The Current Issue of Reporting Zakat in Indonesia: A Critical Analysis

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Abstract

The functions of zakat collection and distribution in Indonesia are carried out by both government and private institutions. Zakat funds hold significant economic development potential. Despite rapid growth in the past decade, the true potential of zakat remains largely untapped. Various factors contribute to suboptimal zakat management in Indonesia, such as ineffective zakat collection organizations, high administrative costs, and ineffective dissemination of information on the importance of zakat payment. This study focuses on the governance of zakat institutions in Indonesia, with a primary emphasis on the National Amil Zakat Agency (BAZNAS) and authorized Private Zakat Institutions (LAZ). This paper is based on a descriptive-analytical method, and it adopts qualitative research for the analysis of the available literature. The research is crucial for building trust, ensuring efficient zakat utilization for poverty alleviation, and enhancing social welfare within the Indonesian context. This research delves into the governance of zakat institutions in Indonesia, primarily focusing on the National Amil Zakat Agency (BAZNAS) (Zakat Institution of the Republic of Indonesia) and authorised Amil Zakat Institutions (LAZ) (Private Zakat Institutions). Despite official recognition, a lingering lack of trust among some members of the Muslim community necessitates a closer examination of transparency and accountability in zakat collection and distribution. The study aims to assess the reporting practices of zakat institutions, identifying areas for improvement to bolster confidence in the Muslim community. The research holds significance in fostering trust, ensuring effective zakat utilisation for poverty alleviation, and promoting social welfare.

Keywords: Zakat, Zakat Management, Zakat Distribution System, Social Welfare

How to cite:
I. Introduction

Zakat is an essential pillar of Islam and one of the five pillars every Muslim must adhere to. Giving Zakat is a form of worship that entails giving a portion of one’s wealth to the less fortunate (Rijal Alama Harahap, 2022). In Indonesia, the government agency responsible for collecting and distributing Zakat is the Badan Amil Zakat Nasional (BAZNAS). BAZNAS is a national-level organisation that plays a significant role in collecting and distributing Zakat, Infaq, and Sadaqah funds. As a government agency, BAZNAS ensures that zakat funds are collected and distributed transparently and accountable. The organisation's role in managing zakat funds has contributed significantly to poverty alleviation in Indonesia (Soleh, 2020).

About 21 years ago, the government of Indonesia established the Badan Amil Zakat Nasional (BAZNAS) through Presidential Decree No. 8 of 2001. This was the first national-level institution dedicated to managing Zakat and was officially recognised by the state. BAZNAS was established based on the latest law regarding zakat collection, which aimed to enhance the efficiency and effectiveness of zakat management services. Additionally, one of the critical objectives of BAZNAS is to increase the benefits of Zakat and contribute to the well-being of society by reducing poverty. The establishment of BAZNAS was a significant development in Indonesia's efforts to manage Zakat more effectively and ensure its distribution benefits those in need (Indonesia, 2021).

To expand its reach and enhance its effectiveness in managing Zakat, BAZNAS appointed authorised Amil Zakat Institutions (LAZ) to become their partners. (C. Indonesia, 2021) The Minister of Religious Affairs appoints these LAZs based on their qualifications and track record in managing Zakat effectively and transparently. Once appointed, LAZ works closely with BAZNAS to collect, distribute, and utilise zakat funds according to the principles and regulations of Islamic law. LAZ is required to report periodically to BAZNAS on their audited collection, distribution, and utilisation of zakat funds. (Afifah, 2020) By partnering with LAZ, BAZNAS can leverage the expertise and resources of these institutions to expand its reach and ensure that zakat funds are distributed efficiently and effectively to those in need. This approach also helps to promote transparency and accountability in zakat management, as LAZ are required to follow the regulations and guidelines set by BAZNAS in managing zakat funds (Afifah, 2020). Through this partnership, BAZNAS and LAZ work together to achieve the shared objective of contributing to the well-being of society by reducing poverty and promoting community welfare through the distribution of zakat funds (C. Indonesia, 2021).

Furthermore, the charitable giving culture in Indonesia is remarkable, with the country being named the world's most-giving nation for the sixth consecutive year in 2022 by the Charities Aid Foundation (CAF). The success of Badan Amil Zakat Nasional (BAZNAS) in collecting Zakat, infaq, alms, and other social-religious funds of IDR 21.3 trillion in 2022, an increase of 52.14 per cent from the previous year, highlights the importance of zakat management institutions in Indonesia. (Muhammad Hasbi Zaenal, 2022)

Despite the official recognition of 91 Amil Zakat Institutions (LAZ) on a national and district/city scale by the Indonesian Ministry of Religion (Kemenag), some Muslim community members still lack trust. (Indahsari, Burhan, Ashar, & Multifiah, 2014; (Cokrohadisumarto et al., 2020) Many prefer to donate directly to those in need rather than through LAZ or BAZNAS, highlighting the need for greater transparency and accountability in zakat collection and distribution. This could result in a lack of funds for LAZ and BAZNAS to carry out their important work of reducing poverty and promoting community welfare.
1.1. Objectives

The collection and distribution of Zakat in Indonesia are primarily overseen by the National Amil Zakat Agency (BAZNAS) and authorised Amil Zakat Institutions (LAZ). Despite the official recognition of LAZs on a national and district/city scale, there is still a lack of trust in such institutions among some members of the Muslim community, who prefer to donate directly to those in need rather than through LAZ or BAZNAS. This highlights the need for greater transparency and accountability in zakat collection and distribution. Therefore, this paper aims to explore the level of reporting and transparency by zakat institutions in Indonesia to identify areas for improvement in the governance of these institutions. This research is significant as it can contribute to strengthening the trust and confidence of the Muslim community in the zakat collection and distribution process and ensuring that Zakat is effectively used to alleviate poverty and promote social welfare.

Here, please establish your study's context! What is the real problem that is associated with the reporting of zakat in Indonesia? How do the existing studies discuss such topics, what is left of their discussion, and how does your work fill in such gaps?

