

Building the Capacity of Alms Institutions through the Performance of Community-Based Economic Development Strategy (Case Study at LAZNAS DT in Indonesia)

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ABSTRACT

The purpose of this study is to build a scientific concept that connects the performance of Community-Based Economic Development (CBED) with the ability to build the organizational capacity of the alms Institution through a case study at LAZNAS DT in Indonesia. The research method used was Regression Correlation, Rank Spearman. The data collection technique was carried out by random sampling of 50 plasma breeders who are members of the MKyat - DT Business Unit Program community. The research data were processed using SPSS v 22 software. The study results found that the level of welfare of MKyat breeders was able to influence 73,80% on organizational performance, which means that organizational capacity could be influenced by the performance of community-based economic development built by LAZNAS DT. However, this research needs to be tested in a broader study population to obtain a more precise picture of the role of CBED in improving the performance of ZIS management at alms institutions in general.

Keywords: *Building Capacity, Alms Institutions, Management Performance, Community-Based Economic Development Strategy.*

1. INTRODUCTION

The alms institution is a community-based charity engaged in the religious field. Building the capacity of alms institutions in collecting and distributing ZIS (Zakat-Infaq-Shadaqoh) funds from muzakki to mustahik is the primary mission of alms institutions which demands the development of an appropriate strategy.

Several studies have shown that ZIS funds' management has a positive and significant relationship in overcoming poverty and improving people's welfare [1]. However, this is not always true because, in several studies, it was also found that the management of ZIS funds did not significantly affect the level of welfare of the people [2]. The gap in this research proves that the variable level of poverty and/or the people's welfare shows the inconsistency of the research results on the

measurement of the performance of their fund management.

Regarding regulatory and policy developments, since the issuance of Law no. 23 of 2011 concerning Zakat Management, there has been much confusion in ZIS funds' technical management by various types of zakat management organizations [3]. Through this law, it is explained that zakat management organizations in Indonesia consist of; National Zakat Agency (BAZNAS), Zakat Collecting Unit (UPZ), Zakat Management Organization (OPZ), and Lembaga Amil Zakat (LAZ)

In internal organizational problems namely triggered this condition; LAZ's low performance in the management and management of ZIS funds [4], low transparency and accountability [5], low quality of human resources (amillin) [2], resulting in a lack of technical expertise in managing ZIS funds [6], low intensity and information disclosure on the mechanism

for receiving and distributing ZIS funds to muzzaki and mustahik [7].

Several problems identified through several research results explain, in general, that the organizational capacity of LAZ in Indonesia is still relatively low [2][8].

On the other hand, the ZIS fund management results organized by BAZNAS also show low organizational capacity. It can be seen in the Table. 1 regarding the amount of receipt, distribution, and balance of ZIS funds in 2014-2016 obtained from BAZNAS Pusat [9].

Table 1. Amount of Receipts, Distribution, and Fund Balance of ZIS in 2014-2016

Year	Amount of Zakat Received (Trillion IDR)	Amount of Zakat Distributi on (Trillion IDR)	Zakat Fund Balance (Trillion IDR)	Percentage of Zakat Fund Balance to Total Zakat Received (4) (3) : (1) * 100
	(1)	(2)	(3)	(3) : (1) * 100
2014	69,86	64,26	29,78	42,64
2015	82,27	66,76	45,28	55,03
2016	97,63	67,72	75,19	77,01

Table image adopted from; Central BAZNAS Financial Report (2018)

The data in Table 1 were obtained from audited Financial Statements issued by the BAZNAS Information and Data Center (PID). It appears that since the last three years, the balance of ZIS funds in BAZNAS has continued to increase. It indicates that BAZNAS is experiencing idle cash, meaning that the amount of ZIS funds available have not been fully absorbed by ZIS fund distribution programs to the mustahik party [10].

This study will attempt to find new indicators that will be used as alternatives to address research gaps in measuring ZIS fund management's performance, which is reflected in the organizational capacity variable. Meanwhile, the improvement of mustahik welfare will be reflected in the performance variable of the commodity-based economic development (CBED) strategy.

