Investigating Zakat Institution Performance in Indonesia: a DnD analysis on PSAK Shariah No.109

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ABSTRACT

This study aims to seek the impact of zakat accounting standards (PSAK Shariah No.109) adoption on the financial performance of zakat institutions. This study employed the Difference in Difference (DiD) test and Panel data regression using the data from 5 national scale zakat institutions in Indonesia from 2006 to 2019. This study found a difference in zakat institution performance between the pre and post-adoption of PSAK Shariah No.109, both in the DiD test and Panel data regression model.

Keywords: PSAK Shariah No.109; Zakat; Zakat Institution Performance; Zakat Accounting Standard

INTRODUCTION

In general, the study observed the factors that determined financial performance of an institution has been done by many scholars. The financial performance is oftenly proxied by Return on Asset (ROA) or Return on Equity (ROE) as a representative to measure firms profitability. We note Asimakopoulus, et al (2009), Yazdanfar (2013), Tiyagi and Naurial (2017), Alarussi and Alhaderi (2018), Salike and Ao (2018), Nanda and Panda (2018), and Ali and Puah (2019) are among the scholars who seek the factors that affect firms profitability. In specific, we note that there are also some studies who seeks the impact of financial reporting standard adoption on financial performance such as Tanko (2012), Umoren and Enang (2015), and Adeuja (2015).

Meanwhile, the study which focused to seek the determinant factors of a non-profit institution perfomance and also includes the impact of financial reporting adoption in a non-profit organization such as zakat and waqf institutions is very limited. We note only Pamuncak, et al (2021) who studied that spesific area. Pamuncak, et al (2021) found that there is a significant impact of zakat collection and zakat institution equity to zakat institution financial performance which proxied by zakat distribution. Further, Pamuncak, et al (2021) also stated that there is a significant impact of zakat accounting standard adoption which formulated by Indonesian Accountant Association (IAI) to zakat institution financial performance with using Difference in Difference (DiD) test. However, the result of that study must be treated carefully due to the robustness issue as it was only tested very limited samples.

To provide a more robust result, this study used more data and employed more DiD test to seek zakat accounting standard adoption impact on zakat institution financial performance such zakat distribution, zakat institutions equity, and zakat collection. The result of this study is expected to enrich body of knowledge as a guideline for

policymakers and practical ideas for practitioners in improving the accountability and transparency of zakat institutions in Indonesia. This study also adds to the literature of zakat institution management by providing empirical evidence on the effect of PSAK Shariah No. 109 on zakat institutions financial performance.

LITERATURE REVIEW

Zakat: from theory to practice across the globe

Refer to Hafidhuddin (2002) zakat defined as *al barakatu* (blessing), *al namaa* (rise and growth) and *ash shalahu* (praise). In similar vein, Qardhawi (2000) also define that zakat litterally means cleanliness, growth, bleassing, and praise. Further, Abd. Wahab and Abdul Rahman (2011) define zakat as purification of something from dirt or filth. In the light of Shariah (Islamic law), Qardhawi (2000) defines zakat as the portion of wealth prescribed by God to be distributed Asnaf categorized as the poor, the need, the administrator of zakat (*aamil*), those whose hearts are inclined towards Islam (including new muslim), the slaves, debtors (debts due to real needs), *fii sabilillah* (in the cause of Allah) and *ibnu sabiil* (the wayfarers) (Abd. Wahab & Abdul Rahman, 2011).

In a more comperhensive definition, Hafidhuddin (2002) defines that zakat is a share of wealth obligated by Allah that must be distributed to deserving categories with several rules and regulations that must be followed. The rules are: a) the wealth can be developed or have the potential to be developed through activities that can generate income such as trade, entrepreneurship and others; b) the wealth must be obtained from lawful

(*halal*) and pure (*thayyib*) sources c) the wealth must have reached the '*nisab*' (a condition where the wealth is reached the maximum), d) the wealth or property must be legally owned by the zakat payers (*muzakki*) and e) for several zakat, for instance zakat for trade and entrepreneurship, zakat for animal stock and zakat for gold and silver, there is minimum time to pay zakat (*haul*) which is one year. In conlusion, zakat is a religious act that has been prescribed by the almighty (Allah) for mankind where the purposed is to share their wealth to the deserving categories under certain terms and regulations in order to achieve the growth, sustainability, and blessing in every aspect of life. It involes economic aspect, education aspect, health aspect, and other social aspects.

