

The Impact of Effectiveness of Zakat Management and Transparency of the Use of Zakat Funds on Improving Welfare and Community Empowerment in Central Java

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ABSTRAK

Penelitian ini menyelidiki dampak dari efektivitas pengelolaan zakat and transparansi penggunaan anda terhadap peningkatan kesejahteraan and pemberdayaan masyarakat di Jawa Tengah, Indonesia. Pendekatan kuantitatif, dengan menggunakan Structural Equation Modeling dengan analisis Partial Least Squares, digunakan untuk menganalisis data yang dikumpulkan dari 135 responden, termasuk penerima zakat and pemangku kepentingan. Hasil penelitian menunjukkan adanya hubungan positif yang signifikan antara efektivitas pengelolaan zakat, transparansi penggunaan anda, peningkatan kesejahteraan, and pemberdayaan masyarakat. Praktik pengelolaan Zakat yang efisien and penggunaan anda yang transparan terbukti berpengaruh positif terhadap peningkatan kesejahteraan and pemberdayaan masyarakat, yang menyoroti pentingnya mekanisme tata kelola and akuntabilitas dalam distribusi Zakat. Temuan ini memiliki implikasi penting bagi para pembuat kebijakan, lembaga zakat, and pemangku kepentingan yang terlibat dalam pengelolaan zakat, yang menekankan perlunya peningkatan transparansi and pemerataan distribusi anda zakat untuk mendorong pembangunan sosial-ekonomi and pemberdayaan masyarakat di Jawa Tengah.

Kata Kunci: *Pengelolaan Zakat, Transparansi, Pendayagunaan Anda, Peningkatan Kesejahteraan, Pemberdayaan Masyarakat*

ABSTRACT

This research investigates the impact of Zakat management effectiveness and transparency of fund utilization on welfare improvement and community empowerment in Central Java, Indonesia. A quantitative approach, utilizing Structural Equation Modeling with Partial Least Squares analysis, was employed to analyze data collected from 135 respondents, including Zakat beneficiaries and stakeholders. The results indicate significant positive relationships between Zakat management effectiveness, transparency of fund utilization, welfare improvement, and community empowerment. Efficient Zakat management practices and transparent fund utilization are found to positively influence welfare improvement and community empowerment, highlighting the importance of governance mechanisms and accountability in Zakat distribution. These findings have important implications for policymakers, Zakat institutions, and stakeholders involved in Zakat management, emphasizing the need for enhanced transparency and equitable distribution of Zakat funds to promote socio-economic development and empowerment in Central Java.

Keywords: *Zakat Management, Transparency, Fund Utilization, Welfare Improvement, Community Empowerment*

INTRODUCTION

Zakat, a fundamental tenet of Islam, acts as a potent tool for wealth redistribution and social welfare (Citra et al., 2023; Mokodenseho & Puspitaningrum, 2022; Muhafidin, 2023). In Indonesia,

particularly in Central Java, Zakat plays a crucial role in combating poverty and promoting community advancement (Anggraini et al., 2022; Nurhalim et al., 2022). Studies highlight the positive impact of Zakat on poverty levels in Central Java, emphasizing the need for increased collection and distribution of Zakat funds to alleviate poverty effectively (Fitriani, n.d.). Furthermore, the potential for Zakat in Indonesia is substantial, indicating its viability as an alternative approach to addressing poverty issues in the country. By optimizing Zakat utilization through community-based initiatives, such as productive Zakat assistance programs, Indonesia can work towards reducing economic inequality and fostering holistic development.

The effectiveness of Zakat management and the transparency of fund utilization play crucial roles in influencing the socioeconomic impact of Zakat (Aini, 2022; Sarib et al., 2023). While Zakat funds are widely collected and distributed in Indonesia, including Central Java, there is a gap in understanding how these funds are managed, allocated, and utilized, and how these practices impact community welfare and empowerment (Hendri, 2022; Qodiryani & Amelia, 2022; Willya et al., 2023). Studies have shown that the distribution of Zakat funds can significantly affect the welfare of Mustahiq, with programs focusing on business empowerment, education, and health services (Putra et al., 2023). Additionally, the use of fintech in Zakat management has been highlighted as a way to ensure efficiency, trust, coordination, and compliance, potentially enhancing the impact of Zakat on poverty reduction (Judijanto et al., 2023; Uddin & Sultana, 2022).