The context outlined here revolves around the management of Zakat in Indonesia, primarily through the institution of BAZNAS (Zakat Institution of the Republic of Indonesia) and its partnerships with LAZs (Private Zakat Institutions). The focus is on the importance of Zakat as a pillar of Islam, its role in poverty alleviation, the establishment and functions of BAZNAS, and the challenges faced in ensuring transparency and accountability in Zakat collection and distribution.

1.2. Several key points are highlighted

   a. Importance of Zakat
      Zakat is portrayed as an essential religious obligation for Muslims, aimed at redistributing wealth to those in need, thereby contributing to poverty alleviation and societal welfare.

   b. Role of BAZNAS
      BAZNAS is depicted as the primary governmental agency responsible for collecting and distributing Zakat funds in Indonesia. Its establishment in 2001 marked a significant step towards more efficient and effective management of Zakat at the national level.

   c. Partnership with LAZs
      BAZNAS partners with LAZs to extend its reach and enhance the management of Zakat funds. These partnerships are seen as crucial for expanding the scope of Zakat collection and ensuring transparency and accountability in its distribution.

   d. Challenges in Trust and Transparency
      Despite official recognition and efforts by BAZNAS and LAZs, there are lingering issues of trust among some members of the Muslim community. Some prefer direct donations to individuals in need, indicating a perception of a lack of transparency and accountability in Zakat management.

Existing studies cited in the context have identified these challenges, emphasizing the need for greater transparency and accountability in Zakat collection and distribution. However, they may have left gaps in fully addressing how to bridge the trust deficit and enhance transparency effectively. Here are potential areas where further research could contribute to understanding trust dynamics. Further exploration into the specific reasons behind the lack of trust in Zakat institutions, such as BAZNAS and LAZs, could provide insights into addressing these issues more effectively. This could involve qualitative research methods to delve deeper into community perceptions and experiences. Evaluation of accountability
mechanisms, assessing the existing accountability mechanisms within BAZNAS and LAZs, and assessing their effectiveness in building trust and ensuring transparency could help identify areas for improvement. This could include examining reporting processes, audit procedures, and governance structures. Community engagement strategies exploring strategies to enhance community engagement and participation in Zakat management could be valuable. This could involve studying successful models of community-led initiatives in Zakat distribution and identifying ways to integrate these approaches into the existing institutional framework. Technological solutions: Investigating the potential role of technology in improving transparency and accountability in Zakat management could be fruitful. This could include exploring the use of blockchain technology or digital platforms for tracking Zakat funds from collection to distribution, thereby increasing transparency and reducing opportunities for mismanagement or corruption.

By addressing these gaps, future research could contribute to a more comprehensive understanding of the challenges associated with Zakat reporting in Indonesia and propose practical solutions to enhance transparency, accountability, and community trust in Zakat institutions.

II. Literature Review

2.1. The Role of Zakat Institution

The zakat institution is an organisation that acts as the amil zakat by planning, collecting, channelling, and utilising obligatory religious, infaq, and sadaqah funding. The Zakat institution requires significant operational funds to carry out its work, including Amilin's salary, socialisation costs, and other operational expenses. As a result, Islam granted the Amilin the right to receive a portion of the property as a form of charity in exchange for the work. Different clerics hold opposing views on the rate of zakat payment. According to Imam Syafie's history, being given a portion of Amilin is 12.5% because, in his opinion, it equates to a portion of all Mustahiq charity. If wages were higher than that, they had to come from somewhere other than the zakat treasure. (Andriani et al., 2023)

According to (Akbar, 2009), zakat institutions require no small operational funds to carry out their duties, ranging from Amilin salary, socialisation costs, and other operational costs, so the levels of Zakat should be accepted by the zakat institution not too small and not too overwhelming. No provision specifies a restrictive level of 12.5% of total Zakat, but rather one tailored to the needs and levels of interest. However, we should consider Imam Syafie’s opinion when determining the maximum section for the officers responsible for collecting and distributing both zakats. Imam Syafie has been given a zakat worth no more than one-eighth of Mustahiq zakat (Qaradhawi, 2005). Based on this, it is necessary to make an effort to reduce the operational costs of zakat institutions following needs and importance. As a result, the costs incurred are in line with the zakat institution’s needs and interests. Thus, treasure zakat can be maximised to achieve Zakat’s goal of improving societal welfare and reducing poverty.

Zakat institutions are social and economic institutions that can significantly contribute to the growth of the national economy (Andriani et al., 2023). The zakat institution programme also reduced poverty and affected an empowered community that has yet to prosper. In Indonesia, there are two types of zakat management institutions: the government-run Badan Amil Zakat Nasional (BAZNAS) and private zakat institutions such as Rumah Zakat (RZ), Dompet Dhuafa, Sinergi Foundation, DT Peduli, PKPU, and others. The implementation of zakat management in Indonesia is contained in Act No. 23 of 2011, which is set up for planning, collecting, distributing, and utilising Zakat.
2.2. Background of Good Governance and its Concept on the Quran, Sunnah and Maqasid al Shariah

The concept of good governance has a long history and has evolved. In the modern era, the concept of good governance has gained increasing importance to ensure that power is exercised responsibly and in the people’s best interests. This has led to the development of several international frameworks and standards for good governance, which are intended to guide and support governments and other institutions in their efforts to promote good governance.

One of the earliest modern formulations of good governance was the World Bank's "Governance and Development" report, published in 1992. This report defined good governance as "the manner in which power is exercised in managing a country's economic and social resources for development." The report identified a number of key elements of good governance, including the rule of law, transparency, and accountability.

Since then, the concept of good governance has been further developed and refined, and it is now recognised as an important factor in promoting economic development and social progress. Good governance is seen as essential for building trust and confidence in institutions, and it is considered a critical factor in ensuring that power is exercised responsibly and accountable.

