



# Optimizing the Intermediary Function of Zakat Institution Using Analytical Network Process Benefit Opportunity Cost Risk (ANP BOCR) Approach

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**Abstract.** This study analyzes the optimization of the intermediary function of zakat institutions in East Java Province based on Zakat Core Principles (ZCP) through the development of priority solutions and strategies in the short and long term. This qualitative study employs the Analytical Network Process (ANP) method with Benefit, Opportunity, Cost, and Risk (BOCR) analysis. This study found that increasing transparency and accountability of reports become the prioritized solution in zakat collection management. Strengthening mandatory zakat regulations becomes the strategy with the highest priority in the collection and distribution management, both in the short and long term. Zakat Institutions need to optimize the available resources to provide the best benefits for the *mustahiq*. This study determines the best strategy for optimization of intermediary functions of zakat institutions based on ZCP by considering the BOCR of the proposed strategy in the short and long term.

**Keywords:** Optimization · Intermediary Function · Analytical Network Process · Zakat Core Principles · Sustainable Development

## 1 Introduction

Since the Covid-19 outbreak, the government has made various policies, including social distancing which affects economic activity negatively, that consequently impacts the increased poverty rate. Based on the data reported, the trend of poverty in Indonesia shows a downward trend from 2015 to 2019. However, since March 2020, poverty has shown an increasing trend with a total poverty of 27.54 million people (Badan Pusat Statistik, 2021). To overcome the impact of Covid-19, various parties' collaboration and alternative solutions are required to accelerate the recovery of conditions. Through the distribution of zakat, Islamic economics can play a strategic role in mitigating the impact of Covid-19. Zakat has an economic dimension in the form of economic stimulus and a social aspect in the form of providing a mechanism of social safety net.

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Zakat is an Islamic economic instrument that ensures a fair distribution of income and wealth to the beneficiaries. Zakat improves the quality of life for the *mustahiq* (selected beneficiaries) and reduces the income gap (Ahmed et al., 2017; Raies, 2020; Rini et al., 2020; Wijayanti and Ryandono, 2020). Zakat Institutions play a role in managing zakat funds, which includes collecting and distributing zakat, as part of their intermediary function. During the pandemic, optimizing the intermediary function of the Zakat Institution is critical to accelerating the recovery of global conditions and the establishment of a stable economic system, as the number of *mustahiq* increased during the pandemic. Finally, the optimization strategy developed by Zakat Institutions must be carefully crafted, considering a wide range of factors, including opportunities and risks.

Further, the National Zakat Index (NZI) data for the micro dimension, which includes aspects of Zakat Institution governance and zakat's impact, shows a value of 0.47 of 1, which is less than half (*Badan Amil Zakat Nasional*, 2020). These facts highlighted the need to strengthen the intermediary function of Zakat Institutions and dig deeper into the optimal strategy for the management of zakat collection and distribution.

Previous research has shown that implementing synergistic programs can improve the management of Zakat Institutions. Strategies and innovations in the zakat management system are also important in the development of Zakat Institutions (Djaghballou et al., 2018; Lubis et al., 2019; Arifin and Anwar, 2021a; Chotib, 2021; Mutamimah et al., 2021; Widiastuti et al., 2021a, 2021b). According to Hamdani et al. (2019), strengthening the implementation of Zakat Core Principles (ZCP) is one of the solutions to the Zakat Institution's problem. The ZCP's substance must be implemented as a practical strategy for zakat good governance.

In addition, related studies that specifically examine the optimization of the intermediary role are still few. Hence it creates an advantage as a research gap exists. Previous research examines the function of zakat fund management and the zakat distribution system (Widiastuti et al., 2018; Rahmat and Nurzaman, 2019; Saad and Farouk, 2019). Others explore the sharia compliance aspect, which is a part of the implementation of zakat governance in Zakat Institutions, especially in developing countries, by employing the ANP approach or the like (Hamdani et al., 2019; Razak, 2020; Saad et al., 2020). Saad and Farouk (2019) and Wahab et al. (2017) examine the quality of zakat services and the challenges in executing the zakat management system. Amalia (2019) and Hamdani et al. (2019) focus on implementing the zakat management system to solve the problems of Zakat Institutions.

This study examines problems, solutions, and strategies based on the intermediary function of ZCP. This study also discusses the Benefits, Opportunities, Costs, and Risks (BOCR) of each solution and strategy for optimizing the intermediary function in Zakat Institutions. One advantage of using the BOCR technique for ANP analysis is determining the priority of solutions and strategy in the short and long-term orientations.

The empirical findings show that the intermediary function includes management elements of the collection and distribution of zakat funds. Each element consists of aspects of Zakat Institutions, *muzakki*, *mustahiq*, and legal supports. Analysis of issues in the management of zakat collection and distribution will produce the best solutions and strategies for optimizing intermediary functions based on the ZCP. The analysis also conducted a BOCR analysis to formulate solutions and strategies. Based on the BOCR

analysis results, solutions and strategies can be implemented to optimize the intermediary function in Zakat Institutions through short and long-term priority levels. The result is expected to show the proportion of the most appropriate strategic decisions in terms of benefits and opportunities with the lowest costs and risks. The contribution of this research is to provide solutions and strategies to optimize the intermediary function of Zakat Institutions for various levels of situation, such as short and long-term conditions.

