



**ISLAMIC SOCIAL FINANCE AND INSTITUTIONAL
ACCOUNTABILITY: A CASE STUDY OF ZAKAT AND
PHILANTHROPIC ORGANIZATIONS**

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Abstract: Islamic Social Finance (ISF) significantly promotes social welfare, poverty alleviation, and inclusive economic development, particularly in Muslim-majority countries like Indonesia. This study investigates institutional accountability within Islamic philanthropic organizations managing Zakat, Infaq, Sadaqah, and Waqf (ZISWAF) in Ponorogo, Indonesia. Addressing gaps in the literature that mostly focus on national or international levels, this study emphasizes local governance challenges, the relationship between accountability and public trust, and the need for a Sharia-based accountability model. Employing a qualitative case study approach, data were collected through in-depth interviews, participant observation, and document analysis involving five Islamic philanthropic institutions. Thematic analysis revealed significant variations in financial accountability, Sharia compliance, and social accountability across institutions, highlighting the critical role of transparent reporting, external audits, and community engagement in enhancing public trust. The study proposes an integrated accountability model encompassing financial, Sharia, and social dimensions, advocating for enhanced digitalization, standardized Sharia audits, and improved public literacy to optimize ZISWAF fund management. These findings contribute to the theoretical discourse on Islamic social finance and provide practical recommendations for policymakers and practitioners aiming to strengthen institutional accountability and advance sustainable

development goals. Implications for policy and practice include using the proposed model as a reference for strengthening local-to-national zakat governance and enhancing public trust in Islamic social finance institutions.

Keywords: Islamic Social Finance, Institutional Accountability, Zakat, Public Trust, Ponorogo

INTRODUCTION

Islamic social finance is a sharia-based financial system focusing on social welfare through instruments such as zakat, infaq, alms, and waqf (ZISWAF) (Ahmed et al., 2021). Islamic social finance has become important for promoting social well-being and financial inclusion in Muslim-majority countries (Alrashedi & Mohammed, 2023; Iskandar et al., 2021). Islamic social finance not only plays an essential role in alleviating poverty and improving economic welfare (Ahmed et al., 2021; Maulina et al., 2023; Widiastuti et al., 2022) but also contributing to the Sustainable Development Goals (SDGs). According to the United Nations Development Programme (UNDP) and the Islamic Development Bank (IsDB), Islamic social finance has great potential to support the Sustainable Development Goals (SDGs), especially in poverty alleviation (SDG 1), improving economic welfare (SDG 8), and reducing inequality (SDG 10) (UNDP Annual Report 2022, 2023).

In recent years, substantial growth in Islamic social finance has been driven by increased awareness, regulatory support, and digital innovations that enhance fund collection and distribution (Siroj, 2021). In Indonesia, over Rp34 trillion was collected through instruments like

zakat, infaq, sadaqah, and waqf in 2023, highlighting the potential for significant socio-economic impact (Rasad Musfik R et al., 2023).

This surge reflects growing trust in Islamic philanthropic institutions and the expanding role of technology in facilitating contributions through digital payment platforms, mobile applications, and crowdfunding initiatives (Fahlefi, 2018). Fintech solutions have improved accessibility, transparency, and efficiency in managing Islamic philanthropic funds, overcoming administrative and geographical constraints (Rasad Musfik R et al., 2023). Integrating blockchain technology ensures transparency, traceability, and accountability in zakat transactions, reducing fraud risks and enabling real-time tracking of funds (Luntajo & Hasan, 2023). These innovations transform Islamic capital markets, enhancing accessibility, efficiency, and investor trust (Pramono & Fakhрина, 2024). The integration of Islamic social finance with modern financial technology (FinTech) is also gaining traction, improving the efficiency of fund collection and distribution. Digital zakat platforms, blockchain-based waqf management, and AI-based impact assessment tools are increasingly adopted to increase transparency and trust (Darma, 2023; Omar & Khairi, 2021).

Although Islamic social finance, such as zakat, infak, and waqf, plays a significant role in reducing poverty and improving social welfare, its practice still faces various challenges, one of which is the issue of accountability. Accountability is an important aspect because it concerns the extent to which Islamic philanthropic institutions can account for the management of funds to the public, donors, or beneficiaries. Lack of transparency, suboptimal reporting, and weak

supervision mechanisms can decrease public trust in Islamic philanthropic institutions.

