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Accountability in Indonesian *Zakat* Institutions: Insights from Practice

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ABSTRACT

The management of *zakat* in Indonesia integrates *sharia* values, state regulation, and social responsibility. This study critically examines accountability practices in Lembaga *Amil Zakat* X and Unit Pengumpul *Zakat* Y in South Kalimantan, as well as the regime governing *zakat* institutions. Using a qualitative approach, data were collected through literature review, regulatory analysis, and interviews with representatives. Results indicate accountability is understood foremost as a spiritual duty to Allah, followed by obligations to *muzaki*, *mustahik*, and government authorities. Limited local human resources impede timely and accurate reporting. Systemic issues include overlapping roles between public and private bodies and the elevation of fundraising targets over spiritual and social objectives. Although Indonesian *sharia* accounting standards are widely applied, public trust hinges more on operational transparency than on formal statements. Inadequate reporting to *mustahik* raises fairness concerns. Strengthened regulation, capacity building, and a *maqasid shariah* oriented develop a holistic model for sustainable governance in *zakat* institution.

1. Introduction

Zakat institutions in Indonesia have demonstrated their role in addressing various disasters, particularly in supporting the recovery of affected communities. For instance, the collaboration between BAZNAS (National *Amil Zakat* Agency) and United Nation Development Program (UNDP) illustrates how *zakat* has been utilized to rebuild the lives of communities impacted by the 2018 earthquake in Central Sulawesi [1]. This partnership focused on long-term recovery by providing economic support, rebuilding infrastructure, and enhancing capacity to ensure sustainable community development [2]. Moreover, *zakat* utilization has been acknowledged as an effective part of disaster mitigation efforts, combining humanitarian aid with sustainable development initiatives. *Zakat* institutions not only provide direct assistance (such as financial aid, food supplies, and medical services) but also contribute to infrastructure development and community resilience, ensuring that affected areas are better prepared for future disasters [3].

Additionally, *zakat* institutions played a significant role in managing the socio-economic crisis during the COVID-19 pandemic. Through innovative strategies like digital platforms, they sustained fundraising and distribution efforts throughout the pandemic [4]. These strategies not only highlight the resilience of *zakat* institutions but also underscore the importance of strengthening regulations to support their operations. As noted in one research that robust regulations clarify mechanisms for *zakat* collection and distribution, encouraging *zakat* institutions to enhance their accountability and professionalism [5]. The

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implementation of *zakat* in the modern era also reflects the perspective of the Islamization of knowledge, emphasizing the development of science and technology that is not only functional but also integrated with Islamic values to maximize social benefits without losing its spiritual essence [6].

In Indonesia, *zakat* institutions are overseen by the National *Amil Zakat* Agency (BAZNAS), which serves as an extension of the government [7]. BAZNAS is an official and the sole agency established by the government under Presidential Decree No. 8 of 2001. It is tasked with the collection and distribution of *Zakat*, *Infaq*, and *Sadaqah* (ZIS) at the national level [8]. The enactment of Law Number 23 of 2011 on *Zakat* Management further solidified the role of BAZNAS as the authorized institution for the national management of *zakat* [9]. According to this law, BAZNAS is defined as a non-structural government institution that operates independently and is accountable to the President through the Minister of Religious Affairs. Thus, BAZNAS, together with the government, is responsible for ensuring the management of *zakat* based on the principles of Islamic *sharia*, trustworthiness, benefit, justice, legal certainty, integration, and accountability [9].

Besides BAZNAS, the general public also has the opportunity to manage their own *zakat* institutions. However, the presence of private *zakat* institutions is limited by regulations set by BAZNAS. BAZNAS regulations stipulate two types of private *zakat* institutions that can be established by the community, namely *Amil Zakat* Institutions (LAZ) and *Zakat* Collection Units (UPZ) [9]. This arrangement makes the situation of *zakat* institutions in Indonesia is quite unique. On one hand, *zakat* institutions are independent organizations managing social funds, but on the other hand, these institutions are also accountable to the government because structurally, their position falls within government institutions [10].

Zakat institutions, which carry a social mission based on the sacred values of the pillars of Islam, are expected to serve as a medium for improving societal welfare, both in Indonesia and internationally [11]. As private institutions, LAZ (*Amil Zakat* Institutions) and UPZ (*Zakat* Collection Units) are required to adhere to various regulations set by BAZNAS (National *Zakat* Agency) to ensure governance aligned with *Sharia* principles [9,11]. However, in their management, *zakat* institutions face various dilemmas. In practice, there are sometimes disputes between BAZNAS and private *zakat* management institutions, as well as between community groups and the *zakat* institutions themselves [12-13]. This overlap should be minimized through the strengthening of regulations that provide clearer boundaries between the authority of BAZNAS and the roles of private *zakat* institutions [5]. This indicates that the *zakat* management system requires thorough evaluation and improvement to ultimately foster synergy between institutions while enhancing the efficiency and effectiveness of *zakat* fund management.

