RESEARCH ARTICLE

ABILITY OF HUMAN RESOURCES AND KNOWLEDGE IN IMPROVING THE PERFORMANCE OF *BAITUL MAL* BANDA ACEH

[1]Rahmadsyah, *,[2]Muhammad Adam, [3]Hendra Syahputra, [4]Kamaruddin and [5]Munawir

[1]Management Da'wa, Department at Faculty of Da'wa and Communication, Ar-Raniry State Islamic University, Banda Aceh, Aceh Province, Indonesia
[2]Lecturers at Management Department of Faculty Economic and Business, Syiah Kuala University, Darussalam 23111 Banda Aceh – Indonesia
[3,4]Lecturer at Faculty of Da'wa and Communication, Ar-Raniry State Islamic University, Banda Aceh, Aceh Province, Indonesia
[5]Ph.D Student in Management Science, Syiah Kuala University, Kopelma Darussalam, 23111, Banda Aceh, Indonesia

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ABSTRACT

Purpose: The purpose of this study is to investigate how KM practices can facilitate the improvement of organizational performance of *Baitul Mal* Banda Aceh City.

Design/methodology/approach: This is a descriptive research. However, the constraints that occur within the organization and how KM affects the organizational performance is assessed using quantitative approach in the form of correlational study. The target population is all *Baitul Mal* Banda Aceh officers with the total of 48 employees. Structural equation modeling - partial least square (SEM-PLS) method was employed to test the hypotheses.

Findings: The results revealed that KM positively and significantly influences the performance of Baitul Mal officers, especially in terms of work effectiveness and efficiency. This ultimately has a positive effect on the overall performance of the organization and, in general, adds greater value for the Baitul Mal. The study also indicated that the implementation of KM in Baitul Mal Banda Aceh has also been good.

Originality/value: To the best of the author's knowledge, there are still limited literature that study the performance of Islamic treasury organization. Thus, this paper will contributes to that limited scientific resource and will help *Baitul Mal* regulators in identifying the gaps that hinder the improvement organizational performance.

INTRODUCTION

An increasingly competitive environment in business development has compelled organizations to make tremendous changes in facing the competition in production, marketing and human resource management Adopting knowledge management (KM) practices is a way to deal with the challenges (Byun, Park, and Hong, 2017). These practices are aimed to use the human/resource skills that will benefit organization in improving their performance (Babbar, Behara, Koufteros, and Huo, 2017). Then, the performance is measured to see the organization position in implementing their activities (Chung, Yang, and Huang, 2015).

*Corresponding author: **Muhammad Adam,**
Lecturers at Management Department of Faculty Economic and Business,
Syiah Kuala University, Darussalam 23111 Banda Aceh – Indonesia.

Therefore, the performance measurement is a critical element in an organization that used to be employed to assess the organizational success (Gosling, Jia, Gong, and Brown, 2017) and to determine the reward system (Lexa, 2017). KM has been proved to be the most powerful strategy (Chalikias, Kyriakopoulos, Skordoulis, and Koniordos, 2014) in managing and leveraging value from the organizational assets (Wu, Chen, and Chase, 2014). KM significantly influences many organizational aspects, such as people, process, technology, job procedures, personal knowledge, well-planned activities and incentives (Nurpratama, 2016; Verbeeten, 2008; Warouw and Kawet, 2014). KM will assists organization managing, sharing, creating and distributing their internal knowledge and asset (Ismail, Radzi, Ahmad, and Nordin, 2015) to support their organizational knowledge (Oliva and Chase, 2014). Moreover, KM initiatives can provide an organization with long-term competitive advantages (Byun *et al.*, 2017) as one

of the main achievements of an organization (Bashouri and Duncan, 2014) ; (Chalikias *et al*., 2014) As an Islamic treasury organization that manages the Muslims' funds, Baitul Mal must be organized in an appropriate way and work professionally (Muhammad Akhyar and Shochrul Rohmatul, 2015). Therefore, the Baitul Mal officers are required to have knowledge in management (Widiyanto bin Mislan Cokro and Abdul Ghafar, 2010) in order to improve their performance which in turn increases the public trust (Mohammad Tahir Sabit Haji, 2015) and confidence in this organization (Muhammad Akhyar and Shochrul Rohmatul, 2015). Baitul Mal will ultimately be able to plays their important role (Imam, 2014) as one of private institutions that empower the poor (Abdul Ghafar b and Achmad, 2010), especially in Banda Aceh City, once the condition is achieved. Accordingly, this study attempts to investigate how KM practices can facilitate the improvement of organizational performance of *Baitul Mal* Banda Aceh City and to what extent does the influence of KM implementation on the organizational performance. Towards the end, the investigation results is expected to provide an understanding of what is necessarily to be improved and enhanced to realize *Baitul Mal* as a knowledge-based organization and also to provide a wide access of best practices, experiences and insights to employees.