The above discussion implies that zakat is an essential tool that prescribed by God (Allah) to eradicate poverty and increase the level of well-being of the society. Therefore, to enforce the religious prescription on zakat, establishing zakat institutions is essential to manage zakat collection and distribute collected funds. In this sense, the zakat institution is viewed as an integral part of the socio-economic system (Ab Rahman et al, 2012).

As an integral part of socio-economic system, zakat institutions across the globe nowadays has been performing excellently. In Indonesia and Malaysia, zakat fund has been utilised not only to help the deserving categories (*asnaf*), but also to finance the Micro, Small, and Medium Entreprises (MSMEs) (Yumna & Clarke, n.d[1]; Hassan and Noor, 2015). Yussof & Densumite, (2012), Mikail et al, (2017) even proved empirically that zakat distribution is associated with better social securities. This evidence

encourage a significant increase in zakat payment (Al Parisi, 2017; Basir et al, 2017)

Although the zakat fund is not utilised to finance the MSMEs, zakat fund in Pakistan has also been utilised for another productive purposed. For instance it is used to established numerous hospitals and contributed to permanent house rehabilitation. In terms of zakat fund collection, it is also well-developed, since the government has made it compulsory for Muslims to pay zakat via banks and zakat institutions (Suhaib, 2009). In the case of Nigeria, unfortunately the development of zakat institutions have stagnant (Amuda, 2013). However, zakat institutions are expected to grow as public awareness on Islamic social-finance instruments (zakat, waqf, and sadaqa) rising. Hopefully, with the rising of awarness, the Islamic social funding instruments could be utilised to empower Muslim society (Amuda, 2013).

The preceding discussion indicates that zakat fund have been utilised to not only for the deserving categories, but also has been utilised to more productive purposed such to finance the MSMEs (Yumna & Clarke, n.d and Hassan and Noor, 2015) and established public facilities such as hospital or shelter (Suhaib, 2009). This practice is linear to previous study that suggest zakat institution to do so such as Ahmed (2002), Kaleem et al, (2010), Ismail & Possumah, (2012) Rahman & Dean (2013).

Financial reporting standard for zakat institution: An insight from global context

Globally, there are several institutions that published financial reporting standard for Islamic Financial Institution. For instance, Accounting and Audit Organizations for Islamic Financial Institution (AAOIFI) which based in Bahrain, Islamic Financial Service Board (IFSB) based in Malaysia (www.ifsb.org), and International Islamic financial market standard (IIFM) also based in Bahrain (www.iifm.net). A recent study shows that socio-economic perspective not really concerned by the three institutions. Therefore, for such purpose it is necessary to fill the gap (Hassan et al, 2019).

Hassan et al (2019) also note that there is one more financial reporting standard for Islamic financial institution issued by Indonesian Accountant Association (IAI) which called "Sharia Standard for Accounting and Financial Statement" (PSAK Shariah). The PSAK Shariah consist of 11 standards that can be refered as a guideline for Islamic financial institution for their transaction. Among the 11 standards, one in particular is purposed for zakat institutions, namely PSAK Shariah No. 109. Furthermore, another Zakat reporting standard is also issued by AAOIFI in the Shariah Standard No. 35, however the particular standard is purposed for Islamic financial institution to report their zakat transaction, while the PSAK Shariah No. 109 is purposed for zakat institution as guideline for their transaction.

Zakat institution perfomance: a literature

The measurement of zakat institution performance has been developed mainly by BAZNAS center for strategic studies, Indonesia. However, another scholar such as Noor et al (2015) has also proposed the criteria. It is all started from Zakat core principle issued by BAZNAS in 2016. Afterwards, zakat performance index proposed by Noor, et

al (2015) is existed. Further, Baznas National Zakat Index, also published by BAZNAS in 2016, BAZNAS Sharia compliance index issued in 2020, and the most recent one is world zakat performance index, publised by world zakat forum and BAZNAS center of strategic studies (2021). The measurements suggest similar goals which is to provide a tool that could evaluate the perfomance of zakat institutions (BAZNAS Center for strategic studies, 2021).