On the other hand, the purity in implementing *zakat*, *infaq*, and *sadaqah* in Islam needs to be re-examined. The basic principles of *zakat* are outlined in the Quran. The understanding of *zakat* institution managers about these fundamental values are important to maintain the purity of Islamic teachings so that they can drive the success of these institutions in carrying out their mission. Additionally, the responsibility of *zakat* institutions is not only to society but also to Allah SWT, as stated in the Quran, *Surah At-Taubah:103(14) : "Take zakat from their wealth, with that zakat you purify and cleanse them, and pray for them. Indeed, your prayers bring peace to their souls. And Allah is All-Hearing, All-Knowing."* Therefore, professionalism and *sharia*-based governance become key to addressing various dilemmas and increasing public trust in *zakat* institutions.

This research will observe how *zakat* institutions in Indonesia manage their funds. Various regulations issued by authorized institutions in Indonesia will be part of the analysis. Furthermore, it will examine how *zakat* institution organizers interpret accountability. The results of this study are expected to map out problematic issues that might be faced by *zakat* institutions in Indonesia.

2. Method

The study employed qualitative research methods to examine *zakat* management practices within *zakat* institutions. Using a phenomenological approach, researchers conducted interviews with *zakat* administrators to gather primary data. The research was supplemented by a comprehensive literature review of credible and relevant sources. To understand the regulatory context, researchers also analysed the legal framework governing *zakat* management in Indonesia through extensive documentation review.

Brief interviews were conducted with representatives from one *Amil Zakat* Institution (LAZ) and a *Zakat* Collection Unit (UPZ) located in Banjarmasin City, South Kalimantan Province. This region was chosen as the research location because Banjarmasin City in South Kalimantan Province is an area with a significant percentage of Muslim population. UPZ of campus Y is known to have collaborated with the Provincial Baznas. It has conducted several joint fund collection and distribution activities with the regional Baznas, thus can be considered capable of providing information relevant to this research's needs. Meanwhile, the LAZ X board member selected for interview is the *Sharia* Supervisory Board (DPS) from one of the larger national-level LAZ. This LAZ is known to have exceeded the fund collection target set by BAZNAS, reaching up to 512 billion rupiah in 2023.

To gain an on-the-ground understanding of the implementation of accountability in *zakat* institutions, brief interviews were conducted with two informants, Mr. MA and Mr. RF. They represent the *Sharia* Supervisory Board (DPS) of LAZ X and the management of UPZ Campus Y, respectively. The interviews aimed to explore the meaning and implementation of accountability among the organizers of LAZ and UPZ.

3. Results and Discussion

Regulation of *zakat* institution in Indonesia

The establishment permits for *Amil Zakat* Institutions (LAZ) and *Zakat* Collection Units (UPZ) in Indonesia have been specifically regulated through various regulations, aimed at ensuring the operation of *zakat* governance according to *sharia* principles and legal provisions. The main legal basis is “Law Number 23 of 2011 concerning *Zakat* Management”, which stipulates that LAZ must obtain permission from the government after receiving a recommendation from the National *Amil Zakat* Agency (BAZNAS). This provision is clarified in Government Regulation Number 14 of 2014, which regulates the implementation of Law No. 23 of 2011, including the authority of UPZ and LAZ licensing procedures, as well as administrative and technical requirements that must be met by *zakat* organizations.

Furthermore, the Decree Number 333 of 2015 by Minister of Religious Affairs provides detail guidelines on the licensing application process, including required documents and evaluation mechanisms for LAZ applications. On the other hand, BAZNAS Regulation Number 3 of 2019 regulates the procedures for requesting recommendations from BAZNAS as a primary requirement for obtaining LAZ establishment permits.

As for UPZ formation, it is further regulated through BAZNAS Regulation Number 2 of 2016, which establishes the mechanism for the formation and working procedures of UPZ to assist *zakat* collection in various regions. UPZ is formed based on needs and must meet the requirements set by BAZNAS. This regulation is complemented by provisions in Government Regulation Number 14 of 2014, which also covers the duties and functions of UPZ as part of integrated *zakat* management. With these regulations in place, the

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establishment of LAZ and UPZ is expected to operate professionally, accountably, and in accordance with the *sharia* values that underlie *zakat* management in Indonesia.