According to the empirical findings, the intermediary function includes management elements of zakat fund collection and distribution. Each component includes aspects of Zakat Institutions, *muzakki*, *mustahiq*, and legal assistance. The analysis of issues in zakat collection and distribution management will yield the best solutions and strategies for optimizing the intermediary function based on the ZCP. To develop solutions and strategies, the analysis also performed a BOCR analysis. The expected outcomes will be a proportion of the most appropriate strategic decisions in terms of benefits and opportunities while considering costs and risks.

## 2 Related Literature

### 2.1 The Concept of Zakat Economics

Zakat has an economic dimension reflected in two main concepts, namely, to support the realization of equitable economic growth, as stated in QS. *Ar-Rum*: 39 and the sharing mechanism in the economy, as declared in QS. *Al-Hashr*: 19. The economic function of zakat is to ensure an even distribution of wealth or income in society, so that wealth or income does not only rotate among the wealthy groups of society (Huda et al., 2015). Zakat is one of the characteristics of the Islamic economic system and is part of implementation of the principal of justice (Fathurrahman, 2012; Huda et al., 2015). Zakat helps stabilizing the extreme income distribution cycle (Shaikh, 2018). Kahf (1989) states that zakat's primary purpose is to achieve socio-economic justice, which is a simple transfer of a specific portion of the wealth of the rich to be allocated to the poor. Meanwhile, according to Mannan (1997: 256), zakat is the axis of state finances covering the moral, social, and economic fields.

### 2.2 The Intermediary Function and Zakat Governance of Zakat Institution

Zakat Institutions focus on the non-profit sector, where the funds collected are then distributed to zakat recipients (Said et al., 2012). Good governance is needed for Zakat Institutions to achieve equality in distributing funds to those who are entitled to receive them (Adiwijaya and Suprianto, 2020). Zakat management is a system that ensures zakat is managed in a professional, effective, transparent, and fair manner. Good governance will make it easier to achieve the vision and mission of the organization. Good governance does not violate applicable laws and regulations, and an efficient system that is responsive to problems, maintains reputation, and is managed with attention to add value for stakeholders (Bank Indonesia, 2016). A standardized system aims to optimize the distribution of zakat funds (Sari et al., 2013).

The implementation of zakat governance is regulated by the Zakat Core Principles (ZCP), an international standard for zakat management, which consists of eighteen principles. Each principle contains essential and additional criteria. The eighteen principles in the ZCP are classified into six main dimensions of zakat management. The roles and cooperation of all parties are required to achieve the optimal management of zakat. Interaction between zakat management elements, namely *zakat/Amil* institutions, *muzakki*, *mustahiq*, and the government, is demanded to fully achieve optimal zakat management to contribute to economic development.

In general, zakat management is inferred through two activities: collecting and distributing funds (Adiwijaya and Suprianto, 2020). One of the main objectives of zakat management is to produce good results by proving the collection and distribution of zakat promptly as taught in Islamic law (Suhaib, 2009). The *Amil* Zakat Institution has an intermediary function: the obligation to collect zakat funds from *muzakki* and distribute them to eight *ashnaf* (beneficiary categories) following religious provisions. In connection with the collection and distribution, Zakat Institutions carry out an intermediary function by accommodating the interests of *muzakki* and *mustahiq*.

Many studies discuss zakat management using the Analytical Network Process (ANP) method or other similar methods. Fitriani and Priantina (2016) analyzed problems and solutions in productive zakat, Afriadi and Sanrego (2016) analyzed solutions and strategies for zakat distribution, Hidayatullah and Priantina (2018) analyzed problems and solutions in zakat management integration, Widiastuti et al. (Widiastuti et al. 2021a, 2021b) analyzed strategies to optimize zakat governance, and Hamdani et al. (2019) formulated a solution to the problems in BAZNAS in the implementation of ZCP. When compared to previous research, this study is a trailblazer in terms of optimizing the intermediary function of Zakat institutions based on the Zakat Core Principles by analyzing the Benefit, Opportunity, Cost, and Risk (BOCR) to identify short-term and long-term priorities.

### 3 Data and Methodology

This study uses a qualitative approach with the Analytical Network Process Benefit Opportunity Cost Risk (ANP BOCR) analysis method. This method is a development of the Analytical Hierarchy Process (AHP), which has the characteristics of being able to mathematically manage the conditions and inputs obtained based on several criteria to help the decision-making process from the variety of choices (Saaty, 2013). The ANP approach features can provide decision-making options amid various problems with complex data criteria (Giannakis et al., 2019; Kurian & Shalij, 2019). In this study, ANP is used to capture the respondents' views regarding issues in the intermediary function and the right solutions, plus strategies for optimizing the management of zakat fund collection and distribution based on Zakat Core Principles (ZCP). This method is based on data from experts in their fields.

