



## Good Governance in Zakat Management: Evidence from Indonesia's National Zakat Agency

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### ABSTRACT

This study examines the implementation of good governance in zakat management at BAZNAS Baubau City, focusing on effectiveness and efficiency. Using a qualitative descriptive approach, data were collected through interviews, observation, and documentation, and analyzed using an interactive model. The findings show that zakat governance has become more structured but remains uneven. Effectiveness is evident in accurate targeting and program implementation, while challenges persist in collection due to low trust and literacy. Efficiency has improved through digitalization and collaboration, although logistical and capacity constraints remain. The study highlights zakat governance as a hybrid system and proposes mustahik-to-muzakki transformation as an effectiveness indicator, implying the need for integrated institutional, technological, and community-based strategies.

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## **INTRODUCTION**

Socio-economic inequality remains a persistent global challenge, particularly in developing countries such as Indonesia, where poverty alleviation and social welfare continue to be major public policy concerns. Addressing these issues requires not only government intervention but also the active participation of non-state actors, including faith-based institutions that play a significant role in social redistribution. One of the most prominent instruments in Islamic socio-economic systems is zakat, which has substantial potential to reduce poverty and promote social welfare (Beik & Arsyanti, 2016; Kahf, 1999).

From a public administration perspective, zakat management can be understood as a form of public service delivery that requires effective and efficient governance. In line with the principles of good governance, zakat institutions are expected to ensure transparency, accountability, participation, and rule of law in managing public funds derived from the community (UNDP, 1997). Effective zakat services should be able to increase the number of contributors (*muzakki*), optimize distribution to beneficiaries (*mustahik*), and ensure the sustainable impact of zakat programs.

However, empirical evidence indicates a significant gap between the potential and realization of zakat collection in Indonesia. According to the National Zakat Board, the potential of zakat in Indonesia is estimated to reach IDR 327 trillion annually, while the actual collection remains far below this figure, accounting for only a small proportion of its potential (BAZNAS, 2024). This disparity reflects structural challenges such as low public trust, limited literacy on zakat, and a preference among individuals to distribute zakat directly rather than through formal institutions (Beik, 2015). Consequently, the effectiveness and efficiency of zakat management remain suboptimal.

In addition, the persistence of poverty indicates that zakat has not yet been fully optimized as a socio-economic instrument. Empirical evidence shows that a significant portion of society still relies on government assistance to meet basic needs, both in urban and remote rural areas. Data from the Central Bureau of Statistics (BPS) indicate that the urban poverty line in March 2025 increased by 2.24% compared to September 2024, while the rural poverty line rose by 2.42% during the same period (Antara News, 2025). These trends suggest that existing welfare interventions, including zakat, have not yet produced optimal outcomes in improving community well-being. In fact, if zakat funds are managed effectively, their impact could extend beyond economic welfare to broader dimensions such as education, health, and social development. However, the current condition reflects that zakat has not yet significantly contributed to improving the overall welfare of the Muslim community.

## **LITERATURE REVIEW**

Another critical issue lies in governance practices within zakat institutions. Previous studies have largely focused on specific aspects such as zakat distribution or regulatory frameworks, without integrating a comprehensive governance perspective that includes effectiveness, efficiency, institutional capacity, and community participation (Faishal, 2022; Tyas, 2024;

Qamruzzaman et al, 2026). This indicates a research gap in understanding zakat management as a multi-dimensional public service system grounded in good governance principles.

In the Indonesian context, disparities in zakat services between urban and rural areas, as well as variations in institutional performance, further highlight the need for governance reform. Issues such as lack of transparency, inaccurate beneficiary data, and limited technological integration contribute to declining public trust in zakat institutions. These challenges underline the importance of strengthening governance mechanisms to enhance service quality and institutional credibility.

Within this framework, the National Zakat Agency (BAZNAS) plays a strategic role as a formal institution responsible for managing zakat in Indonesia. As a public institution, BAZNAS is required to implement good governance principles to ensure that zakat management contributes effectively to poverty alleviation and social welfare. However, the extent to which these principles are implemented in practice, particularly in terms of effectiveness and efficiency, remains an important empirical question.

