financial report (BAZNAS RI, 2023a). Bahri's research (2022) stated that accountability and transparency factors greatly influence the trust of muzaki, who see the credibility of BAZNAS as an important factor in deciding to pay zakat through this institution (Napitupulu et al., 2021).

The success of BAZNAS is also related to efforts to improve the competence of amil, both in terms of professional skills and soft skills that support zakat management. The ability to analyze data and utilize technology, such as ZakaTech, is the main strategy for developing BAZNAS in the big data era (Syahbudi et al., 2023). BAZNAS has held amil certification which is available in 14 schemes (*Daftar Skema Sertifikasi BAZNAS*, 2023). To date, there are 1,655 certificate holders from LSP BAZNAS (*Daftar Pemegang Sertifikasi LSP BAZNAS*, 2023). In

addition, competency improvement is also carried out in internal and external audits in accordance with ISO standards (BAZNAS RI, 2023c).

As an institution established by the government, BAZNAS has two main functions, namely as an operational institution and as a coordinator of zakat management in Indonesia. As an operational institution, BAZNAS is tasked with collecting and distributing zakat, infak, and sedekah (ZIS) funds at the national level, contributing to poverty alleviation. As a coordinator, BAZNAS coordinates all zakat management organizations in Indonesia, supported by the National Zakat Index (IZN) which is updated every three years to measure the performance of Zakat Management Organizations (BAZNAS RI, 2023b).

Various studies show the need for appropriate analysis methods to measure the performance of zakat management organizations. Data Envelopment Analysis (DEA) was used to analyze the efficiency of ZIS fund management by BAZNAS in Surakarta, showing that 57% of the institutions studied operated efficiently (Alam, 2018). Another study compared the efficiency of six LAZs in Indonesia using DEA and production methods, which showed an average annual efficiency of 88.6% during 2012-2016. (Fathurrahman & Hajar, 2019). The effectiveness of productive zakat on MSMEs in Klaten also shows an increase in the income of mustahik after receiving productive zakat (Usman & Sholikin, 2021). In Sumenep Regency, analysis based on the village zakat index shows that three priority villages require empowerment by zakat institutions (Yasin, 2022).

As a coordinating body, BAZNAS is expected to assist the government in overcoming poverty. However, BAZNAS stated that the pattern of coordination between zakat management organizations is still not optimal, due to weak management and quality of amil in several regions (BAZNAS, 2022). BAZNAS also developed the BAZNAS Information Management System (SIMBA) to improve coordination performance, although this system has not been used optimally by BAZNAS Regions and LAZ.

The performance of zakat management organizations in Indonesia still needs to be improved. Performance analysis methods, such as financial ratios, can be used to assess organizational performance. BAZNAS has developed a special financial ratio study to measure and improve the sustainability of zakat institutions according to their operational characteristics, to support accurate and fast decision making. Therefore, this study aims to analyze the performance of BAZNAS using special financial ratios for zakat management institutions.

## **Literature Review**

### ***Organizational performance***

Organizational performance is the result of processes carried out by individuals in the organization based on predetermined plans to achieve certain goals. Organizational goals are achieved by utilizing existing resources to ensure the long-term sustainability of the organization to produce maximum organizational work results. In other words, organizational performance is achieved if tasks or work are carried out effectively and efficiently and remain relevant to organizational goals (Suryani & EHJ, 2018). So a performance assessment is needed, which is important value for the company, apart from being used as a benchmark for success in a certain period, it can also be used as an input for improving or increasing performance in the future.

Organizational performance is influenced by several factors, namely the implementation of Human Capital management, line manager motivation, organizational justice and organizational effectiveness. The implementation of Human Capital management includes a series of interrelated activities from planning, management, to supervision of owned human resources. Employee competency is an invisible asset that must be improved. Therefore, it is necessary to carry out strategic Human Capital management so that it can increase employee competency. Competent employees will make optimal contributions to all lines of

the organization (operations to managers) towards organizational success (Suryani & EHJ, 2018).