Respondents in this study were selected to consider that they are competent and have a good understanding of zakat management so that they can provide valid and credible data. The condition for achieving the validity of respondents in the ANP method is to obtain data from experts in their fields (Rusby et al., 2018). This study uses data obtained

from eleven respondents with backgrounds as academics, regulators, practitioners, and associations. As for this research, there are several stages of ANP BOCR, that will be discussed as follow:

- a. Decomposition. In the first stage, the researcher reviewed the literature review, conducted a Focus Group Discussion (FGD), and carried out an in-depth interview technique. The results were used to prepare the ANP model framework and questionnaire. The questionnaire contains problems, solutions, and strategies for every aspect of Zakat Institution, *muzakki*, *mustahiq*, and legal and supporting factors in the management function of zakat collection and distribution.
- b. Pairwise Comparison. The researchers took questionnaire data from the respondents. This stage is called the model quantification stage by using questions in the ANP questionnaire in pairwise comparisons between collection and distribution elements and the aspects in which the more significant influence (Saaty, 2013).
- c. Analysis. In this stage, the results of filling out the questionnaire are then processed using the ANP method through the Super Decision software to obtain conclusions and priority levels on problems, solutions, and strategies to optimize intermediary functions in Zakat Institutions. The output generated from the ANP technique includes the classification process of research aims and developing network structures, to produce a priority scale value and Super Matrix (Wu and Wang, 2018). Furthermore, the respondent's data is processed through Microsoft Excel to obtain quantitative results by calculating the Ratter Agreement and the Geometric Mean. Ratter Agreement is a measure that represents the level of suitability of the respondent (R1-Rn) to a problem in one cluster. To measure the ratter agreement a tool is used called Kendall's Coefficient of Concordance ( $W$ ;  $0 < W < 1$ ), where  $W = 1$  indicates a perfect fit.

According to Ascarya (2005), the geometric mean is classified as a method of calculating the average that can show a certain degree of tendency or value. The results identified problems, solutions, and strategies for optimizing the intermediary function. The selection of alternative solutions and strategies can be made appropriately. The best approach is to divide the criteria based on the level of benefits obtained, meaning that the categories are divided into favorable and unfavorable (Azizi et al., 2014). Decision-makers can use this category by making helpful criteria classified as benefits. Those that are not profitable are classified as costs. Any positive event can be categorized as an opportunity or risk if considered negative (Hadian et al., 2020). This shows a composition displayed in four alternative criteria: Benefit, Opportunity, Cost, and Risk (BOCR), which can be synthesized into the net value of BOCR. According to Saaty & Vargas (2013) there are several steps to synthesize each priority choice from each BOCR criterion; First, the Additive Synthesis or measurement of the net value stated in the formula  $((bB) + (oO) - (cC) - (rR))$ ; Second, the Multiplicative Synthesis which is expressed in the form  $((bB)(oO))/((cC)(rR))$ . B or b stands for Benefit, O or o stand for Opportunity, C or c stands for cost, and R or r stands for Risk. The value of Multiplicative Synthesis describes alternative options that are more profitable or ideal to prioritize in the short term based on all criteria considerations. In contrast, Additive Synthesis describes more proportional or favorable choices for long-term decisions (Zammori et al., 2014).

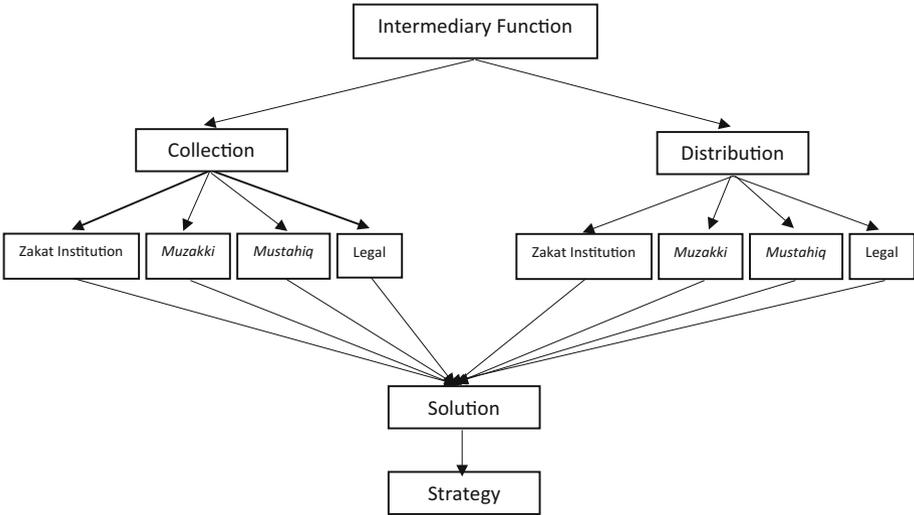


Fig. 1. The ANP Model. Source: Primary Data Processed, 2021

## 4 Empirical Results

### 4.1 ANP BOCR Model Framework

This study aims to optimize the intermediary function of the Zakat Institution using the ANP BOCR model. The ANP BOCR Framework is described in Fig. 1.

The first step is to identify the problem, divided into elements of collection and distribution. The second step is to determine each aspect of the problem, divided into aspects of Zakat Institution, *Muzakki*, *Mustahiq*, and Legal. Formulation of solutions and strategies is the third step to achieve the research objectives, namely optimizing the intermediary function of the Zakat Institution.