Therefore, this study seeks to analyze the implementation of good governance in zakat management by focusing on effectiveness and efficiency in public service delivery. It also aims to identify the key determinants influencing zakat service performance and to develop a conceptual framework that strengthens governance practices within zakat institutions. By integrating public administration theory with zakat management, this study contributes to the growing discourse on faith-based governance and offers practical insights for improving the performance of zakat institutions in Indonesia.

## **METHODOLOGY**

This study employs a qualitative approach with a descriptive case study design to examine the implementation of good governance in zakat management, with a focus on effectiveness and efficiency in public service delivery (Yin, 2018). The research was conducted at the National Zakat Agency (BAZNAS) of Baubau City, Southeast Sulawesi, Indonesia, as an institutional setting representing formal zakat governance at the local level. A qualitative approach was selected to enable an in-depth understanding of governance practices, service mechanisms, and institutional dynamics in zakat management.

Data were collected through multiple techniques, including in-depth interviews, direct observation, and document analysis. Primary data were obtained from key informants consisting of BAZNAS leaders, management staff, zakat contributors (*muzakki*), and beneficiaries (*mustahik*). Secondary data were derived from institutional reports, official documents, and relevant literature. The use of multiple sources and data collection methods allowed for triangulation, thereby enhancing the credibility and comprehensiveness of the findings.

Data analysis followed the interactive model of Miles, Huberman, and Saldaña, which consists of four stages: data collection, data condensation, data display, and conclusion drawing/verification (Miles et al., 2014). Data

condensation involved selecting, simplifying, and categorizing data to identify key themes related to effectiveness and efficiency in zakat services. The data were then systematically presented in a narrative form to facilitate interpretation. Conclusions were drawn iteratively and continuously verified to ensure analytical consistency. The validity of the data was ensured through source and method triangulation, enabling cross-checking among interviews, observations, and documentation.

## **RESEARCH RESULT**

The findings of this study provide a comprehensive overview of the current condition of zakat management at BAZNAS Baubau City, particularly in relation to how governance principles are implemented within the processes of collection, distribution, and utilization of zakat funds. Empirically, the institution has demonstrated a gradual transition from conventional and fragmented practices toward a more structured and institutionally driven system, as reflected in the adoption of administrative procedures, program-based service delivery, and efforts to improve accountability and service organization. Nevertheless, the overall performance of zakat management does not yet exhibit a fully consistent pattern, as variations can be observed across different dimensions and activities, indicating that the implementation of governance practices is still in a developing phase. These variations are not only shaped by internal institutional factors such as organizational capacity, resource management, and service mechanisms, but are also influenced by broader social dynamics, including community participation, public trust, and prevailing patterns of zakat practices within society. As a result, zakat management at BAZNAS Baubau reflects a complex interplay between institutional arrangements and socio-cultural contexts, where progress and limitations coexist within the same system. This condition provides an important foundation for further analysis, particularly in examining how effectiveness and efficiency are manifested in zakat governance and what underlying factors contribute to their performance.

### ***Implementation of the Principle of Effectiveness in Zakat Services in Realizing Good Governance at the National Amil Agency of Baubau City***

Effectiveness is a central concept in public administration, referring to the extent to which an institution is able to achieve its intended goals and deliver meaningful outcomes to society. In the context of public service, effectiveness is not only measured by the attainment of targets but also by the relevance and impact of services provided to the community (Denhardt & Denhardt, 2007; Mahmudi, 2019). Within zakat governance, effectiveness encompasses the institution's ability to manage the processes of collection, distribution, and utilization in a manner that contributes to social welfare and poverty alleviation. As a form of faith-based public service, zakat management requires not only administrative performance but also responsiveness to community needs and expectations.

In this study, effectiveness is conceptualized as a multi-dimensional construct that includes the achievement of institutional objectives, the accuracy

and timeliness of service delivery, and the extent to which zakat programs generate sustainable socio-economic benefits. This perspective is consistent with the broader literature on public sector performance, which emphasizes that effectiveness should be understood in terms of both outputs and outcomes, rather than merely procedural compliance (Boyne, 2003). Therefore, assessing effectiveness in zakat governance requires a comprehensive approach that considers various aspects of service delivery and their impact on beneficiaries.

Based on this conceptual framework, the effectiveness of zakat governance at BAZNAS Baubau City is examined through three main dimensions, namely zakat collection, zakat distribution, and zakat utilization. These dimensions represent the core functions of zakat management and provide a structured basis for analyzing how governance principles are implemented in practice. Each dimension reflects different aspects of service delivery and involves distinct challenges and operational dynamics.