Organizational performance can be measured using several methods and can be done by combining or combining methods and measuring tools. Organizational performance is multi-dimensional, meaning that there are many dimensions whose performance can be measured. Broadly speaking, these dimensions are divided into two large groups, namely financial and non-financial performance.

#### ***Financial ratios of zakat management organizations***

Financial ratios are widely adopted by companies due to their simplicity in application and effectiveness in predicting and assessing a company's financial health. These ratios serve multiple valuable purposes, including evaluating managerial and departmental performance within an organization. They enable businesses to forecast future conditions based on current financial data, providing crucial insights for strategic planning. Additionally, financial ratios act as vital information sources for creditors and investors, helping them make informed decisions about funding or investment opportunities. Furthermore, these ratios allow companies to benchmark their financial performance against industry competitors, identifying strengths and areas for improvement. The versatility and practicality of financial ratios make them an indispensable tool for financial analysis and decision-making across various business contexts.

Financial ratios that are often used in profit-based companies are grouped into several parts. In 1968, financial ratios were grouped into two, namely liquidity ratios and profitability ratios. In 1978, the groupings expanded to solvency ratios, profitability ratios, and managerial performance. Currently, the ratios used by companies as a way to assess company performance are activity ratios, liquidity ratios, solvency ratios and profitability ratios (BAZNAS, 2019).

In contrast to non-profit institutions, the commonly used financial ratios must be adjusted to assess the performance of the institution, which has its own

characteristics according to the operational activities carried out. The Zakat Management Organization (OPZ) is a non-profit institution whose operational activities are the collection and distribution of zakat, *Infaq* and *Sadaqah* (ZIS) funds. Even though the main goal is not to achieve profits alone, but rather has a social mission, financial management is important to increase institutional accountability human capital performance evaluation using financial ratios.

Based on the results of the BAZNAS study, financial ratios that can be used by zakat management organizations are categorized as (BAZNAS, 2019):

#### 1. Activity ratio

The activity ratio is a ratio that measures the effectiveness of the distribution of zakat, *Infaq* and *Sadaqah* funds based on the collection that has been obtained in the year concerned. With this ratio, *Muzakki* can find out how much funds have been distributed to the 8 *asnaf*. This ratio is a comparison between funds distributed and funds collected in that year. Activity Ratio can be determined in several ways:

##### a. Allocation to Collection Ratio (ACR)

This ratio is used to measure how much zakat funds have been distributed in that year. This ratio can help to improve the reputation of OPZ by showing *muzakki* that the funds received by OPZ have been distributed to *mustahiq*. This is a comparison between funds distributed and funds collected. Funds distributed or collected can be determined based on considerations: distribution or collection that includes the previous period because it is still owed, without including distribution that is owed, without including distribution for *amil*, only calculating distribution and collection of zakat funds or *Infaq and Sadaqah only*. So, the 8 formulas used to determine this ratio can be adjusted with the following formula:

$$R = \frac{\text{Fund X is distributed}}{\text{total fundraising x}}$$

Interpretation of the ACR ratio value is as follows:

$R < 45\%$  : tidak efektif

$45\% \leq R < 60\%$  : kurang efektif

$60\% \leq R < 75\%$  : cukup efektif

$75\% \leq R < 90\%$  : efektif

$R > 90\%$  : sangat efektif

b. ZIS Turn Over Ratio

This ratio describes the turnover of ZIS funds distributed during a certain period, so by determining this ratio it can be seen how active OPZ is in ZIS collection and distribution activities. The higher this ratio ( $R > 1$ ), the higher OPZ's activity in collecting and distributing. This ratio can be adjusted by separating zakat funds and *infaq shadaqah* funds. So, the names of the ratios are zakat turnover ratio and *Infaq Sadaqah* turnover ratio.

c. Average of Days ZIS Outstanding

$$R = \frac{360}{ZIS \text{ turn Over}}$$

The ZIS fund turnover can be adjusted if you want to know more specifically about Zakat funds only or *Infaq* and *Sadaqah* funds only. This ratio describes how long the collected ZIS funds are stored by the Zakat collection institution. It is expected that this ratio will be less than 12 months. This means that the smaller this ratio, the better the performance of the Zakat institution in distributing ZIS funds.

d. Zakat Managed Assets Ratio

Zakat managed assets are the target of funds or infrastructure held from zakat assets and managed by amil zakat. Amil Zakat is the representative of *Mustahiq*, so the benefits of zakat managed assets are intended for *Mustahiq*. This ratio shows how much zakat is distributed to managed assets. But not all Zakat institutions distribute it to managed assets. The smaller this ratio, the more optimal the Zakat institution is in allocating managed assets (ratio of no more than 10%).