To put it differently, the success of Islamic social finance is significantly dependent on the accountability and transparency of the institutions that manage the funds. Public trust in Islamic social financial institutions is the main determinant in optimizing the collection and allocation of social funds (Bin-Nashwan et al., 2021; Munthe & Muin, 2023; Yenti & Yulia, 2022)

Accountability in Islamic social finance can be analyzed through various theoretical approaches, including accountability theory. The theory emphasizes that financial institutions and philanthropy are responsible for accounting for the decisions and use of their resources to stakeholders (Ebrahim, 2003; Tetlock, 1999). In Islamic social finance, accountability is not only horizontal (to the public and regulators) but also vertical (to Allah SWT) (Berlian & Awaluddin, 2022).

The subdimension of accountability in Islamic social finance includes three dimensions, namely:

- 1) Financial Accountability—Reporting and transparency of ZISWAF fund management.
- 2) Sharia Accountability—Compliance with Islamic law in the collection and distribution of funds.
- 3) Social Accountability—Community involvement in donor oversight and participation.

Institutional accountability is essential for the credibility and efficiency of Islamic social finance institutions. Transparency, good governance, and regulatory compliance must ensure funds are managed ethically

and effectively. The effectiveness of zakat and waqf institutions depends on their ability to provide transparent financial reporting, independent audits, and measurable impact assessments (Hamdani et al., 2022; Hariyanto et al., 2020; Putri et al., 2022).

Accountability in Islamic social finance institutions must be grounded not only in procedural transparency but in the higher objectives of the Sharī‘ah (*maqāṣid al-Sharī‘ah*). Ishak & Nasir (2021) and Prasetyo (2022) emphasise that these objectives—preserving faith, life, intellect, lineage and wealth—provide the teleological basis for governance in Islamic finance. Similarly, Güney (2024) notes a persistent gap between theoretical *maqāṣid* frameworks and institutional practice. In parallel, the Sharia Enterprise Theory (SET) situates accountability in a triadic relationship among God, humanity and the environment (Rusli et al., 2024), thus expanding the stakeholder horizon beyond conventional actors. Sawari et al. (2025) further integrate *maqāṣid* with governance principles, offering a practical roadmap for organizations. Yet, Wulandari et al. (2025) highlight how these frameworks need to align with broader socio-economic goals of justice and welfare. Despite this rich theoretical base, there remains a paucity of empirical research on how ZISWAF institutions at the local level operationalise accountability in ways that cultivate public trust—hence the gap this study addresses.

In the context of Indonesia, Islamic social financial institutions, particularly zakat organizations like BAZNAS and LAZ, have grown rapidly but face challenges in governance and public trust (Mohammad Qutaiba et al., 2024). Despite challenges, the philanthropic sector in

Indonesia shows great potential for supporting socio-economic development and strengthening social cohesion (Osili & Ökten, 2015). Studies highlight the need for improved accountability, transparency, and efficiency in zakat management. Research in Ponorogo reveals issues with professional management, human resources, and public support for zakat institutions (Anggara & Hastuti, 2018; Dewi, 2020). Accountability has significantly influenced public satisfaction and trust in zakat organizations (Ahmad & Rusdianto, 2018). Institutions must improve their financial reporting and management practices to maximize zakat potential. Efforts to enhance efficiency in zakat disbursement and cost management are crucial for accountability and preventing misappropriation (Setiawan & Soewarno, 2024). Strengthening governance and transparency is essential for building public trust and optimizing zakat collection and distribution in Indonesia.

Recent studies highlight the critical need for improved financial transparency and accountability in zakat and waqf institutions. Inconsistent reporting practices, poor documentation, and limited disclosures have led to stakeholder dissatisfaction and reduced trust (Sapingi et al., 2016; Sulaiman et al., 2016). Researchers propose developing standardized reporting frameworks, such as the Zakat Disclosure Index, to address these issues and implement good governance practices. Transparent financial disclosures, including audited reports and real-time fund tracking, are essential for building public confidence (Mahat et al., 2024). Studies emphasize the importance of board ability, voluntary information disclosure, and adherence to Islamic principles in enhancing accountability (Mohd

Roslan & Nor Muhamad, 2024). Recommendations include adopting formal reporting mechanisms, utilizing technology for real-time reporting, and involving regulatory bodies and experts in developing comprehensive financial management and reporting guidelines in Islamic institutions (Mahat et al., 2024; Sulaiman et al., 2016).