#### *a. Effectiveness of Zakat Collection*

The findings of this study indicate that the effectiveness of zakat collection at BAZNAS Baubau City remains suboptimal, particularly when assessed in relation to the persistent gap between zakat potential and its actual realization. Although the institution has implemented various strategies, such as socialization programs, institutional outreach, and the gradual adoption of digital payment systems, the amount of zakat collected continues to fluctuate across different periods. This condition suggests that the effectiveness of zakat collection is not solely determined by administrative capacity or institutional arrangements, but is also significantly influenced by broader socio-economic and behavioral factors. In the context of public sector performance, effectiveness requires not only the achievement of targets but also the alignment between institutional mechanisms and public expectations (Mahmudi, 2019).

A major issue identified in this study is the structural gap between zakat potential and its realization, which indicates that zakat institutions have not yet fully succeeded in mobilizing available resources. This phenomenon is widely recognized in the literature on Islamic social finance, where several studies report that countries with large Muslim populations often experience difficulties in optimizing zakat collection despite substantial potential (Aprullah, 2026). In the case of BAZNAS Baubau, this gap reflects limitations in institutional reach, public engagement, and the effectiveness of existing fundraising strategies.

Furthermore, the fluctuation in the number of muzakki demonstrates that participation in formal zakat institutions remains inconsistent. This instability highlights the importance of trust as a key determinant of zakat compliance. Individuals are more likely to channel their zakat through institutions that are perceived as transparent, accountable, and professionally managed (Saad et al., 2014). Although BAZNAS Baubau has introduced transparency measures such as financial reporting and program dissemination, these efforts have not yet resulted in sustained public trust. This finding suggests that trust-building requires not only formal accountability mechanisms but also continuous engagement and the demonstration of tangible social impact.

In addition to trust, zakat literacy emerges as an important factor influencing participation in institutional zakat systems. The findings indicate that many individuals still perceive zakat as a personal and immediate religious obligation that can be fulfilled through direct giving, rather than as part of a structured system designed to achieve broader socio-economic outcomes. This limited understanding reduces the role of formal institutions and weakens their capacity to manage zakat funds strategically. Previous studies have similarly found that low levels of zakat literacy contribute significantly to the underperformance of zakat collection systems (Sulthan & Fahrullah, 2025).

Moreover, the persistence of direct zakat distribution practices reflects deeply rooted socio-cultural norms that prioritize personal relationships and immediacy over institutional processes. While such practices are socially meaningful, they create fragmentation in zakat management and limit the effectiveness of formal institutions in coordinating resource allocation. From a governance perspective, this condition highlights the tension between formal institutional frameworks and informal social practices, where the latter often operates outside regulatory systems and reduces institutional effectiveness. Similar patterns have been observed in other Muslim-majority contexts, where informal giving practices remain a significant challenge in strengthening formal zakat systems (Alimusa et al., 2025).

These findings indicate that improving the effectiveness of zakat collection requires a multidimensional approach that integrates institutional strengthening with social transformation. Efforts to enhance collection performance should include strategies to build public trust, improve zakat literacy, and align institutional practices with local socio-cultural dynamics. In this regard, zakat institutions need to position themselves not only as administrative bodies but also as credible and impactful public service entities capable of delivering tangible benefits to society. Such an approach is essential to transform zakat collection into a more effective system that contributes to sustainable poverty alleviation and social welfare.

#### ***b. Effectiveness of Zakat Distribution***

The findings of this study indicate that the effectiveness of zakat distribution at BAZNAS Baubau City is relatively strong, particularly in terms of target accuracy. The institution has implemented a systematic and multi-layered mechanism for identifying eligible beneficiaries (*mustahik*), including administrative screening, field verification, and community-based validation. This approach reduces the risk of targeting errors and ensures that zakat funds are allocated to individuals who meet the established criteria. The involvement of local actors, such as community leaders and religious figures, further enhances the legitimacy of the distribution process, as decisions are supported not only by institutional procedures but also by social recognition within the community.