Some key points to note are several chapters and articles in the regulation that indicate binding control from BAZNAS over LAZ and UPZ. Specifically, “Regulation of The National *Zakat* Board Number 2 Of 2016 Concerning the Formation and Work Procedures of *Zakat* Collection Units, Chapter Iv, Article 35: Verse [2] All funds collected by UPZ must be deposited with BAZNAS according to their respective levels. Verse [3] When necessary, UPZ can perform supporting tasks in the distribution and utilization of *zakat*. Verse [4] The supporting tasks for distribution and utilization of BAZNAS *zakat* as referred to in verse [3] shall not exceed 70% (seventy percent) of the funds collected by UPZ.” This regulation indicates the limited autonomy of UPZ in managing the funds they collect.

Furthermore, 'Decree of Indonesian Religious Affairs Minister No.333 Year 2015 Concerning Guidelines for Granting Permits for Laz Formation', states that the formation of National, Provincial, and Regency LAZ must consecutively attach one of the following declaration letters. In “Chapter III.A letter (k), the National LAZ must include a declaration letter stating the commitment to collect *zakat*, *infaq*, *sadaqah* and other religious social funds of at least 50 billion per year', for the Provincial LAZ Chapter III.B, letter (k), 'a declaration letter stating the commitment to collect *zakat*, *infaq*, *sadaqah* and other religious social funds of at least 20 billion per year'. Meanwhile for Regency/City LAZ Chapter III.C, letter (k), 'a declaration letter stating the commitment to collect *zakat*, *infaq*, *sadaqah* and other religious social funds of at least 3 billion per year”.

This regulation indicates that, to establish a *zakat* institution, communities must demonstrate a strong commitment to fundraising. On the other hand, in the actual distribution of *zakat* funds, the dedication and integrity of *zakat* managers are critical factors in the success of the organization’s programs.

The Meaning of Accountability According to *Zakat* Institution Organizers

In terms of the meaning of accountability, both informants agreed that the primary accountability of LAZ managers is to Allah SWT, followed by accountability to the *muzaki* (*zakat* payers), *mustahik* (*zakat* recipients), and finally to the government. For LAZ X, as it operates at the provincial level and represents the national LAZ X under the Foundation, accountability is also directed toward the Foundation’s management.

The emphasis from the informants highlights the belief among the managers that accountability to Allah is of utmost importance. This accountability to Allah is tied to the faith of the institution's managers, while accountability to humans is realized through reports, including financial statements and work program reports along with their implementation.

Mr. RF stated the following:

> “Since this is a philanthropic institution, a social institution, the first manifestation is responsibility to God Almighty as a good Muslim. As a citizen who is loyal and obedient to the law, certainly in this case accountability is necessary.” He then quoted a Quranic verse which means Take zakat to purify themselves

Mr. RF added that the zakat institution's responsibility is to several parties, namely to God and humans:

> “...Now, for the manager themselves, they must certainly be aware that everything they do needs what we call accountability, which in our knowledge

> is hmmh responsibility. Responsibility to God and responsibility to humans related to the trust they possess..."

Meanwhile, Mr. MA conveyed his view as LAZ's DPS:

> "...So there are several, what do we call them, users, or also parties to whom we must be accountable. First, of course, is being accountable to Allah SWT. Therefore, what is called a sharia audit is needed. This sharia audit is a form of our accountability as zakat managers to Allah who has established the basic principles of zakat..."

Furthermore, regarding *zakat* fund collection, Mr. MA emphasized the importance of caution in determining someone as a *muzaki* (*zakat* payer). Accountability to the *muzaki* involves ensuring that LAZ does not collect *zakat* funds from individuals who are not obligated to pay *zakat*, as doing so would be an act of injustice (*dzalim*). Mr. MA then quoted a verse from the Quran and stated:

> "...We are instructed to collect zakat from them, but we must also be fair in this collection. We must not take from parties who mmhh are not muzaki, yet we end up collecting from them...."

Regarding the use of *zakat* funds, both informants also emphasized the need for applying high prudential principles because this concerns accountability to Allah and represents a trust from donors. For UPZ Y, the allocation of *amil* funds is only taken from unrestricted funds. From *zakat*, it is 12.5% of *zakat* funds according to the rules in the Quran, while the allocation of *infaq* and *sadaqah* funds is set by the campus at a maximum of 20%.