1.1. Literature Review

1.1.1. Amil Zakat Institutions (LAZ)

According to [11], there are 5 (five) challenges of LAZ in supporting the sustainability of its organization, namely: 1) strengthening institutions, 2) national zakat arrangements, 3) state incentives for social movements, 4) networks, and 5) consistency [12]. The first challenge, namely institutional strengthening, contains organizational governance elements where transparency and accountability are the most important in increasing public trust in LAZ [13].

In addition, all organizations face pressure from other organizations when dealing with competition and achieving their goals. Nonprofits such as government agencies and charities can collaborate with or conflict with each other to encourage community decision-making to support or not support - each nonprofit has specific views on what constitutes an economic balance and social [14].

Nonprofits also play a crucial role in influencing local communities' decision-making, particularly those representing views on economic, social, and competitive issues in the political process. However, to have an influential role, a nonprofit organization must have the capacity to build and sustain its financial and socio-political capacity [15].

Building the capacity of community-based organizations in the nonprofit sector is not an easy problem. To better understand the multidimensional concept of organizational capacity is the speed of adapting to all changes in social groups or communities. Capacity building can be cultivated through 3 (three) important elements, namely; (1) sustainable development, (2) civil society and social capital, (3) organizational development and management theory [15] [16].

1.1.2. Community

The participatory approach model is usually carried out in one unit known as the community. Most of the literature on development policy uses the term community without qualification to denote culturally and politically homogeneous social systems or systems that are, at least implicitly, internally cohesive and more or less harmonious, such as administratively defined locales (tribal or environmental areas) or a common interest group (community of weavers, potter makers, breeders or farmers) [17][18].

Recent studies have shown that the uncritical adoption of the term community is particularly problematic for participatory projects that seek to empower excluded or voiceless people [19].

Whatever form of a community group is labeled community, it is often an endogenous construct defined by project parameters, the project facilitator, or the nature of administrative boundaries or identity rather than organic form [18][20]. In addition, the effectiveness of participatory strategies can depend on an explicit understanding of local power structures, which limits and enhances the prospects for participatory development [15].

1.1.3. Social Capital

The second key concept frequently mentioned in the literature on implementing community-based

management is social capital [21]. This term, which is included in the literature on participatory development in Robert Putnam's (1993) work on the North Italian community, has profoundly influenced mainstream thinking about community-based and development driven by equality of culture, activities (social activities), and people's economic resources [22].

Thus, social capital is a supply that people can take to increase their income and be "built-up" to facilitate economic growth and development [23][24]. This version of social capital has been criticized for a variety of reasons, including not caring enough about differences in class and power [23]; ignoring inverse causality, with links shifting from wealth to more group activity than vice versa [22]; and not realizing that it can be both destructive and constructive [22][23].

The resource-based perspective is a common problem for all organizations to find suitable analytical indicators [25]. Most of the Resources Based Theory (RBT) contributions have emphasized that individual resources are a relevant unit of analysis for studying competitive advantage. It means that in its development, RBT has limitations to explain organizational performance in terms of capabilities and competencies. Another theory-gap problem in the RBT concept: the nature of the exogenous value in RBT, which ignores the organization's external factors [26].

According to [27], resources refer to tangible and intangible assets that an organization uses to formulate and implement its strategy. "The word" resource "refers to something an organization can take to achieve its goals; [27] suggests 4 (four) main resource categories: physical, financial, human, and organizational.

The concept of community-based economic development strategy (CBED) can be interpreted as the result of community-based or community-based economic resources that encourage local economic system substitution development [28].

Reference [29] argue that top leaders of nonprofits must have the ability to make management decisions in a dynamic and changing environment (Figure 2.1). At the center of the environmental system mix, there are 3 (three) elements of the main institutional stakeholders that will collaborate, namely: 1) business, 2) government, and 3) nonprofit organizations.

In Figure 1, it can be explained that the three elements of these stakeholders will always relate and react to one another, forming an exchange of ideas, resources, and responsibilities. These three elements' decisions will also be influenced by external forces that continue to move dynamically, such as socio-demographic factors, economic conditions, political dynamics, and changes in societal values and norms [29].

The convergence of these growth factors will create an environmental context in which nonprofit institutions' capacity-building initiatives are concerned [30].

