

Governance and Financial Sustainability of Zakat Institutions: Applying the Zakat Institutional Health Index

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Abstract: This study examines how zakat institutions in Indonesia sustain their organizational health through the Zakat Institutional Health Index (ZIHI), a framework initiated by PUSKAS BAZNAS to integrate governance and financial accountability. Using LAZ Sahabat Yatim Indonesia as the focal case, the research evaluates 28 indicators that collectively describe financial vitality, operational efficiency, liquidity, and growth, as well as governance quality, including management structure, risk awareness, and Shariah compliance. Data were gathered from financial documents, internal assessments, interviews, and ZIHI tools. The results show the institution remains moderately stable, with governance practices displaying stronger consistency compared with its financial performance. Strengths were noted in financial activity, operational expenses, general management, and risk management. Efficiency and risk management are relatively stable, yet liquidity constraints and limited growth momentum continue to pose operational challenges. Although limited to a single institution and a cross-sectional design, this study offers a replicable model for other ZMIs and highlights the potential for broader, longitudinal research. The findings offer valuable insights for zakat policymakers and regulators, enabling them to effectively enhance institutional governance and ensure financial sustainability, while also providing actionable lessons to reinforce transparency, strengthen resilience, and align institutional practices with broader governance standards.

Keywords: Governance, institutional health, Islamic social finance, zakat, ZIHI, sustainability index, growth, fundraising, framework

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INTRODUCTION

Zakat, one of the five pillars of Islam, embodies both a spiritual duty and a social mechanism for promoting justice and narrowing economic gaps (Ayuniyyah, Hafidhuddin, & Hambari, 2020; Bin-Nashwan, Abdul-Jabbar,



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& Aziz, 2021). As a mandatory form of almsgiving, zakat aims to alleviate poverty, reduce inequality, and promote community welfare in accordance with the Shariah principles (Chapra, 1992; Hassan, 2024). Zakiy (2020) conceptualized fiscal policy in Islamic states as including zakat as a key redistributive instrument, aligning the ethical and economic dimensions. Over time, zakat has evolved from personal religious giving to a formalized financial institution that supports the broader framework of Islamic social finance.

Indonesia's zakat ecosystem features a dual structure, comprising national zakat institutions (BAZNAS) and private zakat institutions (LAZ). These organizations are responsible not only for collecting and distributing zakat funds but also for ensuring compliance, transparency, and sustainability in accordance with national regulations and Islamic law (Asfarina, Ascarya, & Beik, 2019; Hasan, 2021). The rapid expansion of zakat institutions in recent years has presented new challenges, particularly in ensuring sound governance, maintaining financial efficiency, and strengthening Shariah oversight, issues that are most evident among privately managed, regionally decentralized entities (Owoyemi, 2020; Saadah & Hasanah, 2021).

Over the past decade, academics and practitioners alike have emphasized the need for transparent and standardized measures to evaluate the overall health and performance of zakat organizations (Rubinstein-Shemer, 2021; Soleh, 2020). Responding to this demand, the Strategic Research Centre of the National Zakat Board (PUKAS BAZNAS) developed the Zakat Institutional Health Index (ZIHI), a multidimensional framework intended to assess both financial strength and organizational governance of zakat institutions (PUKAS BAZNAS, 2020; Zakiy, 2020). Beyond the BAZNAS documentation, several empirical studies have applied and validated index-based frameworks to assess the performance and sustainability of zakat institutions, in line with ZIHI's intent (Bin-Nashwan et al., 2021; Hilmiyah, Iskandar, & Mulyana, 2018; Ryandono et al., 2023; Widiastuti et al., 2022). These works collectively reinforce the relevance of standardized, composite indices for institutional assessment.

The ZIHI integrates quantitative factors such as fund allocation, liquidity, and growth with qualitative factors, including managerial structure, risk management, and adherence to Shariah supervision. More than a financial metric, ZIHI is an ethical evaluation instrument that seeks to understand how zakat organizations fulfill their social responsibilities. Although the framework has gained recognition, its empirical application remains limited, particularly within non-state zakat entities (Hudayati & Tohirin, 2019).

Using the case of LAZ Sahabat Yatim Indonesia, this research applies the ZIHI model to examine institutional health indicators across financial sustainability, governance performance, risk management, and Shariah compliance within an ethical systems context. The analysis examines the relationship between institutional integrity, legitimacy, public responsibility, and moral credibility in Islamic social finance. By connecting theory with institutional practice, this paper contributes to the evolving conversation on establishing consistent performance standards in the Islamic social finance domain.

Beyond technical evaluation, this study contributes to the discussion of ethics in institutional performance by presenting a model that integrates quantitative assessment with normative considerations. It also encourages more profound reflection on how Islamic philanthropic organizations should be evaluated not only in terms of their outputs but also in terms of the motivations and ethical values that guide their actions.

In Islamic society, zakat serves as both a spiritual obligation and a structured means of wealth distribution, designed to reduce inequality by directing resources toward those who are most in need (Sawmar & Mohammed, 2021). Within the broader framework of Islamic social finance, zakat institutions are entrusted with collecting and distributing charitable funds in accordance with Shariah principles.

In Indonesia, the emergence of zakat institutions such as LAZ and BAZNAS marks a transition from informal giving to an institutionalized model of philanthropy. Kasri and Sosiati (2023) and Owoyemi (2020) observed that this formalization enhances public trust and strengthens governance, enabling zakat to evolve from simple charity to a mechanism for socioeconomic empowerment and transformation. Complementary evidence from Hudayati and Tohirin (2019) and Ridwan, Asnawi, and Sutikno (2019) shows that zakat-based programs have tangible effects on household welfare, access to education, and small-enterprise development.

Effective governance remains fundamental for preserving trust and ensuring sustainability. Zakat institutions are expected to operate transparently and uphold administrative professionalism (Hudayati, Muhamad, & Marfuah, 2023; Sarif, Ali, & Kamri, 2024). Prior literature underscores the importance of ethical

oversight and standardized accountability mechanisms (Khairi et al., 2023; Yuspin & Fauzie, 2023). However, Indonesia's decentralized zakat governance often leads to fragmented supervision and variations in practice between national and private institutions. Although both BAZNAS and LAZ significantly contribute to Islamic social finance, they continue to encounter issues in maintaining consistent governance and accountability (Emzaed, Aulia, Rosadhillah, & Sukti, 2023; Faozan, Syah, Kusuma, & Adawiyah, 2023).

The lack of unified reporting standards has become a recurring concern, prompting discussions about adopting the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) framework (Herianingrum, Supriani, et al., 2024). Shariah governance challenges also persist: Al-Haddad, Maulana, Majid, and Rahman (2024) found that although many zakat organizations have Shariah Supervisory Boards (SSBs), these bodies often operate in a symbolic capacity, lacking systematic audit functions and active participation. Ghufuran, Zaenal, and Endri (2023) similarly highlight the necessity for integrated Shariah audit systems and harmonized reporting mechanisms.

A zakat organisation's capacity to manage and expand its financial resources is vital for its long-term resilience. Zakiy (2020) identified key financial indicators, including the allocation-to-collection ratio (ACR), cost efficiency, and liquidity performance. Higher ACR values typically reflect credibility and a strong commitment to timely fund distribution (Herianingrum, Widiastuti, et al., 2024). Recent analyses by Notolegowo, Alamsyah, Saraswati, Jalil, and Merican (2023) and Pratama (2023) further demonstrate that efficient financial management enhances operational performance and donor engagement. Analytical tools such as Data Envelopment Analysis (DEA) have also been adopted to benchmark zakat institutions, providing comparative insights into managerial efficiency (Bin-Nashwan et al., 2021).

Despite these advancements, many organizations still face limitations in predictive budgeting, cash-flow monitoring, and strategic reserve planning (Nasri, Aeni, & Haque-Fawzi, 2019). Consequently, several evaluative frameworks have emerged, including the Zakat Core Principles Implementation Index (ZCPII), the CIBEST model, and ZIHI, each combining financial and governance perspectives. The ZCPII focuses on compliance and operational performance, while the CIBEST framework links economic and spiritual welfare among beneficiaries (Beik & Arsyianti, 2016). Meanwhile, the ZIHI framework provides a comprehensive evaluation tool that encompasses both financial health and governance quality, each with distinct sub-variables and weighted criteria (Zakiy, 2020). ZIHI's multidimensional approach represents significant progress in standardizing performance evaluations, although its adoption remains limited outside of national zakat institutions.

Recent empirical studies have applied ZIHI to analyse the performance of the LAZ and BAZNAS units. For instance, Ryandono et al. (2023) and Rusydiana, Prakoso, Aslan, and Riani (2025) used ZIHI to identify organizational weaknesses in liquidity and Shariah documentation despite strong fund allocation ratios. These studies consistently find that, while financial practices are often robust, governance particularly Shariah oversight and risk management remains underdeveloped. However, most applications are cross-sectional and rely on annual data, with few longitudinal or comparative analyses conducted across districts. There is also a notable lack of critical evaluation regarding how performance scores correspond to real-world impacts such as reductions in multidimensional poverty (Herianingrum, Supriani, et al., 2024). Current frameworks prioritize quantitative metrics, such as fund turnover and liquidity, but often neglect qualitative factors, including organizational culture, leadership ethics, and mechanisms for community feedback. Additionally, Shariah compliance is often addressed in form rather than substance, with few institutions conducting Shariah audits, reviewing fatwas, or incorporating ethical performance indicators (Choiriyah, Kafi, Hikmah, & Indrawan, 2020).