When asked further about the *sharia* audit previously mentioned by Mr. MA, LAZ X has actually never conducted a *sharia* audit. To ensure compliance with *sharia* principles, LAZ X implements prudential principles through consistent consultation between LAZ X management and DPS, especially regarding the determination of fund distribution and allocation of *amil* funds and other religious social funds. *Zakat* distribution must comply with Allah's rules, which according to the Quran is divided into 8 categories, and it is very possible to then be implemented in the form of *zakat* empowerment programs. Furthermore, Mr. MA emphasized that it would be very beneficial if LAZ not only distributes consumptive *zakat* but also community empowerment programs so that poverty alleviation efforts can be more likely to be realized. Here, Mr. MA illustrated that the form of *zakat* institution accountability is not limited to just distributing funds but also helping to realize *mustahik's* economic independence through various productive *zakat* programs.

The interpretation of accountability by *zakat* institution managers, as conveyed by Mr. MA and Mr. RF, reflects broad spiritual and social dimensions. This aligns with the view that accountability in Islam has unique characteristics that are not only oriented towards humans (*muzaki*, *mustahik*, and government) but also to Allah SWT as the highest supervision. As stated by Haniffa & Hudaib that accountability in the Islamic context involves multidimensional responsibility, where obligations to Allah become the primary foundation guiding social responsibility to humanity [15].

The *sharia* audit mentioned by Mr.MA, although not ideally implemented, still indicates the need to comply with Islamic legal principles in managing *zakat* funds. This aligns with research which emphasized that *sharia* audits not only cover compliance with fiqh rules but also ensure transparency and accountability in *zakat* institution financial reporting [15].

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The prudential principles emphasized by both informants in collecting and distributing *zakat* funds are relevant to Bank Indonesia's view stating that *zakat* institutions have a moral obligation to ensure that funding sources come from legitimate parties and are allocated according to *sharia* [16]. Errors in determining *muzaki* or improperly distributing funds can be considered unfair actions and contrary to Islamic principles of justice.

Furthermore, the idea about the importance of *zakat* empowerment programs conveyed by Mr. MA supports an argument by Omer Chapra that *zakat* should be a tool for sustainable poverty alleviation through economic empowerment [17]. This reflects the transformation of approach from consumptive distribution to productive programs capable of creating economic independence for *mustahik*.

Thus, the implementation of accountability in *zakat* institutions like LAZ X and UPZ Y not only includes administrative reporting but also involves the integration of *sharia* values, trustworthy resource management, and community empowerment efforts that align with the objectives of *zakat* in Islam.

Implementation of Structural Accountability to BAZNAS

Regarding the form of accountability to BAZNAS that has occurred so far, both UPZ Y and LAZ X are structurally affiliated with BAZNAS. Unlike LAZ, UPZ affiliated with BAZNAS does not have full autonomy in managing the funds they collect. The Annual Work Plan and Budget (RKAT) prepared by BAZNAS also needs to follow the work plan of Provincial BAZNAS. Mr.RF stated

> "…Because the RKAT we create must follow or be related to the work plan of the Provincial BAZNAS. Therefore, since we are affiliated with the Provincial BAZNAS, we are obligated to support the programs of the Provincial BAZNAS, such as humanitarian efforts for Palestine, humanitarian initiatives in our province, and even programs related to education in our workplace…"

In accordance with the regulations previously discussed, the Chairperson of UPZ Y stated that they understand the provisions outlined in "National *Zakat* Board Regulation Number 2 Of 2016 Concerning the Formation and Work Procedures of *Zakat* Collection Units, Chapter IV, Article 35, paragraphs (2), (3), (4), and (5)" regarding the management authority of UPZ funds.

Mr.RF stated that they deposit collected funds to BAZNAS, then 70% of these deposited funds are returned to UPZ for management and distribution. Mr. RF added that in practice, there is an option where up to 95% of the funds may be returned to UPZ, with only 5% being retained by BAZNAS. Mr.RF added

> "...with the earlier note, supporting BAZNAS programs. It was explicitly stated that there must be distribution according to criteria that align with zakat, infaq, and sadaqah, fund distribution, so in this case, it can be returned more than 70%. Even more than 100% is possible, because as mentioned earlier, it supports BAZNAS programs..."

Additionally, Mr. RF emphasized that there were several problems in the coordination of fund deposits and withdrawals with BAZNAS.

> "...However, there were some problems with the Provincial BAZNAS, which is also a national issue occurring in regional BAZNAS. It is the lack of human resources... So recently we submitted funds, but these funds were not returned

> by BAZNAS. The funds that should have been returned were 70%, but only 30% was returned. Even though BAZNAS governance states that the maximum time limit for transfer back to UPZ is up to 5 working days, well, it took up to a month or two months, I forget... and this apparently didn't just happen at our UPZ, our university, but also occurred at other universities. So, we provided input... there needs to be one person who really focuses on managing this..."

