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AN EFFICIENCY MEASUREMENT OF ISLAMIC CHARITABLE NON PROFIT ORGANIZATION: A DATA ENVELOPMENT ANALYSIS APPLICATION

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Giving is customary in the community, regardless of one's religious or secular motivations. Most donors take the non-profit organization (NPO)'s effectiveness in handling their money into account before making a contribution. To put it plainly, donors are curious about how well the nonprofit distributes their funds to the designated beneficiaries. An NPO is by definition a charity that raises funds and uses them to advance the welfare of society. Its major goal is to raise money and use it for social benefit, acting as a mediator between the donors and the community. On the other hand, an NPO functions in a manner akin to that of other charitable institutions. Its role is gathering public donations and allocating them for the ummah's benefit. Unlike other charitable organizations, the Islamic non-profit organization operates according to the shariah principle. Maqasid Al-shariah has a purpose that is briefly outlined in Table 1.

Objective	Explanation
Daruriyah	The people need to protect the five ingredients of living in peace. The five interests of living are religion, life, intellect, honor and property. The violation of these basic things will be considered as sinful and create life devoid of purpose.
Hajiyyah	The need to have the provision of necessities of facilities and space in order to lead a comfortable life in avoidance of human destruction.
Tahsiniyyah	To ensure peace in life, people need to keep their dignity by conducting life in good customs and moral.

Table 1: Maqasid Al-Shariah

Source: Abdul Rahim, Ismail and Awang (2006)

There are few empirical research on the effectiveness of Islamic non-profits organization. The researcher believes that not many previous empirical studies have looked at non-profit Islamic charities. Hasan and Ahmad (2014) looked at the effectiveness of the State Islamic Religious Councils (SIRCs) in Malaysia. Using a two-stage data envelopment analysis (DEA), the researchers concentrated on how well the fund collection and distribution processes

of the SIRC's reached the recipients. The waqf collection, information on the number of employees, banks serving as collection agents, and the total amount of RM expenditures incurred were the results of the initial stage of the study. The number of staff members and the distribution expenses in RM were the inputs and the outcome (waqf distribution) in the second stage of the study. Using DEA, they produced the efficiency scores for the waqf distribution from the two inputs and one output.

An earlier study by Maamor and Ismail (2010) also looked at the efficiency of banking Ar-Rahnu, cooperative, and state-affiliated organizations in Malaysia. Input-oriented DEA was used by these institutions to determine their relative efficiency in lowering inputs and generating high outputs. The researchers employed two inputs (total salary expenses and operating expenses) and one output (distributed loan) to calculate the efficiency ratings in this study.

A few years later, a research on Islamic charity non-profit organizations investigated the relative efficiency of Malaysia's zakat institutions (Abd Wahab & Abdul Rahman, 2013) . Additionally, DEA was used by both researchers in their study as an appropriate method for analyzing a limited sample size of 14 zakat institutions between 2003 and 2007. Abd Wahab and Abdul (2013), in contrast to Maamor and Ismail (2010), used three outputs—total collection, total distribution, and number of zakat payers—in addition to two inputs—the number of staff and total expenses—to estimate the efficiency scores.

Noteworthy, the analysis of earlier research mentioned above shows that there is no common framework to measure efficiency across of different sectors. The fact that every sector has distinct goals and methods of functioning serves as a compelling justification for this. As a result, selecting the factors that are used to analyze each sector is crucial since poorly selected variables might result in inaccurate estimates of the sector's efficiency level. However, every study mentioned above concurs that DEA is unquestionably one of the best instruments for measuring efficiency, particularly when a small sample size is involved.

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