Islamic institutional governance frameworks emphasize ethical conduct, stakeholder rights, and Shariah compliance, all rooted in the objectives of Islamic law (maqasid al-shariah), which include justice, accountability, and social welfare (Hassan, 2024; Muttaqin, Samsudin, Salleh, & Ahmad, 2023). The AAOIFI provides standardized guidelines, particularly regarding the roles and responsibilities of SSBs, through its Governance Standards for Islamic Financial Institutions. These standards highlight the importance of institutionalized Shariah oversight, audit mechanisms, and ethical safeguards, all of which are embedded in ZIHI indicators. The presence or absence of qualified SSBs, Shariah reporting, and internal standard operating procedures (SOPs) within LAZs reflects the degree of adherence to these governance ideals (Amalia, Rodoni,

& Tahliani, 2018). A more holistic assessment model is needed, one that integrates Islamic ethical governance with operational performance, addresses both spiritual and financial dimensions, and aligns with the maqashid al-shariah, or the purposes of Shariah. To fill this research gap, the study extends beyond the numerical outcomes of the ZIHI assessment and explores the managerial realities and operational dynamics that shape these outcomes. Using LAZ Sahabat Yatim Indonesia as the focal case, the analysis applies the ZIHI framework not only to measure institutional health through composite indicators but also to interpret how governance culture, management routines, and decision structures shape performance. The findings are then translated into practical recommendations to strengthen Shariah compliance, improve financial resilience, and refine administrative effectiveness within zakat organizations.

Therefore, this study aims to assess the institutional health of LAZ Sahabat Yatim Indonesia using the ZIHI framework, with a focus on financial performance and governance compliance. Specifically, it seeks to identify key determinants of sustainability and governance efficiency among zakat institutions.

METHODS

This research adopted a descriptive evaluative approach to analyze the institutional health of LAZ Sahabat Yatim Indonesia, one of the officially recognized zakat management institutions in the country. The evaluation applied the Zakat Institutional Health Index (ZIHI), a framework designed to capture both governance integrity and financial soundness. Rather than focusing solely on numerical scores, the ZIHI approach provides a holistic understanding of how zakat organizations sustain accountability, efficiency, and adherence to Islamic ethical values. Through this case study, the ZIHI model is illustrated as more than a measurement tool; it becomes a practical instrument for diagnosing organizational conditions and benchmarking managerial improvements within zakat institutions. Within the field of Islamic philanthropy, the concept of institutional health reflects a zakat organisation's internal strength to carry out its mission in harmony with Shariah principles while meeting the expectations of modern governance. A well-functioning zakat institution is characterized by financial stability, operational efficiency, ethical integrity, and tangible social impact (PUSKAS BAZNAS, 2019).

Among the available assessment models, the Zakat Institutional Health Index (ZIHI) has gained broad acceptance as a credible framework for evaluating the performance and governance quality of zakat management institutions (ZMIs) in Indonesia. This framework assesses two primary dimensions: financial and institutional. These dimensions are measured using specific indicators designed to capture both operational effectiveness and compliance, as illustrated in Figure 1.

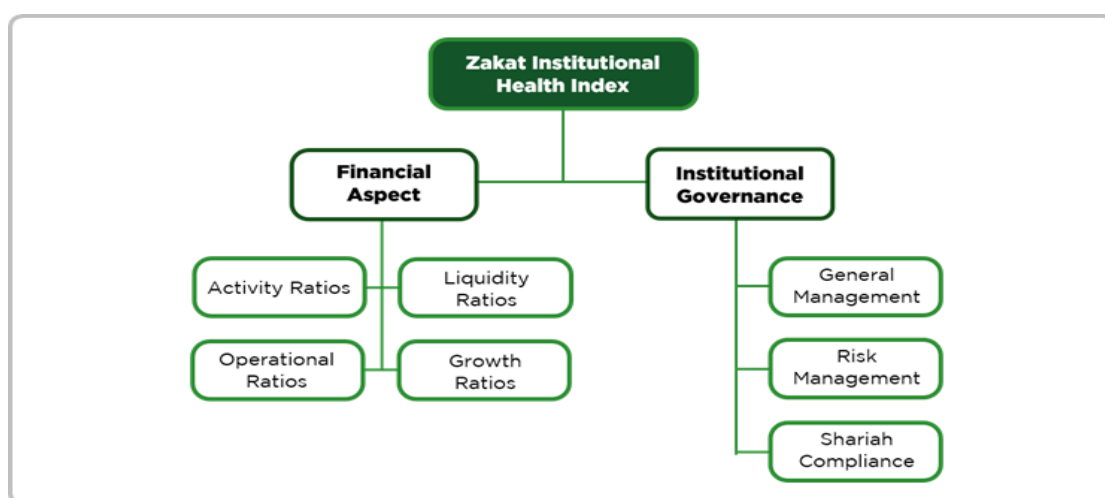


Figure 1: The ZIHI Framework

Source: PUSKAS BAZNAS (2022).

Formally, the Zakat Institutional Health Index (ZIHI) can be represented as follows.

$$ZIHI = \sum_{i=1}^4 w_{fi}F_i + \sum_{j=1}^3 w_{gj}G_j \quad (1)$$

Where F_i represents the financial health variables (Activity, Operational Efficiency, Liquidity, and Growth), and G_j denotes the governance variables (General Management, Risk Management, and Shariah Compliance). Each variable is weighted according to the official guidelines (PUSKAS BAZNAS, 2020), and the composite score is normalized on a 1–5 scale.

The financial health dimension includes four variables. First, activity ratios measure the efficiency with which resources are utilized to achieve operational goals. Second, operational ratios assess the efficiency of a zakat institution's operational expenses in relation to the total funds collected. Third, liquidity ratios evaluate an institution's ability to meet short-term obligations. Fourth, growth metrics track the expansion of assets and programmes over time (PUSKAS BAZNAS, 2020). Each variable comprises multiple financial ratios, and scoring is conducted using a weighted composite index that reflects the organisation's effectiveness in utilising, managing, and growing Zakat funds.

The institutional governance dimension was assessed qualitatively using Likert-scale evaluations across three variables. First, general management examines organisational structure and role clarity, which in turn influence coordination and accountability. Second, risk management evaluates systems that protect against operational and strategic failure. Third, Shariah compliance ensures adherence to Islamic jurisprudence, whereas service innovation and adaptability reflect the institution's responsiveness to emerging community needs (PUSKAS BAZNAS, 2020). These indicators are derived from institutional policies, SOPs, and internal audits, providing a comprehensive view of the organisation's commitment to good governance and Islamic financial ethics.

The data for this study comprise audited financial reports and institutional documentation on governance and risk management for LAZ Sahabat Yatim Indonesia for the year 2023. Management assessment data were gathered through structured interviews and institutional self-assessment tools based on ZIHI criteria. Composite scores for each dimension were calculated using the multistage weighted index method, as outlined by PUSKAS BAZNAS.

The assessment followed a four-step procedure defined by the ZIHI model. First, each indicator was scored using actual performance data and expert-assigned ratings. The formulae for each dimension and indicator are provided in Appendix 1. Second, scores at the variable level were weighted and aggregated to generate the overall variable scores. Third, composite scores are calculated by combining the variables into two main dimensions: Financial and Governance. Fourth, the organisational health level was determined using the ZIHI conversion matrix, which assigns a composite rank on a scale of 1 to 5.

Table 1: Composite Score of ZIHI

Score	Health Performance
1	The ZMI is in excellent health due to highly effective organisational management.
2	The ZMI is in good health, supported by effective and responsive management.
3	The ZMI is in fair health, with management that works moderately well in maintaining performance and governance.
4	The ZMI is in poor health, mainly due to weak management and inconsistent operations.
5	The ZMI is in poor health, marked by inadequate management and weak administrative controls

Source: PUSKAS BAZNAS, 2022

The overall level of institutional health was determined by combining the financial and governance scores through a ranking matrix. This process produced five performance categories: Excellent, Good, Fair, Poor, and Very Poor. The composite ZIHI score was then derived using a conversion matrix that links financial indicators with managerial assessments. The detailed criteria for each composite rating are presented in Table 1.

RESULTS AND DISCUSSION

This section discusses the institutional health results of LAZ Sahabat Yatim Indonesia, evaluated through the ZIHI framework, which examines both financial performance and governance practices. Each dimension was analyzed using composite scores derived from its related variables and indicators. The assessment focuses on four main financial dimensions: activity, operational efficiency, liquidity, and growth. Every variable was measured through several weighted indicators, and the combined results were used to generate a composite ranking of institutional performance ranging from 1 (Excellent) to 5 (Very Poor). [Appendix 2](#) provides a detailed breakdown of the findings based on our calculations.

The purpose of activity ratios is to measure how effectively an organization utilizes its available resources to deliver its programmes. The assessment criteria include the ratio of zakat distribution to total zakat collected, which should demonstrate active disbursement, as well as the proportion of program implementation expenses to total operating costs.

According to our calculations, the allocation indicators show strong performance. The Net Allocation to Collection Ratio (ACR) reached 91 percent, while the Infaq and Shadaqah ACR was 92 percent, indicating that most of the collected funds were being effectively allocated. However, the Gross ACR Non-Amil (49 percent) and Zakat ACR Non-Amil (51 percent) suggest that a significant portion of funds remains either pending disbursement or allocated to administrative costs. The turnover indicators reflect moderate circulation efficiency. The Zakat, Infaq, and Shadaqah (ZIS) Turnover Ratio was 1.8, and the Infaq and Shadaqah turnover ratios were 1.1, suggesting that it takes over a year for the collected funds to be fully utilized. The average Days ZIS Outstanding was 16 days, while Infaq and Shadaqah Outstanding averaged 28 days, indicating a lag between collection and actual disbursement.

Overall, the composite score for the activity dimension is 2.08, resulting in a score of 2, which classifies the organisation's activity performance as "Good." This indicates that LAZ Sahabat Yatim Indonesia exhibits effective fund utilization, particularly in terms of overall allocation, but can improve the speed of fund turnover. Reducing the time between receiving funds and program execution will further enhance performance in this dimension.