This situation sometimes even triggered conflicts between UPZ management and BAZNAS. UPZ management received pressure from *muzaki* to immediately distribute funds to *mustahik*, while the funds were still deposited with BAZNAS. Mr. RF acknowledged that this condition occurred not only at UPZ Campus Y but also at several other campuses affiliated with BAZNAS. Upon investigation, it was found that the main problem was the lack competency of human resources at BAZNAS, making them slow in handling UPZ fund deposits and withdrawals. However, Mr. RF acknowledged that these problems have been well resolved, and there are no more incidents of funds being deposited for long periods at BAZNAS.

Additionally, one thing that needs attention is the use of the 30% of UPZ funds deposited to BAZNAS. Currently, there was no clear information about it.

> "…The specific details of the 30% retained funds are not explained in BAZNAS' annual report. However, BAZNAS does publish an annual report audited by public accountants, indicating that the 30% is used to support BAZNAS programs in various forms…"

From Mr. RF's statement, we can understand that he relies on the integrity and competence of the public accountants who both prepare and audit these reports.

Mr. RF's response to these regulations shows he understands that the UPZ fund deposit-withdrawal procedure is within BAZNAS's framework to record the actual amount of funds collected. However, in practice, this condition creates difficulties for UPZ due to the possibly lacking competence of *zakat* institution organizers. Mr. RF then connects this with regulations stating that UPZ managers should be entitled to *Amil* certification training. Mr. RF continues that BAZNAS should show its support through training and certification for *amil* at UPZ. The statement from Mr. RF actually implements the regulation "National *Amil Zakat* Agency Number 2 Of 2016 Concerning the Formation and Work Procedures of *Zakat* Collection Units, Chapter II, Article 12 stating that "UPZ management is entitled to *AMIL* training. Specifically, the contents of Article 12 are as follows": (1) "UPZ management is entitled to receive *Amil* certification training from BAZNAS. (2) Further provisions regarding *Amil* certification are regulated in accordance with the *Zakat* Management Accreditation and *Amil* Certification Regulations."

Given that UPZ contributes 30% of their funds to BAZNAS, it is reasonable for UPZ administrators like Mr. RF to express such expectations. BAZNAS is expected to demonstrate accountability by providing *amil* training and certification to UPZ administrators.

> "...Our Provincial BAZNAS has not yet implemented this. They do not provide certification, which makes it difficult for UPZ administrators to manage UPZ professionally…"

This situation contrasts with LAZ X, where the provincial LAZ is not required to meet a minimum fundraising target of IDR 20 billion annually because it operates under the

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umbrella of the National LAZ. This exemption aligns with "Minister of Religious Affairs Decree No. 333 Of 2015 On Guidelines for Granting Permits for The Establishment of Laz, Chapter VII", which allows National LAZ to open provincial branches without a minimum fundraising requirement.

Although the regulations stated that Provincial LAZ must include a statement of ability to collect *zakat*, *infaq*, *sadaqah,* and other religious social funds of at least 20 billion per year, Mr. MA stated that these regulations are not applied because LAZ X is under LAZ X National Level. Here, the researcher concludes that LAZ X's position is as a representative of National Level LAZ X as regulated in "Decree of Religious Affairs Minister No.333 Year 2015 Concerning Guidelines for Granting Permits for Laz Formation, Chapter VII" that National LAZ can open one representative in each province. For Provincial LAZ that acts as a representative, the regulations do not impose the minimum fund collection requirement of 20 billion per year.

The following is the interview explaining this matter. When the researcher asked about LAZ X's establishment permit, Mr.MA answered as follows:

> "For LAZ X itself, it must already have a permit, right, the permit of national level has been established years ago. Because it follows the national level, ma'am, so it's automatic, yes. Except for recommendations. The permit is necessary only for the national level, ma'am. From the Minister of Religion, because it's national scale."

Furthermore, Mr. MA confirmed that the minimum fund collection requirement is only imposed on National Level LAZ X, which is 50 billion per year. Instead, the National Level LAZ X management gives targets to regional LAZ X to collect funds in certain amounts, though Mr. MA cannot remember the exact target amount.

> "...yes there is, there is a target, but I don't know the details, I don't know what the minimum is. But at every National Working Meeting, there's always a target, ma'am... for collection, it's asked at every National Working Meeting..."