## 2. Efficiency Ratio

The efficiency ratio is a ratio that measures the efficiency of operational costs incurred by Zakat Institutions in collecting and/or allocation funds. The efficiency ratio is obtained from the collection cost ratio, operational cost ratio and Human Capital cost ratio.

### a. Collection Expenses Ratio

The collection cost ratio functions to find out how much funds are needed to carry out zakat collection activities. It will be more efficient if the funds needed are smaller and the maximum amount of zakat can be collected.

$$R = \frac{\text{Total Collection Cost}}{\text{Total Collection}}$$

$R < 2\%$ : *Efficient*

$2\% \leq R \leq 5$  : *Quite Efficient*

$R > 5\%$  : *Not efficient*

### b. Operating Expenses Ratio

The operational cost ratio functions to determine efficiency in managing the proportion of expenses when carrying out operational activities.

$$R = \frac{\text{Total Operating Costs}}{\text{Total Collection}}$$

$R < 12,5\%$  : *Efficient*

$12,5\% \leq R \leq 17,5\%$  : *Quite Efficient*

$R > 17,5\%$  : *Not efficient*

### c. Human Capital Expenses Ratio

This ratio is used to measure human capital performance in collecting ZIS funds using costs based on the competencies possessed by Human Capital. The more efficient human capital performance, the smaller the value of this ratio is.

$$R = \frac{\text{total HR costs}}{\text{total collection}}$$

Interpretation of the value of this ratio:

$R \leq 10\%$  : *Efficient*

$R > 10\%$  : *Not efficient*

### 3. Amil Fund Ratio

The amil fund ratio is a ratio that measures the efficiency and effectiveness of the use of amil funds in the operational activities of collecting and distributing ZIS funds of a zakat management institution. Amil has the right to a maximum zakat fund of 1/8 or 12.5%. The Zakat Management Institution uses this right to cover the shortfall in the institution's operational costs which come from the government and/or funds outside of Zakat. Funds outside Zakat are *Infaq* and alms funds with a maximum of 20% and CSR with a maximum of 15%. This ratio can be calculated from a comparison of the amil share of total funding sources or separate funding sources with ZIS management both in total and separately.

### 4. Liquidity Ratio

Generally applicable Liquidity Ratios cannot be fully used in OPZs, they need to be adjusted to OPZ activities. The current liability account in the BAZNAS financial statements only consists of distribution deposit accounts and tax payables, while there are no long-term liability accounts in certain years. So this ratio is used to measure the ability of Zakat institutions to distribute and/or pay off short-term obligations. This means that with this ratio, the amount of funds deposited in zakat institutions that have not been distributed in the previous period can be analyzed.

This ratio can be calculated with Current Ratio, Quick Ratio, and Cash to Zakah Ratio. If the ratio shows that the liquid assets of OPZ can meet all their short-term obligations including the obligation to distribute ZIS funds in a period, then it is considered good with a ratio value of  $1 \leq R \leq 1.5$ . But if the ratio value is less than 1, it means that the current assets are unable to meet their short-term obligations, while if the ratio value exceeds 1.5, it indicates that there are funds in the form of distribution receivables.

