

Enhancing the Effectiveness of Zakat Institutions in Indonesia: Governance Challenges and Opportunities for Sustainable Poverty Alleviation

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Abstract:

Despite Indonesia's substantial zakat potential, poverty remains a persistent socioeconomic challenge, with the national poverty rate reaching 9.22% in 2024. Zakat has been recognized as an important instrument within the Islamic economic framework to support poverty alleviation and sustainable development. This study examines the role of zakat institutions in Indonesia and identifies institutional challenges and opportunities to enhance their contribution to poverty reduction. Using a qualitative literature review approach and content analysis, this study analyzes secondary data from scholarly articles, books, institutional reports, and related sources. The analysis focuses on three dimensions: zakat distribution mechanisms, institutional governance, and the effectiveness of mustahik empowerment programs. The findings indicate that zakat institutions continue to face challenges related to limited public trust, inadequate transparency and accountability, and the preference among muzakki to distribute zakat directly rather than through formal institutions. These conditions reduce the institutional capacity of zakat to generate broader socioeconomic impact. This study argues that strengthening governance, expanding cross-sector

collaboration, enhancing institutional capacity, and adopting digital technologies are essential strategies for developing more inclusive and sustainable zakat-based empowerment programs.

Keywords: zakat, poverty, zakat institution, mustahik

A. Introduction

Indonesia, despite continuing to experience economic growth, still faces significant poverty problems. According to the latest data, around 8.57% or around 24.06 million people in Indonesia are below the poverty line, while the other 24.42% are classified as vulnerable to poverty¹. This condition of socio-economic inequality demands effective redistributive solutions. In this context, zakat as one of the pillars of the Islamic economy is seen as able to be a strategic instrument to reduce disparities and improve the welfare of the community. Zakat is not just a ritual worship, but also a holistic mechanism designed to transfer some of the wealth from the poor to the disadvantaged so that it can create economic balance and social justice².

Institutionally, the Indonesian government has facilitated the management of zakat through two types of official bodies: the National Amil Zakat Agency (BAZNAS) and the Amil Zakat Institute (LAZ). BAZNAS which is a Non-Structural Government Institution and various private LAZ have the same main task, namely collecting, managing, and distributing zakat funds³. The existence of these two structures is expected to increase the accountability and reach of zakat services throughout the region. Therefore, Law No. 23/2011 affirms the role of BAZNAS at the national level and empowers other amil zakat institutions so that the management of people's funds is well coordinated.

The potential for zakat fundraising in Indonesia is huge, because the majority of the population is Muslim. However, the realization of integrated zakat distribution through formal institutions is still not optimal. There are still many muzaki who have not deposited their zakat through BAZNAS or LAZ; Public awareness and trust in zakat management institutions is still low⁴. Low zakat literacy and lack of trust have made many muzaki prefer to distribute zakat

¹ Badan Pusat Statistik Indonesia, "Memahami Perbedaan Angka Kemiskinan Versi Bank Dunia Dan BPS."

² Damanik, Amrin, and Albahi, "Peran Zakat Dalam Ekonomi Mikro Islam: Dampak Pada Kesejahteraan Sosial."

³ Negara and Nasution, "Pengaruh Literasi Zakat, Distribusi Zakat, Dan Transparansi Pengelolaan Zakat Terhadap Minat Muzakki Di Baznas Deli Serdang."

⁴ Negara and Nasution.

directly to mustahik without going through official institutions. As a result, the target of collecting and distributing zakat has not reached a significant scale.

In addition, technical obstacles in the field also limit the effectiveness of zakat distribution. For example, in rural areas, inadequate transportation facilities and limited logistics facilities can hinder the delivery of zakat assistance to mustahik in need. The limited number of trained human resources at the local level also makes the process of collecting and distributing zakat less than optimal. To overcome this, it is necessary to increase the capacity of village zakat amil and improve distribution infrastructure so that the reach of zakat can cover a wider area.

The issue of transparency in zakat management is the main highlight in building public trust. Good transparency practices can be seen in several institutions, for example Baitul Mal Aceh which routinely publishes financial reports and program information to the public. The level of transparency in zakat management in Baitul Mal Aceh is considered very good, with access to open information for muzaki and the general public⁵. In contrast, in many other places attention to openness has not been adequate. The lack of openness in the use of zakat funds is often seen as reducing the trust of the ummah and the participation of the muzaki in fulfilling zakat obligations through official institutions.