Research Hypotheses

Based on the above explanation, two hypotheses were formulated:

Ho =   knowledge management have no influence on employee and organizational performance
of *Baitul Mal* Banda Aceh City.

H₁ =   knowledge management influences employee and organizational performance of *Baitul Mal* Banda Aceh City.

Literature Review

Performance

In management science, the performance term usually associated with work quality or level as an attempt to achieve a specific goal (Blickle and Schütte, 2017). Researchers usually combine some parameters in defining this term, for instance: performance is a combination of effort, ability, perceptions of role, motivation and opportunity to perform. If those parameters that influence the performance are implemented in the organization (Alshammari, Rasli, Alnajem, and Arshad, 2014), then the performance of the organization and its human resources will automatically be enhanced (Dudzinski and Horowitz, 2017). Therefore, a manager must be able to optimally use those parameters to improve the organization performance (Harwiki, 2016). In relation to employee performance, there are some factors that influence it, i.e.: (1) effectiveness and efficiency; (2) authority and responsibility; (3) discipline; and (4) initiatives (Haas and Yorio, 2016). Those factors will greatly determine the employee performance in performing every tasks and responsibilities (Choi, Kim, and McGinley, 2017)

Performance Measurement

In order to ascertain whether the organization has already achieved their goals or not, a performance measurement must

be carried out (Dube, Van der Vaart, Teunter, and Van Wassenhove, 2016). Performance measurement is very important because it provides a foundation for management to effectively control the organization activities (Dekoulou and Trivellas, 2015). This measurement is done to achieve, at least, five goals, i.e.: (1) creating value; (2) improving what have previously done; (3) giving reward and encouraging employees' achievement; (4) knowing and straightening out the mistakes; and (5) identifying opportunities for improvement (Fan, Liu, Lu, Xiu, and Chen, 2017). This performance measurement allowed the employees to know their own performance level in performing any given tasks (Hussein, Omar, Noordin, and Ishak, 2016). Performance measurement is also related to creating and growing a better understanding of what expected outcomes are needed to be expanded and also able for validating the taken measures (Dudzinski and Horowitz, 2017). The measurement not only provides valuable insights of what actions are needed to be taken in the future, but also gives feedbacks in determining areas of improvement (Kanten, Kanten, and Gurlek, 2015). It also directs the implementation of activities and goal achievement efficiency (Lo and Fu, 2016)

Performance Evaluation

Performance evaluation is conducted to assess the work performance of an individual, team or organization as a whole (Blickle and Schütte, 2017). This evaluation will provide feedbacks towards the performance objectives, goals and implementation that can be used to take actions in improving future performance (Harwiki, 2016). Evaluation can identify the need for training and development that can enhance the employee competency and skill. Moreover, the evaluation can be used as the ground of judgment in allocating rewards for outstanding employees (Lo and Fu, 2016). The determination of who deserved to get the rewards and salary increases is usually considered by their performance (Wahab, Rahmat, Yusof, and Mohamed, 2016)

Performance Indicators

The performance indicators is the qualitative and quantitative measures that describe the level of achievement of an objective or goal that has been set by considering inputs, outputs, outcomes, benefits, and impacts (Wang, Keil, Oh, and Shen, 2017). These indicators usually apply in evaluating the contributions of KM implementations (Asrar-ul-Haq, Kuchinke, and Iqbal, 2017) within an organization that will improve the organizational performance and generate its competitive advantage as well (Blickle and Schütte, 2017). According to Bernardin and Russell, conducting a performance appraisal and knowing the employee performance is important in an organization. For that purpose, they formulated six performance indicators, namely: (1) Quality is a level to what extent does the process or the implementation result approaching the goal; (2) Quantity is the amount of works or activity cycles that resulted; (3) Timeless indicates the extent to which an organizational activity is finalized at the expected time, with regard to the coordination process with other outputs as well as the available time for other's activities; (4) Cost effectiveness means the extent to which organizational resources (human, financial, technological, material) is used to maximize the whole of organization achievement to deliver the maximum result and reducing the

disadvantages of each units; (5) Need supervision means the extent to which an employee able to perform his/her role and function without the supervision of his/her supervisor to prevent the desired action; (6) Interpersonal impact is the extent to which an employee able to maintain their self-esteem, reputation and cooperation among colleagues.