In Islam, the concept of good governance is closely tied to the principles and values of the religion, as well as to the goals of the Shariah, or Islamic law. The Qur'an and the Sunnah (the teachings and practices of the Prophet Muhammad) provide guidance on how Muslims should govern themselves and their societies, and they strongly emphasise the importance of justice, fairness, and accountability.

One of the key goals of the Shariah is the promotion of justice and fairness in society. This goal is reflected in Qur'anic verses such as: (Qur'an 4:135)

وَلَوْ أَنفُسِكُمْ أَوِ ٱلْوَلَّاَةَۚ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرً ۚ إِنِّهُ أَوَّلٌ بِهِمَا

"O you who have believed, be persistently standing firm in justice, witnesses for Allah, even if it be against yourselves or parents and relatives."

(Qur'an 5:2)

َّٰٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوا۟ لََ تُحِلُّوا۟ شَعَـَّٰٰٓئِرَ ۚ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرً ۚ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرً ۚ إِنِّهُ أَوَّلٌ بِهِمَا

"And let not the hatred of a people for having obstructed you from the Sacred Mosque led you to be aggressive. And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in penalty."

These verses emphasise the importance of upholding justice, even when it may be difficult or unpopular, and avoiding aggression and wrongdoing.

The sunnah, or the teachings and practices of the Prophet Muhammad, also provides guidance on good governance. The Prophet Muhammad was a leader of the early Muslim community and is revered by Muslims as a model of good conduct and behaviour. As such, his actions and words are seen as a source of guidance on how Muslims should live and conduct themselves, including their roles as leaders and members of society.
One of the key themes of the sunnah about good governance is the importance of justice and fairness. The Prophet Muhammad was known for his commitment to justice and fair treatment of others, and he encouraged Muslims to follow his example. For example, he is reported to have said: "The best of rulers are those whom the people love and who love them, who invoke God's blessings upon them and who are kind to them. And the worst rulers are those whom the people hate and who hate them, who cause them harm and turn away from them." (Sahih Bukhari)

The sunnah also emphasises the importance of accountability and transparency in leadership. The Prophet Muhammad was known for his honesty and integrity, and he encouraged Muslims to be open and truthful in their dealings with others. For example, he is reported to have said: "The honest and trustworthy merchant is with the prophets, the truthful and the martyrs." (Sahih Muslim)

Overall, the sunnah provides guidance on how Muslims should conduct themselves in leadership and authority positions, emphasising the importance of justice, fairness, and integrity in good governance.

The concept of good governance is also closely tied to the Maqasid al-Shariah or the goals of the Shariah. These goals include the protection of religion, life, wealth, family, and intellect, and they are meant to ensure that Shariah is applied in a way that promotes society's overall well-being and prosperity. Good governance based on the Maqasid al-Shariah is therefore expected to prioritise the protection of these key values and ensure that the laws and policies of the state are consistent with the goals of the Shariah.

2.3. Good Governance in Zakat Institution

In the context of zakat institutions, good governance is vital. As public organisations, Zakat institutions must always maintain public trust, particularly in their performance, management, and service delivery. Currently, the need to promote effective and efficient managerial performance to protect the interests of the board of directors, management, stakeholders, shareholders, and customers drives the urgency to implement good governance in various public institutions (Magazzino & Santeramo, 2023) (Pillai & Al-Malkawi, 2017) (Gali et al., 2020) Shariah governance, as practised by zakat institutions, is distinct from conventional corporate governance. Shariah Governance's primary goal is compliance with Shariah principles (Ayub et al., 2023) (Tarmizi et al., 2023) (Abbas Mirakhor, 2017) (Aslam & Haron, 2021). As such, as Islamic institutions, zakat institutions must adhere to Shariah’s ethical and moral standards and values. In reality, zakat institutions practise values of sound ethics and moral standards that are pretty similar to those practised by other conventional financial institutions.

Adherence to Shariah principles of good ethics and moral standards is vital for zakat institutions, as they are an important mechanism for redistributing wealth from the able and haves to the less abled and have-nots. To play this role, zakat institutions must adhere to Shariah principles and practise good governance to gain public trust. According to a study conducted by the National Board of Zakat (BAZNAS), the estimated potential zakat collection in Indonesia in 2011 was around IDR 217 trillion. According to an earlier study (Vegirawati, 2023), a number of government policies were ineffective in realising the full potential of zakat management and collection in Indonesia.

Islamic values have been incorporated into the context of zakat management in Indonesia by a specific regulation, namely Law No. 23, the Year 2011 on Zakat Management. This law establishes two zakat management models in Indonesia. They are (1) zakat administered by the state through specific government bodies and (2) zakat administered by non-
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governmental organisations (Faisal et al., 2023) (Conference, 2021). This law states that zakat collection in Indonesia must be managed professionally and by good governance principles. It can be concluded that the integrated application of good governance principles is necessary for zakat institutions to compete globally, meet the demands of stakeholders, and serve these stakeholders more efficiently.

Various scholars have previously researched good governance in Islamic institutions, focusing on zakat institutions. Corporate governance has become a significant issue with financial institutions due to their failure to implement good corporate governance, according to studies on corporate governance in Islamic institutions (Aslam & Haron, 2020) (Irma et al., 2017) (Mnif & Tahari, 2020) (Voronova & Umarov, 2021) (Samra, 2016) (Ben Abdallah & Bahloul, 2021). Other research on Islamic governance in social organisations (Issyam et al., 2016) (Amalia, 2019) (Bakar et al., 2020) (Zakiy et al., 2023) has discussed and emphasised the significance of Shariah governance in improving the performance and management of Islamic social institutions.