From a governance perspective, this participatory mechanism reflects the principle of inclusiveness in public service delivery, where stakeholders are actively involved in decision-making processes. Such practices align with the New Public Service (NPS) paradigm, which emphasizes that effective

governance is achieved through collaboration between institutions and citizens rather than through purely hierarchical approaches (Denhardt & Denhardt, 2007). In the context of zakat management, community involvement plays a dual role in improving targeting accuracy and strengthening institutional trust, both of which are essential for enhancing overall governance effectiveness.

Despite these strengths, the study also reveals several limitations that affect the effectiveness of zakat distribution. One of the main challenges relates to timeliness, where delays in distribution are observed due to administrative procedures, verification processes, and logistical constraints, particularly in areas with limited infrastructure. These delays can reduce the responsiveness of zakat services and limit their immediate impact on beneficiaries. In addition, the absence of an integrated and continuously updated database of mustahik increases the risk of duplication and exclusion errors, thereby reducing the overall efficiency and accuracy of distribution. Previous studies have emphasized that timely and well-coordinated distribution is critical in maximizing the impact of zakat, particularly in addressing urgent socio-economic needs (Ahmed, 2004; Beik & Arsyanti, 2016).

An important empirical insight from this study is the role of community-based validation as a key mechanism in enhancing distribution effectiveness. By involving local communities in the identification and verification of beneficiaries, BAZNAS Baubau is able to access more accurate and context-specific information that may not be captured through formal administrative systems. This approach reflects a shift toward collaborative governance, where public services are co-produced through interaction between institutions and society. Such a model has been widely recognized in governance literature as an effective strategy for improving service delivery outcomes, particularly in socially embedded institutions (Denhardt & Denhardt, 2007).

Furthermore, the study finds that the integration of local cultural values into zakat distribution practices contributes significantly to both effectiveness and social acceptance. By aligning distribution strategies with local traditions and religious practices, BAZNAS Baubau enhances the relevance and accessibility of its services. This culturally adaptive approach strengthens social cohesion and increases institutional legitimacy, as the organization is perceived as responsive to local needs and values. This finding supports previous research indicating that culturally embedded governance approaches can improve the effectiveness of public service delivery, especially in faith-based and community-oriented institutions (Gazali & Alias, 2024).

These findings suggest that although zakat distribution at BAZNAS Baubau has achieved a relatively high level of effectiveness in terms of targeting accuracy and community engagement, further improvements are needed in enhancing timeliness, data integration, and logistical coordination. Strengthening these aspects will be essential to ensure that zakat distribution not only reaches the right beneficiaries but also delivers timely and sustainable impact, thereby reinforcing the role of zakat as an effective instrument for social welfare.

*c. Effectiveness of Zakat Utilization*

The findings of this study indicate that zakat utilization at BAZNAS Baubau City has undergone a significant transformation from a predominantly consumptive approach toward a more productive and empowerment-oriented model. This shift reflects an institutional effort to reposition zakat not merely as a short-term relief mechanism, but as a strategic instrument for long-term socio-economic development. Various programs have been implemented, including economic empowerment initiatives, educational assistance, health support, and social welfare programs, all of which aim to improve the overall quality of life of beneficiaries (*mustahik*). This transformation demonstrates that zakat utilization has evolved into a more structured and programmatic intervention designed to address the underlying causes of poverty. From a public governance perspective, such an approach reflects the principle of effectiveness, where public resources are managed to generate sustainable and meaningful outcomes (Mahmudi, 2019).

Despite this progress, the study reveals that the effectiveness of zakat utilization remains uneven across different programs. While certain initiatives have successfully contributed to improving beneficiaries' economic conditions, others have shown limited impact due to constraints related to program design, implementation capacity, and beneficiary readiness. In several cases, beneficiaries face difficulties in sustaining economic activities due to limited skills, insufficient mentoring, and external economic pressures. These findings indicate that productive zakat programs require more than financial support; they must be complemented by continuous capacity-building, supervision, and access to broader economic opportunities. This is consistent with previous studies, which emphasize that the success of productive zakat is highly dependent on the integration of financial assistance with institutional support and human capital development (Maryani et al., 2025).