Previously researches also highlight the importance of strengthening governance structures in Islamic social finance institutions to ensure ethical and efficient fund management. This includes establishing independent supervisory boards, enhancing internal audit mechanisms, and improving coordination between government regulators and philanthropic organizations (Al Anshari, 2023; Fatmawati et al., 2023). Implementing good governance principles such as transparency, accountability, and shariah compliance is crucial for zakat management organizations. Sharia audits are vital in maintaining integrity and increasing accountability in zakat management institutions (Umiyati et al., 2023). Board size and professional composition influence zakat distribution efficiency (Mubtadi, 2022). By adopting international best practices in financial accountability, zakat and waqf institutions can enhance their credibility, attract more donors, and maximize Islamic social finance's socio-economic benefits for their communities (Hasanah et al., 2024).

In the research on Islamic social finance and the accountability of Islamic philanthropic institutions, several research gaps can serve as the basis for this study. First is the lack of local (regional) studies on accountability. Most previous research has focused more on analyzing the accountability and governance of Islamic Social Finance at the national or international level (Ahmed et al., 2021; Ismail & Aisyah,

2022; Lisnaeni et al., 2023). However, specific studies on the accountability of Islamic philanthropic institutions at the regional level, such as in Ponorogo, are still very limited. Institutions at the regional level face unique challenges, including limited resources, less stringent regulations, and more direct community involvement in the management of zakat, infaq, alms, and waqf (ZISWAF) funds.

Second is the lack of a standard accountability model based on Islamic social finance. Most accountability studies in Islamic social finance still adopt conventional frameworks, such as the theory of good governance or the theory of public accountability (Amalia, 2019). However, few have developed an accountability model entirely based on Islamic principles. This research can fill the gap by offering an accountability model that aligns more with sharia values and Islamic social finance.

Based on background research, this study attempts to answer two main questions. First, what forms of accountability are implemented by Islamic philanthropic institutions in Ponorogo in managing zakat, infaq, sadaqah, and waqf (ZISWAF) funds? Second, how are reporting, supervision, and transparency mechanisms carried out to ensure the accountability of these institutions in managing the funds in a trustworthy and professional manner? In line with these questions, this study aims to explore the forms of accountability implemented by Islamic philanthropic institutions in Ponorogo and to analyze the mechanisms of reporting, supervision, and transparency in the management of ZISWAF funds conducted by these institutions.

By examining contemporary practices and challenges, this study aims to provide insights into how enhanced accountability

mechanisms can improve the effectiveness of these institutions in achieving their socio-economic objectives. This includes analyzing governance frameworks, financial reporting standards, stakeholder engagement, and the role of technology in improving transparency. Furthermore, the study will explore the global best practices of high-performing zakat and waqf institutions, offering recommendations to enhance institutional effectiveness.

METHODS

Research Design

This study uses a qualitative approach with a case study method to analyze the form of accountability of Islamic philanthropic institutions within the framework of Islamic Social Finance in Ponorogo. The case study was chosen because it allows for an in-depth exploration of the accountability practices applied by Islamic philanthropic institutions in specific contexts.

Location and Research Subject

This research was conducted in Ponorogo, Indonesia, focusing on several Islamic philanthropic institutions that play a role in collecting and utilizing Zakat, Infaq, Alms, and Waqf (ZISWAF) funds. The selection of institutions was done purposively by considering representation from various clusters of Islamic philanthropic institutions.

The clusters chosen as representatives include:

- 1) National Amil Zakat Agency (BAZNAS) Ponorogo—government-based philanthropic institution.

- 2) Muhammadiyah Amil Zakat, Infaq, and Shadaqah Institute (LAZISMU)—Islamic organization-based institution.
- 3) Infaq Management Institute (LMI) and Yatim Mandiri— independent philanthropic institutions.
- 4) Baitul Qur'an Social Fund (LDSBQ)—A religious-based social foundation institution.