Various literature reviews show that the mustahik empowerment program through zakat has been able to have a positive impact. Research by Herianingrum found that the economic empowerment programs implemented by zakat institutions succeeded in reducing the number of mustahik living below the poverty line⁶. These findings strengthen the argument that the distribution of productive zakat through training, business capital, or targeted social assistance can improve the welfare of zakat beneficiaries. This success shows that zakat has the potential to be an effective poverty alleviation instrument as long as it is managed with the right program on target.

However, some studies emphasize the need for improvement in the governance of zakat institutions. There are still findings that zakat management is often not optimal to realize long-term mustahik independence. Therefore, zakat institutions need to improve internal governance and supervision so that the distribution of funds is more transparent and accountable. This governance improvement is

⁵ Yusra and Riyaldi, "TRANSPARANSI DAN AKUNTABILITAS PENGELOLAAN ZAKAT DI BAITUL MAL ACEH: ANALISIS PERSEPSI MUZAKKI."

⁶ Herianingrum et al., "Zakat as an Instrument of Poverty Reduction in Indonesia."

expected to minimize the risk of irregularities and ensure that zakat assistance is really on target.

To optimize the role of zakat in alleviating poverty, an operational strategy based on sharia economic principles is key. Some literature recommends the use of information technology in the administration of zakat. The use of mobile applications or digital platforms can improve the efficiency of collection and transparency in the use of funds⁷. With online applications, muzaki can more easily report and deposit their zakat, while the general public gets access to clear information about zakat programs through the institution's official website.

In addition, strengthening the capacity of zakat managers through education and training is very important. Zakat managers need to be equipped with financial management, internal audit, and accountability skills in order to carry out their duties more professionally. The development of a work network is also recommended, for example collaboration between BAZNAS/LAZ and local institutions such as BUMDes or community organizations. This synergy can expand the reach of zakat services according to regional contextual needs. Finally, the intensification of the socialization and education of zakat to the public as a whole can increase the understanding and trust of the people, so that the participation of muzaki and mustahik in the zakat ecosystem increases.

In the context of the principles of sharia economics, the optimization of the role of zakat must be in line with the goals of justice and social welfare. Integration between government programs, BAZNAS, and LAZ is needed to achieve a comprehensive impact on poverty alleviation. With management transparency, multi-stakeholder collaboration, and a focus on community empowerment, zakat institutions are expected to carry out their functions as a driving force for poverty alleviation in accordance with the spirit of Islamic economics.

B. Literature Review

1. Zakat Institution

Zakat institutions in Indonesia are institutions that play a strategic role in collecting, managing, and distributing zakat, infaq, and alms (ZIS) in order to alleviate poverty and improve the welfare of the people. In practice, zakat institutions such as the National Amil Zakat Agency (BAZNAS) and the Amil Zakat Institute (LAZ) operate based on the framework of sharia law and state regulations, as stipulated in Law Number 23 of 2011 concerning Zakat Management. The effectiveness of zakat institutions in supporting

⁷ Masruroh, Nafi, and Mu'is, "Tantangan Dan Strategi Optimalisasi Zakat Di Lingkungan Pedesaan."

inclusive economic development is reflected in various *mustahik* empowerment programs based on entrepreneurship and economic productivity. The success of this institution is highly determined by the professionalism of governance, community participation, and synergy with government policies in the context of Islamic social finance.

Several previous studies emphasized the importance of the effectiveness and accountability of zakat institutions. For example, a study by Hasan and Muhammad emphasized that efficiency is important to measure the performance of zakat institutions in order to increase the benefits of zakat for social justice and economic equity of the people⁸. Further Fadila et al. added that an evaluation is needed to determine the level of efficiency and effectiveness of the performance of zakat institutions in managing zakat, *infaq*, and alms funds⁹. Although the potential for zakat is very large, Amri noted that there is still low public trust in the existing zakat management organization (OPZ)¹⁰. These findings show the need for transparency and better governance so that zakat institutions are trusted by the people.