Operational efficiency: This dimension assesses how cost-effectively the organisation operates, with a focus on fundraising efficiency and the appropriate use of assets in compliance with zakat regulations. Based on our calculations, fundraising efficiency needs improvement. The fundraising cost ratio was 25 percent, earning a score of 5 the lowest rank, which highlights the need to enhance the fundraising process. In contrast, the operational cost ratio (22 percent) and human resource cost ratio (16 percent) both received the highest rank (rank 1), indicating highly efficient internal administrative spending according to benchmarks. Additionally, the use of amil rights was well managed; across sources such as zakat, infaq/shadaqah, and Corporate Social Responsibility (CSR), the rights utilised ranged from 0 to 19 percent, well within regulatory limits, demonstrating disciplined fund allocation.

In summary, the composite score for the operational variable was 2.00, placing LAZ in the "Good" health category for this dimension. This indicates that the organization effectively minimizes operational and human resource expenditure and adheres to regulatory administrative limits. However, there remains potential to further improve internal cost efficiency, particularly fundraising expenses.

Liquidity measures an organisation's ability to meet short-term financial obligations and is a critical component of institutional resilience, particularly in ensuring timely disbursements and emergency responses. Based on our calculations, the current ratio was 50 percent, thus earning the highest rank. However, two key indicators raise concerns: the quick ratio (20 percent) and the cash-to-ZIS ratio (20 percent), both of which indicate a minimal liquidity buffer. These two indicators received a rank of 5, resulting in a composite liquidity score of 4.00, placing the institution in the "Poor" liquidity health category.

This result indicates that the LAZ faces significant liquidity challenges, with insufficient current assets to cover its short-term liabilities comfortably. This limitation could hinder an organization's ability to respond promptly to program needs or unexpected obligations. It is recommended that the LAZ strengthen its reserve planning and cash management strategies.

All growth indicators showed a declining trend. The collection of Zakat fell by 14 percent, Infaq-Sadaqah decreased by 16 percent, and ZIS dropped by 15 percent. Similarly, allocations also experienced a sharp decline, with Zakat allocation down 63 percent, ZIS allocation down 24 percent, and Infaq allocation down 20 percent.

Operational expenses also declined by about 40 percent, suggesting a period of financial restraint rather than a planned cost-efficiency strategy. Overall, the growth variable recorded a composite score of 4.00, categorising LAZ Sahabat Yatim Indonesia as “Poor.” The results indicate a worrying downward trend in both fundraising capacity and program outreach, which in turn weaken the institution’s overall impact and sustainability. Immediate adjustments in fundraising approaches, donor relations, and outreach strategies are therefore needed to restore growth momentum.

The broader findings of this study offer a detailed picture of LAZ Sahabat Yatim Indonesia’s financial standing, as assessed by the Zakat Institutional Health Index (ZIHI). The organisation achieved a composite score of 3.00, placing it in the “Fair Health” category, as summarised in Table 2. Although the institution demonstrates positive performance in areas such as fund utilisation and operational efficiency, persistent weaknesses in liquidity and financial growth highlight deeper structural challenges that warrant attention.

Despite these issues, LAZ Sahabat Yatim Indonesia shows commendable strengths in fund allocation and operational effectiveness. These are particularly evident in the Activity and Operational dimensions, both of which are rated 2 (“Good”). The high Net Allocation-to-Collection Ratio (91 percent) and Infaq–Sadaqah ACR (92 percent) suggest that most of the funds raised are efficiently channeled toward program implementation. This practice aligns with established standards in zakat fund management, where the optimal use of collected funds is essential to realizing maqashid al-shariah and maintaining public confidence in zakat institutions (Saadah & Hasanah, 2021).

Table 2: Overall composite score of financial variable

No.	Financial variable dimension	Composite score	Health category
1	Activity	2	Good
2	Operational	2	Good
3	Liquidity	4	Poor
4	Growth	4	Poor
Overall composite score		3	Fair

Source: Processed data, 2024

LAZ Sahabat Yatim Indonesia demonstrates strong financial discipline through effective cost control, as reflected in its low Operational Cost Ratio of 22%. The careful and proportionate use of amil rights, maintained within the national regulatory limit, demonstrates compliance with Indonesia’s zakat governance standards and a conscious commitment to prioritising program benefits over administrative growth. These outcomes suggest that the organisation has developed robust internal mechanisms to maintain financial prudence and align its operations with Islamic ethical principles.

Despite these operational strengths, liquidity remains a significant financial concern, as indicated by a ZIHI score of 4 (“Poor”) in this dimension. The low Quick Ratio (20 percent) and Cash-to-ZIS Ratio (20 percent) indicate that LAZ lacks adequate liquid assets to meet its short-term obligations. This limited liquidity could hinder the institution’s responsiveness during periods of financial pressure or when facing sudden program demands. To build resilience, the organization should adopt a structured liquidity plan, including minimum cash reserve requirements and better scheduling of fund disbursements to maintain stability under fluctuating conditions. For instance, a one-rank decline in liquidity corresponds to an approximate 12–15% reduction in the overall composite health score, illustrating how financial instability can significantly affect institutional sustainability.

The Growth dimension similarly received a score of 4 (“Poor”), driven by consistent year-over-year declines across major fundraising indicators. Collections dropped by 14 percent for Zakat, 16 percent for Infaq–Sadaqah, and 15 percent for ZIS, accompanied by notable reductions in allocation ratios such as Zakat Allocation (–63 percent) and ZIS Allocation (–24 percent). These figures highlight challenges in donor retention,

fundraising innovation, and institutional visibility factors that directly impact long-term sustainability and financial stability. This trend aligns with previous research, which has shown that zakat organizations often struggle to maintain financial momentum without active engagement, creative fundraising, or transparent communication of their impact (Nurzaman, 2016; Ramli, Hassan, & Yusof, 2023; Zakiy, 2023).

Taken together, the performance profile of LAZ Sahabat Yatim Indonesia illustrates the transitional stage that many zakat institutions face as they move from operational stability toward strategic resilience. While the organization demonstrates efficiency in cost management and fund disbursement, its limited liquidity and declining growth signal the need for more proactive strategies to sustain capital and mobilize resources.

To address these gaps, several focused actions are recommended. The institution could introduce a formal liquidity policy with defined reserve levels, adopt cash flow monitoring systems, expand its digital fundraising channels, and broaden its donor base to offset declining growth. Strengthening impact measurement through quantifiable program outcomes would also enhance donor trust and accountability. Moreover, integrating long-term financial forecasting into strategic planning could align spending priorities with future growth targets.

Finally, enhancing the ZIHI framework by incorporating social impact indicators, as suggested by recent studies, would offer a more comprehensive picture of zakat effectiveness. Such an approach could better represent the transformative role of zakat in promoting socioeconomic welfare, consistent with the principles of Islamic finance.

Strong organisational governance is vital to ensuring the accountability, transparency, and long-term sustainability of zakat institutions. Within the ZIHI framework, governance is assessed through three main aspects: General Management, Risk Management, and Shariah Compliance. Each aspect was evaluated using several qualitative indicators measured on a Likert scale (1 = Excellent to 5 = Very Poor). The weighted results produce a composite score that reflects both the organisation's structural soundness and ethical integrity, as outlined in [Appendix 3](#). The key results and their implications are discussed in the following sections. The general management of LAZ Sahabat Yatim Indonesia received an average rating of 3.33, resulting in a weighted score of 0.43 and a composite score of 2 ("Good"). This indicates that the organisation has fairly robust structural and administrative foundations, although some operational regions would benefit from further standardisation and improved documentation.

Key strengths include a clearly defined vision, mission, and strategic plan that are well-documented and consistently applied. The presence of an Annual Work and Budget Plan (RKAT), along with an organizational structure featuring established and communicated job descriptions, leadership roles, and delegated authority, further supports operational effectiveness. Additionally, aligning SOPs with ISO standards demonstrates a commitment to institutionalizing quality assurance.

However, the evaluation also has several weaknesses. Financial report publications are inconsistent across channels. The ratings for the SIMBA system (used by BAZNAS) and the acquisition of independent audit opinions were low (score = 5), indicating insufficient system integration and a lack of external financial validation. As a result, while LAZ's leadership and planning framework are solid, improvements in reporting, digital integration (including SIMBA compliance), and auditing practices are necessary to achieve an "excellent" governance rating.

From an ethical perspective, financial transparency is foundational to building public trust and legitimacy in Zakat institutions. The organisation's publication of annual reports and online donor portals demonstrates a proactive stance toward transparency and disclosure. This aligns with the findings of [Ghufran et al. \(2023\)](#), who emphasise that voluntary disclosure enhances institutional credibility and fosters stakeholder trust. However, transparency should be critically evaluated not only in terms of access to information but also in terms of its intelligibility and relevance to the public. [Hadi, Shafrani, Hilyatin, Riyadi, and Basrowi \(2024\)](#) highlight that ethically sustainable organizations must prioritize clarity, accessibility, and contextual reporting, not merely compliance.

Risk management was assessed across five sub-dimensions: strategic, educational, operational, reporting, and compliance. Recent research has consistently found that the absence of a formal risk management framework remains a recurring weakness among zakat institutions ([Razak, Nasuka, Syahabuddin,](#)

Arsyad, & Darwis, 2024). Based on the current assessment, the average rating across all indicators is 1.43, resulting in a composite score of 1, which places LAZ in the “Excellent” category for this dimension. This outstanding result highlights the organisation’s strong awareness and proactive approach in identifying and mitigating potential risks that could affect its operations and financial stability.