Thus, these institutions were not selected randomly, but rather based on criteria of relevance and representation of the main characteristics of Islamic philanthropic institutions in Ponorogo.

Data Collection Techniques

Data is collected through the following techniques to ensure the validity of the information:

1) (In-depth Interview)

The primary informants were the leader and manager of an Islamic philanthropic institution in Ponorogo. Supporting informants were donors (muzakki), beneficiaries (mustahik), and regulators such as the Ministry of Religion and the central BAZNAS. Interviews were conducted semi-structured to unearth information about transparency, financial reporting, and institutional oversight mechanisms.

2) Observation

Researchers observed firsthand how these institutions manage funds, conduct reporting, and interact with the public and regulators. Observations include internal meetings, fundraising activities, and ZISWAF distribution events to beneficiaries.

3) Document Analysis

The documents studied include financial statements, annual reports, internal policies, and official publications uploaded on the

institution's website and social media. Data from the document is used to confirm the results of interviews and observations.

Data Analysis Techniques

The collected data were analyzed using a thematic analysis approach (Braun & Clarke, 2006) with the following steps:

- 1) Data coding - identify key themes related to accountability, transparency, and implementation of Islamic social finance.
- 2) Thematic categorization—Data is categorized based on financial accountability, sharia accountability, and the relationship to public trust and regulation.
- 3) Data interpretation—Findings were compared with Islamic social finance, accountability, and good governance theories.

As part of research ethics, the researcher has obtained research permission from UIN Ponorogo and received approval from the philanthropic institution where the research was conducted. The entire data collection process was carried out while maintaining the confidentiality of the informants' identities and ensuring that the data obtained was used solely for academic purposes. Thus, this research not only meets methodological standards but also upholds the principles of social research ethics.

RESULT AND DISCUSSION

Accountability and Transparency Mechanism of Islamic Social Financial Institutions

Accountability in Islamic social financial institutions is a fundamental aspect that ensures that funds collected from the

community are managed transparently and following sharia principles. Islamic social finance institutions in Ponorogo, such as BAZNAS Ponorogo, LAZIS Muhammadiyah (LAZISMU), Infaq Management Institute (LMI), Yatim Mandiri, and Baitul Qur'an Social Fund Institution (LDSBQ), have different accountability mechanisms in organizational structure, financial transparency, and external and sharia audits.

1. Organizational Structure and Governance

Each Islamic social financial institution in Ponorogo has a clear organizational structure to support the smooth running of operations and ensure that duties and authorities are managed professionally. BAZNAS Ponorogo has an organizational structure consisting of leadership and executive elements. The leadership consists of one chairman and four vice chairpersons with specific tasks, namely fund collection, distribution, and utilization; finance and reporting; and secretariat and human resources. However, BAZNAS Ponorogo does not have a Sharia Supervisory Board (DPS) to ensure compliance with sharia principles.

In contrast to BAZNAS, LAZIS Muhammadiyah (LAZISMU) has a more complex organizational structure and includes the Sharia Council, the Supervisory Board, and the Management Board. The Sharia Board fosters and ensures sharia compliance, while the Supervisory Board is responsible for financial transparency and organizational management. The Board of Trustees is in charge of program planning, and the executive is responsible for program implementation.

Meanwhile, LMI also has a Sharia Supervisory Board and Supervisory Board that ensure that every policy and operation of the institution runs following sharia principles and government regulations. Yatim Mandiri has an organizational structure integrated with the head office and has a strict internal supervision mechanism, while LDSBQ has a simpler organizational structure with management consisting of directors, treasurers, secretaries, fundraising divisions, and fund utilization divisions.

2. Financial Transparency and Reporting

Financial transparency is one of Islamic social financial institutions' main indicators of accountability. Each Islamic social financial institution in Ponorogo has a different reporting system for submitting financial reports to the government, donors, and the community.

BAZNAS Ponorogo reports its finances periodically to the Regent every three months and uses the SIMBA (BAZNAS Information Management System) system, which allows direct monitoring by Provincial and National BAZNAS. In addition, BAZNAS Ponorogo also uses websites and social media (Facebook, Instagram, and YouTube) to publish fund utilization reports.