2.4. Zakat Institution in Indonesia
The growth of non-profit organisations (NPOs) in Indonesia is critical in addressing economic and social issues. The NPOs primarily addressed the issues of orphans, poverty, disabled people, and drug users (Andriani et al., 2021). NPOs serve as a distribution channel from the wealthy to people in need. They hope to encourage individuals and government/private sector organisations to donate money (Adji, 2022). Another supporting data point indicates that during the 1998 economic crisis, social organisations in Indonesia played a critical role in coping with the crisis (Foundation & (USAID), 2000). On the other hand, a sizable number of Muslim citizens in Indonesia enthusiastically support the rapid expansion of Islamic social organisations. According to research, the majority of Muslim people in Indonesia prefer to donate to Islamic philanthropic organisations over secular ones (Fauzia, 2017). Zakat is regarded as the third pillar of Islamic belief. Zakat is mentioned thirty times in the Quran, with twenty-seven occurrences declared alongside the obligation of salat (Andriani et al., 2023). It implies that Zakat is as important to Islam as salat. People will have more trust in Zakat if it is managed professionally. Furthermore, the amount of money donated to zakat institutions in Indonesia would increase, potentially assisting in resolving any crisis.

2.5. Example of Good Governance of Zakat Institutions
The AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) Shariah Standard No. 35 on Zakah provides comprehensive guidelines for Zakah management and distribution, which can be contextualized within the framework of good governance for Zakat institutions.

Firstly, AAOIFI's standard emphasizes transparency in Zakah management, urging institutions to maintain clear records of Zakah collection and distribution processes. Transparency ensures accountability and fosters trust among Zakah payers and beneficiaries, aligning with the principles of good governance outlined in the previous discussion. Moreover, AAOIFI's standard emphasizes the importance of accountability by requiring Zakah institutions to appoint qualified individuals to oversee Zakah funds' management and distribution. These individuals are responsible for ensuring compliance with Shariah principles and ethical standards, thereby upholding the integrity of Zakah operations (Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (2022).
In terms of participation, AAOIFI's standard encourages consultation with Shariah scholars and relevant stakeholders in decision-making processes related to Zakah management. This inclusive approach promotes stakeholder engagement and ensures that Zakah's policies and practices reflect the needs and preferences of the community. Effectiveness in decision-making is also addressed in AAOIFI's standard through the requirement for Zakah institutions to establish internal controls and risk management mechanisms. By implementing these measures, Zakah institutions can mitigate risks and enhance the efficiency and effectiveness of Zakah operations.

Applying these principles to Zakah institutions involves adopting AAOIFI's standards as a benchmark for governance practices. Institutions can enhance transparency by adhering to AAOIFI's guidelines on Zakah reporting and disclosure. They can also promote accountability by implementing internal audit procedures and appointing independent oversight committees to monitor Zakah's activities.

Stakeholder participation can be encouraged through regular consultations and feedback mechanisms, allowing Zakah payers and beneficiaries to contribute to decision-making processes and provide input on Zakah policies and programs. Integrating AAOIFI's Shariah Standard No. 35 on Zakah into governance practices can help Zakah institutions uphold principles of transparency, accountability, participation, and effectiveness, ultimately enhancing their ability to fulfil their mandate of Zakah collection and distribution in accordance with Islamic principles (Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (2022).

III. Methodology

This research assessed good governmental practice disclosure among 32 authorised national-scale amil zakat institutions in Indonesia. To achieve this objective, a content analysis approach was employed to collect data from the annual reports, websites, and any other publicly available information of these institutions for the years 2020 and 2021. The data collection was conducted based on the selection of the institutions by BAZNAS as of November 2021. To provide answers to the research questions, this study adapted a list of criteria developed by Marston and Polei (2004) and Pirchegger and Wagenhofer (1999) (Yamaludin et al., 2023). However, given that the original checklist is meant for commercial entities, some items irrelevant to Zakah institutions were removed or substituted with more relevant items. The checklist was also adapted from the Web-Based Accountability Index for Non-Profit Organizations proposed by Dainelli, Manetti, and Sibilio (Rizka Nurfadhilah & Sasongko, 2019).

The checklist was intended to guide the review and analysis of information disclosed by the institutions, including annual reports, financial statements, and corporate governance reports. The data were analysed using a qualitative research approach, which involved a systematic and structured analysis of the information obtained from the institutions.

The limitations of the study include the potential for limited access to information, as well as the reliance on self-disclosed information from the institutions. However, efforts were made to obtain as much information as possible from public sources and verify the information's accuracy and reliability through triangulation and validation with multiple sources.

In recent years, transparency and accountability have become increasingly important in the Islamic finance industry, including in zakat institutions. With the growing public awareness and interest in Islamic finance, it has become crucial for zakat institutions to maintain high
transparency and accountability to build public trust and confidence (Ibrahim & Mahmod, 2023). This is especially important for zakat institutions, as they manage and distribute zakat funds collected from the public to benefit the poor and needy.

One way to ensure transparency and accountability is through good governance practice disclosure, which involves disclosing relevant and reliable information about the institution’s financial, operational, and social performance (Ibrahim & Mahmod, 2023) (Rizka Nurfadillah & Sasongko, 2019). By disclosing this information to the public, zakat institutions can demonstrate their commitment to transparency and accountability and provide assurance to the public that their funds are being managed and distributed effectively and efficiently.

However, while good governance practice disclosure is important, ensuring that the information disclosed is relevant, reliable, and understandable to the public is equally important (Adiwijaya & Suprianto, 2020). This can be achieved by setting minimum requirements for disclosure, such as disclosing information on the institution’s financial performance, governance structure, and social impact. These requirements can serve as a baseline for zakat institutions to follow and ensure they disclose relevant and valuable information to the public.

Furthermore, by adopting good governance practice disclosure, zakat institutions can set a new standard for transparency and accountability in the Islamic finance industry. This can help to elevate the industry to a new level of credibility and professionalism and increase public confidence in the industry as a whole.

The primary objective of this research is to evaluate the level of good corporate practice disclosure among 32 national scale amil zakat institutions in Indonesia for the years 2020 and 2021. This evaluation is based on financial and non-financial information available on their websites. The importance of transparency and accountability in these institutions is underscored by their role in managing and distributing zakat funds, which are critical for social welfare and economic development.