The assessment revealed that the organisation was mindful of both strategic and reputational risks, particularly those stemming from regulatory shifts and changes in public perception. It also recognises limitations in educational outreach, particularly regarding zakat literacy among the public. The operational issues identified include delays in zakat disbursement, incorrect classification of zakat receivables, and high operational overheads. Reporting gaps such as late submissions and limited external audit coverage were also noted. Compliance risks, including the lack of regulatory supervision from BAZNAS, were also documented. Despite these challenges, LAZ’s ability to systematically identify and document risks stands out as a key strength essential for continuous improvement and strategic planning.

In summary, LAZ demonstrates a remarkable ability to identify and map risks. The following strategic step is to establish formal mitigation protocols, develop a centralised risk register, and consistently audit risk exposure using a standardised framework. The Shariah Compliance dimension received the lowest score of 4, with a weighted total of 2.17. This suggests that, while LAZ is aware of its Shariah obligations, formal structures and processes for religious oversight are either incomplete or inconsistently applied.

Key findings indicate that a Shariah Policy document is in place (score = 1) and the certification of an SSB has been verified (score = 3). However, there was no regular reporting or evidence of Shariah auditing (score = 5). The SOP for Shariah considerations, Shariah audit reports, and adherence to a Code of Ethics received low ratings. The absence of a dedicated organisational unit for Shariah compliance further underscores the governance gap. These shortcomings indicate not only operational deficiencies but also a misalignment with international governance standards, such as those set by the AAOIFI, particularly regarding the independence and functioning of SSBs. Saadah and Hasanah (2021) argue that Shariah governance is meaningful only when it translates into tangible ethical impacts such as fairness, justice, and the empowerment of people with low incomes.

In summary, while LAZ demonstrates an intention to operate in accordance with Islamic principles, there is an urgent need to institutionalize Shariah governance. This should include appointing an active and qualified SSB, producing regular Shariah audit reports, and ensuring that financial oversight aligns with fiqh zakat (Islamic legal jurisprudence on almsgiving).

The composite scoring results are presented in Table 3. The overall composite score of 2 categorizes LAZ’s organizational governance performance as “Good” according to the ZIHI scale. Although the General Management and Risk Management dimensions are relatively strong, weaknesses persist in Shariah Compliance, particularly in areas such as documentation, formal oversight, and structured review processes.

In terms of general management, LAZ has demonstrated an effective organizational structure, internal coordination, and decision-making mechanisms. The presence of SOPs, delegation of authority, clear job descriptions, and regular internal meetings suggest a sufficient level of managerial maturity. These findings are consistent with best practices for non-profit Islamic institutions, where the clarity of structure and documented operations are essential for accountability (Razak et al., 2024).

Table 3: Overall composite score of organizational governance variable

No.	Organizational governance variable dimensions	Composite score	Health category
1	General management	2	Good
2	Risk management	1	Excellent
3	Shariah compliance	4	Poor
Overall composite score		2	Good

Source: Processed data, 2024

Risk Management also performed well, with the organization demonstrating awareness of potential financial and operational risks. Although formal risk registers or mitigation matrices may be underdeveloped,

qualitative indicators suggest that LAZ has a functional understanding of the strategic and compliance risks. The presence of basic monitoring systems and informal audit practices makes a positive contribution to this dimension.

The most critical governance concern identified was Shariah compliance, which scored 3.74 (weighted: 1.12), the lowest among the three governance components. While LAZ asserts that its operations align with Islamic principles, formal mechanisms for verifying, monitoring, and documenting this alignment appear underdeveloped. Specifically, there is no clear evidence of a functioning SSB reviewing all financial and programmatic activities. Additionally, periodic fatwa reviews or certifications were not documented, and both ex-ante and ex-post Shariah compliance auditing processes were either absent or informal. The absence of structured Shariah audits and dedicated supervisory boards in regional LAZs underscores a broader governance gap, a topic frequently discussed in zakat compliance studies (Sawmar & Mohammed, 2021).

This observation is critical, as zakat management institutions (ZMIs) are required to operate within clearly defined Islamic legal frameworks. When Shariah oversight is not institutionalized correctly, it can lead to reduced credibility, declining donor trust, and potential non-compliance with national zakat governance standards, such as PERBAZNAS regulations and DSN-MUI rulings.

To strengthen its governance framework, LAZ Sahabat Yatim Indonesia could implement several strategic measures. First, the organisation should establish a formal Shariah Supervisory Board (SSB) within its structure, with apparent authority to review, endorse, and audit all financial and operational activities. Second, it is essential to establish a comprehensive Shariah audit mechanism that encompasses pre-disbursement verification, continuous compliance monitoring, and annual review reports, all conducted in coordination with the National Shariah Board – Indonesian Ulama Council (DSN-MUI). Third, the institution needs to enhance the documentation and transparency of its internal governance practices by maintaining accurate records of internal audits, publishing comprehensive financial disclosures, and keeping detailed minutes of board meetings. Fourth, risk management should be formalized through the creation of a dedicated risk register, updated periodically through collaborative staff workshops and independent external reviews. Implementing these initiatives would not only enhance the organisation's ZIHI governance rating but also reinforce its Islamic character, institutional credibility, and long-term sustainability.

The overall performance of LAZ Sahabat Yatim Indonesia was then analyzed using the ZIHI composite matrix, which combines scores from two key dimensions: financial indicators and organizational governance variables. This integrative method offers a comprehensive understanding of institutional health, encompassing both operational performance and managerial integrity.

Table 4: Overall composite score of organizational governance variable

Dimension	Composite score	Health classification
Financial variables	3	Fair
Organizational governance	2	Good
Overall composite score	3	Fair

Source: Processed data, 2024

According to the evaluation results summarized in Table 4, the composite score for the financial variables was 3, positioning the institution within the “Fair” health category. This score reflects strong performance in the activity and operational dimensions (both rated as “Good”), but it also highlights significant weaknesses in liquidity and growth (both rated as “Poor”). These findings underscore the need to enhance financial resilience and to develop more effective long-term fundraising strategies.

By contrast, the composite score for Governance Variables was 2, categorised as “Good.” While LAZ Sahabat Yatim Indonesia demonstrated effective general and risk management practices, the low Shariah compliance score (“Poor”) indicates the absence of formal oversight mechanisms and documentation of religious audits.

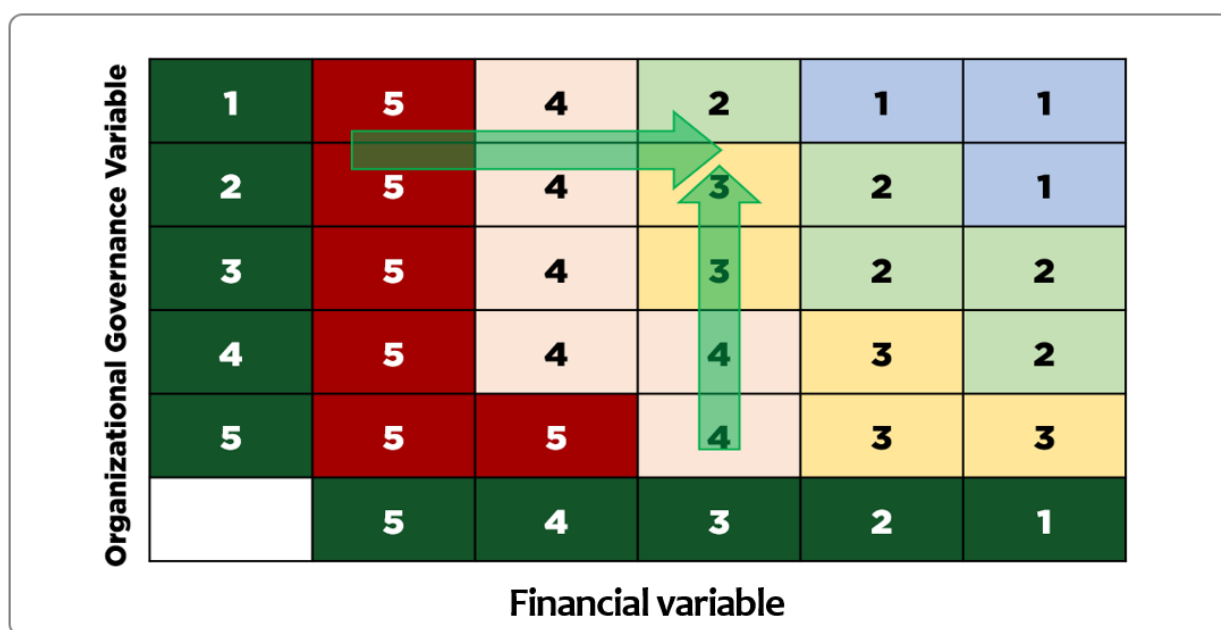


Figure 2: ZIHI Matrix for LAZ Sahabat Yatim Indonesia

Source: Processed data, 2024

When combined in the ZIHI matrix, the intersection of a Financial Score of 3 and a Governance Score of 2 places LAZ Sahabat Yatim Indonesia in Quadrant 3 of the ZIHI matrix, corresponding to an overall institutional health classification of “Fair.” This placement indicates that the organisation demonstrates a moderate level of effectiveness in institutional management. LAZ has established several strong foundations, particularly in internal cost efficiency and risk awareness. However, it is limited by underdeveloped Shariah governance and concerns regarding financial sustainability.

These findings collectively illustrate that, while LAZ Sahabat Yatim Indonesia demonstrates commendable operational discipline and effective risk awareness, persistent liquidity weaknesses and limited Shariah oversight continue to constrain its overall institutional resilience. To provide a clearer picture of these dynamics, Table 5 consolidates the composite results from both the financial and governance dimensions, highlighting each variable’s performance category and key interpretation.