### 5. Growth Ratio

Growth ratio to measure the level of fund growth from previous years. Specifically, it can be used to measure the development of the collection and

distribution of zakat, infaq and shadaqa funds from previous years. The growth ratio is divided into two:

a. ZIS Collection Growth Ratio

This ratio is to measure OPZ's ability to increase the ZIS funds collected from the previous year. The greater this ratio, the better OPZ's ability to increase ZIS funds, so that it has an impact on OPZ distribution and expansion. The collection growth ratio can be calculated by Growth in Zakat Collection, Growth in Infaq Shadaqa Collection, and ZIS Collection Growth. The interpretation of this ratio value is very good if the ratio value is more than 130%, good if the ratio value is between 120% to 130%, quite good if the ratio value is between 100% to 120%, not good if the ratio value is less than 100%.

b. Allocation Growth Ratio

This ratio is to assess OPZ's efficiency in distributing collected funds. The increasing distribution growth ratio must be carried out in depth analysis, there is a possibility that the increase is caused by previous year's distributions which have not been distributed so that they become funds that settle and are distributed in the current year. The interpretation of this ratio value is very good if the ratio value is more than 130%, good if the ratio value is between 120% to 130%, quite good if the ratio value is between 100% to 120%, not good if the ratio value is less than 100%.

c. Operational Cost Growth Ratio

The growth of operational costs describes the effectiveness and efficiency of a UPZ in managing the funds used for its operational activities, namely the collection and distribution of ZIS funds.

$$R = \frac{\text{operating cost growth}_t}{\text{growth of ZIS collection}_t}$$

Interpretation of the value of this ratio:

$R \leq 10\%$  : *Effective*

$R > 10\%$  : *Not effective*

## **Research methodology**

This study employs a descriptive method with a quantitative approach to analyze the financial performance of BAZNAS over the five-year period from 2018 to 2022. The analysis begins by identifying financial ratios specifically designed for non-profit institutions, particularly zakat management organizations, and proceeds with a year-to-year comparison to observe performance trends. BAZNAS at the national level (central office) was chosen as the research subject due to its strategic role as the coordinator of zakat management institutions across Indonesia and its function in setting governance standards. The institution's audited financial statements are publicly accessible, making them appropriate for longitudinal financial ratio analysis.

The research relies on secondary data in the form of audited financial reports published by BAZNAS Central for the years 2018 to 2022, obtained from the official website (<https://baznas.go.id/keuangan>). These reports provide numeric data required for a quantitative approach and are analyzed using financial performance evaluation tools that have been adjusted to the operational characteristics of non-profit zakat institutions. It is important to note that the scope of this research is limited to BAZNAS Central; as such, the findings cannot be generalized to regional BAZNAS offices or other zakat management organizations (LAZ), which may operate under varying financial capacities and institutional contexts.

## **Results and discussion**

### ***Results***

The financial ratios used to determine BAZNAS's performance in this research are the ratios that have been determined by the BAZNAS Center for Strategic Studies (Puskas) in 2019 after being adjusted to BAZNAS' activities. The following are the results of calculating financial ratios for the last 5 years.

## 1. Activity ratio

**Table 1.** BAZNAS activity ratio for 2018-2022

No	Ratio	2018	2019	2020	2021	2022
1	ACR (Allocation to Collection Ratio)					
a.	Gross ACR	0,80	0,77	0,76	0,74	0,80
b.	Gross ACR non-Amil	0,77	0,74	0,74	0,72	0,78
c.	Net ACR	1,24	0,93	0,92	0,89	0,99
d.	Net ACR non-Amil	1,27	0,92	0,92	0,87	0,99
e.	Zakat Allocation Ratio	1,25	0,91	0,95	0,95	0,97
f.	Zakat Allocation Non-Amil	1,30	0,90	0,94	0,94	0,97
g.	Infaq Shadaqa Allocation Ratio	1,17	1,08	0,82	0,58	1,18
h.	Infaq Shadaqa Allocation Ratio Non-Amil	1,55	1,48	1,51	1,57	1,61
2	Zakat Turn Over Ratio	1,55	1,48	1,51	1,57	1,61
3	Average of Days Zakah Outstanding	233	243	238	229	224
4	Infaq Sadaqah Turn Over Ratio	5,30	11,43	7,10	1,79	3,08
5	Average Days Infaq Sadaqah Outstanding	68	32	51	201	117
6	ZIS turnover ratio	1,59	1,54	1,53	1,44	1,65
7	average of days ZIS outstanding	226	234	236	249	219
8	Receivables Distribution Ratio	0,06	0,03	0,02	0,04	0,07
9	Receivables Distribution Realization Time (days)	22	12	6	15	23
10	Activity Advance Ratio	0,04	0,05	0,05	0,05	0,04
11	Zakat Asset Management Ratio	0,004	0,004	0,03	0,04	0,04