Each measurement provide a unique approach in measuring zakat institution performance. For instance zakat core principles (BAZNAS Center for strategic studies, 2016) proposed 18 core principles. Zakat performance index has proposed to evaluate the process of zakat collection and distribution (Noor et al, 2015). BAZNAS national zakat index has considered a macro and micro perspective. The macro perspective is indicated by regulation, government support, and database, while the micro perspective is indicated by institutional management of zakat institution and the impact of zakat distribution (BAZNAS Center for strategic studies, 2016). Further, the BAZNAS sharia-compliance index has proposed four dimension in measuring the zakat

instituion performance which are management, zakat collection, zakat distribution, and regulation (BAZNAS Center for strategic studies, 2020). A more comperhensive measurement has attampted by world zakat forum and BAZNAS Center for strategic studies in formulating world zakat performance index, where it consist of 5 dimension which are zakat institution legal framework, zakat supervison, zakat reporting, zakat collection, and zakat distribution (BAZNAS Center for strategic studies, 2021). Although each measurement provide different approach, we note one thing in common, where in every measurement, zakat fund distribution is used to measure the performance of zakat instituion.

Zakat institutions in Indonesia: a summary statistics

In total, there are 74 zakat institutions in Indonesia by 2019. The 74 zakat institutions in Indonesia is categorized into three level which are national level, province level, and city level. Most of zakat institutions in Indonesia is categorized in city level while the least is from province level. More comperhensive data is provided in Table 1.

Table 1. Number of LAZ in Indonesia

	National Level	Province Level	City Level
Number of LAZ	25	15	34
Total		74	

Source: www.pid.baznas.or.id, 2019

In 2017 BAZNAS has reported that, the total zakat fund collected by all the zakat institutions in Indonesia has reached 3.7 trillion IDR. This number

increased by 10.62% from 2014 (Baznas, 2017). Moreover, the rate of absorption is 78% which implies that 78% of zakat fund collection is

distributed to the beneficiaries. The summary of zakat fund collection and distribution in Indonesia is provided in the table 2 below:

Table 2. Sum of Zakat Fund Collection and Distribution, 2017

Institution	Collection		Distribution		Absorption
	US$	%	US$	%	
BAZNAS	10.817.775,88	2,47	9.294.236,56	2,71	85,92%
BAZNAS in Province scale	31.575.804,78	7,20	27.348.308,86	7,99	86,61%
BAZNAS in City scale	241.426.667,59	55,05	185.267.072,32	54,11	76,74%
LAZ	154.716.491,30	35,28	120.511.580,71	35,19	77,89%
Total	438.536.739,55	100,00	342.421.198,45	100,00	78,08%

Source: Zakat Outlook, BAZNAS, 2019, modified

RESEARCH METHODOLOGY

Fundamentally this study focus on seeking the impact of PSAK Shariah No. 109 adoption on zakat institutions' performance. In order to achieve that objectives, this study employed an econometric approach which is difference in differences (DiD) test and panel data regression following the steps that has employed by previous studies such as Halim et al, (2018), Tanko (2012), Umoren and Enang (2015), and Adeuja (2015). The DiD test allows us to prove empirically the causal relationship of practising PSAK Shariah No. 109 on the performance of zakat institutions. Further, the data panel analysis is a model that combine the cross-section and time series data (Gujarati, 2004).

In terms of sampling method, this study will use a purposive sampling, where the criteria of a sample is zakat institution who publish their financial statement on their official website. This study will use 14 years data, where it will be divided into 7 years before the adoption of PSAK Shariah No. 109 and 7 years after the adoption of PSAK Shariah No. 109. As the PSAK Shariah No. 109 is effective to use in 2012, the data in this study spans from 2006 to 2019. Further, this study also employed an unbalanced panel data as some zakat institution is established later than 2006 and also some zakat institutions only published their financial statement is some certain years. The zakat institution that used as samples in this study are BAZNAS, Rumah Zakat, Dompet Dhuafa, Baitul Maal Muamalat (BMM), and Daarut Tauhid (DT) Peduli.