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<th>No.</th>
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<td>LAZ Yayasan Rumah Zakat Indonesia</td>
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<td>LAZ Yayasan Nurul Hayat</td>
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<td>3</td>
<td>LAZ Inisiatif Zakat Indonesia</td>
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<td>LAZ Baitul Maal Hidayatullah</td>
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<td>5</td>
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<td>LAZ Yayasan Dompet Dhuafa Republika B Yayasan Pesantren Islam Al-Azhar</td>
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<td>9</td>
<td>Yayasan Lembaga Amil Infaq dan Shadaqah Nahdlatul Ulama</td>
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<td>10</td>
<td>LAZ Yayasan Baitulmaal Muamalat</td>
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<td>11</td>
<td>LAZ Yayasan Dana Sosial Al Falah</td>
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<td>12</td>
<td>LAZIS Muhammadiyah</td>
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<td>13</td>
<td>Yayasan Global Zakat</td>
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<td>14</td>
<td>LAZ Perkumpulan Persatuan Islam (PERSIS)/Pusat Zakat Ummah</td>
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<td>24</td>
<td>LAZ Yayasan Wahdah Islamiyah</td>
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IV. Results and Analysis

One of the main objectives of this research is to assess the level of good corporate practice disclosure among the 32 authorised national scale amil zakat institutions in Indonesia for the years 2020 and 2021. As part of the data collection process, the institutions' websites were considered one of the main sources of information. Therefore, to conduct a comprehensive analysis, the research team initially filtered out the institutions that did not have a website.

Out of the 32 zakat institutions analysed in this paper, it was found that there were at least four institutions that did not have a website or were not accessible: Yayasan Global Zakat, LAZ Perkumpulan Persatuan Islam (PERSIS)/Pusat Zakat Ummah, Yayasan Baitul Ummah Banten, Yayasan Wakaf Djalaludin Pane. These institutions were excluded from further analysis, as their lack of online presence made it difficult to collect data on their good corporate practice disclosure. It is worth noting that having a website is becoming increasingly important for organisations in the digital age, as it provides a platform for communicating with stakeholders and sharing information about the organisation's activities. (Rizka Nurfadhilah & Sasongko, 2019)

The absence of a website may have several implications for these institutions, particularly regarding transparency and accountability. (Rizka Nurfadhilah & Sasongko, 2019) Without a website, it may be difficult for stakeholders, such as potential donors or beneficiaries, to access information about the institution's activities, policies, and financial performance. This may create a negative perception of the institution's credibility and affect its ability to attract and retain donors or beneficiaries.

1. When evaluating these zakat institutions, two main categories of information need to be checked: financial and non-financial information.

Financial information refers to the organisation's financial performance, including revenues, expenses, assets, and liabilities. When evaluating a Zakat institution's financial information, the following information should be checked:

   a. Annual Report: The organisation should have an annual report for the past two years (2021 and 2020), which summarises the organisation's activities, financial performance, and achievements.

   b. Financial Statements: The organisation should provide financial statements for the past two years (2021 and 2020), which include income statements, balance sheets, and cash flow statements. These statements provide an overview of the organisation's financial performance and position.

   c. Audited Financial Statements: An independent auditor should audit the financial statements to ensure they are accurate and comply with accounting standards.
In analysing publicly available information, it has been determined that none of the zakat institutions examined provided a uniform standard of financial information content. Despite the requirement to disclose financial information to the public, each institution displayed a varying degree of compliance with this obligation. This observation emphasises the need for greater transparency and consistency in financial reporting among zakat institutions. The findings in Table 3 demonstrate that LAZ Nurul Hayat is the most transparent zakat institution on the list, with a disclosure rate of 100%. Additionally, several other institutions, namely LAZ Yayasan Rumah Zakat Indonesia, LAZ Inisiatif Zakat Indonesia, LAZ Yayasan Dompet Dhuafa Republika, and Yayasan Lembaga Amil Infaq and Sadaqah Nahdlatul Ulama, also exhibited high levels of disclosure with rates of up to 88%.

Nevertheless, the analysis also revealed a number of institutions that have alarmingly low levels of disclosure, with some displaying no financial information at all through accessible communication media. Specifically, 11 institutions including LAZ Baitul Maal Hidayatullah, Yayasan Lembaga Manajemen Infaq, Yayasan Yatim Mandiri Surabaya, LAZ Yayasan Dana Sosial Al Falah, Yayasan Daarul Qur’an Nusantara, LAZ Yayasan Wahdah Islamiyah, Yayasan Hadji Kalla, LAZ Yayasan Sahabat Yatim Indonesia, Yayasan Telaga Bijak El Zawa, LAZ Nasional Bangun Sejahtera Mitra Umat, and Yayasan Membangun Keluarga Utama, failed to disclose any financial information or exhibited a disclosure rate of 0%. These results underscore the need for increased regulatory oversight and enforcement to ensure that all zakat institutions fulfil their obligation to provide financial information to the public. These results also highlight the importance of promoting transparency and accountability among zakat institutions, particularly those with lower disclosure rates, in order to enhance public trust and confidence in the sector.