Source: Processed Data from BAZNAS Financial Report 2018-2022

Based on table 1, The distribution of ZIS funds from 2018 to 2022 was effective, with an average of 77% of collected funds distributed to 8 asnaf. Excluding amil fund distributions, effectiveness decreased in 2019 and 2020, dropping from effective to effective, with 74% of collected funds distributed. When comparing ZIS distribution to current-year collection alone (excluding fund balances from previous periods), BAZNAS distribution was very effective overall, except in 2021, which was effective. Zakat fund distribution over the past five years was consistently very effective, regardless of amil fund inclusion. In contrast, alms donations distribution was very effective in 2018, 2019, and 2022. In 2020, it was effective, but in 2021, it declined to less effectively, with only 58% and 54% distributed when excluding amil funds.

BAZNAS has shown excellent performance in collecting and distributing ZIS funds, whether calculated separately (zakat and alms donations) or collectively. Over the past five years, ZIS funds have been stored for less than one year on average, reflecting active and efficient distribution. This indicates that BAZNAS distributes collected funds promptly, optimizing its performance. Additionally, the realization time for distribution receivables has remained below 10% during this period, further demonstrating the institution's effective management. These achievements highlight BAZNAS's commitment to ensuring that collected funds are distributed in a timely and efficient manner.

## 2. Efficiency ratio

**Table 2.** BAZNAS efficiency ratio for 2018-2022

No	Ratio	2018	2019	2020	2021	2022
1	Collection Expenses Ratio					
	Cost of Collection Ratio	0,19	0,26	0,25	0,22	0,09
	Collection Ratio	0,04	0,05	0,05	0,04	0,02
2	Operating expenses Ratio					
	Ratio of Operating Costs to Total Amil Rights	1,65	1,72	1,59	1,63	1,59
	Operating Costs with total collection	0,23	0,21	0,18	0,19	0,19
3	Human Capital Expenses Ratio	-	-	-	$5,6 \cdot 10^{-4}$	$5,5 \cdot 10^{-4}$

Source: Processed Data from BAZNAS Financial Report 2018-2022

BAZNAS's performance, which is measured from the efficiency ratio, can be seen from three points of view, namely the costs required to collect ZIS funds and the results of their collection, the efficiency of managing the proportion of expenditure in carrying out its operational activities, and the competency of HR in collecting ZIS. The operational costs used by BAZNAS to collect ZIS funds in 2018 were quite efficient, in 2019-2021 they decreased to become inefficient and then in 2022 they were efficient. This means that in 2018-2021 BAZNAS allocated operational costs for ZIS collection in a larger proportion than other costs. However, these large costs are in line with the ZIS funds that have been collected. This is shown in the collection ratio which is considered efficient in those 5 years.

Operational costs come from amil's rights to ZIS funds and are sometimes assisted by the government through the APBN. The amount of amil rights funds used in operational activities is considered inefficient in the last 5 years with an average ratio of 164%, this value exceeds the value which should be less than 90%. BAZNAS provides a very small portion of HR development costs from total operational costs, namely 0.056% in 2021 and 0.055% in 2022. This is considered efficient because it is less than 10%. The efficiency of HR costs in 2018-2020 is unknown because researchers did not find the operational costs for HR development in that year.

### 3. Amil fund ratio

**Table 3.** BAZNAS amil fund ratio for 2018-2022

No	Ratio	2018	2019	2020	2021	2022
1	Amil Portion to Zakat Ratio	0.15	0.12	0.12	0.12	0.13
2	Amil Portion to Shadaqa Ratio	0.13	0.09	0.07	0.08	0.09
3	Amil Portion to ZIS Ratio	0.14	0.12	0.11	0.11	0.12

Source: Processed Data from BAZNAS Financial Report 2018-2022

Based on table 3 above, it is known that the use of amil funds allocated for operational activities of collecting and distributing ZIS funds is used optimally to collect ZIS, both calculated separately for each type of fund and the total of ZIS funds, except in 2018 it is still not optimal.