### 4.2 Problems in the Intermediary Function

Based on the literature review, focus groups, in-depth interviews, and questionnaires filled out by the respondents, issues of the intermediary function are divided into two elements and four aspects. The two elements are collection and distribution management, while the four aspects are (1) Zakat Institutions, (2) *muzakki*, (3) *mustahiq*, and (4) legal support, as shown in Table 1:

**Table 1.** Identification of Problems

| <b>Dimension</b> | <b>Aspect</b>     | <b>Code</b> | <b>Identification of Problems</b>   | <b>Supporting Literature</b>      |
|------------------|-------------------|-------------|---|-----------------------------------|
| Collection       | Zakat Institution | C.Z.1       | Lack of coordination and synergy  | Widiastuti et al. (2021a, 2021b)  |
|                  |                   | C.Z.2       | Limited access of communication to <i>muzakki</i>                                   | Soleh (2020)                      |
|                  |                   | C.Z.3       | Zakat Institutions cannot identify potential <i>muzakki</i>                         |                                   |
|                  |                   | C.Z.4       | Limited human resources both in terms of numbers and quality                        | Hamdani et al. (2019)             |
|                  |                   | C.Z.5       | Lack of knowledge and use of technology   | Hidayatullah and Priantina (2018) |
|                  |                   | C.Z.6       | Low understanding regarding the needs of <i>muzakki</i> and <i>mustahiq</i>         | Hamdani et al. (2019)             |
|                  | <i>Muzakki</i>    | C.M.1       | Lack of awareness, knowledge, and motivation to pay zakat                           |                                   |
|                  |                   | C.M.2       | Low compliance in paying zakat to the Zakat Institution                             |                                   |
|                  |                   | C.M.3       | <i>Muzakki</i> 's lack of trust in the Zakat Institution                            | Roziq et al. (2021)               |
|                  |                   | C.M.4       | Many <i>Muzakki</i> are not contacted by Zakat Institutions                         | Widiastuti et al. (2021a, 2021b)  |
|                  |                   | C.M.5       | Many <i>Muzakki</i> have never received socialization about the importance of zakat |                                   |
|                  |                   | C.M.6       | Lack of information regarding the profile of Zakat Institutions                     | Hamdani et al. (2019)             |
|                  | <i>Mustahiq</i>   | C.P.1       | Lack of information on <i>mustahiq</i> 's needs and developments to <i>muzakki</i>  | Hidayatullah and Priantina (2018) |

(continued)

**Table 1.** (continued)

| Dimension    | Aspect            | Code           | Identification of Problems  | Supporting Literature   |
|--------------|-------------------|----------------|---|---|
|              |                   | C.P.2          | Limited information on the whereabouts of <i>mustahiq</i>                                     |   |
|              | Legal             | C.L.1          | Zakat are still voluntary, not obligatory   | Hamdani et al. (2019)   |
|              |                   | C.L.2          | Many Zakat Institutions have not completed the <i>Amil</i> legal entity permits               |   |
|              |                   | C.L.3          | Lack of socialization and application of contemporary zakat                                   |   |
|              |                   | C.L.4          | Lack of zakat regulation as a direct tax deduction  | Djarmiko (2019)   |
| Distribution | Zakat Institution | D.Z.1          | Lack of coordination and synergy between Zakat Institutions                                   | Hidayatullah and Priantina (2018)   |
|              |                   | D.Z.2          | Inadequate allocation of productive zakat funds   | Widiastuti et al. (2021a, 2021b)  |
|              |                   | D.Z.3          | Some Zakat Institutions do not have a focus on empowerment in specific fields/sectors.        |   |
|              |                   | D.Z.4          | Lack of funds channeled compared to the funds raised.   |   |
|              |                   | D.Z.5          | Limited knowledge and competence of Zakat Institutions, especially about financial management | Hamdani et al. (2019)   |
|              |                   | D.Z.6          | Inexact selection of <i>mustahiq</i> by Zakat Institutions                                    | Widiastuti et al. (2021a, 2021b), Gayo and Sibarani (2021)                        |
|              |                   | <i>Muzakki</i> | D.M.1   | <i>Muzakki</i> is more comfortable distributing zakat directly to <i>mustahiq</i> |

(continued)

**Table 1.** (continued)

| Dimension | Aspect          | Code  | Identification of Problems   | Supporting Literature                                      |
|-----------|-----------------|-------|--|--|
|           |                 | D.M.2 | Low trust in Zakat Institutions in distributing and producing zakat                              |  |
|           | <i>Mustahiq</i> | D.P.1 | <i>Mustahiq</i> 's low motivation to ask for help  | Afriadi and Sanrego (2016)                                 |
|           |                 | D.P.2 | <i>Mustahiq</i> receive more than one empowerment program from different Zakat Institutions      | Widiastuti et al. (2021a, 2021b), Gayo and Sibarani (2021) |
|           |                 | D.P.3 | Many <i>mustahiq</i> have limited information to access the assistance to Zakat Institutions     | Afriadi and Sanrego (2016)                                 |
|           |                 | D.P.4 | Low motivation and ability of <i>mustahiq</i> to develop   |  |
|           | Legal           | D.L.1 | Not optimal in submitting distribution reports to the government and related agencies            | Purbasari et al. (2018)                                    |
|           |                 | D.L.2 | Lack of government support in distributing zakat   | Hamdani et al. (2019)                                      |
|           |                 | D.L.3 | Lack of knowledge about standardization of <i>Amil</i> in distributing zakat (ZCP, BAZNAS, etc.) | Widiastuti et al. (2021a, 2021b), Hamdani et al. (2019)    |

Source: Primary Data, 2021

After analyzing the problems in each element and aspect, the next step is to identify and analyze solutions and priority strategies in the short and long term.