The general model of this study is specified in this equation below:

$$DIS_{it} = \beta_0 + \beta_1\,PSAK_{it} + \beta_2\,EQUITY_{it} + \beta_3\,COLLECTION_{it} + \varepsilon_{it}$$

Where:
It = for zakat institution 'i' and for year 't'
DIS_{it} = Natural logarithm of total zakat distribution
β_0 = Constant
$PSAK_{it}$ = A dummy variable which equals one for post-adoption of SAFS Shariah No. 109 about zakat and zero otherwise
$EQUITY_{it}$ = Natural logarithm of zakat institution's equity
$COLLECTION_{it}$ = Natural logarithm of zakat fund collection

Variable Description

In the financial literature, oftenly financial performance of an institution measured by the ratio of return on asset (ROA) or return on equity (ROE) (Rapparort, 1986 as cited in du Wet & du Toit, 2007; Tanko, 2012; Umoren and Enang, 2015; Adeuja, 2015). Moreover, some researchers have also considered other measurement. For instance, the measurement from International Accounting Standard Board (IASB) which are a) earnings management; b) timely loss recognition; and c) financial ratios (Tanko, 2012; Sianipar and Marsono, 2013).

On the other hand, as discussed earlier that there are plenty approaches to measure zakat institution performance, but those approaches have one thing in common, that zakat distribution is used in almost every approaches. For the context of this study therefore, the zakat institution performance is measured by number of zakat distribution. This approach is consistent with previous study that proposed by Pamuncak, et al (2021). Moreover, this approach is similar to the oganisational theory which suggests the performance measurement should be based on the principles and goals of the organisation (Etzioni, 1964 as cited in Murphy et al, 1996).

In order to test the impact of PSAK Shariah No. 109 on zakat institution performance,this study employed a dummy variable where the value of one represents the post-adoption and zero represents the pre-adoption of Sharia SAFS No. 109. Consistent with Pamuncak et al (2021), this study will also examine the effect of zakat institutions equity and and zakat collection fund to zakat institution performance. However, to differ with Pamuncak, et al (2021) this study employed DiD test to all variables and not limited to zakat distribution.

Determining Best Model

The data panel regression has several models. The models are pooled least square (PLS model) (1), fixed effect model (FEM) (2), and random effect model (REM) (3). To know the best model, there are several test that must be done which are a) Chow test, b) Hausman test and c) LM test (Wooldridge, 2001; Pyndick & Ruperfield, 1998).

1. Chow test

The chow test compares between pooled least squre (PLS) and Fixed effect model (FEM). The hypothesis is stated as follows:

$H_0 = 0$: the best model is Pooled least square

$H_1 \neq 0$: the best model is Fixed effect model

2. Hausman test

The Hausman test compares between Fixed effect model (FEM) and Random effect model (REM). The hypothesis is as follows:

$H_0 = 0$: the best model is Fixed effect model

$H_1 \neq 0$: the best model is Random effect model

3. LM test

The LM test compares between pooled least square (PLS) and Random effect model (REM). The hypothesis is as follows:

$H_0 = 0$: the best model is Pooled least square

$H_1 \neq 0$: the best model is Random effect model.

The study will also employ several classical assumption tests. The classical asumption test used in this study are heteroskedasticity test, autocorrelation test, and normality test. This is important as the results of the classical model determine the efficiency and effectiveness of our model (Gujarati, 2004). The autocorrelation test explains whether the each variable is correlated or not. Further, normality test explains whether the variables are normally distributed or not. To know the result p-value is employed. If the p-value equals zero, then there is no correlation between the variables and the data is distributed normally (Gujarati, 2004).

EMPIRICAL RESULTS

On average, total zakat distribution (Y) of five zakat institutions in Indonesia before the adoption of PSAK Shariah No. 109 is IDR 83,281,320,585 or equal to USD 5,84 million and it increased more than four times higher after the adoption to IDR 431,282,978,397 or equal to USD 30,37 million. Further, the average of equity of zakat institutions before the adoption is Rp 67,098,833,485 or equal to USD 4,70 million and increased almost three timers higher after the adoption to IDR 162,338,210,048 equal to USD 11,39 million. The average zakat collection before the adoption is IDR 104,972,988,714 or equal to USD 10,49 million and increased to Rp 406,640,297,361 or equal to USD 28,5 million after the adoption of the financial standard. Table 3 below displays the summary statistics of all the variables such as median, standard deviation and variance.