### 4. Liquidity ratio

**Table 4.** BAZNAS liquidity ratio 2018-2022

No	Ratio	2018	2019	2020	2021	2022
1	Current Ratio	52.90	1.04	1.03	0.99	0.99
2	Quick Ratio	34.03	0.66	0.75	0.63	0.55

Source: Processed Data from BAZNAS Financial Report 2018-2022

The liquidity ratio that has been adjusted by BAZNAS shows that the ability of BAZNAS' current assets to meet distribution deposits and other current debts is considered good in 2019 and 2020, while other years were not good. In 2021 and 2022 it is not good because the current assets owned cannot meet distribution deposits and other current debts that must be paid immediately, while

in 2018 it is not good because there are indications that there are leeway funds in the form of distribution receivables.

##### 5. Growth ratio

Table 5. BAZNAS growth ratio 2018-2022

No	Ratio	2018	2019	2020	2021	2022
1	ZIS Collection Growth Ratio					
	Growth in Zakat Collection	0.11	0.62	0.23	0.47	0.22
	Growth in Infaq Shadaqa Collection	1.62	-0.01	0.84	0.21	-0.24
	ZIS Collection Growth	0.27	0.49	0.32	0.42	0.14
2	Allocation Growth Ratio	0.77	0.12	0.30	0.36	0.28
3	Operational Cost Growth Ratio	0.78	0.66	0.45	1.15	1.28

Source: Processed Data from BAZNAS Financial Report 2018-2022

BAZNAS's ability to increase zakat funds collected over the last 5 years has experienced growth but is considered not good because it is less than 100%. Meanwhile, the ability to increase donations has even decreased in two years, namely in 2019 it fell by only 1% and in 2022 it fell by 24% from the previous year, but in other years it experienced growth with an unfavorable assessment. Distribution growth from year to year also increased but was less than 100% so it was considered not good. However, the operational cost growth ratio shows harmony between operational costs and the management of funds used for distribution activities of collected ZIS funds. Only in 2021 and 2022 are considered not aligned, because growth exceeds 100%, namely 115% in 2021 and 128% in 2022.

##### *Discussion*

Financial ratio analysis offers a practical and fast method to assess the performance of an institution, especially for public organizations such as BAZNAS. Because financial reports reflect comprehensive institutional activities and are subject to independent audits, they provide a credible source of data to understand health organizations and drive decision-making. However, although BAZNAS has developed a set of financial ratio standards specifically designed for zakat management organizations (OPZ), these ratios have not yet been integrated into official financial reports at the regional or provincial level (BAZNAS, 2019). As a



result, stakeholders must manually calculate performance indicators from raw financial data, which can hinder timely and effective decision-making.

This study applies BAZNAS financial ratios for five years (2018–2022), which reveal that BAZNAS generally performs well in terms of fund distribution. Activity ratios, especially the Allocation to Collection Ratio (ACR), show consistent effectiveness, indicating that ZIS funds are distributed efficiently each year. Exceptions were seen in 2019 and 2020 for ZIS without amil allocation, and in 2020 for alms distribution, which dropped to 58% and 54%. These findings are in line with previous studies on fluctuating LAZ efficiency using the DEA method (Rustyani & Rosyidi, 2019; Fathurrahman & Hajar, 2019), which highlight how efficiency levels can vary between institutions and over time.

BAZNAS distribution turnover period is less than one year, and receivables realization time is below 10%, indicating a high level of operational activity. However, the efficiency ratio reveals a more concerning picture. Although collection activities are aggressive and in line with the volume of funds obtained, the average operational cost ratio reaches 164%, exceeding the recommended limit. This indicates inefficient use of amil funds, especially since only a small portion, around 0.05%, is allocated for human resource development. While this small portion may seem efficient numerically, it indicates a lack of investment in crucial areas that affect long-term institutional sustainability.