Central Java's socio-economic landscape, marked by disparities, sees Zakat as a crucial tool for empowering marginalized communities (Arwani et al., 2022; Sholikhah & Efendi, 2022). Zakat's effective utilization relies on efficient management, transparency, and accountability (Herianingrum et al., 2024). Studies highlight Zakat's role in economic growth, poverty reduction, and empowering mustahiq through productive initiatives (IRWAN & AWWALUNNISA, 2022; Y. C. Pratama, 2015). In Indonesia, Zakat programs prioritize mustahiq potential and long-term impacts, leading to poverty alleviation. Notably, Zakat distributions in social and educational sectors significantly reduce poverty levels in Indonesia. Amid the COVID-19 pandemic, Zakat has been instrumental in economic recovery efforts, aiding in poverty reduction in regions like West Nusa Tenggara. Therefore, optimizing Zakat management is crucial for leveraging its potential in uplifting marginalized communities and fostering socio-economic development in Central Java.

Efficient Zakat management and fund transparency are crucial for maximizing the impact of Zakat on poverty alleviation and social welfare. Effective management ensures timely distribution to beneficiaries, while transparency builds trust, enhances accountability, and involves communities in decision-making processes (Edryani, 2023; Ikhsan, 2023; Wahab & Rahim Abdul Rahman, 2011). Research in Central Java highlights the need to empirically study the relationship between Zakat management practices, fund transparency, and their impact on welfare and empowerment indicators. Improving Zakat accounting, internal control, and professionalism can enhance fund transparency, ultimately benefiting welfare and community empowerment (Adiwijaya & Kusmayadi, 2022; Asmuin, 2023; Judijanto et al., 2024). This quantitative analysis aims to fill the gap in understanding how Zakat management effectiveness and transparency influence socio-economic development outcomes in Central Java.

The primary objectives of this study encompass assessing the effectiveness of Zakat management and evaluating the transparency of Zakat fund utilization in Central Java. Additionally, it aims to analyze how the effectiveness of Zakat management and fund transparency impact welfare improvement and examine their relationship with community empowerment. Ultimately, the study seeks to offer recommendations for enhancing Zakat management practices and fund transparency to foster community welfare and empowerment in the region.

LITERATURE REVIEW

A. Zakat Management Effectiveness

Zakat management effectiveness, encompassing efficiency and efficacy in fund collection, distribution, and utilization, is crucial for achieving its intended impact. Studies like those by El Ashfahany and Hadi Ryandono et al. emphasize the importance of efficient Zakat institutions (El Ashfahany & Ishlahudin, 2023; Ryandono et al., 2023). Additionally, research by Saad et al. highlights the significance of stakeholder collaboration and capacity-building for enhancing Zakat revenue generation (Titin et al., 2022; Zuhriyah et al., 2022). Furthermore, the study by Degely and Rahmawati stresses the need for measuring financial performance efficiency in Zakat management organizations (Degely & Rahmawati, 2023). These factors, including institutional capacity, governance structures, and stakeholder engagement, play vital roles in optimizing Zakat distribution channels, ensuring transparency, and enhancing effectiveness at both local and national levels.

B. Transparency in Zakat Fund Utilization

Transparency plays a crucial role in ensuring accountability, building trust among stakeholders, and facilitating informed decision-making processes within Zakat institutions. Research indicates that transparency in Zakat fund utilization is essential for enhancing credibility, legitimacy, and donor confidence. Studies emphasize the significance of clear and accessible information on Zakat revenues, expenditures, and impact to foster greater donor satisfaction and participation, ultimately improving the effectiveness of Zakat initiatives (Adina et al., 2021; Edryani, 2023; Febriandika et al., 2023; Muhammad & Saad, 2016; Waliyulloh & Hasibuan, n.d.). Scholars advocate for enhanced transparency in Zakat reporting practices to not only strengthen accountability but also to promote donor trust and willingness to contribute towards Zakat causes.