Improving the quality of governance is suggested by many researchers. Study by Rejab et al. emphasizing that by creating accountability, it will indirectly increase the trust and high trust of stakeholders in zakat institutions¹¹. Furthermore, research by Yusra and Riyaldi reported that according to the perception of *muzaki*, transparency and accountability in zakat management are categorized as good in Aceh zakat institutions¹². Even Scott proposing a stronger institutional structure, stating the need for the immediate establishment of a Ministry of Zakat and Waqf is becoming more and more urgent and that this ministry will play the function of regulator and supervisor, as well as determining the policy of zakat management integration and synergy of all zakat organizations under one national policy

⁸ Hasan and Muhammad, "Analisis Efisiensi Organisasi Pengelola Zakat Di Indonesia Dengan Metode Data Envelopment Analysis."

⁹ Rachma Fadila et al., "Efisiensi Dan Efektivitas Pengelolaan Zakat Di BAZNAS Kota Yogyakarta."

¹⁰ Amri, "Komparasi Kinerja Lembaga Amil Zakat Sebelum Dan Di Masa Pandemi Covid-19."

¹¹ Rejab, Wahid, and Yaacob, "The Importance of Accountability in Zakat Institutions."

¹² Yusra and Riyaldi, "TRANSPARANSI DAN AKUNTABILITAS PENGELOLAAN ZAKAT DI BAITUL MAL ACEH: ANALISIS PERSEPSI MUZAKKI."

umbrella¹³. These ideas are expected to strengthen OPZ coordination and synergy in Indonesia.

2. The Concept of Zakat

Zakat is one of the pillars of Islam that has a spiritual and socio-economic dimension, which is required for every Muslim who qualifies as a muzakki to set aside a certain amount of property to be given to a group that has the right (mustahik). Terminologically, zakat means purification and growth, reflecting the function of zakat in cleaning wealth and fostering social solidarity. In the context of Islamic economics, zakat is seen as an instrument of equitable distribution of wealth and a social finance mechanism to reduce inequality and empower the poor and vulnerable¹⁴. The implementation of structured and professional zakat is expected to be an integral part of a just and sustainable Islamic economic system.

As an instrument of Islam, zakat plays a strategic role in economic development. According to Makraja that zakat has an important role in increasing economic growth, because in zakat there are elements that can cause productivity¹⁵. In his study, he also emphasized that the allocation of zakat well and on target will cause an equal distribution of income to the mustahik zakat so that the distribution of zakat collectively and evenly can alleviate poverty. Therefore, zakat is not only a ritual worship, but also an instrument of economic empowerment that can improve the welfare of the community Azhar et al., as evidenced for example by the productive zakat program in disadvantaged areas¹⁶.

The concept is supported by other research, such as research by Dyarini et al. reported that zakat also plays a role as a potential source of funds to alleviate poverty and that zakat can also function as working capital for the poor to be able to create jobs¹⁷. These findings show that zakat can be a business capital and economic driver for mustahik. Overall, the current literature concludes that zakat serves a dual function: as a tool for wealth

¹³ Scott, *An Investigation of Market Segmentation Theory and Its Impact on Effective Fundraising*.

¹⁴ Kasmon et al., "FinTech Application in Islamic Social Finance in Asia Region: A Systematic Literature Review."

¹⁵ Makraja, "ZAKAT SEBAGAI INSTRUMEN EKONOMI ISLAM DALAM UPAYA MENGENTASKAN KEMISKINAN DI INDONESIA."

¹⁶ M. Farid Al Azhar, Abdul Wahid, and M Umar Ahfadz, "Peran Zakat Produktif Dalam Membangun Ekonomi Inklusif Di Daerah Tertinggal."

¹⁷ Dyarini et al., "Pengelolaan Zakat Kontemporer Dalam Pengentasan Kemiskinan Di Indonesia."

redistribution and economic empowerment that promotes social inclusion and the reduction of inequality.

3. Poverty

Poverty is understood as the inability to meet basic needs. Poverty is a condition in which a person is unable to meet his or her living needs, both for clothing, food, and for a board¹⁸. Moreover, Fadilla and Hariyanti added that poverty arises due to various structural factors, such as increasing unemployment, uneven distribution of the minimum wage so that people's quality of life becomes uneven¹⁹. From an Islamic perspective, Sari et al. explained that poverty is a test that must be handled by "improving the quality of life and strengthening social solidarity through zakat, infaq, and alms²⁰. Further Yasya emphasized that zakat as a redistribution mechanism will answer various social problems, such as poverty and economic inequality and become an important pillar in building a more just and equitable social order²¹.