The lack of alignment between operational costs and HR development may stem from regulatory gaps, as the use of amil funds for operations is not strictly regulated. According to MUI Fatwa No. 8/2011, operational costs not covered by government funding can be taken from amil rights within reasonable limits or from non-zakat sources. However, in practice, there seems to be ambiguity in interpreting and implementing this guideline, which can lead to inconsistencies in resource allocation (BAZNAS, 2019).

The low growth ratio in collection, distribution, and operations over the five years further underscores structural weaknesses. The inability to achieve year-

on-year growth above 100% indicates a stagnant performance trajectory. This may be due to inadequate investment in *amil* competency and organizational innovation, especially at the regional level, as shown in the 2022 BAZNAS performance report. Previous studies have confirmed that competent human resources in their fields will improve BAZNAS' financial performance (Assalafiyah & Rusydiana, 2020), especially competence in collecting and preparing financial reports (Annahl, 2020). Improving HR (*Amil*) competence will have an impact on improving the services provided and the trust of *Muzakki* and *Mustahiq* in the institution (Harahap et al., 2022). Thus, without targeted HR development, BAZNAS is at risk of experiencing inefficiency in its core functions and reduced effectiveness in its national coordination role.

In short, although BAZNAS excels in timely disbursement of ZIS funds, its long-term performance and institutional sustainability depend heavily on addressing internal inefficiencies, especially by increasing human resource investment, strengthening reporting standards, and integrating financial ratio analysis into routine reporting. Failure to address these gaps could lead to stagnation and declining public trust, weakening BAZNAS' strategic role in national zakat governance (Kurnia et al., 2020).

## **Conclusion**

This study concludes that while BAZNAS has shown effectiveness in distributing ZIS funds—evident through favorable activity and *amil* fund ratios—its overall financial performance is hindered by inefficiencies in operational spending and consistently low growth figures. The operational cost ratio, which averages 164%, indicates inefficient use of resources, while the minimal allocation to human resource development suggests underinvestment in a crucial area that affects long-term sustainability. Furthermore, the lack of standardized application of financial ratio analysis at regional and provincial levels limits transparency and weakens the ability to conduct timely institutional evaluations.

To enhance its performance as the national coordinator of zakat management organizations, BAZNAS should improve the proportional use of amil funds by maintaining operational costs within reasonable limits and directing a larger portion toward human resource development, as supported by MUI Fatwa No. 8/2011. Strengthening human capital through continuous training and certification is also essential to improve financial reporting quality, institutional credibility, and public trust. In addition, BAZNAS is encouraged to standardize the implementation of financial ratios across OPZs to enable consistent and transparent performance assessments. Lastly, optimizing the use of digital infrastructure, including ZakaTech and SIMBA, can drive innovation and support zakat fundraising and institutional integration. Addressing these areas will help BAZNAS improve not only operational efficiency but also its strategic impact on national zakat governance.

While this study provides valuable insights into BAZNAS's financial performance, several limitations should be acknowledged. The analysis primarily relies on financial ratios, which, though useful, may not fully capture qualitative factors such as community impact or stakeholder satisfaction. Additionally, the focus on BAZNAS's national-level data may overlook regional variations in operational challenges or successes. The study also does not account for external factors like economic fluctuations or policy changes that could influence Zakat collection and distribution.

Future research should address these gaps by incorporating mixed methods approaches, combining quantitative financial analysis with qualitative assessments of program effectiveness and beneficiary outcomes. Comparative studies between BAZNAS and other Zakat Institutions, both domestically and internationally, could yield best practices for improving efficiency and transparency. Investigating the role of digital transformation in enhancing zakat management, particularly the impact of platforms like ZakaTech and SIMBA—would also be valuable. Finally, longitudinal studies tracking the implementation

of recommended reforms (e.g., standardized financial reporting or human resource investments) could measure their long-term effects on institutional performance and public trust. Such research would provide a more holistic understanding of Zakat governance and its potential for sustainable social impact.

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