Table 2. Financial Information Disclosure

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LAZ Yayasan Rumah Zakat Indonesia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>√</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>88%</td>
</tr>
<tr>
<td>2</td>
<td>LAZ Yayasan Nurul Hayat</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>100%</td>
</tr>
</tbody>
</table>
Non-financial information is also essential for evaluating zakat institutions' governance, social responsibility, and transparency. The following non-financial information should be checked when evaluating these zakat institutions (Yamaludin et al., 2023) (Rizka Nurfadhilah & Sasonko, 2019) (Nelson et al., 2018)

a. Governance Information: Governance information includes information about the organisation's management and governance structure, including its code of ethics, CV of management, press documentation, and organisational structure. The information related to corporate governance is crucial in evaluating the
effectiveness of the management team of zakat institutions, as they collect funds from the public, which must be managed properly. Maintaining a positive perception of good corporate governance is significant for the image of Zakat institutions as it boosts their reputation among the public. This practice is essential for the growth of institutions while assuring the public that the business is being managed honestly and without misuse. (Yamaludin et al., 2023)

b. Contact Details and Other Information: Contact details and other information refer to information that enables donors and stakeholders to contact the organisation and obtain additional information. This includes email address, phone number, postal address, English version homepage, and FAQs.

c. Social Responsibility Disclosure: Social responsibility disclosure includes information about the organisation’s social and environmental impact, including its environmental report or special pages and corporate responsibility report. The practice of disclosing a company’s social responsibility is growing in popularity and is increasingly recognised in the corporate sector as a way for the public to assess a company’s role in society. Past research on social responsibility disclosure has shown that companies typically focus on disclosing their involvement with the community, their human resources management, the quality of their products or services, and their environmental impact. Social responsibility reporting is currently the primary way for diverse stakeholders to ensure their concerns are being addressed. (Yamaludin et al., 2023)

d. Timeliness of Information: Timeliness of information refers to how up-to-date and current the information the organisation provides. This includes current media releases or news, haul, current Nisab, pages indicating the latest update, and monthly or weekly Zakat collection.

The analysis of non-financial information disclosed by Zakat institutions on their websites revealed varying levels of compliance across the institutions. Among the institutions examined in Table 3, LAZ Yayasan Dompet Dhuafa Republika exhibited the highest level of disclosure with a rate of 88%, followed by Yayasan Dewan Dakwah Islamiyah Indonesia with a disclosure rate of 81%. The analysis revealed that contact details such as phone numbers and postal addresses are commonly disclosed as non-financial information by Zakat institutions on their websites and Google search engine pages. Zakat institutions make their contact information available to the public to facilitate communication and outreach. The phone number allows the public to contact the Zakat institution directly and speak with a representative who can assist with their inquiries or concerns. This can be particularly useful for individuals with urgent questions or immediate assistance. The postal address is important as it allows individuals to send physical correspondence to the Zakat institution. This may include formal letters, applications, or other important documents. Overall, by providing their contact information, zakat institutions are demonstrating their commitment to transparency and accountability and their willingness to engage with the public and provide assistance where needed.

However, information such as the code of ethics and monthly or weekly zakat recapitulation are rarely disclosed. Instead, most institutions disclose information on the latest zakat amounts based on ongoing programs and projects, including the amount collected, remaining funding needs, and project deadlines. These results suggest that zakat institutions may benefit from increased transparency and disclosure of non-financial information, particularly in areas such as ethics and financial reporting, to inform stakeholders better and promote trust in the sector.
The analysis identified the Daarul Qur’an Nusantara Foundation as the institution with the lowest level of disclosure, with a rate of only 13%. This finding underscores the need for greater transparency and accountability in the zakat sector, particularly among institutions falling short in their disclosure practices. Improving disclosure rates and promoting transparency could help enhance stakeholder trust and confidence in the zakat sector, ultimately contributing to achieving broader social and economic development objectives.

4.1. Accessibility of Information
Initially, the research filtered out institutions that did not have accessible websites. Out of 28 institutions, four (Yayasan Global Zakat, LAZ Perkumpulan Persatuan Islam (PERSIS)/Pusat Zakat Ummah, Yayasan Baitul Ummah Banten, and Yayasan Wakaf Djalaludin Pane) were excluded due to the lack of an online presence. This lack of accessibility can impede transparency and accountability, affecting stakeholders’ trust.

4.2. Financial Information Disclosure
The analysis revealed significant variability in the disclosure of financial information. Key financial indicators assessed include:

- **Annual Reports**: Availability of comprehensive reports summarizing activities and financial performance.
- **Financial Statements**: Income statements, balance sheets, and cash flow statements.
- **Audited Financial Statements**: Verification by independent auditors.
- **Audit Reports**: Independent opinions on financial statements.
- **Current Zakat Collection and Distribution**: Details on Zakat collection and distribution activities.
- **Yearly Summaries**: Summaries of zakat collection and distribution for 2020 and 2021.

The study highlights a significant variability in the disclosure practices among national-scale amil zakat institutions in Indonesia. While some institutions demonstrate high transparency and accountability, others fall short, indicating the need for improved regulatory oversight and enforcement. Enhanced transparency can build greater trust and confidence among stakeholders, ultimately contributing to the effective management and distribution of zakat funds.

V. Conclusion and Recommendation
Zakat is an essential pillar of Islam that gives a portion of one's wealth to the less fortunate. In Indonesia, the government agency responsible for collecting and distributing Zakat is the Badan Amil Zakat Nasional (BAZNAS), which was established to enhance the efficiency and effectiveness of zakat management services and reduce poverty. BAZNAS partners with authorised Amil Zakat Institutions (LAZ) to collect, distribute, and utilise zakat funds in accordance with Islamic law, and it has contributed significantly to poverty alleviation in Indonesia. However, despite the success of zakat management institutions, there is still a lack of trust in such institutions among some members of the Muslim community, emphasising the need for greater transparency and accountability in zakat collection and distribution.

The article is about the management of Zakat in Indonesia, which involves the National Amil Zakat Agency (BAZNAS) and authorised Amil Zakat Institutions (LAZ). Some members of
the Muslim community do not trust these institutions and prefer to donate directly to those in need. Therefore, the article argues for more transparency and accountability in the collection and distribution of Zakat. The article aims to study the level of transparency in zakat institutions in Indonesia to identify areas for improvement. This study is significant in building trust and confidence in the zakat process and ensuring the effective use of zakat funds to help reduce poverty and promote social welfare.