### 4.3 Identification of Solutions in Optimizing Intermediary Function

Following the identification of the problem, several solutions are developed to address the issue of the intermediary function (collection and distribution management) from

various perspectives, including Zakat Institutions, *muzakki*, *mustahiq*, legal, and supporting aspects. The following are the solutions for the collection and distribution aspects (Table 2).

The eighteen solutions formulated above are then analyzed using the BOCR approach so that priority solutions in the short and long term can be provided. The data is processed using Super Decision software. The priority solutions are determined based on the benefits and opportunities generated. Then, the costs and risks of each solution

**Table 2.** Identification of Solutions

| Code  | Solutions  | Supporting Literature            |
|-------|--|----------------------------------|
| SL.1  | Regulations that support the performance of zakat collection (Obligatory/Mandatory)  | Kusriyah (2020a, 2020b)          |
| SL.2  | Increase the socialization and education of zakat to <i>muzakki</i> . <i>Muzakki</i> needs to be informed about the different types of zakat           | Yusfiarto et al. (2020)          |
| SL.3  | Increase the intensity of communication with donors and zakat beneficiaries  |                                  |
| SL.4  | Increase the reach of fundraising by collaborating with the Government and stakeholders  |                                  |
| SL.5  | Optimization of various digital channels. This can be conducted by developing zakat channels on websites, e-commerce platforms, and social media       | Widiastuti et al. (2021a, 2021b) |
| SL.6  | Digitalization and development of IT-based systems, namely the advancement of a computerized zakat management system                                   | Ninglasari and Muhammad (2021)   |
| SL.7  | Increasing the transparency of the reports such as transparency of financial statements with exact evidence of empowerment program to all stakeholders | Noviana et al. (2020)            |
| SL.8  | Standardization of governance of Zakat Institutions, such as the application of Zakat Core Principles (ZCP)  | Widiastuti et al. (2021a, 2021b) |
| SL.9  | Creation of synergy and collaboration between Zakat Institutions in collecting and distributing zakat  |                                  |
| SL.10 | Increasing the quality and capacity of human resources, particularly in financial management and technology  |                                  |
| SL.11 | Increasing the creativity of the Zakat Institution program   |                                  |

(continued)

**Table 2.** (continued)

| Code  | Solutions  | Supporting Literature                                   |
|-------|--|---|
| SL.12 | Give the same treatment to <i>mustahiq</i> when it comes to Zakat Institutions                                       |   |
| SL.13 | Increasing the intensity of communication to <i>mustahiq</i> and potential beneficiaries                             | Afriadi and Sanrego (2016)                              |
| SL.14 | Socialization of the zakat program to the village level  | Amilahaq and Ghoniyah (2019)                            |
| SL.15 | Specializing the distribution and empowerment of zakat in specific sectors or regions                                | Suprayitno et al. (2017)                                |
| SL.16 | Optimizing the number of productive zakat funds, partnerships, and government supports in making (zakat utilization) | Widiastuti et al. (2021a, 2021b)                        |
| SL.17 | There is real-time information related to the assistance that has been distributed                                   | Adiwijaya and Suprianto (2020)                          |
| SL.18 | There are monitoring and evaluation of the funds channeled in accordance with the ZCP                                | Hamdani et al. (2019); Widiastuti et al. (2021a, 2021b) |

Source: Primary Data, Compiled by Author (2021)

are compared according to the assumptions of the experts. Short-term solutions prioritize the benefits and opportunities generated, while costs and risks are considered in determining long-term solutions.

The results of the BOCR analysis towards solutions to the collection and distribution dimensions are shown in the following Table 3. **To overcome problems in the collection dimension in the short term** (SL.7) increasing the transparency of the reports becomes the solution with the highest priority (3.6). The second-ranked solution is (SL.4) to increase the reach of fundraising by collaborating with the Government and stakeholders (3.4). While (SL.1) the existence of regulations that support the performance of collecting zakat (Obligatory/Mandatory) is the third-ranked solution (2.9). **Interestingly, the three solutions are also priority solutions for the collection dimension in the long term.**

The priority solution on the distribution dimension has a wedge with the collection dimension. The difference lies in the most priority solution for the distribution dimension. **The priority solution for the distribution dimension** is (SL.16) optimizing the number of productive zakat funds, partnerships, and government support. (SL.4) Increasing the reach of fundraising by collaborating with the Government and stakeholders and (SL.7) increasing the transparency of the reports are the second and third-ranked solutions, respectively, to overcome the issues in the element of zakat distributions.