Knowledge Management

Knowledge Management (KM) is a field that attracts a lot of attention of many researchers, both academically and practically (Nonaka, in Hildreth and Kimble, 2000). Basically, KM is the management process of people with all their uniqueness, expertise and experience (Bettiol, Di Maria, and Grandinetti, 2011). Knowledge is also created and developed by people through the interaction processes with others (Bolisani and Scarso, 2013). Knowledge is divided into two types, namely: tacit knowledge and explicit knowledge (Ahern, Leavy, and Byrne, 2014). Tacit Knowledge is in the form of knowhow, experience, skill, understanding, and rules of thumb. Tacit knowledge is sometimes difficult to express or written, because the knowledge is stored in the mind of the individual (McCollum, 2006). While the explicit knowledge is a form of knowledge that has been documented, easily stored, reproduced, studied, easily recorded, managed and utilized and transferred to other people (Oliva and Chase, 2014).

Tacit knowledge cannot be separated with explicit knowledge as it has complementary relationship. According to Nonaka, this process is called as knowledge conversion (Otčenášková, Bureš, and Brunet-Thornton, 2014). This conversion consists of four stages, i.e.: (1) socialization, the transfer of tacit knowledge among individuals through observation, imitation, perception of communication and best practices; (2) externalization, kind of knowledge that is triggered by dialogue or collective reflection and often born on the basis of analogies and metaphors that translate tacit knowledge into procedures and documents (Marquard and Lakhani, 2014), including the process of media communication; (3) combination, the reconfiguration of explicit knowledge, by classifying them all through the organization; (4) internalization, the process of translating explicit knowledge into tacit knowledge (Li and Guo, 2013). Both tacit and explicit knowledge can be converted into four processes: socialization, externalization, combination and internalization (see Figure 1). Socialization is a sharing process that created based on interaction and direct experience, this causes the transfer of tacit knowledge to tacit knowledge, for instance: conversation among people.

Externalization is a process of knowledge transfer through dialogue that led to the articulation of tacit knowledge to explicit knowledge, for instance: the writing book, journal, etc. Combination is the process of knowledge transfer through the conversion of explicit knowledge into new explicit knowledge, for example: summarize articles, stories, books, etc. Internalization is the process of knowledge transfer which is based on learning and knowledge acquisition that conducted by members within the organization and disseminated throughout the organization through its own experience. For example: lectures.
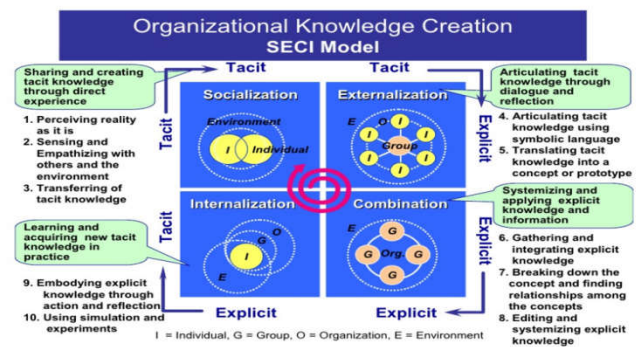

Figure 1. Knowledge creation process

According to Alvin Soleh (2011) there are four indicators of knowledge management i.e.: (1) knowledge identification; (2) knowledge creation; (3) knowledge sharing; and (4) knowledge utilization.

Baitul Mal

Baitul Mal is derived from Arabic language bait which means house and al-Mal which means property. Thus, etymologically Baitul Mal means house to collect or store properties (Muhammad Akhyar and Shochrul Rohmatul, 2015). While terminologically as described by Abdul Qadim Zallum in his book Al Amwaal Fi Daulah Al Khilafah, Baitul Mal is n private institution that handles all Muslims wealth both in the form of country's income and expenditure (Widiyanto bin Mislan Cokro and Abdul Ghafar, 2010). According to Qanun Number 10 Year 2007 in Aceh, Baitul Mal has some functions as follow: (1) managing zakat, wakaf and Islamic people property; (2) collecting, distributing and utilizing zakat properly; (3) socializing zakat, wakaf and other Muslim treasures; (4) becoming the guardian of a child who has no guardian, nor guards against the guardian of the nashab, and the guardian of the defendant against the adult who is incapable of committing a legal act; and (5) managing the unknown property to the owner or their heirs based on the decision of the Shariah Court.