<table>
<thead>
<tr>
<th>No</th>
<th>National Scale Amil Zakat Institutions</th>
<th>Governance Information</th>
<th>Contact Details and Other Information</th>
<th>Social Responsibility Disclosure</th>
<th>Timelines of Information</th>
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<tbody>
<tr>
<td>1</td>
<td>LAZ Yayasan Rumah Zakat Indonesia</td>
<td>❌ × ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ X</td>
<td>75%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>LAZ Yayasan Nurul Hayat</td>
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<td>56%</td>
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<td></td>
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<tr>
<td>3</td>
<td>LAZ Inisiatif Zakat Indonesia</td>
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<td>75%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>LAZ Inisiatif Zakat Indonesia</td>
<td>❌ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Yayasan Lembaga Manajemen Infaq</td>
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<td>50%</td>
<td></td>
<td></td>
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<tr>
<td>6</td>
<td>Yayasan Yatim Mandiri Surabaya</td>
<td>❌ × ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
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<td></td>
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<tr>
<td>7</td>
<td>LAZ Yayasan Dompet Dhuafa Republika</td>
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<td>88%</td>
<td></td>
<td></td>
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<tr>
<td>8</td>
<td>Yayasan Pesantren Islam Al-Azhara</td>
<td>❌ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</td>
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<td>9</td>
<td>Yayasan Lembaga Amil Infaq dan Shadaqah</td>
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<tr>
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<td>Organization</td>
<td>Reporting Status</td>
<td>Percentage</td>
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<td>10</td>
<td>LAZ Yayasan Baitulmaal Muamalat</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>56%</td>
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<td>11</td>
<td>LAZ Yayasan Dana Sosial Al Falah</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>56%</td>
<td></td>
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<tr>
<td>12</td>
<td>LAZIS Muhammadiyah</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>63%</td>
<td></td>
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<tr>
<td>13</td>
<td>LAZ Rumah Yatim Arrohman Indonesia</td>
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<td>75%</td>
<td></td>
<td></td>
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<tr>
<td>14</td>
<td>LAZ Yayasan Kesejahteraan Madani</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
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<td></td>
<td></td>
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<tr>
<td>15</td>
<td>Yayasan Dewan Dakwah Islamiyah</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>81%</td>
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<td>16</td>
<td>Yayasan Gema Indonesia Sejahtera</td>
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<td>50%</td>
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<tr>
<td>17</td>
<td>LAZ Yayasan Griya Yatim dan Dhuafa</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>69%</td>
<td></td>
<td></td>
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<tr>
<td>18</td>
<td>Yayasan Daarul Qur'an Nusantara</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>13%</td>
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<tr>
<td>19</td>
<td>Yayasan Mizan Amanah</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>56%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Yayasan Panti Yatim Indonesia Al. Fajr</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>63%</td>
<td></td>
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<tr>
<td>21</td>
<td>LAZ Yayasan Wahdah Islamiyah</td>
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<td>50%</td>
<td></td>
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<tr>
<td>22</td>
<td>Yayasan Hadji Kalla</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>LAZ Yayasan Sahabat Yatim Indonesia</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>56%</td>
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<tr>
<td>24</td>
<td>LAZ Daarut Tauhid Peduli DPUDT</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>69%</td>
<td></td>
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<tr>
<td>25</td>
<td>Yayasan Telaga Bijak El Zawa</td>
<td>✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔ ✔</td>
<td>44%</td>
<td></td>
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</tr>
</tbody>
</table>
5.1. Highlights from Financial Disclosure Analysis

a. **Highest Disclosure Rates**: LAZ Yayasan Nurul Hayat (100%), followed by LAZ Yayasan Rumah Zakat Indonesia, LAZ Inisiatif Zakat Indonesia, and LAZ Yayasan Dompet Dhuafa Republika (each 88%).

b. **Lowest Disclosure Rates**: Eleven institutions, including LAZ Baitul Maal Hidayatullah and Yayasan Lembaga Manajemen Infaq, exhibited a disclosure rate of 0%.

c. **Non-Financial Information Disclosure**: Non-financial information is essential for evaluating governance, social responsibility, and transparency. The following criteria were used:

d. **Governance Information**: Includes management structure, code of ethics, and organizational structure.

e. **Contact Details**: Accessibility of contact information (email, phone, postal address).

f. **Social Responsibility Disclosure**: Information on social and environmental impact.

g. **Timeliness of Information**: Up-to-date information, including recent media releases and updates on the Zakat collection.

5.2. Thematic Findings

a. **Governance Information**: Generally well-disclosed, with many institutions providing comprehensive details about their management and governance structures.

b. **Contact Details**: Widely available, facilitating communication with stakeholders.

c. **Social Responsibility**: Less commonly disclosed, with few institutions providing detailed reports on their social and environmental impact.

d. **Timeliness**: Mixed results, with some institutions maintaining up-to-date information while others lacked recent updates.

5.3. Deductive and Inductive Analysis

The data analysis incorporated both deductive and inductive approaches:

a. **Deductive Analysis**: Based on predefined categories of financial and non-financial information, the research assessed the presence and quality of these disclosures.

b. **Inductive Analysis**: Emerged themes were identified through qualitative examination of the available information, revealing patterns and insights beyond the initial framework.
This research aims to evaluate the level of disclosure of good governance practices among 32 authorised national-scale amil zakat institutions in Indonesia by collecting data from annual reports, websites, and other publicly available information. The data were analysed using a qualitative research approach to identify areas for improvement in the governance of these institutions. The study highlights the importance of transparency and accountability in zakat collection and distribution and the need for zakat institutions to maintain a high level of transparency and accountability to build public trust and confidence. By adopting good governance practice disclosure, zakat institutions can demonstrate their commitment to transparency and accountability and set a new standard for transparency and accountability in the Islamic finance industry.