However, according to Mr. MA, National Level LAZ X has exceeded this target and was able to collect funds up to 512 billion rupiah in 2023. This fantastic fund collection can be concluded as evidence of LAZ X management's performance success. Mr. MA stated that BAZNAS's requirement for minimum fund collection to be achieved by LAZ is not a burden but rather a stimulation that can motivate LAZ management to work better because they are motivated to meet these targets.

> "...this target becomes a motivation, ma'am, for the Amil to work harder. So, it's not really a pr
> oblem, ma'am, actually. If the performance is good, firstly, it also impacts the amil themselves. For getting amil rights, some of the amil rights funds, mmhh and that can improve their own performance. So, it's very good if this target is set... and they have to think hard to be able to collect as much funds as possible..."

From that conversation it is indicated that fun collection target is not burdensome for LAZ X management. Furthermore, until now, there is no intervention from BAZNAS in terms of LAZ fund management, and so far, there has never been any information about

LAZ having its operational permit terminated due to inability to meet the minimum fund collection target set by BAZNAS.

As revealed in interviews with UPZ Y and LAZ X, the implementation of structural accountability to BAZNAS management reflects the integration of *zakat* fund management into a national regulated system. This aligns with research from Abadi, explaining that the centralization structure in *zakat* management aims to increase allocation efficiency and fund distribution by integrating operational policies between *zakat* collection units (UPZ) and the national *amil zakat* agency (BAZNAS) [18]. Although in reality, this centralization sometimes triggers conflicts and controversies as stated in the previous interview results.

The challenges faced by UPZ Y in terms of limited autonomy, such as the obligation to prepare RKAT following Provincial BAZNAS work plans, show the influence of regulations on operational flexibility. Comparing with Malaysia, The State Islamic Religious Council (SIRC) has significant influence in formulating human resource strategies in *zakat* institutions [19]. Although hierarchical structure provides better coordination, there are often challenges in implementation at the operational level, especially when human resource limitations become obstacles in *zakat* institution operational processes [20]. In this case, it's the fund deposit-withdrawal issue experienced by UPZ Y.

On the other hand, setting high fund collection targets of up to 50 billion per year for National LAZ may reflect the dominance of materialistic values in this system. As Kamla criticizes Islamic financial institutions, including *zakat* institutions, they often get trapped in adopting capitalistic structures that emphasize fund accumulation and economic efficiency rather than the spiritual and social essence of *zakat* [21]. Focusing on fund collection figures also risks diverting attention from the social impact of *zakat*. Furthermore, *zakat* should function as a tool to improve community welfare through fair distribution and *mustahik* empowerment, not just achieving quantitative targets [22-23].

Moreover, an approach that focuses too heavily on targets also brings potential risks. It would create unhealthy competition among *zakat* institutions. Aggressive practices in fund collection or taking *zakat* from parties that don't meet the criteria can erode the values of brotherhood (ukhuwah) and justice [23]. This contradicts the principles of prudence and *sharia* accountability that should be central to *zakat* management. Meanwhile, the lack of transparency in the use of 30% of funds not returned to UPZ also shows the need for more accountable financial reporting.

To address these issues, a holistic approach is needed where the success of *zakat* institutions is measured not only by the amount of funds collected but also by the quality of distribution and social impact. The implementation of structural accountability to BAZNAS requires not only strong regulatory support but also better system integration between *zakat* management units, improved human resource capacity, and transparency mechanisms in reporting funds not directly managed by UPZ. Education and *amil* certification, as hoped for by Mr. RF, become important elements in ensuring professional *zakat* management that consistently aligns with Islamic values. By adopting a more balanced approach between spirituality, social aspects, and economics, *zakat* management can avoid the capitalistic trap and focus on *mustahik* empowerment.

Forms of Accountability Reports

Both LAZ X and UPZ Y agree that accountability is also demonstrated through reporting to the stakeholders of the *zakat* institution. LAZ X prepares financial reports and work program reports regularly, which are submitted annually to BAZNAS, while UPZ Y submits reports on a semi-annual and annual basis. However, no reports are freely accessible to external parties. Both UPZ X and LAZ Y stated that the reports are available, yet it only prepared upon request. Mr. MA added that the limited quality of human resources at LAZ

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X, both at the city and district levels, often contributes to delays in reporting to the provincial-level LAZ X.

> "...that's what sometimes becomes the obstacle in these regions, the human resources might still be limited...We have limited human resources specifically in handling accounting matter in the regions. LAZ X at the provincial level handles several reports from District and City level LAZ, it’s like that, to make it easier...."