C. Impact of Zakat on Welfare Improvement

Zakat plays a crucial role in welfare improvement, particularly in poverty alleviation, healthcare provision, education support, and livelihood enhancement (Hanifah et al., 2023; Herianingrum et al., 2024; S. D. Pratama, 2023; Titin et al., 2022). Research indicates that Zakat interventions in Indonesia have significantly contributed to poverty reduction and enhanced access to basic services for beneficiary households (Muhafidin, 2023). Moreover, studies have shown a positive correlation between Zakat disbursements

and improvements in healthcare outcomes, especially for vulnerable populations, highlighting the positive impact of Zakat on welfare indicators. These empirical findings underscore the importance of Zakat in enhancing the well-being of individuals and communities by addressing various aspects of welfare through targeted interventions and support programs.

D. Zakat and Community Empowerment

Community empowerment through Zakat involves enhancing individuals' and communities' capacity, agency, and participation in decision-making and socio-economic activities. Scholars have underscored Zakat's role in fostering sustainable livelihoods, entrepreneurship, and social cohesion within communities. Research by Ahmad et al. (2020) emphasizes that Zakat programs, focused on empowering beneficiaries and promoting self-reliance, can lead to long-term socio-economic development outcomes. Additionally, Al-Qarni et al. (2019) highlight the significance of community engagement in Zakat initiatives, showcasing the potential for grassroots efforts to drive impactful change and empowerment at the local level. By prioritizing community involvement and self-sufficiency, Zakat programs can effectively contribute to sustainable development and meaningful socio-economic progress within societies (El Ayyubi et al., 2023; Herianingrum et al., 2024; Hikmah et al., 2023; Siswandi et al., 2023).

METODE PENELITIAN

A. Research Design

This study adopts a quantitative research approach to investigate the impact of Zakat management effectiveness and transparency of fund utilization on welfare improvement and community empowerment in Central Java. The research design involves the administration of structured surveys to Zakat beneficiaries and stakeholders involved in Zakat management and distribution. The quantitative methodology allows for the systematic collection and analysis of data to examine the relationships between variables and test hypotheses.

B. Sampling

The target population for this study comprises Zakat beneficiaries and stakeholders, including recipients of Zakat assistance, Zakat institution staff, government officials, and representatives from civil society organizations involved in Zakat management in Central Java. A stratified random sampling technique will be employed to ensure representativeness and diversity within the sample. The population will be stratified based on geographic location (districts or municipalities) and socio-economic characteristics. With a target sample size of 135 respondents, sample size calculations will be based on the desired level of confidence and margin of error.

C. Data Collection

Primary data will be collected through structured surveys administered to the selected respondents. The survey instrument will be designed to capture information on various aspects

related to Zakat management effectiveness, transparency of fund utilization, welfare improvement, and community empowerment. The questionnaire will include closed-ended questions, Likert-scale items, and demographic variables to ensure comprehensive data collection.

D. Data Analysis

The data collected for this study will be subjected to analysis using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) analysis, a robust statistical technique suitable for analyzing complex relationships between multiple variables and latent constructs. The analysis process will involve several key steps. Firstly, the Measurement Model Assessment will ensure the reliability and validity of constructs and indicators through assessments of internal consistency (Cronbach's alpha), convergent validity (factor loadings), and discriminant validity (Fornell-Larcker criterion). Subsequently, Structural Model Estimation will be conducted to examine relationships between latent constructs and test research hypotheses using PLS regression analysis to assess direct and indirect effects of Zakat management effectiveness and fund transparency on welfare improvement and community empowerment. Bootstrapping techniques will be applied to assess the significance of path coefficients and test hypotheses, particularly beneficial for small sample sizes, by generating more accurate standard errors and confidence intervals. Finally, Model Evaluation will be undertaken, assessing the overall fit of the structural model through goodness-of-fit measures such as the coefficient of determination (R^2) and the goodness-of-fit index (GoF), providing insights into the model's explanatory power and predictive ability for dependent variables.