LAZIS Muhammadiyah implements a reporting system that is more open to donors by sharing reports through WhatsApp groups, websites, and social media. In addition, annual financial statements are made in the form of annual reports as a form of public accountability.

LMI has a more integrated reporting system using SIZAKI (LMI Zakat System) and SIMUS (Mustahiq System), which have been adjusted to the PSAK 109 accounting standard. This system makes it

easy to record and report financial transactions transparently. In addition to the annual financial report submitted to BAZNAS, LMI also publishes activity reports on its website, social media, and "ZAKATO" magazine.

Yatim Mandiri also implements transparency by compiling financial reports, which are reported every six months to the head office and then forwarded to the National BAZNAS. Financial reports are also published in magazines, websites, and social media, and reports to donors are made through a WhatsApp group.

In contrast, LDSBQ has a simpler reporting mechanism. Financial reports are submitted to the leadership of the PAS Baitul Qur'an Foundation every three months and to donors at the beginning of every month. However, LDSBQ does not have standard accounting standards such as PSAK 109 and prioritizes internal reports over open financial publications.

3. Financial and Sharia Audit

Financial audits are an important part of ensuring that funds collected and managed by philanthropic institutions are used following sharia provisions and principles.

BAZNAS Ponorogo underwent two types of audits: Financial audit by the Public Accounting Firm (KAP) "Agus Azhar", but until now, the audit results have not been officially published on the website. Meanwhile, the Ministry of Religion of Ponorogo carries out the Sharia Audit, which evaluates compliance with sharia principles. One of the findings in the sharia audit is the use of conventional banks in receiving zakat from the local government ASN.

LAZIS Muhammadiyah has received an audit from KAP "AR Utomo", with a Reasonable Opinion without Exception (WTP) for five consecutive years. The results of this audit are also published and submitted to donors as a form of financial transparency.

LMI underwent an audit by KAP "Gideon Adi & Partners", which also obtained a WTP opinion. In addition, LMI's financial system has been integrated with the zakat accounting standard, namely PSAK 109, to ensure transparency in recording and reporting.

Yatim Mandiri uses two auditors, an internal auditor from the head office and an external auditor from KAP "Erfan and Rahmawan", who also received a WTP opinion. Audits at Yatim Mandiri branch offices, including in Ponorogo, were carried out randomly as part of the institution's financial supervision.

In contrast, LDSBQ does not undergo external financial audits. Financial statements are only made internally by the foundation without standard bookkeeping standards such as PSAK 109. However, the report on the utilization of funds is still published through social media and websites as visual reports.

Accountability of Islamic Social Finance Institutions

Accountability in Islamic social finance includes several main dimensions, namely financial, sharia, and social accountability. The study's findings show that Islamic social finance institutions in Ponorogo have varying accountability mechanisms, depending on the scale of operations and the type of institution.

1. Financial Accountability

Financial accountability refers to the ability of an institution to demonstrate transparent, accurate, and timely reporting of the funds it

manages. In the context of ZISWAF, this involves record-keeping, compliance with accounting standards, independent audits, and disclosure to stakeholders.

BAZNAS Ponorogo utilizes the SIMBA system, which allows monitoring by provincial and national offices. The institution reports finances quarterly to the Regent, demonstrating a formal accountability channel to the government. However, the results of external audits by the Public Accounting Firm (KAP) have not been made publicly available, limiting transparency to the wider public.

LAZISMU exhibits stronger practices by publishing audited financial reports and maintaining a track record of “Wajar Tanpa Pengecualian” (Unqualified Opinions) for five consecutive years. Reports are disseminated through multiple channels, including social media and WhatsApp groups for donors, which enhances accessibility and donor trust.

LMI stands out with its use of PSAK 109, the Indonesian accounting standard for zakat, infaq, and sadaqah. The integration of digital platforms such as SIZAKI (Zakat System) and SIMUS (Mustahiq System) ensures systematic record-keeping and reporting. Annual audits further strengthen its credibility, positioning LMI as a benchmark for other institutions.