Regarding the form of accountability reports, both informants from the two *zakat* institutions stated that the annual reports are prepared according to the standard, namely PSAK 109 (currently revised to PSAK 409), and submitted to BAZNAS. However, both Mr. MA and Mr. RF acknowledged that, in practice, stakeholders among the *muzaki* have never raised concerns about the financial reporting format prepared by the LAZ management. So far, *muzaki* have been quite accepting of whatever form of report is prepared by the *zakat* institutions. Mr. RF stated the following:

> "...Regarding muzaki, I think there are no issues, because our muzaki accept and trust the funds that we manage..."

Furthermore, according to Mr. MA, *muzaki* seem unable to understand financial reports that comply with accounting standards. According to him, only certain people are capable of understanding standardized financial reports. For *muzaki*, what's most important is maintaining their trust that the funds they entrusted are truly distributed properly as mandated.

> "...For the financial reports themselves, the community cannot read them anyway. Yes... They just want to know how the funds I gave reached [the intended recipients]. That's all..."

In addition, LAZ X also provides reports in the form of videos documenting the distribution process, which are shared with *muzaki* either directly or through *muzaki* WhatsApp groups.

Mr. MA's statement is quite interesting as it raises further questions about the actual urgency of preparing *zakat* institution reports in accordance with *sharia* accounting standards.

Meanwhile, both informants agreed that *mustahik* should also receive accountability reports. However, until now, there are no reports specifically prepared for the *mustahik*. Mr. MA stated the following:

> "…there should be something, ma'am. For example, they should receive what's it called, fair assistance, yes ma'am, transparently, not just to certain parties who have connections. Yes..."

The form of transparency to *mustahik* (aid recipients) at UPZ Y was conveyed by Mr. RF as follows:

> "...our form of transparency to mustahik, usually when we conduct distribution selection, we will inform them who has qualified...as a form of transparency to

them that these are the people who are entitled to receive the funds. We also inform the Campus administration about our work programs..."

The reports prepared by *zakat* institutions such as LAZ X and UPZ Y demonstrate their efforts to comply with Islamic accounting standards, namely PSAK 109 (now PSAK 409). However, human resource constraints faced at the city and district levels often hinder timely and accurate reporting. This aligns with the findings of a study, which show that human resource capacity, particularly in *sharia*-based accounting management, is one of the key factors affecting the reporting quality of *zakat* institutions, especially in regional areas [24].

Interestingly, although financial reports are prepared based on accounting standards, *muzaki*'s trust is more based on their belief that their funds are managed with trustworthiness and transparency, as expressed by Mr. RF and Mr. MA. Accountability to *muzaki* is not only rooted in formal report preparation but also in effective communication and operational transparency, for example through social media or video documentation showing fund distribution [25].

However, the absence of specific reports for *mustahik* creates challenges in ensuring full transparency to all stakeholders. A result of bibliometric analysis emphasized that reporting to *mustahik* is an important aspect in *zakat* management, as transparency towards beneficiaries can increase overall public trust in *zakat* institutions [11]. This form of transparency includes not only the selection of beneficiaries but also the evaluation of the distributed funds' impact.

The urgency of preparing reports in accordance with Islamic accounting standards can be better understood as an effort to maintain the credibility of *zakat* institutions in the eyes of the public and regulators. However, to increase their impact, these reports should be accompanied by a more inclusive communication strategy that is easily understood by both *muzaki* and *mustahik*. Thus, *zakat* institutions can ensure that their reporting is not merely an administrative obligation but also a tool to strengthen accountability and public trust.

Implementing the Concept of *Maqasid* Syariah

The concept of *maqasid shariah* provides a holistic framework to address the challenges faced by *zakat* institutions, ensuring their operations align with Islamic principles while enhancing their efficiency and accountability. Al-Ghazali, as cited in Nurizal stated that at its core, *maqasid shariah* emphasizes the preservation of religion (*hifz al-din*), life *(hifz al-nafs*), intellect (*hifz al-aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*) [26]. These objectives offer a balanced approach to managing *zakat* funds and resolving systemic inefficiencies. However, the current regulatory framework for *zakat* institutions in Indonesia, which places significant emphasis on fundraising targets and centralized fund management, risks misaligning institutional priorities with these *maqasid* principles [12,21]. In the effort to implement that concept, it is essential to consider Al-Attas' perspective on the Islamization of knowledge, which emphasizes prioritizing the pure values of Islam and embedding them into socio-economic governance, particularly *zakat* management [22]. Preserving the purity of religion is crucial to ensuring that *zakat* management practices align with *maqasid sharia*h, encompassing justice, welfare, and the protection of life.