HASIL AND PEMBAHASAN

A. Demographic Sample

This section presents the demographic characteristics of the sample population involved in the study, which comprises 135 respondents, including Zakat beneficiaries and stakeholders engaged in Zakat management and distribution in Central Java. The demographic profile encompasses variables such as age, gender, education level, occupation, and income. The majority of respondents are male (55.6%), with the largest age groups being 31-45 years (40.7%) and 18-30 years (33.3%). Regarding education level, a significant proportion hold a bachelor's degree (33.3%), followed by diploma holders (29.6%). The largest occupational group comprises employed individuals (44.4%), while self-employed individuals account for 22.2% of the sample. In terms of monthly income, the majority earn between 2-5 million IDR (37.0%), followed by those earning below 2 million IDR (29.6%). This demographic profile provides insights into the socio-economic characteristics of Zakat beneficiaries and stakeholders in Central Java.

B. Measurement Model

The results of the Structural Equation Modeling (SEM) analysis with Partial Least Squares (PLS) reveal significant loading factors, Cronbach's alpha, composite reliability, and average variance extracted for each variable in the model.

Table 1. Measurement Model

| Variable | Code | Loading Factor | Cronbach's Alpha | Composite Reliability | Average Variant Extracted |
|------------------|------|----------------|------------------|-----------------------|---------------------------|
| Zakat Management | ZM.1 | 0.841 | 0.878 | 0.925 | 0.804 |

| | | | | | |
|--|------|-------|-------|-------|-------|
| | ZM.2 | 0.937 | | | |
| | ZM.3 | 0.909 | | | |
| Transparency of the Use of Zakat Funds | TZ.1 | 0.779 | 0.797 | 0.881 | 0.712 |
| | TZ.2 | 0.885 | | | |
| | TZ.3 | 0.865 | | | |
| Improving Welfare | IW.1 | 0.841 | 0.754 | 0.859 | 0.670 |
| | IW.2 | 0.828 | | | |
| | IW.3 | 0.784 | | | |
| Community Empowerment | CE.1 | 0.737 | 0.750 | 0.858 | 0.670 |
| | CE.2 | 0.891 | | | |
| | CE.3 | 0.819 | | | |

Source: Data Processing Results (2024)

The assessment of Zakat Management reveals high loading factors ranging from 0.841 to 0.937 for its indicators (ZM.1, ZM.2, ZM.3), indicating effective capture of the construct. Moreover, the Cronbach’s alpha value of 0.878 and composite reliability of 0.925 demonstrate high internal consistency and reliability. Similarly, Transparency of the Use of Zakat Funds exhibits high loading factors (0.779 to 0.885), surpassing the threshold for effective measurement. With Cronbach’s alpha at 0.797 and composite reliability at 0.881, internal consistency and reliability are affirmed. Improving Welfare shows high loading factors (0.784 to 0.841), although Cronbach’s alpha at 0.754 slightly falls below the recommended threshold, yet the composite reliability (0.859) and AVE (0.670) meet standards. Community Empowerment displays high loading factors (0.737 to 0.891) ensuring effective measurement. Moreover, Cronbach’s alpha (0.750) and composite reliability (0.858) exceed the threshold, affirming internal consistency and reliability, while AVE (0.670) meets the recommended criteria for convergent validity.

C. Discriminant Validity

Discriminant validity assesses whether each construct in the model is distinct from others by examining the correlations between constructs. In this case, discriminant validity is confirmed if the square root of the Average Variance Extracted (AVE) for each construct is greater than the correlations between that construct and other constructs in the model.

Table 2. Discriminant Validity

| | Zakat Management | Community Empowerment | Improving Welfare | Transparency of the Use of Zakat Funds |
|--|------------------|-----------------------|-------------------|--|
| Zakat Management | 0.897 | | | |
| Community Empowerment | 0.526 | 0.818 | | |
| Improving Welfare | 0.461 | 0.472 | 0.818 | |
| Transparency of the Use of Zakat Funds | 0.544 | 0.514 | 0.773 | 0.844 |

Source: Data Processing Results (2024)