A key contribution of this study is the identification of the transformation of *mustahik* into *muzakki* as an important indicator of effectiveness in zakat utilization. This concept represents a shift from conventional output-based evaluation, which focuses primarily on the number of beneficiaries or the amount of funds distributed, toward an outcome-oriented perspective that emphasizes long-term socio-economic mobility. The findings suggest that when zakat programs are implemented effectively, beneficiaries are able to improve their economic conditions and gradually transition from recipients to contributors within the zakat system. This transformation reflects a sustainable cycle of Islamic social finance, where zakat functions not only as a redistributive mechanism but also as a driver of economic empowerment. This perspective is supported by Kahf (1999), who argues that zakat has the potential to create structural economic change when managed strategically and productively.

Furthermore, the effectiveness of zakat utilization is closely linked to the institution's ability to design context-specific programs that are aligned with local socio-economic conditions. Programs that consider the characteristics, needs, and capacities of beneficiaries tend to produce more sustainable outcomes compared to uniform and standardized approaches. This highlights the

importance of adaptive governance in zakat management, where flexibility and responsiveness are essential to achieving program effectiveness. In addition, continuous monitoring and evaluation play a crucial role in ensuring that programs remain relevant, accountable, and impactful. Without systematic evaluation, it becomes difficult to assess program performance and implement necessary improvements. This aligns with the broader principles of good governance, which emphasize accountability not only in financial reporting but also in achieving measurable and sustainable outcomes (Mutya & Maulina, 2025).

These findings indicate that zakat utilization at BAZNAS Baubau has made meaningful progress toward a more sustainable and empowerment-based approach, although further improvements are required to enhance program consistency and long-term impact. Strengthening mentoring systems, improving beneficiary capacity, and integrating monitoring and evaluation mechanisms are essential to optimize program effectiveness. More importantly, the concept of mustahik-to-muzakki transformation provides a new analytical framework for evaluating zakat governance, offering both theoretical advancement and practical implications for the development of Islamic social finance.

### ***Implementation of the Principle of Efficiency in Zakat Services in Realizing Good Governance at the National Zakat Amil Agency of Baubau City***

Efficiency is a key dimension in evaluating the performance of zakat governance, particularly in relation to how effectively institutions utilize resources to achieve their objectives. In the context of public service, efficiency extends beyond cost minimization to include the optimal use of financial, human, technological, and organizational resources in delivering services (Mahmudi, 2019). The findings of this study indicate that while BAZNAS Baubau has made efforts to improve efficiency through digitalization, cost management, and institutional coordination, the level of efficiency remains uneven across different aspects of zakat management. This suggests that efficiency is multidimensional and influenced by both internal capacity and external contextual factors.

#### ***a. Efficiency of Zakat Collection***

The findings of this study indicate that the efficiency of zakat collection at BAZNAS Baubau City can be assessed through key dimensions, including the ratio of operational costs to collected funds, the utilization of technology, and the productivity of amil (zakat administrators). These indicators reflect how effectively the institution converts available resources into collection outcomes. Empirically, BAZNAS Baubau has made efforts to maintain operational efficiency by controlling administrative costs and optimizing resource allocation within acceptable regulatory standards. However, the efficiency of collection remains sensitive to fluctuations in the volume of zakat funds, as lower collection levels tend to increase the relative burden of operational costs. This suggests that efficiency in zakat collection is not solely dependent on cost control, but also on the institution's ability to sustain and expand fundraising performance. Similar findings have been highlighted in previous studies, which emphasize the

interdependence between cost efficiency and revenue generation in zakat institutions (Muslimah & Akbar, 2021)).

The use of technology plays a significant role in enhancing collection efficiency by reducing transaction costs, improving administrative accuracy, and expanding access to zakat services. The adoption of digital platforms, such as online payment systems and management information systems, enables broader outreach while minimizing reliance on physical infrastructure. Nevertheless, the effectiveness of digitalization remains constrained by limited digital literacy among both staff and the community, as well as the continued preference for conventional payment methods. This indicates that technological efficiency gains are contingent upon user adoption and institutional readiness, as emphasized in prior studies on Islamic financial institutions (Kurniawati et al., 2024).

In addition, human resource capacity represents a critical determinant of efficiency in zakat collection. The productivity of amil varies depending on their competencies, workload distribution, and access to institutional support. Higher levels of efficiency are achieved when amil are supported by adequate training, clear performance targets, and effective coordination mechanisms. Conversely, limitations in capacity and uneven task allocation reduce productivity and weaken collection outcomes. This finding reinforces the importance of professionalization in zakat management, where the competence and accountability of administrators directly influence institutional performance (Saad et al., 2014).