The excessive focus on achieving high fundraising thresholds, as mandated by regulations, often shifts the emphasis from the social and spiritual mission of *zakat* to mere numerical achievements. This materialistic approach, which prioritizes administrative and financial metrics, risks fostering unhealthy competition, unethical practices, and a diminished focus on the equitable distribution of resources. Within the framework of *maqasid sharia*h, such practices conflict with the principles of justice (adl), communal welfare (*maslahah*), and the preservation of wealth (*hifz al-mal*) [23]. For instance, the

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obligation for *Amil Zakat* Institutions (LAZ) to meet fundraising targets risks diverting attention from programs that empower *mustahik* and create meaningful social impact, reducing *zakat*'s effectiveness as an instrument of justice and economic equity.

Moreover, delays in fund transfers and a lack of transparency in the management of centralized funds further erode public trust and hinder the achievement of *zakat*'s *maqasid*-based objectives [25]. By aligning *zakat* governance with *maqasid sharia*h, institutions can integrate spiritual and administrative responsibilities, balancing material outcomes with the ultimate goals of justice, fairness, and poverty alleviation. This approach encourages institutions to measure success not by the funds collected but by the quality and impact of their distribution programs. Initiatives such as microfinance programs, which foster economic independence, are examples of how *zakat* can uphold the objectives of preserving life *(hifz al-nafs*) and wealth (*hifz al-mal*) [17,23].

Maqasid shariah also provides a framework to address systemic inefficiencies, such as limited human resource capacity and overlapping institutional roles. Applying the principle of wealth preservation [*hifz al-mal*], *zakat* institutions can focus on prudent resource management, ensuring accountability and transparency through comprehensive reporting mechanisms and effective communication with stakeholders. Haniffa and Hudaib highlight that accountability in Islam is multidimensional, rooted in obligations to both Allah and humanity, emphasizing the integration of spiritual values with governance practices [15]. This is in line with the thought by Iwan Triyuwono that highlights the spiritual dimensions of *zakat* management, advocating for an integrative approach that balances material and spiritual objectives [27].

Furthermore, adopting *maqasid shariah* enables *zakat* institutions to prioritize fairness and justice (adl) over quantitative targets. This shift requires reforms that emphasize ethical fund management, transparency, and impactful distribution, ensuring *zakat* fulfills its transformative potential as a tool for justice, community welfare, and spiritual accountability [15,28]. By focusing on empowering *mustahik* and fostering societal harmony, *zakat* institutions can move beyond materialistic goals and align their operations with the *maqasid shariah* principles of social and economic balance. This aligns with Aji Dedi Mulawarman's emphasis on incorporating *hikmah* (wisdom) and *falah* (success in this world and the hereafter) into *zakat* governance, transforming it into a tool for sustainable poverty alleviation and societal empowerment [29-30].

To ensure accountability, *zakat* management institutions must implement transparent reporting systems, conduct regular audits, and leverage digital technology to enhance efficiency and public trust. Incorporating technology and strengthening human resource capacities can further enhance the effectiveness of *maqasid*-based governance. Digital solutions can streamline reporting processes, increase transparency, and foster public trust, while training programs and certifications for *zakat* managers can ensure professional and *sharia*-compliant practices. These measures support the holistic vision of *maqasid sharia*h, integrating spiritual, social, and economic objectives to make *zakat* a sustainable instrument of societal development and poverty alleviation.

4. Conclusion

Zakat governance in Indonesia integrates *sharia* values, state regulation, and social responsibility, with BAZNAS as the lead institution. Evidence from UPZ Y and LAZ X shows accountability is treated as a moral duty to Allah, then to *muzaki*, *mustahik*, and the government. PSAK 109 reporting is performed and complemented by transparency innovations such as video updates to donors. Yet centralization can restrict LAZ and UPZ autonomy, local HR constraints delay accurate reporting, roles overlap across institutions, fundraising targets crowd out spiritual and social aims, and *mustahik*-specific reporting remains weak.

The study positions accountability within a *maqasid shariah* lens that reconciles spiritual imperatives with administrative competence and operational transparency. Practically, it offers a governance roadmap: clarify mandates between BAZNAS and private institutions, strengthen regulations and HR capacity, expand participatory reporting that includes *muzaki* and *mustahik*, and recalibrate performance metrics beyond fundraising to capture distributive justice and social impact.

The work foregrounds the *mustahik* accountability gap, links centralization pressures to a drift toward material indicators, and advances a *maqasid*-based, inclusive reporting model for *zakat* institutions. Limitations include a qualitative design focused on two South Kalimantan cases, reliance on institutional documents and interviews, and no longitudinal outcome tracking. Future studies should use mixed methods, larger multi-province samples, and impact evaluations to test and refine the proposed model.

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