By the end of 2016, the total funds that have been collected by Baitul Mal Banda Aceh has approaching 19.4 billion. The funds are distributed to empower the poor, provide home for them, sponsor the orphans, scholarships and other needs that give benefits for Muslim people.

Research Methodology

This research used descriptive method with the quantitative approach in the form of correlational study. The descriptive research was used to obtain information related to specific questions that specifically described, in which the issue to be addressed must be defined clearly, the goals must be specific and the required information must be detailed (Abel and Oxbrow, 1999). While the correlational study was conducted to identify the relationship between two or more variables, without making any changes additional or manipulation to the existing data. The data were collected through observation, questionnaires and documentation. Observation involves the activity of loading attention to an object by using all the senses. Observation in this research was done through direct and careful observation of the research objects.

Questionnaire is a number of written questions which is used to obtain information from the respondent. The documentation consists of the data that obtained from various sources, such as scientific literatures, articles, institutional data, as well as images and audio that considered relevant to the research. Questionnaires were spread to all of 48 employees as the research respondent to measure the level of their KM implementation and performance. The characteristic of the respondents were identified by sex, education level, working period, positions, management levels and additional knowledge of the respondents. Baitul Mal Kota Banda Aceh was established in formed based on the decision of Banda Aceh Mayor No. 154 Year 2004 Date 30 June. In managing the fund, this institution has four divisions, i.e funding collection division, funding distribution and utilization division, socialization and coaching division and treasury and religious affairs division.

The questionnaire consisted of five-point Likert scale, range from strongly disagree to strongly agree answers and was constructed on the basis of two latent variables, i.e. knowledge management and organizational performance. While the representative samplings were selected through a stratified random sampling. All of 48 distributed questionnaires were completed and returned by the respondents resulting in 48 usable responses. Structural equation modeling - partial least square (SEM-PLS) method was employed to test the hypotheses and validated the research data. PLS was used because the subject is relatively small. If the subject is less than 100, thus they should be all included. Therefore, this study determines the sample randomly by spreading questionnaires to all the employees. The design of the hypothesis test in this study is presented based on the research objectives. The level of confidence used is 95% and the level of precision or inaccuracy limit is (α) = 5% = 0.05 and generates t-table value of 1.96. The application of the re-sampling method enable the validity of free distributed data, without requiring the assumption of normal distribution nor large samples (recommended minimum sample 30). If the value of t-statistic is smaller than t-table value (t-statistic <1.96), then Ho is accepted and H1 is rejected. If the value of t-statistic is greater than or equal to t-table (t-statistic $\geq$ 1.96) then Ho is rejected and H1 accepted.

RESEARCH RESULTS

Characteristics of the Respondents

The characteristic of the respondents were divided into six categories, i.e.: sex, educational level, years of work period, position in the organizational structure, management level and other additional knowledge. The classification of respondents' gender was almost equally shared consisted of 27 (60%) men and 18 (40%) women. While for educational level, most of the respondents were already have bachelor degree that is as much as 28 (62.2%) participants, 6 (13.3%) of them were master graduate, 6 (13.3%) of them were high school graduate and the rest of 5 (11.1) participants were diploma graduate. This revealed that most of the officers in Baitul Mal Banda Aceh have already possessed good intellectual level. For years of work period distribution, majority of the participants, 18 (40%) have worked for 2 to 5 years, 10 (22.2%) participants have worked for 5 to 8 years, 9 (11.1%) have worked for more than 11 years and only 2 (4.4%) participants have worked for

less than 2 years. It indicates that the majority of the officer must already have good understanding and knowledge about their own institution. According to their structural position, most of them or 15 (33.3%) participants were zakat instructors, 14 (31.1%) participants were office staffs, 8 (17.7%) participants were head of subdivision, 4 (8.8%) were head of division, 3 (6.6%) were head of subsection and the rest of 2 (4.4%) participants were Head of Baitul Mal and Head of Secretariat. Seeing at the management level distribution, most of the participants were at operational management level that is 31 (68.8%) participants, 12 (26.6%) participants were at middle management level and only 2 (4.4%) were at top management level. Surprisingly, majority of the participants, 25 (55%), obtain additional knowledge through independent learning, while other 11 (24.4%) participants using other learning media, only 9 (20%) participants were gained additional knowledge participating in trainings or short-course. In order to success the employee performance, the top management have to address this issue, because it is an essential factor that has a very influential impact on the way they perform their works.