These findings indicate that while BAZNAS Baubau has achieved a relatively acceptable level of efficiency in zakat collection, further improvements are required in strengthening fundraising capacity, enhancing digital adoption, and developing human resources. A balanced integration of financial management, technological innovation, and organizational capacity is essential to optimize efficiency and improve the institution's ability to mobilize zakat resources effectively.

#### ***b. Efficiency of Zakat Distribution***

The findings of this study indicate that the efficiency of zakat distribution at BAZNAS Baubau City is reflected in the institution's ability to optimize operational costs, ensure timely delivery of assistance, and utilize distribution networks effectively to reach beneficiaries. Efficiency in this dimension is not only measured by the proportion of funds allocated to beneficiaries relative to operational expenses, but also by how quickly and effectively zakat resources are delivered to those in need. Empirically, the results show that BAZNAS Baubau has implemented several mechanisms to improve distribution efficiency, including coordinated distribution planning, collaboration with local stakeholders, and the use of community-based networks to support service delivery.

In terms of the ratio of distribution costs to the funds disbursed, the findings suggest that BAZNAS Baubau has maintained a relatively controlled level of operational expenditure, allowing a significant proportion of zakat funds to be directly allocated to beneficiaries. This indicates a positive effort to

minimize administrative overhead and maximize the social impact of zakat distribution. However, the efficiency of this ratio is influenced by fluctuations in the volume of funds distributed and the geographical scope of distribution activities. In areas that require extensive logistical arrangements, operational costs tend to increase, which may affect the overall efficiency ratio. This finding highlights that efficiency in distribution is context-dependent and influenced by external factors such as geographic conditions and infrastructure availability. Similar observations have been made in previous studies, which emphasize that logistical constraints are a major determinant of efficiency in zakat distribution systems (Al-Faruq et al., 2025).

Another important indicator of distribution efficiency is the speed of zakat delivery. The study finds that BAZNAS Baubau has made efforts to ensure timely distribution, particularly during critical periods such as religious events and emergency situations. The institution prepares beneficiary data in advance and coordinates distribution schedules to reduce delays. However, despite these efforts, delays still occur in certain cases due to administrative procedures, verification processes, and logistical limitations. These delays may reduce the responsiveness of zakat services and affect the perceived reliability of the institution among beneficiaries. From a governance perspective, timeliness is a critical component of service quality, as delays in service delivery can diminish the effectiveness and impact of public interventions. Previous research has also highlighted that the timeliness of zakat distribution is essential for ensuring that assistance reaches beneficiaries when it is most needed (Nor et al., 2024).

In addition to cost and timeliness, the optimization of distribution networks plays a significant role in enhancing efficiency. The findings reveal that BAZNAS Baubau utilizes a combination of institutional coordination and community-based networks to facilitate distribution. Collaboration with local government agencies, religious institutions, and community organizations enables the institution to expand its reach while reducing operational costs. By leveraging existing social structures, BAZNAS Baubau can distribute zakat more efficiently without relying solely on its internal resources. This approach reflects the concept of network governance, where public service delivery is supported by partnerships and collaboration among multiple actors (Denhardt & Denhardt, 2007).

Nevertheless, the study also identifies that the effectiveness of distribution networks is still limited by the absence of fully integrated data systems and standardized coordination mechanisms. In some cases, overlapping responsibilities and lack of coordination among stakeholders can lead to inefficiencies and duplication of efforts. This suggests that while network-based approaches can enhance efficiency, they require strong coordination and information-sharing systems to function effectively.

Overall, the findings indicate that the efficiency of zakat distribution at BAZNAS Baubau is relatively adequate, particularly in terms of cost control and network utilization, but still requires improvement in timeliness and system integration. Enhancing efficiency in this dimension will require strengthening logistical planning, improving data management systems, and reinforcing

coordination among stakeholders. By addressing these challenges, zakat institutions can improve the effectiveness of distribution processes and maximize the impact of zakat in supporting social welfare.