**Table 3.** BOCR Analysis for Solution to Collection and Distribution Issues

| Solution's Code | Collection |             |        |        |            |            | Distribution |             |       |       |            |           |
|-----------------|------------|-------------|--------|--------|------------|------------|--------------|-------------|-------|-------|------------|-----------|
|                 | Benefit    | Opportunity | Cost   | Risk   | Short Term | Long Term  | Benefit      | Opportunity | Cost  | Risk  | Short term | Long Term |
| SL1             | 0.0164     | 0.0177      | 0.0089 | 0.0112 | 2.9085 *** | 0.0140 *** | 0.015        | 0.013       | 0.010 | 0.010 | 1.844      | 0.007     |
| SL2             | 0.0171     | 0.0177      | 0.0114 | 0.0095 | 2.8159     | 0.0140     | 0.017        | 0.013       | 0.013 | 0.010 | 1.723      | 0.007     |
| SL3             | 0.0134     | 0.0120      | 0.0113 | 0.0095 | 1.5044     | 0.0046     | 0.015        | 0.014       | 0.013 | 0.010 | 1.509      | 0.005     |
| SL4             | 0.0201     | 0.0177      | 0.0114 | 0.0091 | 3.4292 **  | 0.0173 **  | 0.020        | 0.013       | 0.013 | 0.010 | 2.032 ***  | 0.010 *** |
| SL5             | 0.0201     | 0.0148      | 0.0211 | 0.0095 | 1.4870     | 0.0044     | 0.020        | 0.011       | 0.025 | 0.008 | 1.087      | -0.002    |
| SL6             | 0.0164     | 0.0177      | 0.0173 | 0.0134 | 1.2497     | 0.0034     | 0.017        | 0.013       | 0.020 | 0.013 | 0.848      | -0.003    |
| SL7             | 0.0301     | 0.0327      | 0.0142 | 0.0188 | 3.6807 *   | 0.0297 *   | 0.027        | 0.025       | 0.017 | 0.020 | 2.019 **   | 0.015 *   |
| SL8             | 0.0173     | 0.0177      | 0.0142 | 0.0200 | 1.0777     | 0.0008     | 0.018        | 0.013       | 0.017 | 0.018 | 0.767      | -0.004    |
| SL9             | 0.0201     | 0.0177      | 0.0114 | 0.0149 | 2.1047     | 0.0116     | 0.020        | 0.016       | 0.013 | 0.015 | 1.601      | 0.008     |
| SL10            | 0.0201     | 0.0177      | 0.0142 | 0.0175 | 1.4340     | 0.0061     | 0.020        | 0.016       | 0.017 | 0.015 | 1.281      | 0.004     |
| SL11            | 0.0164     | 0.0177      | 0.0118 | 0.0155 | 1.5917     | 0.0068     | 0.017        | 0.016       | 0.014 | 0.016 | 1.258      | 0.004     |
| SL12            | 0.0087     | 0.0069      | 0.0050 | 0.0083 | 1.4318     | 0.0022     | 0.009        | 0.009       | 0.006 | 0.009 | 1.620      | 0.004     |
| SL13            | 0.0087     | 0.0070      | 0.0066 | 0.0105 | 0.8786     | -0.0014    | 0.009        | 0.010       | 0.008 | 0.012 | 1.031      | 0.000     |
| SL14            | 0.0074     | 0.0081      | 0.0090 | 0.0083 | 0.7944     | -0.0019    | 0.008        | 0.010       | 0.011 | 0.009 | 0.894      | -0.001    |
| SL15            | 0.0073     | 0.0122      | 0.0090 | 0.0073 | 1.3839     | 0.0034     | 0.008        | 0.014       | 0.010 | 0.007 | 1.448      | 0.004     |
| SL16            | 0.0164     | 0.0177      | 0.0113 | 0.0092 | 2.7853     | 0.0136     | 0.017        | 0.016       | 0.013 | 0.010 | 2.124 *    | 0.010 **  |
| SL17            | 0.0134     | 0.0177      | 0.0121 | 0.0092 | 2.1409     | 0.0099     | 0.015        | 0.013       | 0.014 | 0.010 | 1.413      | 0.004     |
| SL18            | 0.0164     | 0.0148      | 0.0142 | 0.0126 | 1.3542     | 0.0044     | 0.017        | 0.011       | 0.017 | 0.012 | 0.913      | -0.001    |

Source: Primary Data Processed, 2021

Note: \* indicates the 1<sup>st</sup> priority solution, \*\* indicates the 2<sup>nd</sup> ranked solution, and \*\*\* indicates the 3<sup>rd</sup> ranked solution

#### 4.4 Identification of Strategies in Optimizing Intermediary Function

After formulating solutions to overcome the problems in the intermediary function, several strategies are formulated to facilitate the implementation of those solutions. These strategies are applied both in the collection and distribution management and include (Table 4)

The next step is to analyze the priority strategies using the ANP BOCR to determine priorities in the short and long term. The results of the BOCR analysis are shown in Table 5.