Table 5: Summary of ZIHI results and interpretation for LAZ Sahabat Yatim Indonesia

Dimension	Composite	Category	Key interpretation
Activity	2	Good	Efficient allocation of funds
Operational	2	Good	Cost efficiency maintained
Liquidity	4	Poor	Weak short-term reserve management
Growth	4	Poor	Declining fundraising and outreach
Governance	2	Good	Effective risk awareness but limited Shariah structure
Overall ZIHI score	3	Fair	Moderate institutional health

Source: Processed data, 2024

LAZ Sahabat Yatim Indonesia demonstrates efficient fund allocation (a Net ACR of 91%) and maintains low operational costs (22%), indicating effective resource utilization and operational discipline. However, weaknesses remain in liquidity (Quick Ratio 20%) and growth performance (-15% in fundraising), suggesting insufficient financial reserves and a slowdown in expansion efforts. On the governance side, the institution demonstrates strong risk awareness (score 1: Excellent) and maintains a structured management system (score

2: Good). Nonetheless, Shariah compliance received a lower score (4: Poor), primarily due to the absence of regular audit reports and an inactive Shariah Supervisory Board (SSB), reflecting the need for stronger Shariah governance and oversight mechanisms.

The summarized results presented in Table 2 provide a concise overview of how each dimension contributes to the overall institutional health classification. These composite outcomes serve as the basis for visual interpretation in the subsequent ZIHI matrix, as shown in the colour-coded Figure 2.

As shown in the colour-coded matrix (see Figure 2), the intersection of the financial score (x-axis = 3) and governance score (y-axis = 2) places the institution in Zone 3 (yellow-green), representing a moderate-performing segment. Institutions in this quadrant are encouraged to strengthen governance reforms while urgently addressing financial liquidity and growth sustainability to prevent long-term deterioration.

CONCLUSION

This study assessed the institutional health of LAZ Sahabat Yatim Indonesia using the Zakat Institutional Health Index (ZIHI) framework developed by PUSKAS BAZNAS. The evaluation covered both financial and organizational governance dimensions, providing a comprehensive analysis of the organization's capacity, efficiency, and compliance with Islamic and administrative standards.

The findings indicate that LAZ Sahabat Yatim Indonesia is in an overall "Fair Health" condition. The organization achieved "Good" performance in fund utilization and operational efficiency, reflecting effective internal mechanisms for cost control and allocation. However, critical weaknesses were identified in liquidity and growth, highlighting the need for improved financial planning and resource mobilization. From a governance standpoint, the institution demonstrated strong general and risk management practices. However, it exhibited notably weak performance in Shariah compliance, primarily due to the lack of formal structures for religious oversight and documentation.

These insights highlight a dual imperative: first, to strengthen financial resilience through enhanced liquidity management and innovative fundraising strategies, and second, to institutionalize Shariah governance as a fundamental component of organizational integrity. Without these improvements, the credibility and Islamic legitimacy of zakat management may be compromised regardless of operational performance. This study underscores the need to embed Islamic governance principles into institutional practice by illustrating how the ZIHI framework aligns with both maqasid al-shariah and AAOIFI standards, particularly in areas such as Shariah supervision, ethical management, and stakeholder accountability.

Based on these conclusions, several practical recommendations are proposed. First, Liquidity Planning and Reserve Policy: Zakat management institutions should adopt a proactive liquidity strategy by defining minimum reserve thresholds, forecasting disbursement cycles, and strengthening cash flow oversight. These steps are vital to sustain short-term financial stability and enhance donor confidence.

Second, diversified fundraising and donor engagement: To overcome declining growth, institutions need to innovate in digital fundraising, strengthen donor relationship management, and expand community-based outreach programs. Applying evidence-based storytelling and transparent impact reporting can also help strengthen donor trust and retention.

Third, formalising Shariah governance structures: establishing an effective Shariah Supervisory Board (SSB) is crucial for ensuring consistent Shariah compliance. The board should actively review financial transactions, validate disbursement processes, and conduct regular Shariah audits to ensure alignment with Islamic governance standards.

Fourth, Internal Audit and Risk Documentation: Although risk management awareness exists, LAZ Sahabat Yatim Indonesia would benefit from establishing a formal risk register and conducting scheduled risk-mitigation reviews. Embedding risk management into strategic planning will support the organisation's long-term resilience and operational stability. Regulators should formalise SSB audits through DSN-MUI collaboration and improve liquidity transparency via SIMBA integration. Zakat managers are advised to establish reserve policies, diversify fundraising, and apply ZIHI benchmarking annually to strengthen governance sustainability.

Fifth, Adoption and Institutionalisation of the ZIHI Framework: The organisation is encouraged to apply the ZIHI framework annually, not only as a compliance requirement but also as a tool for internal performance evaluation. Regular ZIHI training for staff, along with integrating its indicators into management performance reviews, would further strengthen institutional accountability and governance capacity.

By addressing these key areas, LAZ Sahabat Yatim Indonesia can strengthen its overall ZIHI score, enhance operational sustainability, and reinforce its reputation as a credible and trusted zakat institution. More broadly, this study demonstrates the practical value of ZIHI as a diagnostic and improvement tool for Zakat organizations navigating the complexities of financial accountability and Islamic governance. This study is limited by its single case and cross-sectional design. Future research could apply the ZIHI framework across multiple institutions longitudinally. Policymakers are encouraged to formalize Shariah Supervisory Board (SSB) audits and enhance financial disclosure mechanisms to strengthen public trust.

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INSTITUTIONAL REVIEW BOARD STATEMENT: The study involved minimal risk and followed ethical guidelines for social science fieldwork. Formal approval from an Institutional Review Board was not required under the policies of Institute for Research Ethics Committee of the Universitas Ibn Khaldun Bogor, Indonesia. Informed verbal consent was obtained from all participants, and all data were anonymized to protect participant confidentiality.

TRANSPARENCY: The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

COMPETING INTERESTS: The authors declare that they have no competing interests.

AUTHORS' CONTRIBUTIONS: All authors contributed equally to the conception and design of the study. All authors have read and agreed to the published version of the manuscript.

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APPENDIX 1

This appendix provides the detailed formulas used in calculating scores for the IKOPZ assessment. Each formula corresponds to one of the financial or governance indicators evaluated in this study. The equations guide the conversion of raw performance metrics into standardised ranks and composite scores, in line with the IKOPZ framework.

A. Formula of Financial Variable

1. Activity

No.	Item	Formula
Allocation to collection ratio (ACR)		
1.	Gross allocation ratio	$\frac{\text{Zakat Fund Distribution} + \text{Funds from Infaq and Shadaqah}}{(\text{Zakat fund collection} + \text{Funds from Infaq and Shadaqah}) + (\text{Balance of Zakat Fund} - 1 + \text{Balance of Infaq fund} - 1)}$
2.	Gross allocation ratio non Amil	$\frac{(\text{Zakat Fund Distribution} + \text{Funds from Infaq Shadaqah}) - (\text{The amil's portion from zakat funds} + \text{the amil's portion from infaq funds})}{(\text{Zakat Fund Collection} + \text{Funds from Infaq Shadaqah}) + (\text{Balance of Zakat Fund} - 1 + \text{Balance of Infaq Shadaqah} - 1) - (\text{The amil's portion from zakat funds} + \text{the amil's portion from infaq funds})}$
3.	Net allocation ratio	$\frac{\text{Zakat Fund Distribution} + \text{Funds from Infaq Shadaqah}}{\text{Zakat Collection} + \text{Infaq Shadaqah Collection}}$
4.	Net allocation ratio non-Amil	$\frac{\text{Zakat Fund Distribution} + \text{Funds from Infaq Shadaqah} - \text{The amil's portion from ZIS}}{\text{Zakat Collection} + \text{Infaq Shadaqah Collection} - \text{The amil's portion from ZIS}}$
5.	Zakat allocation ratio	$\frac{\text{Total of Zakat Fund Distribution}}{\text{Total of Zakat Fund Collection}}$
6.	Zakat allocation ratio non-Amil	$\frac{\text{Total of Zakat Fund Distribution} - \text{The amil's portion from zakat funds}}{\text{Total of Zakat Fund Collection} - \text{The amil's portion from zakat funds}}$
7.	Infaq and Shadaqah Allocation Ratio	$\frac{\text{Total of Infaq Shadaqah Fund Distribution}}{\text{Total of Infaq Shadaqah Fund Collection}}$
8.	Infaq and Shadaqah Allocation Ratio Non-Amil	$\frac{\text{Total of Infaq Shadaqah Distributin} - \text{The amil's portion from Infaq Shadaqah}}{\text{Total of Infaq Shadaqah Collection} - \text{The amil's portion from Infaq Shadaqah}}$
Turnover Ratio		

No.	Item	Formula
1.	Zakat turnover ratio	$\frac{\text{Total of Zakat Fund Distribution Year x}}{(\text{Total of Zakat Fund Collection Year x} + \text{Initial Balance of Zakat Fund Year x})/2}$
2.	Average of days zakat outstanding	$\frac{360}{\text{Zakat fund turn over}}$
3.	Infaq Shadaqah turnover ratio	$\frac{\text{Total of Infaq Shadaqah Fund Distribution Year x}}{(\text{Total of Infaq Shadaqah Fund Collection Year x} + \text{Initial Balance of Infaq Shadaqah Fund Year x})/2}$
4.	Average of days Infaq Shadaqah outstanding	$\frac{360}{\text{Infaq Shadaqah fund turn over}}$
5.	ZIS turnover ratio	$\frac{\text{Total of Zakat Infaq Shadaqah Fund Distribution Year x}}{(\text{Total of Zakat Infaq Shadaqah Fund Collection Year x} + \text{Initial Balance of Zakat Infaq Shadaqah Fund Year x})/2}$
6.	Average of days ZIS outstanding	$\frac{360}{\text{Zakat Infaq Shadaqah fund turn over}}$
Fund distribution ratio		
1.	Ratio of receivables to total disbursed funds	$\frac{\text{Receivables}}{\text{Total of Disbursed Funds}}$
2.	Ratio of activity advances to total program funds	$\frac{\text{Activity Advance}}{\text{Total of Program Funds}}$
3.	Ratio of managed Zakat Assets to Total disbursed Zakat funds	$\frac{\text{Total Managed Zakat Assets for the Current Year}}{\text{Total of Disbursed Funds}}$