*c. Efficiency of Zakat Utilization*

The findings of this study indicate that the efficiency of zakat utilization at BAZNAS Baubau City is reflected in the institution's ability to allocate resources in a manner that maximizes output and social impact relative to the costs incurred. Efficiency in this dimension is not only measured by the financial ratio between program costs and outputs but also by the extent to which zakat programs generate sustainable benefits for beneficiaries. This implies that zakat utilization should be evaluated based on both quantitative indicators, such as the number of beneficiaries reached, and qualitative outcomes, such as improvements in socio-economic conditions. Empirically, the results show that BAZNAS Baubau has made efforts to implement program-based utilization strategies that aim to optimize the impact of zakat funds through structured and targeted interventions.

In terms of the comparison between program costs and the outputs generated, the findings suggest that BAZNAS Baubau has achieved a relatively efficient allocation of resources, particularly in programs that focus on economic empowerment and social development. Programs that are designed with clear objectives, targeted beneficiaries, and structured implementation tend to produce higher output relative to the costs incurred. However, variations in program effectiveness indicate that efficiency is influenced by the quality of program design and the capacity of beneficiaries to utilize the assistance effectively. In some cases, programs with higher initial costs may produce greater long-term benefits, while others with lower costs may have limited impact due to insufficient support mechanisms. This finding highlights that efficiency in zakat utilization should not be assessed solely based on cost minimization but must also consider the long-term value created by the programs. This perspective is consistent with the literature on development-oriented social finance, which emphasizes that efficient resource allocation is closely linked to sustainable impact rather than short-term outputs (Dev et al., 2025).

Another important indicator of efficiency identified in this study is the number of beneficiaries (mustahik) assisted per unit of cost. The findings indicate that BAZNAS Baubau has been able to reach a considerable number of beneficiaries relative to the resources utilized, suggesting a relatively efficient use of funds. However, the distribution of beneficiaries across different programs is not uniform, with some programs reaching a larger number of individuals while others focus on more intensive support for a smaller group. This variation reflects different strategic approaches in zakat utilization, where some programs prioritize breadth of coverage while others emphasize depth of impact. From a governance perspective, both approaches can be considered efficient depending on the intended objectives, as long as the allocation of resources is aligned with the desired outcomes.

Despite these positive aspects, the study also identifies several challenges that affect the efficiency of zakat utilization, particularly in relation to program sustainability and monitoring. The absence of a fully integrated monitoring and evaluation system limits the institution's ability to assess program performance and identify areas for improvement. Without systematic evaluation, it becomes difficult to determine whether the resources allocated have produced optimal results or whether adjustments are needed to improve efficiency. This finding underscores the importance of incorporating performance measurement frameworks into zakat management to ensure that resource utilization is continuously optimized. Previous studies have similarly highlighted that monitoring and evaluation are essential components of effective and efficient zakat management, as they enable institutions to measure impact and improve program design (Adinugroho et al., 2024).

Furthermore, the efficiency of zakat utilization is closely linked to the availability of supporting systems, including mentoring, training, and follow-up assistance for beneficiaries. Programs that are supported by continuous guidance and supervision tend to produce more sustainable outcomes, thereby increasing overall efficiency. In contrast, programs that rely solely on one-time financial assistance without follow-up support may result in lower long-term impact, reducing the overall efficiency of resource utilization. This finding suggests that efficiency in zakat utilization is not only a matter of financial allocation but also of institutional support and program management.

Overall, the findings indicate that while BAZNAS Baubau has demonstrated a relatively efficient approach in zakat utilization, particularly in terms of resource allocation and beneficiary reach, further improvements are needed in strengthening monitoring systems, enhancing program sustainability, and optimizing support mechanisms. By addressing these challenges, zakat institutions can improve the efficiency of utilization processes and maximize the long-term impact of zakat in promoting socio-economic development.

The findings of this study demonstrate that zakat governance at BAZNAS Baubau City is characterized by a dynamic interaction between effectiveness, efficiency, and a set of institutional and socio-cultural determinants that collectively shape organizational performance. The analysis across the dimensions of collection, distribution, and utilization indicates that zakat management has undergone a gradual transformation toward a more structured and governance-oriented system. Nevertheless, this transformation remains incomplete, as variations in performance across different dimensions suggest that governance practices have not yet been fully institutionalized. The coexistence of strengths, such as improved targeting accuracy, the adoption of digital tools, and the emergence of productive zakat programs with persistent challenges, such as fluctuating collection levels, logistical constraints, and limited data integration, reflects a transitional stage in the development of zakat governance.