Respondent's Perception on Knowledge Management and Performance

Perception on Knowledge Management

KM is a group of elements within an organization that integrate each other by using inputs, processes and outputs with the same intent to achieve the goals. It also can be used in taking the right decision and formulating the organizational policy. The detail of the respondents' perception on knowledge management can be seen in the Table 4.3 below. According to the table above, the average value of respondents' perception on KM is 4,080 which means that the respondents have good perception on KM. This indicates that the officers of Baitul Mal Banda Aceh have already possessed good management knowledge.

Perception on Knowledge Management

Performance is a work performance that is measured based on the standards or criteria set by an organization. Job completion is an inherent talent for someone to perform a physical or mental activity that he or she acquires from learning and experience. Based on the Table 4.3, the value of respondents' perception on performance is 4,827 which means that the Baitul Mal performance achieve the expected target. As for the level of respondents' approval, the average value is greater than 3. This indicates that the performance of the Baitul Officers has been relatively good. This can be seen from the commitment of the officers to improve their productivity and their service quality to the community and to always be responsive to all the community demands.

Analysis Data Result

This study measures the organizational performance and knowledge management influence following the literature review. The variables were measured in two different ways, i.e.: outer model evaluation and inner model evaluation. The outer model evaluation consisted of discriminant validity as well composite reliability and average variance extracted (AVE) testing model.

Table 4.3 Respondent's Perception on Knowledge Management

No.	Questions	Options of answer					Ave.
		Strongly Agree	Not Agree	Less Agree	Agree	Strongly Agree	
1.	I always have deep understanding about my work	0	2	3	36	4	3,93
2.	I always have effective and efficient ways in performing my tasks	0	0	3	30	12	4,2
3	I always share my knowledge with my colleagues	0	0	0	13	32	4,28
4.	I always applied my innovations in performing my	0	0	6	37	2	3,91
	Average						4,080

Source: Primary Data, 2017

Table 4.4 Respondent's Perception on Performance

No.	Questions	Options of answer					Ave.
		Strongly Agree	Not Agree	Less Agree	Agree	Strongly Agree	
1.	My work results always in accordance with the target that has been set by the institution	0	0	4	34	7	4,06
2.	Quantitatively, my works are in accordance with the institution target	0	1	1	38	5	4,04
3.	I can perform my tasks in time	0	1	4	33	7	4,02
4.	My work results always far from errors	0	4	16	23	2	3,51
5.	I can finish my works without any supervision of my leader	0	1	17	22	5	3,68
	Average						4,827

Source: Primary Data, 2017

Discriminant validity was employed to ensure that the concept for each latent variable is different to other variables. The model has good discriminant validity if the loading value of each indicator of a latent variable has the largest loading value compared to other latent variables. The result of the discriminat validity test in this research in presented in the Table 4.4 below.

From the Table 4.5 above, it can be seen that some loading factor values for each indicator of each latent variable still have greater value if compared to other latent variables. This means that some latent variable do not have good discriminant validity.

Table 4.5 Discriminant Validity Value (Cross Loadings)

	Performance	Knowledge Management
PER 1.2	0,750831	0,583292
PER 2.2	0,611001	0,414476
PER 3.1	0,790546	0,667901
PER 4.1	0,743535	0,568395
PER 5.1	0,790617	0,524174
KM 1.3	0,614485	0,869881
KM 2.2	0,483327	0,750284
KM 3.3	0,489509	0,575414
KM 4.1	0,644568	0,767364

Source: Primary data processed using SmartPLS, 2017

The composite reliability and AVE value were used to test the reliability of a constructs. The construct is said to be reliable if the composite reliability is greater than 0,70 and the AVE value is greater than 0,50 (for detail see Table 4.6).

Table 4.6 Composite Reliability and AVE Value

	Composite Reliability	*AVE*
Performance	0,857415	0,547991
Knowledge Management	0,832967	0,559892

Source: Primary data processed using SmartPLS, 2017

Based on the Table 4.6 above, the AVE values generated by all constructs are above 0,50, therefore it meets the requirements of convergent validity requirement.

While the value of composite reliability resulted by all constructs are above 0.70, thus it be concluded that all constructs are reliable or meet the reliability test requirement.