Yatim Mandiri also complies with periodic auditing but relies heavily on headquarters’ supervision. Branch-level audits are conducted randomly, which may reduce consistency in accountability practices at the local level.

LDSBQ, by contrast, operates with more rudimentary practices. Financial reports are generated internally without adherence to PSAK

109 or external auditing. While the institution publishes fund utilization updates on social media, the absence of standardized and independent auditing poses risks of inefficiency and erodes credibility.

These variations highlight that financial accountability is strongly associated with institutional maturity and access to professional resources. Institutions adopting standardized accounting systems and external audits generally enjoy greater credibility and donor confidence, corroborating earlier findings that transparency in reporting positively influences public trust (Fitriyah et al., 2021; Mahat et al., 2024).

2. Sharia Accountability

Sharia accountability distinguishes Islamic philanthropic institutions from conventional ones. It refers to the assurance that funds are collected, managed, and distributed in strict accordance with Islamic law. This dimension encompasses the establishment of a Sharia Supervisory Board (DPS), adherence to fatwas, compliance with Shariah governance frameworks, and the avoidance of non-Sharia-compliant financial practices.

BAZNAS Ponorogo lacks a formal DPS, a significant gap considering its role as a government-backed institution. While the Ministry of Religion conducts sharia audits, reliance on external governmental oversight without an internal supervisory board weakens institutional autonomy and consistency. Moreover, the practice of channeling zakat through conventional banks raises compliance issues, since sharia principles demand the avoidance of *riba*-based financial systems.

LAZISMU and LMI have robust sharia governance structures. Both institutions maintain Sharia Supervisory Boards that review policies, programs, and transactions. This not only enhances compliance but also strengthens legitimacy among donors and beneficiaries who are concerned about the religious integrity of fund management.

Yatim Mandiri ensures sharia compliance primarily through its headquarters' supervision. While effective, this centralized oversight may not fully capture the specific contexts of regional branches, leaving potential gaps at the local operational level.

LDSBQ, despite being a faith-based foundation, lacks formalized sharia auditing mechanisms. Its accountability to Islamic principles relies more on internal trust and community perception rather than institutionalized oversight, which limits its credibility in the broader ecosystem of Islamic social finance.

Sharia accountability is vital not only for maintaining vertical accountability to Allah SWT but also for enhancing horizontal trust among stakeholders. As emphasized by Ayub et al. (2024), the effectiveness of zakat institutions is contingent upon the strength of their shariah governance frameworks. Without systematic sharia supervision, institutions risk losing legitimacy, particularly in highly religious communities such as Ponorogo.

3. Social Accountability and Transparency

Social accountability extends beyond financial disclosures and sharia compliance. It emphasizes the relationship between institutions and the communities they serve, including mechanisms for public

participation, responsiveness to beneficiaries' needs, and transparency through accessible communication channels.

In the Ponorogo context, most institutions have adopted digital platforms such as websites, social media, and mobile applications to report activities. This digital shift reflects a broader trend in Islamic social finance towards greater engagement and visibility (Latifah & Lubis, 2020).

BAZNAS Ponorogo publishes fund utilization reports through websites and social media, although the information is often aggregated and less detailed compared to private organizations.

LAZISMU actively engages donors by sharing reports via WhatsApp groups and broadcasting event-based updates. This fosters a sense of closeness between the institution and its stakeholders, aligning with Ebrahim's (2003) emphasis on participatory accountability.

LMI and Yatim Mandiri go further by implementing beneficiary empowerment programs. These include mentoring initiatives for mustahik (beneficiaries), thereby demonstrating accountability not only in financial terms but also in developmental outcomes.

LDSBQ relies on monthly reports to donors and social media updates, but lacks structured mechanisms for community participation or program evaluation.

Social accountability enhances public trust by demonstrating that institutions are responsive, inclusive, and oriented toward real social impact. It reflects the Islamic principle of *maslahah* (public benefit), ensuring that ZISWAF distribution contributes meaningfully

to community welfare rather than merely fulfilling administrative obligations.