**Table 4.** Identification of Strategies

| Code | Strategies  | Supporting Literature   |
|------|---|---|
| ST.1 | Strengthening the mandatory zakat governance regulations  | Widiastuti et al. (2021a, 2021b)  |
| ST.2 | Integration, synergy, and collaboration with all zakat institutions and stakeholders  | Jouti (2019)  |
| ST.3 | Increase government support in implementing the ZCP   | Widiastuti et al. (2021a, 2021b), Hamdani et al. (2019)                         |
| ST.4 | Intensification (increasing <i>Amil</i> 's ability to use technology) and extensification (increasing the number of <i>Amil</i> who master technology) of <i>Amil</i> | Saharuddin et al. (2019); Atiya et al. (2020); Widiastuti et al. (2021a, 2021b) |

Source: Data Primary Research, Compiled by Author (2021)

**Table 5.** BOCR Analysis for Strategies to the Collection Issues

|  | Benefit | Opportunity | Cost  | Risk  | Short Term | Long Term |
|--|---------|-------------|-------|-------|------------|-----------|
| <b>Strategies to Collection Issues</b>   |         |             |       |       |            |           |
| ST.1                                     | 0.11    | 0.12        | 0.09  | 0.11  | 1.25*      | 0.02*     |
| ST.2                                     | 0.03    | 0.03        | 0.03  | 0.03  | 1.25**     | 0.01**    |
| ST.3                                     | 0.07    | 0.07        | 0.06  | 0.07  | 1.09***    | 0.01***   |
| ST.4                                     | 0.04    | 0.04        | 0.06  | 0.03  | 0.83       | -0.01     |
| <b>Strategies to Distribution Issues</b> |         |             |       |       |            |           |
| ST.1                                     | 0.072   | 0.093       | 0.055 | 0.067 | 1.808*     | 0.043*    |
| ST.2                                     | 0.096   | 0.085       | 0.075 | 0.089 | 1.206**    | 0.016**   |
| ST.3                                     | 0.059   | 0.038       | 0.075 | 0.041 | 0.718***   | -0.020*** |
| ST.4                                     | 0.028   | 0.038       | 0.038 | 0.052 | 0.546      | -0.024    |

Source: Primary Data Processed, 2021

Note: \* indicates the 1<sup>st</sup> priority strategies, \*\* indicates the 2<sup>nd</sup> ranked strategies, and \*\*\* indicates the 3<sup>rd</sup> ranked strategies

According to the analysis of short-term priorities, three strategies are found to overcome the collection problem include (ST.1) Strengthening the mandatory zakat governance regulations (1.25); (ST.2) Integration, synergy, and collaboration with all Zakat Institutions and stakeholders (1.25); and (ST.3) Developing government support in implementing the ZCP (1.09). The three strategies are also solutions to the collection dimension in the long term and a distribution dimension in the short and long term. This condition shows the urgency to carry out a priority strategy in optimizing the intermediary function of the Zakat Institution.

When implemented over time, the (ST.3) increase in government support for implementing the ZCP has a negative value of  $(-0.020)$ . This is because the cost (0.075) and risk (0.041) will be greater than the benefit (0.059) and opportunity (0.038) provided.

## 5 Discussion/Analysis

### 5.1 Analysis of Solution for the Collection and Distribution Management

The priority solution to overcome the problem of the collection dimension is (SL.7) increasing the transparency of the reports, such as the transparency of financial statements in both the short and long term. This result is supported by Huda et al. (2013), Firmansyah and Devi (2017), Hasiara et al. (2019), Noviana et al. (2020), and Roziq et al., (2021). Transparent and accountable financial reporting leads to public trust in Zakat Institutions; thus, this will motivate the *muzakki* to fulfill their obligations to pay zakat in Zakat Institutions.

According to Indonesia Sharia Economic Master Plan 2019–2024, transparency and demanding access to statistical data are severe problems in Zakat Institutions. Therefore, the development of databases that are publicly accessible is needed. Nasri et al. (2019) believe that professionalism is achieved when Zakat Institutions emphasize their ability to make accountable reports that will ultimately impact zakat management's transparency. Further, Muneeza and Nadwi (2019), Hasiara et al. (2019), Noviana et al. (2020), and Roziq et al. (2021) stated that transparency could increase people's trust in Zakat institutions. Building public confidence in Zakat Institutions is very important so that more funds will be collected and allocated to create stable and sustainable socio-economic protection. This solution is also a way to escape from distribution problems in the long term as the third position. Transparency is a form of Zakat Institution's responsibility for managing social funds. Donors are entitled to receive reports of using and distributing paid zakat funds from the Institution. Consequently, Zakat Institutions must increase the transparency of the financial statements in optimizing their intermediary functions. The use of technology-based innovation, which contributes to zakat transparency, can help to increase the transparency of zakat institutions. Widiastuti et al. (2021a, 2021b) has highlighted the importance of zakat technology in optimizing zakat management.

In contrast to the collection dimension, (SL.16) optimizing the number of productive zakat funds, partnerships, and government support (zakat utilization) is the highest priority for the distribution aspect in the short and long term. These results are supported by the research of Alim (2015), Hariyanto et al. (2020), Widiastuti and Rani (2020), Arifin and Anwar (2021b), and Widiastuti et al. (2021a, 2021b). This strategy is specifically

used to overcome the problem (D.Z.2) of the low allocation of productive zakat funds. In Indonesia, zakat is commonly and mainly distributed in consumptive form, which does not provide long-term effects since there is no increase in skills and productivity of *mustahiq* (Widiastuti et al., 2021a, 2021b). Therefore, zakat institutions must distribute zakat in productive forms that provide higher benefits and opportunities in transforming *mustahiq* into *muzakki*, as stated in the principle of zakat distribution in the Zakat Core Principles (ZCP).

