

Efficiency and Social Impact of Zakat Management: A DEA Approach to LAZISMU's Role in Poverty Reduction

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Abstract

This study examines the efficiency of zakat and infaq management in improving social welfare and poverty alleviation. The research employs a non-parametric approach using Data Envelopment Analysis (DEA) based on LAZISMU Central financial statements from 2018 to 2022. Input variables include total assets, zakat receipts, and infaq receipts, while the output variable is the distribution of zakat and infaq funds. The findings indicate that efficiency was achieved in 2020 and 2021, while inefficiencies occurred in 2018, 2019, and 2022. These results suggest the need for improved strategies in fund allocation to enhance distribution efficiency.

Keywords: Efficiency, Zakat, Infaq, DEA

Abstract

Penelitian ini bertujuan untuk menganalisis efisiensi pengelolaan zakat dan infaq dalam meningkatkan kesejahteraan sosial dan pengentasan kemiskinan. Penelitian ini menggunakan pendekatan non-parametrik dengan metode Data

Envelopment Analysis (DEA) berdasarkan laporan keuangan LAZISMU Pusat periode 2018–2022. Variabel input meliputi total aset, penerimaan zakat, dan penerimaan infaq, sedangkan variabel output adalah penyaluran dana zakat dan infaq. Hasil penelitian menunjukkan bahwa efisiensi tercapai pada tahun 2020 dan 2021, sementara ketidakefisienan terjadi pada tahun 2018, 2019, dan 2022. Temuan ini mengindikasikan perlunya peningkatan strategi dalam alokasi dana untuk meningkatkan efisiensi penyaluran.

Kata Kunci: *Efisiensi, Zakat, Infaq, DEA*

INTRODUCTION

Indonesia is a country where the majority of the population is Muslim, with this large population making Indonesia very vulnerable to economic problems in the form of poverty. According to Mualo & Rohim (2023) poverty is a factor that is closely related to various types of economic problems that cause most people who are in weak economic conditions to cause their lives to be inadequate. For example, basic needs are difficult to fulfill and educational opportunities are not guaranteed, making it difficult to find suitable work.

In addition, it is also necessary to pay attention to the aspects of poverty experienced by Indonesia today. We already know that poverty is part of the obstacles to economic development as has been experienced by several developing countries, especially in Indonesia. It is recorded that 14.38 million Indonesians are categorized as poor (BPS, 2023). The economy in the modern era that is developing rapidly and quickly forces most economic actors to do various ways to be able to meet the increasingly large needs of life. This economic activity gives the impression that people who have large capital are able to compete and benefit from economic activities (Ahsan & Sukmana, 2019). On the other hand, there are some people who still lack or do not have business capital. This phenomenon actually shows the condition that there are people who belong to weak economic groups that must be assisted by people who are in strong economic groups, one way is to pay obligations in the form of zakat and social funds in the form of infaq and shodaqoh (Astuti & Prayogi, 2019).

Zakat is one of the pillars of Islam which acts as one of the important pillars of Islamic economics and finance on the side of Islamic social finance (Indrawati & Rachmawati, 2022), Apart from functioning as an income distribution instrument that ensures the welfare of the entire community, zakat also functions as an instrument to control individual assets so that they flow productively (Hasan & Sari, 2024).

In the economic field, zakat can prevent the accumulation of wealth in a handful of people and requires those who are able to distribute their wealth to the poor and the poor. Therefore, zakat also serves as a potential source of funds to alleviate poverty (Atabik, 2016). In Islam, Zakat serves as a means of creating economic balance in society. This shows that not everyone has the ability to develop in the economic field. Zakat expenditure is the minimum expenditure to achieve income equality. Zakat allows the poor to play a role in their lives and fulfill their obligations to Allah.

Everyone would want a peaceful, well-off, and high-income life. These ideals must be supported by hard work and also a strong national economy so that regional income is also high. Economic development is the duty and obligation of a country when achieving an increase in the standard of living and welfare of its people. Economic development is a directed and deliberate plan that utilizes existing resources and potential. In other words, economic development is not the ultimate goal, but rather overcoming economic problems such as poverty, unemployment, and income inequality (Azis, 2024).

Infaq is obligatory zakat, or the spending of one's wealth on one's family, community, or *fisabilah* (the way of Allah). Infaq is about managing wealth in accordance with religious requirements, so there are many ways to spend money. Therefore, giving charity to the poor and paying zakat is also called Infaq. The same applies to the use of wealth for joint social activities. According to Pamungkas (2016) in Indonesia it has become a social custom that infaq is oriented towards the purpose of charity in the *sunnah* of religious activities. Examples are the construction of places of worship, the construction of Islamic hospitals, as well as the construction of madrasas and schools managed by individuals, foundations, or organizations engaged in social and religious fields.