A number of studies have recorded efforts to alleviate poverty. One of them is by Astuti, finding that government interventions (e.g. labor-intensive programs) have had a positive impact, labor-intensive programs have a short-term effect in increasing poor household incomes, so that poverty rates decrease²². On the other hand, Fitria found that the poverty rate in Indonesia is still high and underlines the importance of accurate mapping for policy formulation²³. To improve effectiveness, the literature highlights the need for a combination of direct assistance and a Community-based empowerment approach²⁴. Overall, recent studies confirm that without integrated interventions (economic, educational, and social policies) poverty

¹⁸ Fadilla and Hariyanti, "Kontribusi Faktor Sosioekonomi Pada Kemiskinan Di Pulau Jawa."

¹⁹ Fadilla and Hariyanti.

²⁰ Devita Sari, Nindi Aulia, and Muhammad Rianto, "KEBIJAKAN PEMERINTAH INDONESIA DALAM PENGENTASAN KEMISKINAN PERSPEKTIF EKONOMI ISLAM."

²¹ Himmah Yasya, "Pengaruh Kemiskinan, Pengangguran, Penduduk Muslim Dan PDRB Terhadap Kinerja Zakat Di Indonesia."

²² Dian Astuti, "Strategi Percepatan Penghapusan Kemiskinan Ekstrem Di Provinsi Sulawesi Tengah: Pendekatan Konvergensi Dan Inovasi Program."

²³ Rahmah, "Factors Affecting the Society's Preference Using Zakat, Infaq And Alms Based Crowdfunding Platform."

²⁴ Devita Sari, Nindi Aulia, and Muhammad Rianto, "KEBIJAKAN PEMERINTAH INDONESIA DALAM PENGENTASAN KEMISKINAN PERSPEKTIF EKONOMI ISLAM."

is difficult to overcome, and zakat is seen as one of the complementary instruments that can strengthen alleviation efforts.

C. Research Methods

This study employed a qualitative literature review design using content analysis to examine the challenges and opportunities for strengthening the role of zakat institutions in poverty alleviation in Indonesia²⁵. Data were collected from secondary sources consisting of academic books, peer-reviewed journal articles, institutional reports, and official publications related to zakat management and Islamic social finance.

The literature search was conducted through digital databases and repositories, including the National Library of Indonesia (Perpusnas), Google Scholar, and official portals of zakat institutions. The search process used keywords such as “zakat,” “poverty,” “zakat institution,” “transparency,” and “*mustahik empowerment*.” Publications were selected based on three criteria: relevance to the research objectives, source credibility, and the recency of the information.

The collected literature underwent a systematic selection process involving identification, screening, and thematic classification. Selected documents were coded according to three analytical dimensions: (1) zakat distribution mechanisms, (2) institutional governance, and (3) the effectiveness of *mustahik* empowerment programs.

Data analysis was conducted using qualitative content analysis to identify recurring themes, institutional patterns, emerging opportunities, and key challenges in zakat management. The findings were then synthesized to develop a conceptual understanding of how governance strengthening, institutional capacity building, and cross-sector collaboration may enhance the contribution of zakat institutions to sustainable poverty alleviation in Indonesia.

D. Findings and Discussion

This research was conducted based on the findings that although formal zakat institutions, namely, BAZNAS and various LAZs, have significant fundraising potential, the realization of distribution is far from expectations. For this reason, the discussion focused on three critical issues: uneven and less effective distribution of zakat, low transparency and accountability in zakat management, and the effectiveness of *mustahik* empowerment programs that have not been maximized. The analysis will explore internal and external factors that hinder the optimization of the function of zakat as a redistributive instrument, ranging from

²⁵ Zhang and Wildemuth, “Qualitative Analysis of Content.”

the coordination of institutions and mustahik information systems to the quality of governance, reporting mechanisms, and planning and assistance of empowerment programs as the basis for formulating comprehensive improvement recommendations.

1. Inequitable and Inefficient Zakat Distribution

The distribution of zakat in Indonesia is still facing complex problems, so that the distribution of zakat is not even and has an optimal impact. A number of studies have found that the problem of zakat distribution is so complex, there are still many weaknesses and shortcomings in the distribution of zakat²⁶. This condition covers various aspects, ranging from weaknesses in internal management by amil zakat to obstacles at the muzaki and mustahik levels. As a result, the great potential of zakat has not fully resulted in significant changes in poverty alleviation.