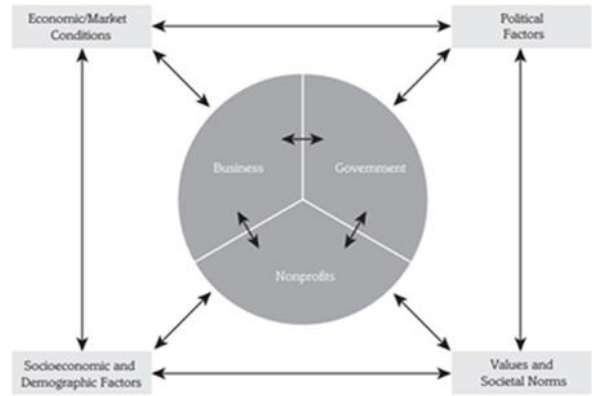


Figure 1. Environmental Systems Affecting Nonprofit Capacity Building

Environmental factors consistently encourage and attract institutional relationships, as seen in Figure 1. Socio-economic and demographic factors change not only the composition of a community but also its needs and preferences. Single-parent families may require different services handling than two-parent families. The existence of racial and ethnic diversity can add new cultural values to the community [29] [31].

The structure of values and norms that develop outside the organizational environment will support and influence the nonprofit organization's internal conditions related to the sense of justice, fairness, and equality embedded in a community [32]. For a nonprofit organization to develop or maintain its organizational capacity, it must successfully control external environmental influences to become a power factor supporting its internal capacity [29][32].

1.1.4. Community-Based Economic Development Strategy

implementing the CBED strategy, the involvement of the government and non-governmental organizations (NGOs) in selecting beneficiaries of poverty reduction programs is becoming increasingly common. Incorporating local wisdom, it is argued, can improve targeting, lower information costs for delivering anti-poverty programs, and ensure better quality monitoring of program implementation [33]. Nevertheless, such informational benefits are possible only if institutions and mechanisms ensure local accountability [34].

Some argue that such institutions are more likely to emerge in highly mobile societies, with a tendency toward homogeneous environments [23]. When mobility is low, societies are more likely to reflect a social order with a long history and deep-rooted hierarchies of power - right where poverty programs are most needed. As a

result, local inequalities in power and authority relations allowed the program's benefits to be captured by non-target groups as elite groups who enjoyed these facilities due to the proximity of nepotism [17] [30].

A series of studies on social funds, which have become a common mechanism for public service delivery, also provide evidence on the targeting performance of anti-poverty programs. In a typical social fund, community infrastructures is built with local participation in selecting and managing facilities [29] [35].

In many cases, community representatives submit project proposals to central public bodies, which allocate funds based on criteria such as level of community involvement, community capacity for collective action, and other factors affecting the feasibility of projects proposed by communities [36].

Social funding arrangements almost always require funds to be targeted at the poor according to specific targeting criteria and often require co-financing from beneficiaries [14] [29]. Most social funds limit the viable project menu to a number of public goods, usually schools, health facilities, roads, and water and sanitation facilities [29].

Reference [23] assessed poverty targeting in the Peruvian Foncodes social fund using district-level data on expenditure and poverty. They found that the fund, which emphasized geographic targeting, successfully reached the poor but not the poorest districts - better-off households were slightly more likely to benefit than poor households.

The dominant economic approach to collective action on shared resources focuses on the incentives of individuals to contribute, as has previously been studied, has varied results in determining outcomes for personal and group benefits and the effects of the costs of participation that are sacrificed to achieve the vision and mission of targeting [37].

1.1.5. Community culture in Indonesia

What kind of country creates an appropriate enabling environment for community development efforts? An extreme example is applying the concept of mutual cooperation and independence (self-subsistent) by the Indonesian government as the main principles of its nationalist ideology. During the long period of military rule, participation was imposed by the strong state on the local population [28] [38]. Soeharto tried to use the ideas of cooperation and independence to unite various groups in a new country and to provide a form of cultural legitimacy for state control [39]. The state must be very authoritarian, and development must proceed cooperatively and collaboratively [40].

