

THE IMPACT OF ZAKAT ACCOUNTING STANDARD (SAFS SHARIAH NO.109) ON THE PERFORMANCE OF ZAKAT INSTITUTIONS IN INDONESIA

**Mohammad Bintang Pamuncak, Institut Agama Islam Tazkia
Bayu Taufiq Possumah, Universiti Malaysia Terengganu
Zairihan Abdul Halim, Universiti Malaysia Terengganu**

ABSTRACT

This study aims to examine the influence of accounting standards (SAFS Shariah No.109) for zakat on the financial performance of zakat institutions. This study has employed Difference in Difference (DiD) test and Panel data regression in order to achieve the objective of study. This study found that there is a difference in zakat institution performance between the pre and post adoption of SAFS in the DiD test. However, panel regression results show that there is no significant change in the adoption of SAFS Shariah No.109 to the zakat institution financial performance. A plausible reason for insignificant relation is that SAFS Shariah No.109 has not yet faithfully adhered by zakat institutions in their reporting, particularly with respect to the zakat for productive purpose. On the other hand, this study also found that zakat fund collection and zakat institution equity have significant impact on the performance of zakat institutions in Indonesia.

Keywords: Sharia SAFS No.109, Zakat, Zakat Institution, Zakat Accounting Standard.

INTRODUCTION

Zakat institutions play an essential role in Muslim-majority countries. This is evidenced by the contribution of zakat funds to economic growth (Yusoff & Densumite, 2012). The amount of charity fund collected by zakat institutions across the globe are growing significantly and has contributed to reducing the burden of unprivileged communities (Beik, 2009; Hassan & Noor, 2015). For instance, in Indonesia, Al-Parisi (2017) mentioned that the potential of zakat funds had reached IDR 286 trillion or equal to USD 20,46 billion. However, the actual zakat fund collection reached only IDR 3.7 trillion in 2015, which is the equivalent of USD 265 million. Such a large collection would have significant and far-reaching implications for funding activities and financial reporting.

The financial reporting standard for zakat institution is regulated by the Indonesian Accounting Association (IAI) in the compilation of financial reporting standard namely “*Sharia Standard for Accounting and Financial Statement*” (Sharia SAFS). Generally, it contains financial reporting standard for Islamic financial transaction such as “*murabahah, mudharabah, musyarakah*” and etc. Later on 2012, the IAI issued Sharia SAFS for zakat (Rahman, 2015). It is issued by IAI as a response to the rapid development of Islamic financial institution, including zakat institutions in Indonesia and the absence of financial reporting standard for zakat institution. Further, the issuance of Sharia SAFS for zakat which stated in Sharia SAFS No. 109