One of the main factors in the unaffordable distribution of zakat is the tendency of muzaki to distribute zakat directly to family, relatives, or neighbors. Research by Solikhan showed that people are happy to issue zakat directly to zakat recipients so that the distribution is not evenly distributed, and also cannot optimize the empowerment of zakat potential to alleviate poverty²⁷. With this pattern of personal distribution, aid often does not reach the mustahik who need it most, and long-term empowerment programs are difficult to implement in a planned manner.

The phenomenon of direct distribution is partly caused by low public trust in zakat management institutions. Many muzaki think that the amil zakat agency (OPZ) is less transparent and not as expected, so they prefer to distribute zakat themselves. As a result, there is a lack of public interest in paying their zakat to zakat management organizations due to the number of OPZs that have not implemented the principle of transparency comprehensively, so many pay their zakat directly to mustahik without going through OPZ²⁸. This traditional paradigm makes the distribution of zakat sporadic and difficult to coordinate.

²⁶ Hasan and Muhammad, "Analisis Efisiensi Organisasi Pengelola Zakat Di Indonesia Dengan Metode Data Envelopment Analysis."

²⁷ Solikhan, "Analisis Perkembangan Manajemen Zakat Untuk Pemberdayaan Masyarakat Di Indonesia."

²⁸ Muhammad Faisal Aziz, Moh. Mukhsin, and Muhammad Abduh, "Analisis Implementasi Dan Efektivitas Distribusi Zakat Dengan Pendekatan Manajemen Pemberdayaan Di Laznas Lembaga Manajemen Infaq Jakarta."

Another consequence of this lack of coordination is untargeted distribution. In some areas, cases were found where most of the zakat that was channeled did not go to priority mustahik. Research in Aceh shows the findings of the distribution of some zakat that is not on target, and the lack of coordination between Baitul Mal and Private Amil Zakat Institutions²⁹. The absence of an adequate mustahik database and the weak institutional information system cause some groups to be vulnerable to being missed in the distribution of aid.

Therefore, improving the distribution of zakat requires the role of official zakat institutions, namely BAZNAS and LAZ, in synergy with stakeholders and the community. Collaboration between related parties is the key so that zakat is distributed more effectively. Yanti et al. emphasized the importance of collaboration and coordination among zakat institutions, government agencies, and other stakeholders to optimize zakat management³⁰. Through strategic partnerships, BAZNAS, LAZ, and local governments can implement an integrated approach to mustahik registration, empowerment program planning, and monitoring and evaluation of zakat distribution outcomes.

Transparency and accountability of zakat managers are no less important. In its implementation, BAZNAS and LAZ are obliged to provide clear information on the use of funds to the public. As explained by Negara and Nasution, that zakat management organizations such as BAZ and LAZ are required to be transparent in submitting financial reports and managing zakat funds. This open attitude gives muzaki the right to know the flow of zakat funds that they are paying out. Ultimately, this transparency will increase public trust in zakat institutions and encourage active participation in zakat distribution³¹. If the muzaki are confident in the mechanism of the institution, they will be more motivated to distribute zakat through official channels, so that the distribution of zakat can be more regular and on target.

In practice, such coordination can be realized through various mechanisms. For example, by activating the Zakat Forum or Zakat Collection Unit (UPZ) involving local government ranks and community organizations, so that zakat distribution planning can refer to poverty data. More intensive socialization of zakat is also needed so that the public understands the

²⁹ Damanhur, Hasibuan, and Ichsan, "Analisis Problematika Pendistribusian Zakat Terhadap Masyarakat Miskin Di Provinsi Aceh."

³⁰ Yanti, Noni, and Parlina, "Potential Analysis of Islamic Bank Human Resources in East Kalimantan."

³¹ Negara and Nasution, "Pengaruh Literasi Zakat, Distribusi Zakat, Dan Transparansi Pengelolaan Zakat Terhadap Minat Muzakki Di Baznas Deli Serdang."

obligations and benefits of formal distribution. The role of information technology (online zakat application, mustahik geographical mapping) can also improve the quality of data collection and make it easier to monitor zakat programs. With the active involvement of the government and zakat institutions in each stage of distribution, the distribution of zakat is expected to be more transparent and fair.