On the other hand, Muhammadiyah as a religious social movement organization that has been engaged in the social field also contributes to poverty alleviation in Indonesia, one form is by carrying out a philanthropic movement to help ease the heavy burden of the urban poor through the Muhammadiyah Zakat Infaq and Shadaqah Institution or commonly called LAZISMU, A national level zakat institution that contributes to the economic empowerment of the community by continuing to carry the spirit of creativity and innovation by developing the concept of Islamic populism through productive utilization of zakat funds, infaq, waqf and other generous funds from individuals, institutions, companies and other institutions, companies and other institutions (Ahsan & Sukmana, 2019).

According to Mutamakkin (2023) the background to the establishment of LAZISMU consists of two factors. First, the fact that Indonesia is a country with a high level of poverty, ignorance and a very low human development index. Everything results and at the same time is caused by a weak social justice order. Second, zakat is believed to be able to encourage social justice, human development and be able to alleviate poverty. As the country with the largest Muslim population in the world, Indonesia has a fairly high potential for zakat, infaq and waqf. However, the existing potential has not been managed and utilized optimally so that it does not have a significant impact on solving existing problems.

The establishment of LAZISMU is intended as a zakat management institution with modern management that can deliver zakat to be part of the social problem solver that continues to grow with a work culture of trustworthiness, professionalism and transparency, LAZISMU strives to develop itself into a trusted Zakat Institution. and over time, public trust is getting stronger (Al Amin, 2022).

On the other hand, Muhammadiyah as a religious social movement organization engaged in the social sector also contributes to poverty alleviation in Indonesia, among others by carrying out charitable activities to ease the burden of poverty in urban areas. Lembaga Zakat Infaq dan Shadaqah Muhammadiyah or commonly known as LAZISMU is an institution that prioritizes creativity and innovation by promoting the concept of the

Islamic nation through the utilization of zakat funds, infaq, waqf and other generous funds productively and contributing to the economic empowerment of the community both from individuals, institutions, companies and other institutions, companies and other institutions (Ahsan & Sukmana, 2019).

According to Mutamakkin (2023), there are two factors behind the establishment of LAZISMU. First, the fact that Indonesia is a country with relatively high levels of poverty, ignorance, and human development index. All of this stems from and is caused by weak social justice. Second, Zakat is believed to advance social justice and human development and can alleviate poverty. As a country with the largest Muslim population in the world, Indonesia has enormous potential for Zakat, Infaq and Waqf. However, it does not have a significant impact on solving the existing problems, because the existing possibilities have not been managed and utilized optimally (Kasri & Sosiati, 2023).

The establishment of LAZISMU aims to create a modern management system that makes zakat as part of the solution to social problems (problem solver) in a society that develops with a culture of hard work, professionalism and transparency, as the efforts made by LAZISMU. The goal is to become a complete zakat management institution, develop into a reliable zakat institution, and over time, public trust will strengthen (Al Amin, 2022).

LITERATURE REVIEW

Financial Report

Financial reports are documents that contain financial information of an institution or company during a certain period, which are prepared to be accounted for in the future (Maulina & Segarawasesa, 2023). Financial reports are part of the financial reporting process. A complete financial report usually includes: balance sheet, income statement, and other financial statements (which can be presented in various forms such as cash flow statements), as well as explanatory material that is an integral part of the financial statements. The main purpose of financial statements is to determine the overall performance and financial position of the company in a certain period (bin Lahuri, Ahmad,

& ..., 2025). The results of this report can be used by information users and all stakeholders with an interest in the report.

Efficiency

Efficiency is defined as the right way of working in completing a task economically, without wasting time, energy, or costs. In this case, an institution or company that has financial statements, such as Zakat Management Organization (OPZ) or Amil Zakat Institution (LAZ), prepares financial statements annually (Jahja et al., 2023). An organization or institution can be considered efficient if it is able to produce maximum output with specific inputs (managing expenses well) or is able to produce certain outputs with minimum possible inputs. The purpose of efficiency is to monitor and improve financial performance in the management of Zakat, Infaq, and Sadaqah.

Zakat

The definition of zakat in terms of language has several meanings, including al-barakatu, ath-thaharah, and ash-shalah. This is done with the intention that zakat can act as a means to cleanse sins and strengthen faith for individuals who give zakat from some of their assets that have reached the nishab, which is one year, to those entitled to receive zakat. Not only that, the existence of zakat aims to drive economic activity in the community, such as what happens in Pulosari hamlet.

If zakat management continues to be carried out properly and sustainably, this will increase mustahiq productivity (Jahja et al., 2023). The blessing of the process of giving zakat is the increase in wealth without experiencing a decrease or loss for the expenditure. This will cause the growth of wealth like buds on plants because of the grace and blessings given by Allah SWT to individuals who give zakat, as well as cleansing it from impurities and sins attached to it because of the ownership of the property, as well as the rights of others associated with it.