The research assesses the good corporate practice disclosure level among 32 authorised national scale amil zakat institutions in Indonesia for 2020 and 2021. Four institutions without a website were excluded from the analysis. A website is vital for organisations to communicate with stakeholders and share information. Financial and non-financial information needs to be checked when evaluating zakat institutions, including annual reports, financial statements, audited financial statements, audit reports, management report analysis, current zakat collection and distribution, yearly summary of zakat collection, and yearly summary of zakat distribution. The absence of a website may negatively affect transparency and accountability, potentially affecting the institution’s credibility and ability to attract and retain donors or beneficiaries.

The research found that none of the zakat institutions examined provided a uniform standard of financial information content, with varying degrees of compliance with their obligation to disclose financial information. LAZ Nurul Hayat was found to be the most transparent institution, with a 100% disclosure rate, while 11 institutions failed to disclose any financial information or exhibited a 0% disclosure rate. This highlights the need for increased regulatory oversight and enforcement and promoting transparency and accountability among zakat institutions to enhance public trust and confidence in the sector.

Zakat institutions should provide non-financial information, such as governance information, contact details, social responsibility disclosure, and timeliness of information, to evaluate their governance, social responsibility, and transparency. The disclosure of this information varies among institutions, with some showing high levels of disclosure and others falling short. Contact details are commonly disclosed, while information on the code of ethics and financial reporting are rarely disclosed. Greater transparency and disclosure of non-financial information are needed to improve stakeholder trust and confidence in the zakat sector, which can ultimately contribute to broader social and economic development objectives.

This paper recommends several actions to improve the management of Zakat in Indonesia. To maximise the benefits of zakat distribution in Indonesia, it is recommended that efforts be made to socialise the existence of zakat institutions to the broader community. This will help to generate public trust and increase donations to authorised Amil Zakat Institutions, enabling them to provide high social value through accountable distribution of zakat funds to those in need. To ensure accountability and transparency in the management of zakat funds, more transparent rules regarding good governance should be established for non-profit institutions, particularly for Amil Zakat Institutions. By promoting greater transparency and accountability, stakeholders will be more likely to trust these institutions and contribute to their efforts to reduce poverty and promote social welfare in Indonesia.
5.4. Practical Suggestions For Improving The Practices Of Zakat Institutions:

To optimize the efficacy of zakat institutions, several measures can be implemented to enhance their operational efficiency, transparency, and impact. These recommendations are grounded in Islamic principles and informed by best practices in the non-profit sector.

**Institutional Governance and Transparency**

Zakat institutions should adopt robust governance structures characterized by independent boards of trustees, clear policies, and regular audits. This ensures accountability, mitigates the risk of mismanagement, and fosters trust among stakeholders (Sawmar & Mohammed, 2021a). Furthermore, institutions should prioritize transparency by publicly disclosing their financial reports, operational procedures, and distribution criteria (Zakiy et al., 2023). This transparency enables donors and beneficiaries to make informed decisions and holds institutions accountable for their actions.

**Efficient Collection and Distribution Mechanisms**

The collection and distribution processes should be streamlined to minimize delays and leakages. Leveraging technology, such as blockchain, can create a secure, decentralized system for zakat management, enhancing the speed and integrity of transactions (Kassim & Hawariyuni, 2021). Institutions should also regularly review their eligibility criteria and distribution methods to ensure they are responsive to the evolving needs of beneficiaries (Rahman, Rashidah Abdul, 2012).

**Public Awareness and Education**

Zakat institutions have a critical role in promoting public understanding of zakat obligations and the importance of fulfilling them. They should engage in targeted outreach campaigns, leveraging mosques, schools, and community organizations to educate the public on zakat principles and practices (Niswah et al., 2020). This awareness-raising effort can increase participation, encourage timely payment, and foster a culture of philanthropy.

**Capacity Building and Human Resource Development**

Zakat institutions require adequate funding, skilled personnel, and robust infrastructure to carry out their functions effectively. Investing in staff training on zakat rules, fund management, and beneficiary engagement is essential for building institutional capacity (Sawmar & Mohammed, 2021b). This enables staff to navigate complex zakat regulations, manage funds efficiently, and provide effective support to beneficiaries.

**Innovative Financing and Partnerships**

Zakat institutions should explore innovative financing mechanisms, such as crowdfunding, waqf (endowments), and partnerships with businesses, to diversify their funding sources (Zulfikri, 2023). This can enhance their financial sustainability and enable them to respond to emerging social and economic challenges. Furthermore, institutions should diversify their investments to generate sustainable returns while ensuring Shariah compliance (Kassim & Hawariyuni, 2021).

**Research and Evaluation**

Regular research and evaluation are crucial for assessing the impact and effectiveness of zakat institutions. This involves conducting needs assessments, monitoring program outcomes, and evaluating the socio-economic impact of zakat distribution (Rijal Alama Harahap, 2022). The findings from these efforts can inform policy decisions, improve program design, and enhance the overall efficacy of zakat institutions.
By adopting these best practices, zakat institutions can strengthen their role in promoting social justice, alleviating poverty, and fostering economic development in Muslim communities. These recommendations are grounded in Islamic principles and informed by evidence-based approaches to non-profit management, ensuring that zakat institutions operate with integrity, efficiency, and impact.

Acknowledgement
This paper, titled "The Current Issue of Reporting Zakat in Indonesia: A Critical Analysis," presents research findings conducted by students of the Institute of Islamic Banking & Finance (IIiBF) as part of the Zakat in Social Financing course. This project was undertaken as an academic exercise and did not receive any external funding.

Authors’ Contribution
Mohammad Qutaiba as the first author, Mohammad Qutaiba contributed significantly to the paper, completing the majority of the research and writing. He provided detailed information about zakat institutions in Indonesia and laid the foundation for the analysis. Mohd Owais as the second author, Mohd Owais contributed to the final sections of the paper, adding critical analysis and conclusions to complete the research findings. Abdus Salam Muharam contributed to the initial parts of the paper, providing important background information and insights on zakat institutions in Indonesia.

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Data Availability Statement
The authors have provided all citations through Mendeley in APA Style. All referenced materials can be accessed through this platform.

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