The inner model (structural model) evaluation was done using Smart PLS 2.0. The result of the outer loading value is as presented in the following table.

Table 4.7 *Outer Loadings* (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
PER 1.2 <- Performance	0,750831	0,766366	0,117889	0,117889	6,368970
PER 2.2 <- Performance	0,611001	0,595404	0,129318	0,129318	4,724795
PER 3.1 <- Performance	0,790546	0,780609	0,060389	0,060389	13,090953
PER 4.1 <- Performance	0,743535	0,731067	0,081934	0,081934	9,074857
PER 5.1 <- Performance	0,790617	0,775807	0,059349	0,059349	13,321563
KM 1.3 <- Knowledge Management	0,869881	0,855175	0,059232	0,059232	14,685875
KM 2.2 <- Knowledge Management	0,750284	0,739616	0,094135	0,094135	7,970311
KM 3.3 <- Knowledge Management	0,575414	0,561984	0,102546	0,102546	5,611299
KM 4.1 <- Knowledge Management	0,767364	0,757121	0,080624	0,080624	9,517825

Source: Primary data processed using SmartPLS, 2017

The outer loading value shows that the constructs indicator are valid with T-statistic value of >1.96.

Inner model evaluation is used to identify the measurement model by referring to R-square value for each latent variable.

The R-square estimation value is presented in the following table. The Table 4.8 above shows that the obtained performance variable value is 0.572. This indicates that 57.2% of the performance variable is influenced by KM variable.

Table 4.8 R-Square value

	R Square
Performance Knowledge Management	0,572581

Source: Primary data processed using SmartPLS, 2017

The goodness-of-fit (GoF) evaluation is employed to validate the model as a whole. The GoF index is a single measure that used to validate the combination of performance and measurement model (outer model) and the structural model (inner model). The GoF index value is derived from the multiplied of R² model and the averages communalities index using the following formula:

$$Go\ F = \sqrt{Com\ x\ R^2}$$

$$Go\ F = \sqrt{0.553 x 0.572}$$

$$Go\ F = \sqrt{0.316}$$

$$Go\ F = 0.562$$

Thus, the GoF index of this result is greater than 0.36 which means that this model is categorized as large model.

Hypothesis testing was conducted to obtain information regarding relationship of among variables in this research. The basis that used to test the hypothesis is the value contained in the output of Path Coefficients (Mean, STDEV, T-Values). The following table provides the estimation output of structural model testing.

Table 4.9 Simultaneous *Path Coefficients* (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
Knowledge Management -> Performance	0,756691	0,769214	0,066903	0,066903	11,310212

Source: Primary data processed using SmartPLS, 2017

The result of both the hypotheses testing which is conducted simultaneously shows that the influence of KM variables on performance has the coefficient path value of 0.756 and t value of 11.310. This value is greater than t table (1,960). It means means that KM has a positive and significant influence on performance in accordance with the second hypothesis that states that good KM implementation will positively impact the organizational performance.

DISCUSSION

This research developed an empirical model in addressing the research question using two research variables, i.e. knowledge management and organizational performance. From the research result it can be concluded that the KM has a positive influence of organizational performance.

It is indicated by t-statistic of 12.38, which is greater than 1.96. Therefore, the H2 hypothesis is accepted. This result is in accordance with the other previous researches in which the KM significantly influences the employee performance (Shofa, 2013; Endriana, 2013), because an employee who possess a good management knowledge will have a higher performance compared to those who are with lack of management knowledge (Fatwan, 2006; Kosasih, 2017). KM not only facilitates employees in performing their tasks and responsibilities, but also helps organization in managing their resources and assets. Moreover, the KM also improve the way employees acting and thinking in dealing with high-demand jobs that will in turn enhance the organizational performance.

Conclusion

Based on the comprehensive explanation above, there are several issues that can be summarized, i.e.:

- KM significantly influences the Baitul Mal performance in which the KM greatly affects the management of each activity in Baitul Mal Banda Aceh that enhance their performance.
- KM significantly and positively influences the working process in Baitul Mal Banda Aceh, especially in term of work effectiveness and efficiency. KM also significantly and positively affects the implementation of all activities that give additional value for Baitul Mal.
- Quantitatively, the KM implementation also gives additional value for Baitul Mal Banda Aceh products.
- Generally, the implementation of KM practices in Baitul Mal Aceh has already been good that indicated by the performance of the employees in providing services to the community.

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