Infaq

Infaq is a term that is very commonly used in society, especially in Indonesia where the majority are Muslims. In addition, infaq means donating property given by Allah SWT to others solely to seek His pleasure. Another meaning of infaq is to use some of the wealth to improve human welfare in accordance with the principles of Islamic law (Ahsan & Sukmana, 2019). The message for Muslims to give infaq to those in need has been taught repeatedly, including the legal basis for infaq.

Effectiveness of Zakat Distribution

The effectiveness of zakat distribution can be interpreted as the success of an activity or activity in achieving predetermined goals. Assessment of the effectiveness of zakat distribution aims to determine the extent to which the distribution of zakat funds managed by zakat institutions has met the standard effective criteria according to the reference, so that its management can be accounted for (Yudhira, 2020). Effectiveness is related to the relationship between the desired results and the final results achieved. Effectiveness is also defined as the relationship between output and goals; the greater the contribution made, the more effective the organization is in implementing its program.

Research Method

This research uses quantitative methods with a non-parametric approach through descriptive methods. This research was conducted using a non-parametric quantitative approach known as Data Envelopment Analysis (DEA). This non-parametric approach with the DEA method is used to measure the efficiency of the Decision Making Unit (DMU) to be analyzed (Hikmah & Shofawati, 2020).

The data collection method in this research is through documentation. The data used is secondary data, which is obtained from documents that have been collected and compiled by other parties, in this case the financial statements of LAZISMU (Nugraha, 2013).

RESULT AND DISCUSSION

Based on the data that had been obtained and processed previously, the researcher then conducted a descriptive analysis. This analysis involves data processing using the nonparametric Data Envelopment Analysis (DEA) method with the help of Deawin.exe software. The results of the analysis are as follows:

Table 1

Efficiency Results with DEA Parametric Method in 2018-2022

DMU No.	DMU Name	Input-Oriented		Optimal Lambdas						
		CRS	Efficiency	Sum of lambdas	RTS	with Benchmarks				
1	2018	0,86522	0,372	Increasing	0,330	2020,000	0,043	2021,000		
2	2019	0,82358	0,564	Increasing	0,564	2020,000				
3	2020	1,00000	1,000	Constant	1,000	2020,000				
4	2021	1,00000	1,000	Constant	1,000	2021,000				
5	2022	0,96486	1,536	Decreasing	1,003	2020,000	0,533	2021,000		

Source: Result from Deawin.exe software

The results of the efficiency analysis, as presented in Table 1, indicate that the performance of LAZISMU varies across the observed period. In 2018, the efficiency score is 0.86 (86%), followed by 0.82 (82%) in 2019, and 0.96 (96%) in 2022. These values suggest that in those years, LAZISMU had not yet achieved optimal efficiency, as the efficiency benchmark in DEA is equal to 1.00 (100%).

The inefficiency observed in 2018, 2019, and 2022 indicates that the available input variables namely total assets, zakat receipts, and infaq receipts were not fully optimized to generate maximum output in the form of zakat and infaq distribution. However, it is important to note that there is a gradual improvement in efficiency levels, particularly from 2019 to 2022, which reflects a positive trend in management performance.

In contrast, the efficiency scores for 2020 and 2021 reach 1.00 (100%), indicating that LAZISMU achieved full efficiency in these years. This means that the institution was able to optimally utilize its available resources to produce maximum output without any inefficiency. From a DEA perspective, these years are categorized as efficient DMUs operating on the efficiency frontier. This condition suggests that the allocation and

utilization of zakat and infaq funds during 2020 and 2021 were well-managed and aligned with optimal performance standards.

Meanwhile, 2020 and 2021 have an efficiency score of 1.00 or equivalent to 100%. Then in 2020 and 2021 it is in a constant condition which means that the DMU curve is above and at the maximum output point.

Table 2

Slack Variable Results (DEA) for the Period 2018–2022

DMU No.	DMU Name	Input Slacks			Output Slacks
		TOTAL ASET	PENERIMAAN ZAKAT	PENERIMAAN INFAK	OUTPUT (JUMLAH PENYALURAN ZAKAT DAN INFAK)
1	2018	23.581.757.827	-	0	-
2	2019	21.902.027.576	7.183.290.249	0	-
3	2020	-	-	-	-
4	2021	0	-	0	-
5	2022	16.694.919.392	-	-	-

Source: Author's calculation using DEA method

Further analysis using slack values, as shown in Table 2, provides deeper insights into the sources of inefficiency. The results indicate that in 2018, 2019, and 2022, inefficiency is primarily caused by excess input usage, particularly in total assets, zakat revenue, and infaq revenue.