These findings carry important theoretical implications by reinforcing the need to understand zakat management as a hybrid governance system that integrates formal institutional mechanisms with informal socio-cultural

dynamics. The interaction between regulatory frameworks, human resource capacity, technological infrastructure, and community participation demonstrates that governance performance is not determined by isolated variables, but by the alignment and integration of multiple components within a broader system. This perspective contributes to expanding the application of good governance theory in the context of Islamic social finance, where social legitimacy and community trust play a central role alongside administrative accountability. In addition, the identification of *mustahik-to-muzakki* transformation as an indicator of effectiveness introduces a more outcome-oriented approach to evaluating zakat performance, thereby shifting the focus from short-term outputs toward long-term socio-economic impact.

From a practical perspective, the findings highlight several strategic areas that require attention in order to improve zakat governance. Strengthening public trust through consistent transparency and effective communication is essential to enhance participation in zakat collection. At the same time, improving data governance and integrating information systems will be critical in addressing inefficiencies in distribution and utilization processes. The development of human resource capacity, particularly in terms of digital skills and program management, is also necessary to support institutional performance. Furthermore, expanding collaborative networks with government agencies, community organizations, and religious institutions can enhance both effectiveness and efficiency by leveraging existing social structures. These strategies indicate that improving zakat governance requires a comprehensive approach that combines institutional reform with social engagement.

The study also implies that the future development of zakat management should move toward a more impact-oriented model, where success is measured not only by the volume of funds collected and distributed but also by the extent to which zakat contributes to sustainable socio-economic transformation. In this regard, productive zakat programs and continuous monitoring mechanisms play a crucial role in ensuring that zakat utilization generates long-term benefits for beneficiaries. Strengthening these aspects will enable zakat institutions to function more effectively as instruments of social welfare and poverty alleviation.

These findings provide a foundation for further research on zakat governance, particularly in exploring comparative studies across different regions and institutional contexts, as well as in developing more refined models for measuring the impact of zakat. By advancing both theoretical understanding and practical application, this study contributes to positioning zakat as a strategic component of modern public governance and social finance systems.

## **CONCLUSION AND RECOMMENDATION**

This study demonstrates that zakat governance at BAZNAS Baubau City has undergone a gradual transformation toward a more structured and institutionally driven system, although its implementation remains uneven across the dimensions of collection, distribution, and utilization. In terms of effectiveness, zakat management shows relatively strong performance in

beneficiary targeting and program implementation, particularly through community-based validation mechanisms that enhance accuracy and social legitimacy. However, challenges persist in optimizing zakat collection due to fluctuating participation, limited public trust, and low zakat literacy. Similarly, while distribution mechanisms have improved, issues related to timeliness and data integration continue to affect service responsiveness.

From an efficiency perspective, zakat governance reflects a relatively adequate level of resource optimization, particularly through the use of digital technologies and collaborative networks that help reduce operational costs and expand service reach. Nevertheless, inefficiencies remain in areas such as logistical coordination, data management, and human resource capacity, which limit the overall performance of zakat services. In addition, zakat utilization has shown a positive shift from consumptive to productive approaches, although variations in program outcomes indicate the need for stronger mentoring systems, continuous evaluation, and improved program sustainability.

This study contributes theoretically by conceptualizing zakat governance as a hybrid system that integrates formal institutional mechanisms with socio-cultural dynamics, emphasizing the role of trust and community participation in shaping governance outcomes. Furthermore, it introduces the transformation of mustahik into muzakki as a novel indicator of effectiveness, highlighting the importance of long-term socio-economic impact in evaluating zakat performance. These findings suggest that improving zakat governance requires a comprehensive approach that combines institutional strengthening, technological innovation, and community engagement to enhance both effectiveness and efficiency.

#### **ADVANCED RESEARCH**

This study highlights that zakat governance at BAZNAS Baubau City is evolving into a more structured hybrid system integrating institutional mechanisms and socio-cultural dynamics. While effectiveness is evident in beneficiary targeting and community-based validation, challenges persist in collection, distribution timeliness, and data integration due to limited trust and zakat literacy. Efficiency has improved through digitalization and collaboration, though constraints in logistics, data management, and human resources remain. The study also emphasizes a shift toward productive zakat utilization and introduces the transformation of mustahik into muzakki as a key indicator of long-term effectiveness, suggesting the need for integrated institutional, technological, and community-based improvements.

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