By building strong coordination between official zakat institutions (BAZNAS/LAZ) and the muzaki community, the distribution of zakat in Indonesia will become more effective and on target. Synergy between elements of the government, zakat institutions, and the community will ensure that the collected zakat is managed professionally in accordance with sharia principles. Only with such joint efforts can the great potential of zakat be maximized for poverty alleviation, improving social welfare, and realizing economic justice for those in need.

2. Limited Transparency and Accountability in Zakat Management

Zakat institutions in Indonesia are currently facing a crisis of public trust due to the lack of openness in fund management. The public often doubts the integrity of these institutions, so some muzakki are reluctant to distribute their zakat through official channels. As found in research of Luthfianto et al., the lack of interest of muzakki in paying zakat through zakat institutions is mostly due to the low public trust in amil zakat institutions³². This means that fragile trust in zakat institutions directly reduces the participation of zakat payments through official channels.

Openness in zakat management is crucial because zakat funds come from the community itself. As stated by Fitri et al., they found that openness in the management of the Amil Zakat Institution is absolutely necessary, because what is managed by the institution is funds sourced from the community³³. In other words, if zakat institutions do not clearly disclose their financial statements and use programs to the public, the muzakki do not have a reliable information base. The lack of access triggers public doubts about the mandate of zakat management institutions.

As a result, the lack of transparency in financial statements and zakat activities directly causes public unrest. Research by Risnawati et al. showed

³² Luthfianto et al., "LIKA-LIKU DALAM MEMBANGUN KEPERCAYAAN MUZAKKI TERHADAP LEMBAGA AMIL ZAKAT."

³³ Fitri, Bulutoding, and Rahman, "Kajian Akuntansi Zakat Menuju Good Zakat Governance."

that the lack of openness and transparency in the collection and use of zakat funds also makes the public doubt the zakat management institution, this triggers doubts and undermines public trust³⁴. This means that without access to data on the collection and distribution of zakat, it is difficult for the public to believe that zakat institutions carry out their mandate. This skeptical attitude is a serious obstacle in building the legitimacy of zakat institutions in the eyes of the people.

This crisis of trust has a direct impact on the behavior of the muzaki. Many muzaki after witnessing cases of zakat misappropriation, choose to distribute their zakat directly to mustahik (zakat recipients), not through official institutions. A field study reported that when muzakki saw that the funds they distributed were not managed properly and were even misappropriated, they lost trust in the zakat institution³⁵. As a result, many muzakki prefer to distribute zakat directly to mustahik rather than through the zakat institution. This condition not only narrows the potential for official zakat collection, but also weakens the effectiveness of social zakat programs that have been designed in an organized manner.

Other studies by Khumairoh and Rahman found that lack of trust in the amil zakat institution and lack of transparency are factors that cause the potential for zakat to be not absorbed optimally³⁶. This means that if the governance of zakat is weak and closed, the public will increasingly doubt the management institution. With weakness good governance, doubts arise and loss of trust in the community. So that Muzaki's intention to pay through official institutions decreased. Thus, the crisis of trust has proven to be the main cause of low muzaki participation.

On the contrary, zakat institutions that increase transparency and accountability can turn the situation around. Study by Listihana et al. showed that muzakki tends to trust institutions or organizations that clearly and openly manage zakat funds, provide clear reports, and can be accounted for the use of these funds. With the presentation of detailed and easily accessible financial statements, muzaki can check the allocation of funds and ensure that the zakat is really used in accordance with sharia. The more often zakat institutions show signs of openness, such as routine public audits, online reports, and the involvement of muzaki in monitoring, the stronger public

³⁴ Risnawati et al., "Permasalahan Dan Solusi Pengelolaan Zakat Di Indonesia."

³⁵ Luthfianto et al., "LIKA-LIKU DALAM MEMBANGUN KEPERCAYAAN MUZAKKI TERHADAP LEMBAGA AMIL ZAKAT."

³⁶ Khumairoh and Rahman, "Analisis Transparansi Dan Akuntabilitas Pengelolaan Dana Zakat Yayasan Dana Sosial."

trust becomes. This means that transparency is not only an administrative obligation, but a key factor in building the legitimacy of zakat institutions.

Several studies underline that this level of trust is directly proportional to muzaki participation. As stated by Ramadan et al., Through transparency in financial statements, Baznas can build public trust and increase community participation in zakat³⁷. In other words, when the public is confident that zakat institutions honestly report all receipts and distribution of funds, they will be encouraged to be more active in giving zakat through the institution. On the contrary, the image of a closed institution will continue to be detrimental to muzaki participation.