Table 3. Summary statistics of test variables

Panel: by year	n	(Y) Zakat distribution		n	Zakat institution's equity		n	Zakat collection	
		Before adoption of SAFS	**After adoption of SAFS**		**Before adoption of SAFS**	**After adoption of SAFS**		**Before adoption of SAFS**	**After adoption of SAFS**
2006	2	30,835		2	30,678		2	27,770	
2007	2	35,599		2	37,128		2	41,652	
2008	2	31,225		2	58,234		2	54,468	
2009	2	63,918		2	75,428		2	63,444	
2010	4	117,564		3	115,435		4	142,814	
2011	4	175,221		4	75,601		4	183,445	
2012	3	128,611		3	77,184		3	221,214	
2013	4		159,344	4		109,164	4		260,311
2014	4		234,589	4		99,956	4		283,217
2015	4		331,158	4		113,916	4		344,198
2016	5		429,179	5		182,312	5		389,357
2017	5		481,998	5		232,015	5		442,482
2018	4		572,656	4		194,277	4		444,561
2019	4		810,055	4		204,723	4		682,352
Total	49	582,969	3,018,980	49	469,691	1,136,367	49	734,810	2,846,482
Mean		83,281	431,282		67,098	162,338		104,927	406,640
Median (All)			48,395			22,268			61,073

Panel: by year	n	(Y) Zakat distribution		n	Zakat institution's equity		n	Zakat collection	
		Before adoption of SAFS	After adoption of SAFS		Before adoption of SAFS	After adoption of SAFS		Before adoption of SAFS	After adoption of SAFS
Std Dev (All)			43,178			23,555			41,400
Variance (All)			5,429,559			9,106,584			3,681,994

Note: The data is in million of Indonesian Rupiah.

Table 4 displays the result of DiD test. The result stated that PSAK Shariah No.109 is significant to all variables in both t-test and f-test. Further, the adoption of PSAK has contributed to 27.1% changes in zakat distribution, 3.5% changes in zakat equity, and 21% changes in zakat collection. This result implies that there fundamental changes in zakat fund management due to the changes in financial reporting.

Table 4. Empirical result of DiD Test

	Before adoption of SAFS	After adoption of SAFS	Diff test: Coefficient (P-Value)	F/Wald Test	R^2
Mean of zakat distribution	83,281	431,282	.01417 (0.000)***	37.97 (0.000)***	0.2716
Mean of zakat equity	67,098	162,338	.895 (0.000)***	25.38 (0.000)***	0.0354
Mean of zakat collection	104,927	406,640	.1125 (0.000)***	52.15 (0.000)***	0.2104

Table 5 displays the result of panel data regression and classical assumption test. The classical assumption test result says that the data in this study is distributed normally (0.000), and does not suffer the autocorrelation (0,0001). However, the result of heteroskedasticity test says that the data in this study is heteroskedastic (0.714). Therefore, this study must provide alternative model apart from PLS, FEM, and REM in which the model is free from the heteroskedasticity or became homoskedastic. According to Gujarati (2004), the generelized least square (GLS) could turn the data into homoskedasic. Therefore, this study also observe the GLS model, eventhough the chow test, haussman test, and LM test resullt referred that the best model in this study is REM.

The result of GLS model says that all independent variables are significant to the zakat institution performance. Further, as many as 79.76% variation in total zakat distribution is explained by independent variables. Among those significant independent variables, the zakat collection variable, is the most significant variable both statistically (at 1% level) and economically (0.807).

Table 5. Panel data regression results

Models	Variables				F/Wald Test	R²
	Constant	**PSAK**	**EQUITY**	**COLLECTION**		
PLS (2)	-635.1455 (0.781)	.0361** (0.048)	.212*** (0.002)	.8078*** (0.000)	59.11*** (0.000)	0.7976
FEM (3)	-.082 (0.982)	.0307 (0.184)	-.2544 (0.170)	1.22*** (0.000)	48.16*** (0.000)	0.6177
REM (4)	-0.0303 (0.912)	0.0359* (0.061)	.164* (0.064)	.840*** (0.000)	153.55*** (0.000)	0.7950
GLS (5)	-0.635 (0.770)	0.0361** (0.034)	.212*** (0.01)	.807*** (0.000)	193.09*** (0.000)	0.7976
Chow F-Test					2.64** (0.0472)	
Hausman Test					7.04* (0.0707)	
LM Test					0.30 (.2920)	
Lawley test for autocorrelation					25.74*** (0.0001)	
Doornik-Hansen normality test					35.886*** (0.0000)	
Breusch-Pagan/Cook-Weisberg heteroskedasticy test					0.15 (0.714)	

*   Significant on alpha 10%   () p-value
** Significant on alpha 5%
*** Significant on alpha 1%

RESULTS DISCUSSION

The adoption of PSAK Shariah No.109

The analysis using DiD produces consistent results with respect to the PSAK variable where it is significant to the zakat fund distribution. It indicates there is an effect of PSAK adoption on fiancial performance of zakat institution in Indonesia. Specifically, the adoption of PSAK No. 109 is associated with an increase of 0.01417 in zakat fund distribution. Moreover, the GLS model also shows that PSAK variable is significant to the zakat distribution or the zakat institution performance proxy, where partially the adoption of PSAK is associated with and increase of 0.0361 to the zakat fund distribution.