2. Operational

No.	Item	Formula
Efficiency ratio		
1.	Collection expenses ratio	$\frac{\text{Cost of Fund Collection}}{\text{Total of Fund Collection}}$
2.	Operational expenses ratio	$\frac{\text{Total of Operational Expenses}}{\text{Total of Amil's Right}}$
3.	Human capital expenses ratio	$\frac{\text{Human Capital Expenses}}{\text{Total of Fund Collection}}$
Amil's fund ratio		
1.	Amil's right ratio	$\frac{\text{Amil's Right from ZIS + CSR}}{\text{Total of Fund Collection} - \text{Revenue from profit sharing on fund placements}} \times 100\%$
2.	Amil's right ratio from zakat fund	$\frac{\text{Amil's Right from Zakat Fund}}{\text{Total of Zakat Fund Collection} - \text{Revenue from profit sharing on zakat fund placements}} \times 100\%$
3.	Amil's right ratio from infaq Shadaqah fund	$\frac{\text{Amil's Right from Infaq Shadaqah Fund}}{\text{Total of Infaq Shadaqah Fund Collection} - \text{Revenue from profit sharing on Infaq Shadaqah fund placements}} \times 100\%$
4.	Amil's right ratio from CSR fund	$\frac{\text{Amil's Right from CSR Fund}}{\text{Total of CSR Fund Collection} - \text{Revenue from profit sharing on CSR fund placements}} \times 100\%$

3. Liquidity

No.	Item	Formula
Total Current Assets		
1.	Current ratio	$\frac{\text{Balance of zakat funds} + \text{balance of infak and sadaqah funds} + \text{total current liabilities}}{\text{managed assets}}$
2.	Quick ratio/Acid test ratio	$\frac{\text{Cash and Cash Equivalents} + \text{Disbursement Receivables} + \text{Activity Advances}}{(\text{Total short-term liabilities} + \text{zakat fund balance} + \text{infak and sadaqah fund balance}) - \text{managed assets}}$
3.	Cash ratio	$\frac{\text{Cash and Cash Equivalent}}{(\text{Balance of zakat funds} + \text{balance of infak and sadaqah funds}) - \text{managed assets}}$
4. Growth		
No.	Item	Formula
Growth of collection		
1.	Zakat growth of collection	$\frac{\text{Zakat collection in Year } T - \text{Zakat collection in Year } (T - 1)}{\text{Zakat collection in Year } (T - 1)}$
2.	Infaq Shadaqah growth of collection	$\frac{\text{Infaq Shadaqah collection in Year } T - \text{Infaq Shadaqah collection in Year } (T - 1)}{\text{Infaq Shadaqah collection in Year } (T - 1)}$
3.	ZIS growth of collection	$\frac{\text{ZIS collection in Year } T - \text{ZIS collection in Year } (T - 1)}{\text{ZIS collection in Year } (T - 1)}$
Growth of allocation		
1.	Zakat growth of allocation	$\frac{\text{Zakat allocation in Year } T - \text{Zakat allocation in Year } (T - 1)}{\text{Zakat allocation in Year } (T - 1)}$
2.	Infaq Shadaqah growth of allocation	$\frac{\text{Infaq Shadaqah allocation in Year } T - \text{Infaq Shadaqah allocation in Year } (T - 1)}{\text{Infaq Shadaqah allocation in Year } (T - 1)}$
3.	ZIS growth of allocation	$\frac{\text{ZIS allocation in Year } T - \text{ZIS allocation in Year } (T - 1)}{\text{ZIS allocation in Year } (T - 1)}$
Growth of operational expense		
1.	Growth of operational expense	$\frac{\text{Growth of Operating Expenses in Year } T}{\text{Growth of ZIS collection in Year } T}$

B. Assessment for organizational governance**1. General management**

		Likert scale				
Indicator		1	2	3	4	5
Vision and Mission	ZMI possesses a clearly defined, properly documented, and consistently measurable vision, mission, and set of objectives	Lacks a defined vision, mission, and objectives	Possesses a clear vision, mission, and objectives; however, they are neither properly documented nor measurable	Possesses a clearly defined and documented vision, mission, and objectives; however, they are not measurable	Possesses a clearly defined, documented, and measurable vision, mission, and objectives; however, their implementation lacks consistency	Possesses a clearly defined, properly documented, and consistently measurable vision, mission, and objectives
Strategic planning (Renstra)	ZMI has Strategic Planning	Lacks a Strategic Plan	-	Possesses a strategic plan; however, it has not been submitted to the BAZNAS of Republic of Indonesia	-	Possesses a strategic plan and has submitted it to the BAZNAS of Republic of Indonesia
Annual budget and work plan (RKAT)	ZMI has RKAT	Does not have an RKAT	Has an RKAT not derived from the strategic plan and not reported to the BAZNAS of Republic of Indonesia	Has an RKAT derived from the strategic plan but not reported to the BAZNAS of Republic of Indonesia	Has an RKAT not derived from the strategic plan but reported to the BAZNAS of Republic of Indonesia	Has an RKAT derived from the strategic plan and reported to the BAZNAS of Republic of Indonesia
The amil's knowledge and comprehension of the institution's vision, mission, goals, strategic plan, and Annual budget and work plan (RKAT)	The amil's knowledge and comprehension of the institution's vision, mission, goals, strategic plan, and Annual Budget and Work Plan (RKAT)	Amil has no knowledge or understanding of the institution's vision, mission, goals, strategic plan, and Annual Budget and Work Plan (RKAT)	-	Amil has knowledge but no understanding of the institution's vision, mission, goals, strategic plan, and Annual Budget and Work Plan (RKAT).	-	Amil has both knowledge or understanding of the institution's vision, mission, goals, strategic plan, and Annual Budget and Work Plan (RKAT)
Structure of organization	ZMI has a clear organizational structure with well-defined, documented, and well-socialized job descriptions. The leadership performs its duties and exercises its authority, which are reported during plenary meetings	Does not have an organizational structure	Has a structure but no clear task descriptions	Has a structure and clear task descriptions, but not documented.	Has a structure and documented task descriptions, but not socialized	Has a structure, documented task descriptions, and is well-socialized
Duties and authorities of ZMI leadership	The organization has Standard Operating	Leadership does not carry out duties and responsibilities	-	Leadership carries out duties and responsibilities but does not report in plenary meetings.	-	Leadership carries out and reports duties and responsibilities in plenary meetings.
Standard operating	The organization has Standard Operating	No SOP	Has SOP	Has SOP standardized by	SOP standardized by	SOP standardized by 3 ISO certifications

	Indicator	Likert scale				
		1	2	3	4	5
procedures (SOP)	Procedures (SOP) that are accredited by ISO standards			1 ISO certification	2 ISO certifications	
	The financial reports are published periodically through both print and electronic media, including the organization's website and social media platforms	Does not prepare financial reports	Publishes financial reports at least annually via print/electronic media	Publishes financial reports at least semi-annually	Publishes financial reports at least quarterly	Publishes financial reports monthly through print/electronic media
	Reporting					
	Use of BAZNAS Information and Management System (SIMBA)	Does not use SIMBA	-	-	-	Uses or is connected to SIMBA
	The opinion provided by an independent auditor regarding the fairness and accuracy of the organization's financial statements	No external audit conducted	Disclaimer opinion	Adverse opinion	Qualified Opinion (WDP)	Unqualified Audit Opinion (WTP)

A. Risk management

Dimension	Indicator	Likert scale				
		1	2	3	4	5
Strategic risk	ZMI has not yet fully optimized the implementation of its core functions, such as education, information dissemination, consultation, and zakat collection.	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Adjustment risks due to new regulations (Legal, organizational, operational, etc.)	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	ZMI lacks a strong reputation among the public	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
Educational risk	ZMI relies heavily on the government for zakat education.	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	ZMI is not well-introduced to the public	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur

Dimension	Indicator	Likert scale				
		1	2	3	4	5
Operational risk	ZMI lacks resources/Funds to promote itself to the public	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	ZMI lacks resources/Funds to conduct zakat education	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat funds are mixed with non-halal sources (Corruption, usury, etc.)	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Overly optimistic or inaccurate zakat potential projections	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Overly optimistic zakat collection plans	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Multiple zakat accounts confuse donors	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Use of conventional bank accounts for zakat payments	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Discrepancies between zakat paid by Muzakki and reported by Amil	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Different schools of thought (Madhhab) on zakat among OPZ personnel	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Failure to deliver zakat deposit proof to Muzakki due to amil's or other's negligence.	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat funds used for personal/group interest	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat funds held in bank deposits	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Lack of standardized SOP/SOM in zakat management	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	High operational costs in OPZ	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Use of multiple bank accounts for zakat management	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Unclear timing on when revolving zakat funds are considered disbursed	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat revolving funds held over one year	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur

Dimension	Indicator	Likert scale				
		1	2	3	4	5
Reporting risk	Ineffective use of revolving Zakat funds due to unskilled mustahik.	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Overlapping zakat disbursements among ZMIs	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Delay in zakat disbursement to mustahik	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Unequal allocation of zakat distribution	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Lack of coordination among OPZs in zakat distribution	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat reports are not prepared periodically	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Delayed periodic zakat reporting to stakeholders	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat reports are inaccurate or invalid	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Zakat reports are not audited by public accountants (KAP)	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Inconsistency between national and branch zakat reports	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
Compliance risk	ZMI leaders lack understanding of zakat regulations	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur
	Absence of oversight mechanisms by BAZNAS	Almost certain to occur	Highly likely to occur	Likely to occur	Unlikely to occur	Highly unlikely to occur