Overall, various studies have shown that the lack of openness in zakat management is the main obstacle to the crisis of public trust. Closing the financial information of zakat institutions will only strengthen public suspicion. Therefore, zakat policymakers and managers in Indonesia need to enforce transparency: for example, by regularly publishing detailed financial statements, involving independent auditors, and increasing education to muzaki about the allocation of zakat funds. With these measures, public trust can be restored; Muzaki will feel safe distributing his zakat through official institutions, and in turn muzaki's participation will increase so that the role of zakat in the social welfare of the ummah will be optimal.

3. Limited Effectiveness of Mustahik Empowerment Programs

Mustahik empowerment programs through zakat funds are actually aimed at empowering the economy of beneficiary groups (mustahik) so that they are able to be independent in the long term. However, a number of studies show that implementation in the field is still not optimal. For example, an evaluation of the MSME empowerment program in Jambi Province found that the implementation of productive zakat is often still not on target, both in the provision of assistance, the implementation process and the assistance³⁸. This statement indicates that there is a discrepancy between the planning of the zakat program and its realization in the field, so that the strategic goal of zakat as an instrument for poverty alleviation has not been achieved optimally.

³⁷ Ramadan et al., "Pengaruh Transparansi Laporan Keuangan, Akuntabilitas Dan Kualitas Pelayanan Terhadap Keputusan Muzakki Membayar Zakat (Studi Pada Baznas Provinsi Lampung)."

³⁸ Rahayu, Soleh, and Daniel, "Evaluasi Dan Efektivitas Program Baznas Dalam Pemberdayaan UMKM Di Era Covid-19 (Studi Kasus Baznas Di Provinsi Jambi)."

Other research reveals that many empowerment zakat programs are low in effectiveness. Research by Fitriani and Rohman reported that the average effectiveness of the distribution of zakat funds in the mustahik empowerment program in 2021–2023 has only reached 34% (category *below expectation*). This means that the majority of programs have not reached the expected minimum economic targets. Similar findings were noted by Sari, which suggests that the program's main weakness is the provision of inadequate capital assistance and training³⁹. He noted that some mustahik their income is still stagnant due to less than optimal assistance, lack of supervision so that the mustahik is not optimal in the utilization of zakat. This data underlines that without improving the quality of assistance and good follow-up, it is difficult for zakat programs to lift mustahik out of poverty in a sustainable manner.

One of the root problems lies in immature planning. Research found that factors that inhibit the effectiveness of productive zakat include immature program planning processes, unreliable human resources⁴⁰. This means that zakat programs are often prepared quickly without comprehensive studies, while existing assistants do not have enough expertise to carry out monitoring and training functions. When the program proposal is not detailed (e.g. the plan for the use of funds and the training needed), then the implementation in the field becomes unstructured. This condition requires improvement in the management of the zakat program, starting from the stage of planning mustahik targets, stakeholder involvement (local governments, related agencies), to the allocation of competent human resources.

In addition, the quality of training and mentoring is still weak. Study by Jalil et al. found that there was a lack of training available to the mustahik and even some of the mustahik who received the empowerment program had never received training⁴¹. As a result, many recipients of zakat assistance start businesses based only on modest knowledge without sufficient skill. Without the transfer of basic business management or finance knowledge, capital assistance alone is not enough. This shortage is a big obstacle, because without increasing the capacity of mustahik entrepreneurs, capital

³⁹ Sari, "ANALISA PROGRAM PEMBERDAYAAN MUSTAHIK PADA BAZNAS ROKAN HULU."

⁴⁰ Zein, "Strategi Pemberdayaan Ekonomi Mustahiq Melalui Pendistribusian Zakat Produktif."

⁴¹ Jalil, Hamid Habbe, and Nurleni, "Analisis Efektivitas Distribusi Zakat Terhadap Pemberdayaan Mustahik LAZNAS Wahdah Inspirasi Zakat."

assistance tends to be *Hoc* and disposable. The zakat empowerment program needs to add components of intensive training and continuous mentoring so that mustahik can really develop their business independently.