2. METHODS

The methodology used by the authors in this study refers to quantitative descriptive. The research sample was taken using a random sampling technique, and data would be processed with path analysis and regression correlation [41].

The research data obtained will be processed with software SPSS version 23.0 for Window and AMOS 22 by using the analysis of Multiple Linear Regression and Coefficient of Determination (R2) at a significant level $\alpha = 0.05$ to measure the level of influence of independent variables on the dependent variable.

This research is field research where the data is taken from the Mkyat - DT Program's plasma farmer community, which is domiciled in the Bandung district, with as many as 50 farmer families. Data were collected by random sampling from a total sample population of 80 farmer families who have been registered as members of the plasma farmer community.

3. RESULTS AND DISCUSSION

This research is a descriptive statistical study that describes experimental phenomena as they are. It is used to identify and gather information about the characteristics of a par-ticular problem, such as a community, group, or individual [42]. The descriptive results of this study can be explained in the following sub-chapters.

3.1. Result

In this study, the relationship between the CbER (X) and OrgCap (Y) variables was analyzed using the Spearman Rank correlation method to determine the extent of the influence relationship between the independent and dependent variables [43].

The Spearman Rank correlation analysis results between the CbER variable against OrgCap processed using the SPSS v 23 software can be seen in Figure 2 as follows.

		CbER (X)	OrgCap (Y)
CbER (X)	Correlation	1,000	,738*
	Coefficient		
	Sig. (2-tailed)		,000
Spearman's rho	N	50	50
	Correlation	,738**	1,000
	Coefficient		
OrgCap (Y)	Sig. (2-tailed)	,000	
	N	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 2. Spearman Rank Correlation Coefficient

From the presentation of Figure 2, it can be shown that the level of relationship between CbER (X) and OrgCap (Y) variables is 0.738 or 73.80%, which means that the CbER (Y) variable can positively and significantly influence the OrgCap (Y) variable.

3.2. Discussion

Based on the results of the Spearman Rank Correlation Coefficient calculation in the Figure 2 shows that the CbER (X) variable can positively and significantly affect the variability of changes in the CapOrg (Y) variable, which is 73.80%. It means that every 1% increase in or-ganizational capacity from LAZNAS DPUIDT can be influenced by 0.738 from the results of the community resource performance activities (CbER) carried out by the MKyat – DPU DT Business Unit.

The development of the concept of CBED based on universal human values to encourage a process of empowerment, participation, and self-reliance in society cannot be separated from the real conditions and needs of the Indonesian people. Apart from the lack of understanding of the concept of community development itself, it is undeniable that community development is one of the suitable methods to answer social is-sues and problems as well as changes in atti-tudes and behavior in Indonesia at present and the future. Moreover, most Indonesian still ap-ply the communal system, which is a vital asset for implementing community development.

The concept of empowerment results from an interaction process at the ideological and practical levels. At the ideological level, em-powerment results from the interaction between top-down and bottom-up concepts, between growth strategy and people-centered strategy. Whereas at the practical level, the process of in-teraction occurs through struggles between au-tonomous spaces or between parties who hold power and economic hegemony and marginalized small communities. This means that the concept of empowerment includes the notion of community development and community-based development.

One of the main factors that is the key to empowerment the CBED strategy is the com-munication used. Communication is a dynamic process and involves many elements or factors. The relationship between one element or factor with other elements or factors can be structural or functional. For this reason, the communica-tion model also gives us an overview of the structure and functional relationships of the el-ements or factors that exist in the system.

4. CONCLUSIONS

Basically, studies involving nonprofit organizations in the study of their management have revealed that community support is one of the institution's external elements, which in turn will have a significant influence in developing the organization [28]. Alms institution, which in essence already has quite strong social capital externally in the form of solid community support, of course, has great potential in developing its

organizational performance and ensuring the sustainability of its organizational activities through various activities both religious, entrepreneurial, and community service provision in the field of education, and health [44]. It means that the CBED strategy that the DPUIDT has carried out through implementing the Mkyat program, namely a sheep farming plasma program in several areas in Bandung Regency, has been able to positively impact the variability of increasing organizational capacity by 73.80%. In comparison, 26.20% is influenced by other factors not measured in this study.

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