In 2018, there is a significant excess in total assets amounting to 23,581,757,827 (million), indicating that the available assets were not fully utilized to generate proportional output. Similarly, in 2019, excess inputs are observed in both total assets (21,902,027,576 million) and zakat revenue (7,183,190,259 million), suggesting inefficiencies in both resource allocation and fund distribution. In 2022, inefficiency persists due to excess total assets of 16,694,919,391 million.

These findings imply that although LAZISMU has substantial resources, the management and allocation of these resources were not fully optimized in certain years. Excess input in DEA analysis typically indicates that resources could be reduced without affecting the level of output, or alternatively, output could be increased using the same level of input.

On the other hand, in 2020 and 2021, no slack values are identified, which confirms that all input variables were efficiently utilized. This condition reflects optimal resource

management, where no excess input or output shortfall exists. Therefore, these years can be considered as benchmarks for best practices in zakat and infaq management within the observed period.

Table 3

Target Results with the DEA Parametric Method in 2018-2022

DMU No.	DMU Name	Efficient Input Target		
		TOTAL ASET	PENERIMAAN ZAKAT	PENERIMAAN INFAK
1	2018	36.568.277.290	23.999.663.136	41.533.883.963
2	2019	49.550.970.800	35.533.838.689	52.937.274.048
3	2020	87.882.812.357	63.022.250.168	93.888.705.847
4	2021	179.059.695.707	76.080.150.492	249.327.914.237
5	2022	183.562.046.205	103.762.777.461	227.018.032.426

The target analysis, as presented in Table 3, illustrates the ideal input and output levels required for each year to achieve full efficiency. This analysis provides important managerial insights into how LAZISMU can improve its performance in inefficient years.

In 2018, the optimal input levels consist of total assets amounting to 36,568,277,290 million, zakat revenue of 23,999,663,136 million, and infaq receipts of 41,533,833,968 million, which generate a maximum output of 71,979,911,623 million. This indicates that to achieve efficiency, LAZISMU needs to adjust its resource utilization to align with these target levels.

Similarly, in 2019, the optimal input configuration includes total assets of 49,550,970,800 million, zakat revenue of 35,533,838,689 million, and infaq receipts of 52,937,274,048 million, resulting in a maximum output of 104,149,125,265 million. This suggests that improvements in fund allocation and distribution mechanisms are necessary to achieve optimal efficiency.

In 2020, the input values of total assets (87,882,812,357 million), zakat revenue (63,022,250,168 million), and infaq revenue (93,888,705,847 million) successfully generate a maximum output of 184,717,299,249 million. This confirms that the institution operates efficiently in this year.

In 2021, with total assets of 179,059,695,707 million, zakat revenue of 76,080,150,492 million, and infaq revenue of 249,327,914,237 million, LAZISMU

achieves a maximum output of 261,510,600,127 million. This further reinforces the efficiency performance observed in this period.

In 2022, although the input values are relatively high, inefficiency is still observed. The total assets amount to 183,562,046,205, zakat revenue to 103,762,150,492, and infaq receipts to 227,018,032,426, producing a maximum output of 324,645,890,974 million. This indicates that despite the availability of substantial resources, the output generated is not fully optimal, suggesting inefficiencies in resource allocation and distribution strategies.

DISCUSSION

Overall, the findings of this study highlight that the efficiency of zakat and infaq management at LAZISMU is not consistent across the observed period. The achievement of full efficiency in 2020 and 2021 demonstrates that optimal resource management is possible and can serve as a benchmark for other years. The inefficiencies observed in 2018, 2019, and 2022 suggest that there are challenges in optimizing the use of available resources. These challenges may be related to managerial decisions, allocation strategies, or external factors affecting fund distribution (bin Lahuri et al., 2025).

From a practical perspective, improving efficiency requires better planning in resource allocation, enhanced transparency, and more effective distribution mechanisms. Zakat institutions such as LAZISMU need to ensure that collected funds are not only accumulated but also distributed in a timely and productive manner to maximize their social impact (Prasetyo, Jannah, & Fitrianna, 2022).

Furthermore, the results emphasize the importance of continuous performance evaluation using quantitative tools such as DEA. By identifying inefficiencies and providing target benchmarks, DEA can serve as a valuable tool for improving the performance of Islamic philanthropic institutions (R. Masrifah & Rahman, 2022).

CONCLUSION

This study concludes that the efficiency of zakat and infaq management at LAZISMU Central varies across the observed period. Full efficiency was achieved in 2020 and 2021,

while inefficiencies were identified in 2018, 2019, and 2022. These results indicate the need for improved resource management and distribution strategies to enhance efficiency. Strengthening the performance of zakat institutions is essential to maximize their role in supporting social welfare and poverty reduction.

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