3. Shariah Compliance

Dimension	Indicator	Likert Scale				
		1	2	3	4	5
Shariah policy	ZMI possesses a formal Shariah policy for zakat management	ZMI does not have a Shariah policy in zakat management	ZMI implements Shariah principles but lacks formal written basis	ZMI has shariah policies based on regulations other than SOP/Decree or refer to central BAZNAS/Ministry of Religious Affairs.	ZMI has Shariah policy documents (e.g., SOP/Decree) not yet ratified	ZMI has ratified Shariah policy documents (e.g., SOP/Decree)

Dimension	Indicator	Likert Scale				
		1	2	3	4	5
Shariah supervisory	ZMI has a certified Shariah Supervisory Board (SSB) or leadership that performs Shariah supervisory functions	ZMI does not have a Shariah Supervisory Board (SSB)	-	ZMI has uncertified SSB members	ZMI has at least one certified SSB member	ZMI has fully certified SSB members
	ZMI has an SOP governing Shariah supervisory and advisory functions	ZMI does not have SOP governing Shariah supervisory and advisory functions	-	ZMI has a policy outside SOP/Decree or refers to the central BAZNAS/Ministry of Religious Affairs.	-	ZMI has an SOP governing Shariah supervisory and advisory functions and decree.
	Shariah supervisory reports	ZMI does not have Shariah supervisory reports	ZMI has Shariah supervisory reports, but not periodically submitted	ZMI has Shariah annual supervisory reports but not periodically published	ZMI has Shariah biennial published supervisory reports.	ZMI has Shariah annual published supervisory reports.
	ZMI has codes of ethics for amil	ZMI does not have codes of ethics for amil	-	ZMI Has a code of ethics based on policy outside SOP/Decree or refers to BAZNAS/Ministry of Religious Affairs	-	ZMI has SOP/Decree on Amil Zakat Code of Ethics
Ethical codes						
	ZMI has an Institutional Unit for Code Enforcement.	ZMI does not have a unit responsible for enforcing the code of ethics.	ZMI has the unit but not officially stated	ZMI has the unit, referenced in non-SOP/Decree documents or refers to central BAZNAS/Ministry	ZMI has a unit stated in unratified SOP/Decree.	ZMI has a unit stated in ratified SOP/Decree

APPENDIX 2

Financial Health Scoring Summary based on IKOPZ Framework

This appendix presents the scoring breakdown for the financial health indicators of LAZ Sahabat Yatim Indonesia based on the IKOPZ framework. The financial dimension is divided into four components: Activity, Operational Efficiency, Liquidity, and Growth. Each table shows the indicator weight, rank, and final score as calculated for the 2023 fiscal year. The composite financial score was used to determine the overall financial health classification of the zakat institution.

A. Activity

Dimension	Indicator	Score	Rank	Weight Of Indicator	Weighted Score	Total Weighted Score	Weight Of Dimension	Total Weighted Score of Dimension
1	2	3	4	5	6	7	8	9
Allocation to Collection Ratio (ACR) ^{A1}	Gross ACR	0.53	3	0.13	0.39	2.08	0.50	1.04
	Gross ACR Non Amil	0.49	4	0.13	0.52			
	Net ACR	0.91	1	0.13	0.13			
	Zakat ACR	0.59	3	0.13	0.39			
	Zakat ACR Non Amil	0.51	3	0.13	0.39			
	Infaq and Shadaqah ACR	0.94	1	0.13	0.13			
Dimension	Indicator	Score	Rank	Weight Of Indicator	Weighted Score	Total Weighted Score	Weight Of Dimension	Total Weighted Score of Dimension
1	2	3	4	5	6	7	8	9
Turnover Ratio	Infaq and Shadaqah ACR Non Amil	0.92	1	0.13	0.13	1.53	0.30	0.46
	Zakat Turnover Ratio ^{A2}	1.8	2	0.17	0.34			
	Average of Day Zakat Outstanding ^{A3}	28	1	0.17	0.17			
	Infaq Shadaqah Turnover Ratio ^{A2}	1.1	2	0.17	0.34			
	Average of Days Infaq Shadaqah Outstanding ^{A3}	28	1	0.17	0.17			
	ZIS Turnover Ratio ^{A2}	1.8	2	0.17	0.34			
Dimension	Indicator	Score	Rank	Weight Of Indicator	Weighted Score	Total Weighted Score	Weight Of Dimension	Total Weighted Score of Dimension
1	2	3	4	5	6	7	8	9
Fund Distribution Ratio ^{A4}	Average of Days ZIS Outstanding ^{A3}	16	1	0.17	0.17	2.97	0.20	0.59
	Ratio of Distribution Debt	0.12	3	0.33	0.99			
	Ratio of Programs' Down Payment	0.05	1	0.33	0.33			
	Ratio of Zakat Assets Management	0.23	5	0.33	1.65			
Overall Composite Score of Activity Dimension								2

A1. Criteria for Allocation to Collection Ratio (ACR)

≥ 90	1	0.13	0.13	Very Effective
70 – 89	2	0.13	0.26	Effective
50 - 69	3	0.13	0.39	Fair Effective
20 – 49	4	0.13	0.52	Less Effective
<20	5	0.13	0.65	Not Effective

A2. Criteria for Zakat/Infaq-Shadaqah/ZIS Turnover Ratio

Ratio (times)	Rank	Weight	Weighted Score	Criteria
≥ 2.0	1	0.17	0.17	Very Effective
1.5 – 2.0	2	0.17	0.33	Effective
1.0 – 1.5	3	0.17	0.50	Fair Effective
0.5 – 1.0	4	0.17	0.67	Less Effective
<0.5	5	0.17	0.83	Not Effective

A3. Criteria for Average of Days Zakat/Infaq-Shadaqah/ZIS Outstanding

Ratio (month)	Rank	Weight	Weighted Score	Criteria
≤ 3	1	0.17	0.17	Very Effective
3 – 6	2	0.17	0.33	Effective
6 - 9	3	0.17	0.50	Fair Effective
9 – 12	4	0.17	0.67	Less Effective
>12	5	0.17	0.83	Not Effective

A4. Criteria for Fund Distribution Ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤ 5	1	0.33	0.33	Very Effective
6-10	2	0.33	0.66	Effective
11-15	3	0.33	0.99	Fair Effective
16-20	4	0.33	1.32	Less Effective
>20	5	0.33	1.65	Not Effective

B. Operational

Dimension	Indicator	Score	Rank	Weight Of Indicator	Weighted Score	Total Weighted Score	Weight Of Dimension	Total Weighted Score of Dimension
1	2	3	4	5	6	7	8	9
Efficiency Ratio	Collection expenses ratio ^{B1}	0.25	5	0.33	1.65	2.97	0.50	1.49
	Operational expenses ratio ^{B2}	0.22	1	0.33	0.33			
	Human capital expenses ratio ^{B3}	0.16	3	0.33	0.99			
Amil Fund Ratio	Amil Right Ratio ^{B4}	0.18	3	0.25	0.75	1.50	0.50	0.75
	Amil Right Ratio for Zakat ^{B5}	0.12	1	0.25	0.25			
	Amil Right Ratio for Infaq/Shadaqah ^{B6}	0.19	1	0.25	0.25			
	Amil Right Ratio for CSR ^{B7}	0.00	1	0.25	0.25			
Overall Composite Score of Operational Expenses								2

B1. Criteria for Collection Expenses Ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤ 5	1	0.33	0.33	Very Efficient
5.1 – 7.5	2	0.33	0.66	Efficient
7.6 – 10	3	0.33	0.99	Fairly Efficient
10.1 – 12.5	4	0.33	1.32	Less Efficient
> 12.5	5	0.33	1.65	Not Efficient

B2. Operational expenses ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤ 70	1	0.33	0.33	Very Efficient
71 – 80	2	0.33	0.66	Efficient
81 – 90	3	0.33	0.99	Fairly Efficient
91 – 100	4	0.33	1.32	Less Efficient
>100	5	0.33	1.65	Not Efficient

B3. Human capital expenses ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤ 10	1	0.33	0.33	Very Efficient
11 – 15	2	0.33	0.66	Efficient
16 – 20	3	0.33	0.99	Fairly Efficient
21 – 25	4	0.33	1.32	Less Efficient
>25	5	0.33	1.65	Not Efficient

B4. Amil Right Ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤14	1	0.25	0.25	Very Efficient
15 – 16	2	0.25	0.50	Efficient
17 – 18	3	0.25	0.75	Fairly Efficient
19 – 20	4	0.25	1.00	Less Efficient
>20	5	0.25	1.25	Not Efficient

B5. Amil Right Ratio for Zakat

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤12.5	1	0.25	0.25	Very Efficient
12.6 – 15.0	2	0.25	0.50	Efficient
15.1 – 17.5	3	0.25	0.75	Fairly Efficient
17.6 – 20.0	4	0.25	1.00	Less Efficient
>20	5	0.25	1.25	Not Efficient

B6. Amil Right Ratio for Infaq/Shadaqah

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≤ 20	1	0.25	0.25	Very Efficient
20.1 – 22.5	2	0.25	0.50	Efficient
22.6 – 25.0	3	0.25	0.75	Fairly Efficient
25.1 – 27.5	4	0.25	1.00	Less Efficient
>27.5	5	0.25	1.25	Not Efficient

B7. Amil Right Ratio for CSR

Ratio (%)	Rank	Weight	Weighted Score	Criteria
< 15	1	0.25	0.25	Very Efficient
15.1 – 17.5	2	0.25	0.50	Efficient
17.6 – 20.0	3	0.25	0.75	Fairly Efficient
20.1 – 22.5	4	0.25	1.00	Less Efficient
>22.5	5	0.25	1.25	Not Efficient