Zakat Institutions need to optimize the funds they collect and generate the highest benefits for the *mustahiq*. This duty is not easy, as it requires many efforts and the application of best practices. The zakat distribution would not be optimal if the collaboration between Zakat Institutions and related stakeholders, including the government, could not be achieved. Cokrohadisumarto et al. (2019) and Mustika et al. (2019) also highlighted the importance of government support in optimizing the management of Zakat Institutions.

## 5.2 Analysis of Strategy for the Collection and Distribution Management

Based on the results of data analysis, there are similarities in priority strategies to overcome the problems of collection and distribution. The priority strategy is (ST.1) strengthening the mandatory zakat governance regulations. The importance of zakat regulation is highlighted by Azani and Basri (2018), Hidayatullah and Priantina (2018), Munandar et al. (2019), and Kusriyah (2020a, 2020b). In Indonesia, several laws and regulations support zakat, including Indonesian Law no. 23 of 2011 concerning zakat management and Government Regulation no. 14 of 2014 concerning the Implementation of Law no. 23 of 2011. In addition, Zakat Core Principles (ZCP) give Zakat Institutions the standard and guidance to maintain good zakat governance. However, these regulations and laws have not focused on the obligation to collect zakat yet, as zakat remains a voluntary contribution of Muslims.

The second-ranked strategy is (ST.2) integration, synergy, and collaboration with all zakat institutions and stakeholders. This finding is supported by Jouti (2019), Sukmana (2020), Widiastuti and Rani (2020), and Widiastuti et al. (2021a, 2021b). The zakat management problem is unable to be solved without the synergy of related stakeholders. For this reason, integration, synergy, and collaboration between stakeholders are crucial, especially *muzakki*, *mustahiq*, and government stakeholders. *Muzakki* can collaborate by paying zakat to the formal Zakat Institution so that the distribution will be directed and on target. *The muzakki* must avoid delivering the zakat obligation to the zakat beneficiaries independently. *Mustahiq*'s self-confidence and willingness to develop are highly expected by the Zakat Institution so that the process of utilizing productive zakat can create prosperity for *mustahiq*. This statement is also highlighted by Widiastuti et al. (2021a, 2021b). As for the government, the synergy can form a supportive regulation that encourages the sustainability of zakat management. Collaboration between Zakat Institutions is also crucial because each institution has a unique program that can be collaborated.

Meanwhile, the third priority strategy is to (ST.3) increase government support in implementing the ZCP as supported by Rusydiana aned Firmansyah (2017), Hamdani et al. (2019), and Kusriyah (2020a, 2020b). The government has several functions and

obligations. First, to maximize the government's role as a regulator, they need to revise the existing laws and establish new regulations to develop zakat management. Second, as a facilitator, the government can optimize the implementation of management functions, IT, and good corporate governance. Third, the states motivate zakat's socialization, education, guidance, and awareness movements. Fourth, the state's role as a distributor is to provide equality and an economic growth model for the eight *ashnafs* with productive activities (Herdianto, 2011; Hariyanto et al., 2020). These functions will not work without the existence of supporting laws and regulations. In the pandemic era, the government can significantly help the Zakat Institutions by strengthening zakat management, especially in the collection and distribution management.

## 6 Managerial Relevancy

This research has several implications for stakeholders. The first is designated for the Zakat Institutions. This study emphasizes the importance of the Zakat Institutions in increasing the distribution of productive zakat. Zakat Institution must establish various empowerment programs and maximize its resources to provide the best benefits to the *mustahiq*. Second, as the regulator, the government must assist Zakat Institutions, such as through collaboration in distribution with the government, to ensure prompt zakat funds distribution. To optimize the other potential forms of zakat, the government must immediately discuss and ratify zakat regulation. In addition, the government can help improve the quality of human resources utilize technology and revising outdated laws to strengthen the intermediary function of zakat institutions. The government can also help the Zakat Institution implement the Zakat Core Principle to guide zakat management.

## 7 Conclusion

This study aims to optimize the intermediary function of zakat institutions based on Zakat Core Principles by identifying issues and then analyzing solutions and priority strategies using Benefit, Opportunity, Cost, and Risk. The problems are recognized in the collection and distribution field by dividing the problems into four aspects: zakat institutions, *muzakki*, *mustahiq*, and legal. Increasing the transparency and accountability aspects of the report becomes the prioritized solution in managing the collection in the short and long term. This solution is also a priority solution for the distribution dimension in the long term. Optimizing the number of productive zakat funds, partnerships, and government support in making (zakat utilization) becomes the prioritized solution in managing distribution in the short term. Strengthening the mandatory zakat regulations becomes a strategy with the highest priority in the collection and distribution dimension in the short and long term.

## 8 Limitation and Study Forward

In identifying the problems encountered in the intermediary function, this research is limited to the territory of Indonesia. The future researchers can conduct further research on a broader scale. Furthermore, this study focuses on optimizing the intermediary

function by examining four aspects: Zakat, *muzakki*, *mustahiq*, and legal institutions. Other elements, such as governance and technology, must be identified. On the other hand, this study provides a comprehensive analysis based on a Benefit, Opportunity, Cost, and Risk (BOCR) approach.

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