Correlations and Average Variance Extracted (AVE) values provide insights into the discriminant validity among constructs. Zakat Management exhibits an AVE of 0.804, while Community Empowerment and Improving Welfare both have AVE values of 0.670, and Transparency of the Use of Zakat Funds has an AVE of 0.712. The diagonal values represent the

square root of AVE, indicating the variance explained by each construct, while off-diagonal values denote correlations between constructs. Zakat Management's square root of AVE (0.897) surpasses correlations with other constructs (ranging from 0.461 to 0.544), confirming discriminant validity. Similarly, Community Empowerment's square root of AVE (0.818) exceeds correlations, suggesting distinctiveness from other constructs, despite potential overlap with Improving Welfare. Improving Welfare also demonstrates discriminant validity, with its square root of AVE (0.818) surpassing correlations. Transparency of the Use of Zakat Funds' square root of AVE (0.844) exceeds correlations, affirming its distinctiveness from other constructs. Overall, these findings underscore the discriminant validity of the constructs in the model.

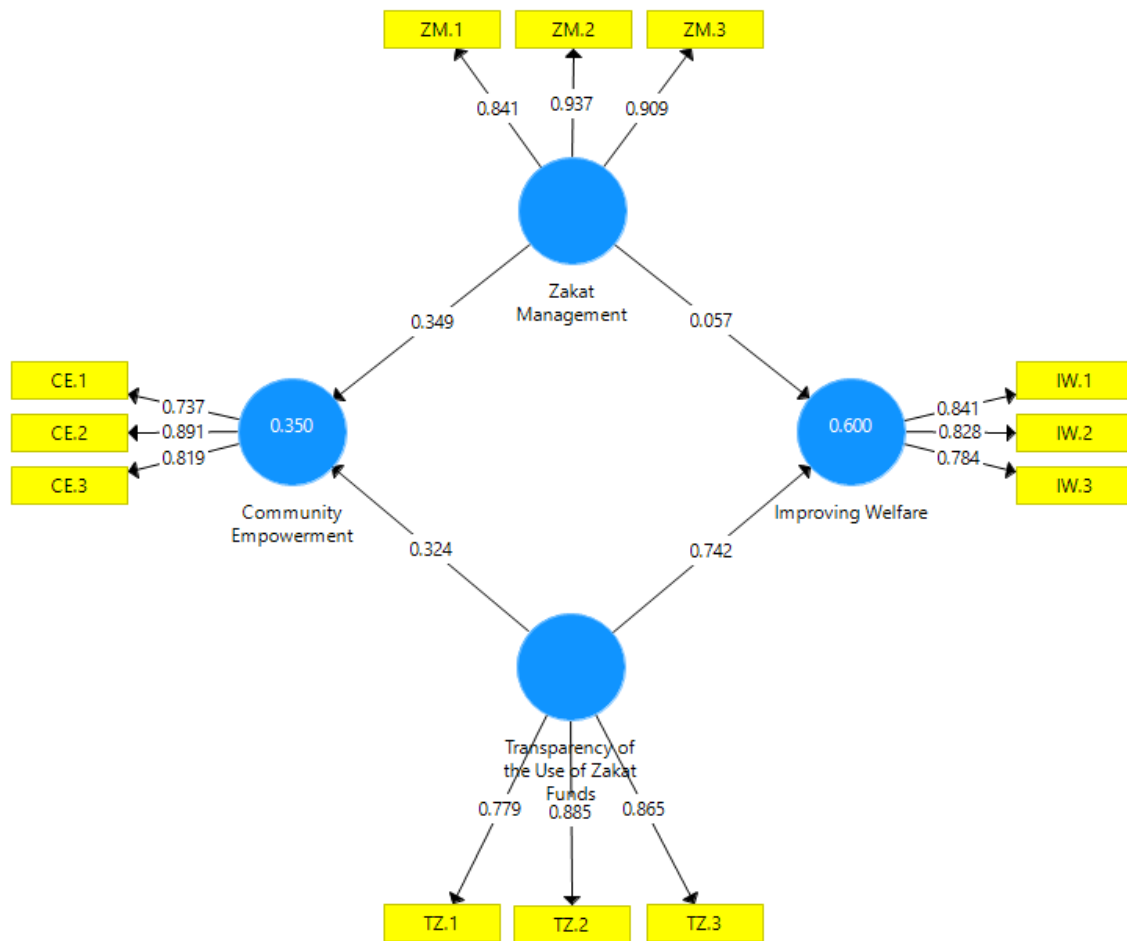


Figure 1. Model Results

Source: Data Processing Results (2024)

D. Model Fit

The model fit indices provide insights into how well the estimated structural model fits the observed data compared to the saturated model, which represents perfect fit.