Hence, contrary to Pamuncak, et al (2021) this study find that the adoption of PSAK changes significantly the reporting of zakat institution performance which proxied by zakat distribution through DiD test and GLS model. Further, the issue of zakat for productive purpose (Pamuncak, et al 2021; Alim, 2015) is not correlated to the zakat institution performance. The result also consistent with Tanko (2012) where the adoption of financial reporting standard is significant to the changes of institution performance.

The zakat institution equity

In the similar vein with the effect of PSAK adoption to zakat distribution, the result of DiD test of the effect of PSAK adoption to the zakat institutions equity is also significant. Specifically, with respect to DiD test, the adoption of PSAK is associated to increase 0.895 of

zakat equity. Further, using GLS model, the increasing of zakat institutions equity is significant to increase zakat distribution. In specific, every addition of 1 (one) unit of zakat institution equity is associated to increase 0.212 unit or 21.2 % of zakat distribution.

The findings stated that, first that the adoption of financial reporting standard is significantly changing the zakat equity. Second, the zakat equity is also boosting zakat distribution. Therefore if zakat institutions in Indonesia would like to increase their financial perfomance they should adopt PSAK Shariah No. 109 as their financial reporting standard and increase their equity.

The zakat institution collection

The relationship between PSAK Shariah No.109 adoption to zakat collection is aslo in the similar vein with others DiD test result. The result of DiD test shows that there is significant effect of PSAK adoption to the zakat collection. Specifically, with respect to DiD test, the adoption of PSAK is associated to increase 0.1125 of zakat collection. Further, using GLS model, the increasing of zakat institutions collection is significant to increase zakat distribution. In specific, every addition of 1 (one) unit of zakat institution equity is associated to increase 0.807 unit or 80.7% of zakat distribution.

The findings stated that, first that the adoption of financial reporting standard is significantly changing the zakat collection. Second, the zakat collection is also boosting zakat distribution. Therefore the findings imply that first, if zakat institutions in Indonesia would like to increase their financial perfomance they should adopt PSAK Shariah No. 109 as their

financial reporting standard, and second it shows that not all zakat collection is distributed directly as the coefficient is only 80.7%.

The result also shows that the growth of zakat institutions in Indonesia is significant in increasing zakat fund distribution. This means that in every addition of 1% of zakat fund collection contribute to an increase in zakat fund distribution by 0.747%. Further, it implies that if zakat institutions in Indonesia tend to increase their distribution, they will have to increase their zakat fund collection. If the zakat institutions distribute all the fund to the beneficiaries (*mustahik*) the coefficient value should be 0.875 (one minus the zakat administrator share, 0.125). This finding is consistent with the view of Pamuncak et al (2021). Where the performance of zakat institutions in Indonesia is still below the target (BAZNAS, 2017). The gap between the zakat fund collection and its distribution is approximately about 7.5%. This finding is very useful for zakat institutions to boost their performance by distributing more zakat fund.

CONCLUSION

This unique study, which discussing the impact of zakat accounting standard to the zakat institution financial performance is an extend to what was Pamuncak et al (2021) done. However, the study found a contrary result to Pamuncak et al (2021) where PSAK Shariah No. 109 adoption is significant to change zakat institution financial performance using both DiD test and GLS model. Furthermore, the zakat institution's equity and zakat collection are positively associated with zakat fund distribution in Indonesia in the span of 2006-2017.

Our findings imply that first, zakat institutions in Indonesia should adopt the PSAK Shariah No.109 to boost their financial performance and second in terms of relationship between zakat collection and zakat distribution is still below the target. These findings is consistent with Rahman (2015) and Pamuncak et al (2021) where there is still a gap between zakat collection and zakat distribution. The gap between zakat fund collection and its distribution is approximately 7.5%.

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