Monitoring and evaluation of the program also still needs to be improved. Sari was emphasizing that not only initial funding is important, but also implementation oversight so that results are sustainable⁴². In her findings, it was stated that because the assistance was not optimal, some mustahik were not optimal in the utilization of zakat. This means that without periodic evaluations and follow-ups (e.g. mentoring sessions, periodic reports on business development), many cases of assistance do not develop. For this reason, zakat institutions need to design a program evaluation mechanism, for example, an audit of mustahik businesses every 3-6 months and adjustments to strategies if necessary. Strengthening monitoring activities can ensure dynamic program improvement.

The orientation of the zakat empowerment program, which is still predominantly consumptive, must also be changed to be more productive and sustainable. Fitria argued that although zakat collection has been optimized, greater attention should be given to optimizing its distribution to mustahik through not only consumptive assistance but also productive programs, particularly those focused on human resource development⁴³. This means that in addition to providing business capital, the program must provide entrepreneurship training, production facilities, and post-distribution guidance. Programs such as revolving funds, production facilitation, or market partnerships can be examples of productive distribution. Thus, zakat not only meets the basic needs of mustahik, but also encourages them to become independent economic actors who can then contribute to others.

Several previous studies have shown the need for a comprehensive improvement in the mustahik empowerment mechanism. According to Alfaris, the effectiveness of zakat in poverty alleviation is hindered by several factors, including the suboptimal implementation of poverty reduction programs, insufficient collaboration with the government, and inadequate professional capacity among staff⁴⁴. This emphasizes that in

⁴² Sari, "ANALISA PROGRAM PEMBERDAYAAN MUSTAHIK PADA BAZNAS ROKAN HULU."

⁴³ Rahmah, "Factors Affecting the Society's Preference Using Zakat, Infaq And Alms Based Crowdfunding Platform."

⁴⁴ Alfaris, "Analisis Efektifitas Pengelolaan Dana Zakat Untuk Pengentasan Kemiskinan Pada Laznas Yatim Mandiri Ponorogo."

addition to improving program plans and implementation, zakat institutions also need to improve the quality of their human resources and strengthen collaboration with local governments and other related parties. Better synergy will help synergize zakat programs with local development policies, so that zakat empowerment programs become an integral part of sustainable poverty alleviation strategies.

In the end, zakat has great potential to alleviate poverty, but this potential has not been optimally worked on due to various operational constraints. It is necessary to improve the planning, implementation, and evaluation of the zakat program so that the long-term impact is really felt. With improvements in program management, including clear goal setting, capacity building, intensive training for mustahik, and systematic evaluation monitoring, it is hoped that the zakat empowerment program can be more effective in pushing mustahik out of poverty independently and sustainably.

E. Conclusion

Based on the research that has been conducted, it can be concluded that zakat institutions in Indonesia, including BAZNAS and various LAZs, have great potential as an instrument for poverty alleviation. However, in practice, the realization of formal zakat collection and distribution is still not optimal. The low level of literacy and trust of muzaki, logistical infrastructure constraints at the local level, and the sporadic distribution of productive zakat are the main obstacles that prevent zakat from achieving priority mustahik in a targeted manner. In addition, the governance of zakat institutions that is not fully transparent and accountable increasingly weakens public participation in the formal zakat system, so that the redistributive potential of zakat has not been fully utilized in the context of social justice.

To answer these problems, it is necessary to strengthen the principles of sharia economics through increasing the internal governance of zakat institutions and intensifying transparency and accountability of management. The implementation of information technology through mobile applications and digital platforms can streamline collection administration and provide access to real-time financial reports to muzaki. Furthermore, increasing the capacity of amil zakat at the village level, providing continuous training for mustahik, and a -systematic evaluation monitoring mechanism will encourage the effectiveness of the economic empowerment program. Multi-stakeholder synergy-, including BAZNAS/LAZ collaboration with local governments, BUMDes, and community organizations, is an absolute requirement so that the planning and distribution of zakat can refer to accurate poverty data and regional contextual needs.

Optimizing the role of zakat in poverty alleviation will only be achieved through a holistic approach that integrates government policies, zakat institutions, and the muzaki community in a sustainable manner. The development of an integrated framework based on sharia principles, supported by strengthening regulations and increasing zakat literacy, will build a credible and professional zakat ecosystem. Thus, zakat is not merely a religious ritual, but a strategic instrument that can significantly reduce economic inequality, improve mustahik welfare, and strengthen social justice in Indonesia.

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