Table 3. Model Fit Test Results

| | Saturated Model | Estimated Model |
|-------|-----------------|-----------------|
| SRMR | 0.092 | 0.093 |
| d_ULS | 0.665 | 0.679 |

| | | |
|------------|---------|---------|
| d_G | 0.303 | 0.306 |
| Chi-Square | 239.518 | 239.968 |
| NFI | 0.732 | 0.731 |

Source: Data Processing Results (2024)

Comparing the Saturated Model with the Estimated Model reveals minimal differences across various fit indices. The SRMR values for both models (0.092 for the saturated model and 0.093 for the estimated model) are closely aligned, indicating good fit despite the slightly higher SRMR in the estimated model. Similarly, the d_ULS values are comparable (0.665 for the saturated model and 0.679 for the estimated model), suggesting similar fit despite a slightly worse fit in the estimated model. Likewise, the d_G values are nearly identical (0.303 for the saturated model and 0.306 for the estimated model), reflecting good fit relative to model complexity. Moreover, the small disparity in chi-square values (239.518 for the saturated model and 239.968 for the estimated model) implies that the estimated model fits the data nearly as well as the saturated model. Additionally, the NFI values (0.732 for the saturated model and 0.731 for the estimated model) are comparable, indicating that both models provide good fit relative to a null model. Overall, these findings suggest that the estimated model performs adequately in fitting the data compared to the saturated model.

Table 4. Model Coefficient

| | R Square | Q2 |
|-----------------------|----------|-------|
| Community Empowerment | 0.350 | 0.340 |
| Improving Welfare | 0.600 | 0.594 |

Source: Data Processing Results (2024)

In Structural Equation Modeling (SEM) analysis with Partial Least Squares (PLS), R-Square and Q² serve as key metrics for assessing the goodness-of-fit and predictive relevance of the structural model. For Community Empowerment, the R-Square value of 0.350 suggests that 35.0% of the variance in this construct is explained by the model's independent variables, indicating a moderate level of explanatory power considering the construct's complexity and diverse influencing factors. Conversely, for Improving Welfare, the R-Square value of 0.600 indicates that 60.0% of the variance in welfare improvement can be attributed to the predictors included in the model, highlighting a stronger relationship between the variables and the outcome. Regarding predictive relevance, the Q² values further validate the model's efficacy. With a Q² of 0.340 for Community Empowerment and 0.594 for Improving Welfare, the models demonstrate good predictive relevance, indicating their ability to reliably forecast outcomes in these areas based on the included variables. Overall, these findings underscore the utility and effectiveness of the structural model in understanding and predicting both community empowerment and welfare-related changes.

E. Hypothesis Testing

Hypothesis testing allows us to determine whether the relationships between variables in the structural model are statistically significant. The provided table presents the results of hypothesis testing for the relationships between Zakat Management, Transparency of the Use of Zakat Funds, and their effects on Community Empowerment and Improving Welfare.

Table 5. Hypothesis Testing

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|---|---------------------|-----------------|----------------------------|--------------------------|----------|
| Zakat Management -> Community Empowerment | 0.349 | 0.351 | 0.086 | 4.065 | 0.000 |
| Zakat Management -> Improving Welfare | 0.257 | 0.255 | 0.070 | 2.816 | 0.004 |
| Transparency of the Use of Zakat Funds -> Community Empowerment | 0.324 | 0.330 | 0.083 | 3.887 | 0.000 |
| Transparency of the Use of Zakat Funds -> Improving Welfare | 0.742 | 0.746 | 0.047 | 15.882 | 0.002 |

Source: Data Processing Results (2024)