A. Liquidity

Indicator	Score	Rank	Weight	Weighted Score
1	2	3	4	5
Current Ratio ^{C1}	0.50	1	0.33	0.33
Quick Ratio ^{C1}	0.20	5	0.33	1.65
Cash to ZIS Ratio ^{C2}	0.20	5	0.33	1.65
Overall Composite Score of Liquidity				4

C1. Criteria for Current Ratio and Quick Ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≥ 90	1	0.33	0.33	Very Liquid
80 - 89	2	0.33	0.66	Liquid
70 - 79	3	0.33	0.99	Fairly Liquid
60 - 69	4	0.33	1.32	Less Liquid
< 60	5	0.33	1.65	Not Liquid

C2. Criteria for Cash to ZIS Ratio

Ratio (%)	Rank	Weight	Weighted Score	Criteria
> 50	1	0.33	0.33	Very Liquid
40 - 49	2	0.33	0.66	Liquid
30 - 39	3	0.33	0.99	Fairly Liquid
20 - 29	4	0.33	1.32	Less Liquid
< 20	5	0.33	1.65	Not Liquid

D. Growth

Dimension	Indicator	Score	Rank	Weight Of Indicator	Weighted Score	Total Weighted Score of Indicator	Weight Of Dimension	Weighed Score
1	2	3	4	5	6	7	8	9
Growth of Collection ^{D1}	Growth of Zakat	-0.14	5	0.33	1.65	4.95	0.50	2.48
	Growth of Infaq Shadaqah	-0.16	5	0.33	1.65			
	Growth of ZIS	-0.15	5	0.33	1.65			
Growth of Allocation ^{D1}	Growth of Zakat Allocation	-0.63	5	0.33	1.65	4.95	0.30	1.49
	Growth of Infaq Allocation	-0.20	5	0.33	1.65			
	Growth of ZIS Allocation	-0.24	5	0.33	1.65			
Growth of Operational Expenses ^{D2}	Growth of Operations Expenses	-0.40	1	1.00	1.00	1.00	0.20	0.20
Overall Composite Score of Growth								4

D1. Criteria for Growth of Collection and Allocation

Ratio (%)	Rank	Weight	Weighted Score	Criteria
≥ 30	1	0.33	0.33	Excellent
20 – 29	2	0.33	0.66	Good
10 – 19	3	0.33	0.99	Fairly Good
0 – 9	4	0.33	1.32	Less Good
< 0	5	0.33	1.65	Not Good

D2. Criteria for Growth of Operational Expenses

Ratio (%)	Rank	Weight	Weighted Score	Criteria
< 0.5	1	1.00	1.00	Excellent
0.5 - 1	2	1.00	2.00	Good
1 – 1.5	3	1.00	3.00	Fairly Good
1.5 - 2	4	1.00	4.00	Less Good
>2	5	1.00	5.00	Not Good

APPENDIX 3**Organizational Governance Assessment based on IKOPZ Framework**

This appendix contains the detailed assessment of the governance and Shariah compliance dimensions using the IKOPZ framework. The evaluation includes three key areas: general management, risk management, and Shariah governance. For each area, specific indicators are scored using a weighted Likert scale, based on a review of documentation and internal reporting. The scores contribute to the institutional governance composite score, which reflects the effectiveness of organizational oversight and ethical compliance.

A. General Management

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
1	Vision and Mission	ZMI has a clear vision, mission, and objectives that are well-documented, measurable, and consistently applied	5	1	1.00	0.13	0.13
2	Strategic Planning	ZMI has strategic planning	3	3	3.00	0.13	0.39
3	Annual Work and Budget Plan (RKAT)	ZMI has RKAT	3	3	3.00	0.13	0.39
4	Knowledge and Comprehension of Amil on Point 1 to 3	Amil personnel demonstrate a good understanding of the vision, mission, strategic plan and annual work and budget plan (RKAT)	5	1	1.00	0.13	0.13
8	Organization Structure	ZMI has an organizational chart and clearly defined job descriptions that are well-documented and properly socialized	5	1	1.00	0.13	0.13
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
9	Role and Responsibility of ZMI's leader	The leadership carries out its duties and authorities, which are reported during plenary meetings	5	1	1.00	0.13	0.13
10	Standard Operating Procedure (SOP)	ZMI has SOPs and accredited ISO	2	4	4.00	0.13	0.52
11	Report	The financial reports are published periodically through both print and electronic media	2	4	3.33	0.13	0.43
		ZMI utilizes the SIMBA system for data reporting and zakat management	1	5			
Overall Composite Score of General Management Dimension							2

B. Risk Management

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
1	Strategic Risk	The functions of ZMI, such as education, information dissemination, consultation, and zakat collection, have not yet been optimized.	5	1	1.33	0.25	0.33
		ZMI faces adjustment risks due to new regulations, including legal, organizational, operational, and other aspects	4	2			
		ZMI has not yet established a strong reputation in the eyes of the public	5	1			
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
2	Education Risk	ZMI expects the government to play a significant role in zakat education	1	5	2.50	0.15	0.38
		ZMI has not effectively introduced itself to the public	4	2			
		ZMI lacks the resources or funding to effectively introduce itself to the public	5	1			
		ZMI lacks sufficient resources or funding to carry out zakat education,	4	2			
		ZMI expects the government to play a significant role in zakat education	1	5			
3	Operational Risk	The zakat funds are mixed with and originate from non-halal sources (such as corruption, usury, etc.)	5	1	1.43	0.30	0.43

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		Zakat potential projections are overly optimistic and/or inaccurate	3	3			
		The zakat collection plan of the ZMI is overly optimistic	2	4			
		The large number of zakat allocation accounts confuses donors	5	1			
		Zakat payments are processed through conventional banking channels, which may raise concerns regarding Shariah compliance	5	1			
		Discrepancies have occurred between the zakat amounts paid by the muzakki (donors) and the amounts deposited by the amil.	5	1			
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		MZI adheres to varying schools of thought regarding zakat interpretation and implementation, which may affect standardization and public understanding.	5	1			
		In several cases, zakat payment receipts fail to reach the donors (muzakki), either due to administrative negligence by the amil or other unrelated factors.	5	1			
		Instances of zakat fund misuse for personal or group interests have been reported, raising concerns about accountability and ethical governance.	5	1			
		Zakat funds are temporarily withheld by being deposited in bank accounts, which may raise concerns regarding the timeliness of distribution and Shariah compliance.	5	1			
		Zakat fund management lacks standardized Standard Operating Procedures (SOPs) and Standard Operating Mechanisms (SOMs), leading to inconsistencies in operational implementation	5	1			
		The MZI incurs high operational expenses, which may affect its	3	3			

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		efficiency and the proportion of funds allocated to beneficiaries					
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		Zakat fund management involves the use of multiple banking institutions, which may complicate financial oversight and reconciliation processes	5	1			
		ZMI utilizes multiple bank accounts to manage different categories of funds, which may complicate financial tracking and reconciliation processes	5	1			
		There is a classification risk associated with revolving funds allocated for productive purposes, as they continue to be recorded as receivables, potentially affecting financial statement accuracy and compliance	5	1			
		Zakat funds are utilized as revolving capital for periods exceeding one year, which may conflict with the principle of timely distribution as emphasized in zakat management	5	1			
		The effectiveness of revolving zakat funds is limited, as mustahik recipients often lack the necessary skills and training to utilize the funds productively	5	1			
		There is overlapping in the disbursement of Zakat funds to mustahik, resulting in potential inefficiencies and duplication in beneficiary coverage.	5	1			
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		There are delays in the disbursement of zakat funds to the mustahik (eligible beneficiaries), which may undermine the timeliness and effectiveness of zakat's intended social impact.	5	1			
		Zakat distribution is unevenly allocated, potentially leading to	5	1			

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
4	Report Risk	disparities in beneficiary reach and regional impact Insufficient coordination among ZMIs in the distribution of zakat hampers efficiency and may lead to overlapping or uneven allocation of resources ZMI does not produce zakat reports on a periodic basis, which undermines transparency and accountability ZMI experiences delays in submitting periodic zakat reports to stakeholders, which may impact institutional transparency and stakeholder trust. The zakat reports prepared by the ZMI are insufficiently valid and accurate, potentially compromising the reliability of financial disclosures The ZMI's zakat reports are not audited by an independent Public Accounting Firm, which raises concerns about the credibility and accountability of financial reporting	3 5 5 5 5	3 1 1 1 1	1.00	0.15	0.15
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
5	Compliance Risk	The MZI leadership demonstrates limited comprehension of zakat-related regulations, which may hinder regulatory compliance and institutional effectiveness. There is currently an absence of formal supervisory mechanisms established by BAZNAS, limiting oversight of zakat management organizations	5 5	1 1	1.00	0.15	0.15
Overall Composite Score of Risk Management Dimension							1

C. Shariah Compliance

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
1	Shariah Regulation	ZMI has established formal Shariah policies to guide its operations and ensure compliance with Islamic principles.	5	1	1.00	0.15	0.15

No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
2	Shariah Supervisory	The OPZ is supported by a certified Shariah Supervisory Board (DPS), ensuring oversight and compliance with Islamic legal principles	3	3	4.33	0.50	2.17
		ZMI has established Standard Operating Procedures (SOPs) to guide Shariah supervisory processes and decision-making	1	5			
No	Dimension	Indicator	Likert Scale	Rank	Average Rank	Weight	Weighted Score
I	II	III	IV	V	VI	VII	VIII
		ZMI regularly compiles Shariah supervision reports to document compliance and oversight activities.	1	5			
		ZMI has a code of ethics for zakat administrators (amil)	1	5	4.50	0.35	1.58
		ZMI has an organizational body responsible for enforcing the code of ethics	2	4			
Overall Composite Score of Shariah Compliance							4