The analysis of relationships between variables in the structural model reveals significant findings. Firstly, the relationship between Zakat Management and Community Empowerment is supported, with a sample coefficient of 0.349 indicating a positive influence. The statistical tests, including the T-statistic of 4.065 and p-value of 0.000, confirm the significance of this relationship. Similarly, the relationship between Zakat Management and Improving Welfare is statistically significant, with a T-statistic of 2.816 and a p-value of 0.004. Additionally, Transparency of the Use of Zakat Funds positively influences both Community Empowerment and Improving Welfare, as evidenced by T-statistics of 3.887 and 15.882, respectively, and p-values of 0.000 and 0.002, indicating statistical significance. These findings affirm the hypotheses regarding the positive impacts of Zakat Management and Transparency of the Use of Zakat Funds on both Community Empowerment and Improving Welfare.

Discussion

The findings of this study provide valuable insights into the impact of Zakat management effectiveness, transparency of fund utilization, and their influence on welfare improvement and community empowerment in Central Java. This discussion synthesizes the key findings, addresses their implications, and identifies areas for future research.

Impact of Zakat Management Effectiveness and Transparency

The results highlight the significant positive effects of Zakat management effectiveness and transparency of fund utilization on both welfare improvement and community empowerment. Efficient Zakat management practices, characterized by robust institutional frameworks and transparent governance mechanisms, play a pivotal role in ensuring the equitable distribution of Zakat funds and maximizing their impact on poverty alleviation and social welfare. Similarly, transparency in fund utilization fosters trust among stakeholders, enhances accountability, and empowers communities to participate in decision-making processes, thereby promoting inclusive development and social cohesion.

Efficient Zakat management practices are crucial for equitable fund distribution and impactful poverty alleviation (Asmalia et al., 2018; Wahab & Rahim Abdul Rahman, 2011). Transparency in fund utilization is key to fostering stakeholder trust, enhancing accountability, and empowering community participation in decision-making (Asmuin, 2023; Edryani, 2023). Robust

institutional frameworks and transparent governance mechanisms are essential for maximizing the impact of Zakat funds on social welfare (Ikhsan, 2023). By ensuring transparency and accountability in fund management, Zakat institutions can build trust among stakeholders, promote inclusive development, and enhance social cohesion. These practices not only facilitate equitable distribution but also empower communities to actively engage in the decision-making processes, ultimately contributing to the overall welfare and development of society.

Implications for Policy and Practice

These findings have several implications for policymakers, Zakat institutions, and stakeholders involved in Zakat management and distribution in Central Java. Efforts should be made to enhance Zakat management effectiveness through capacity-building initiatives, stakeholder collaboration, and the adoption of best practices in governance and accountability. Moreover, greater emphasis should be placed on improving the transparency of Zakat fund utilization through enhanced reporting mechanisms, stakeholder engagement, and public disclosure of financial information. Interventions aimed at promoting welfare improvement and community empowerment should prioritize the equitable distribution of Zakat funds and the inclusion of marginalized groups in decision-making processes.

Limitations and Future Research Directions

While this study contributes to a deeper understanding of the socio-economic impact of Zakat initiatives in Central Java, it is not without limitations. The research design relied on cross-sectional data, which limits our ability to establish causal relationships between variables. Future research could employ longitudinal or experimental designs to examine the long-term effects of Zakat management practices and fund transparency on socio-economic outcomes. Additionally, qualitative methods such as interviews and focus groups could provide richer insights into the experiences and perspectives of Zakat beneficiaries and stakeholders. Furthermore, expanding the study to other regions in Indonesia and exploring contextual factors influencing Zakat management effectiveness and transparency could enhance the generalizability of the findings.

KESIMPULAN

In conclusion, this study sheds light on the critical role of Zakat management effectiveness and transparency in fostering welfare improvement and community empowerment in Central Java. The findings underscore the significance of efficient governance structures, stakeholder collaboration, and transparent fund utilization in maximizing the impact of Zakat initiatives on poverty alleviation and social welfare. By prioritizing transparency, accountability, and inclusivity in Zakat management practices, policymakers and Zakat institutions can enhance their contribution to sustainable development and social justice. Moving forward, continued research and policy efforts are needed to address socioeconomic disparities and empower marginalized communities through evidence-based interventions and programmatic strategies.

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