Table 1. Dimensions of Accountability in Islamic Social Finance Institutions (Case of Ponorogo)

Type of Accountability	Key Indicators	Mechanisms / Practices	Examples from Institutions in Ponorogo
Financial Accountability	<ul style="list-style-type: none"> - Transparent reporting with PSAK 109 - Compliance with PSAK 109 - Independent audit 	<ul style="list-style-type: none"> - Digital systems (SIMBA, SIZAKI) to regulators & public - Periodic reports to regulators & public - Audit by Public Accounting Firms 	<ul style="list-style-type: none"> - BAZNAS: Uses SIMBA, reports to Regent every 3 months, audited by KAP (not published). - LAZISMU: Annual audited reports (WTP opinion 5 years), shared via website & WhatsApp. - LMI: Uses PSAK 109 via SIZAKI & SIMUS, audited by KAP with WTP. - Yatim Mandiri: Semiannual reports, random branch audits. - LDSBQ: Only internal reports, no PSAK 109, no external audit.
Sharia Accountability	<ul style="list-style-type: none"> - Presence of DPS - Sharia audit 	<ul style="list-style-type: none"> - DPS reviews & approves programs - Ministry of 	<ul style="list-style-type: none"> - BAZNAS: No DPS; Ministry of Religion audits, but uses

Type of Accountability	Key Indicators	Mechanisms / Practices	Examples from Institutions in Ponorogo
	- Compliance with fatwa	Religion audits for BAZNAS - Avoidance of non-Sharia transactions	conventional banks. - LAZISMU: Has DPS & Sharia Council ensuring compliance. - LMI: DPS supervises; aligned with PSAK 109. - Yatim Mandiri: DPS at headquarters; centralized compliance. - LDSBQ: Limited internal sharia supervision, no formal audits.
Social Accountability	- Donor transparency - Beneficiary empowerment - Public engagement	- Websites, social media, WhatsApp groups - Public events & program reports - Mustahik mentoring & empowerment	- BAZNAS: Publishes fund utilization online but less detailed. - LAZISMU: Engages donors via WhatsApp, reports every program. - LMI: Publishes magazines & websites, runs mustahik mentoring. - Yatim Mandiri: Strong donor

Type of Accountability	Key Indicators	Mechanisms / Practices	Examples from Institutions in Ponorogo
			reporting, mentoring for beneficiaries. - LDSBQ: Simple monthly donor updates, posts on social media.

Source: data processed by the author, 2025

The empirical findings reaffirm that accountability in Islamic social finance cannot be divorced from Islamic governance ethics. Within the SET framework, institutions act as stewards (*khulafā'*) responsible for managing God's resources for societal welfare, while *maqāṣid al-sharī'ah* provides the teleological purpose—ensuring that financial and operational decisions advance collective well-being (*maṣlahah 'āmmah*). When institutions demonstrate transparent reporting and sharia compliance, they uphold ethical governance principles rooted in *'adl* (justice) and *amānah* (trust). Consequently, public trust (*thiqah al-nās*) emerges not merely as an outcome of administrative transparency but as a reflection of perceived moral integrity. This conceptual linkage between accountability, public trust, and Islamic governance ethics underscores that institutional credibility in zakat management is both a spiritual and socio-economic construct.

The Role of Accountability in ZISWAF Fund Optimization

Accountability is one of the main pillars in the management of zakat management institutions because it is directly related to public trust. Zakat, infaq, sadaqah, and waqf (ZISWAF) funds come from the

community and are managed for social purposes, so management institutions are obliged to account for every stage of their management transparently and professionally. Without accountability, the institution will lose legitimacy and trust, which ultimately hinders the optimization of fund collection and distribution.

First, financial accountability is necessary to ensure that every rupiah of funds received and distributed can be accounted for. Financial statements that are prepared transparently and audited regularly demonstrate the institution's commitment to the integrity of public fund management. When an institution can demonstrate transparency through credible financial reports, the level of trust from muzakki increases, and the fundraising potential becomes greater.

Second, Sharia accountability serves as evidence that the institution is not only managerially efficient but also adheres to Islamic principles. All activities, from fund collection to distribution, must comply with Sharia provisions. The role of the Sharia Supervisory Board (DPS) is crucial in ensuring this compliance. Sharia accountability is not merely a formal aspect, but also a moral guarantee that the community's funds are managed with the right intentions and methods in accordance with the *maqashid al-shari'ah*.

Third, social accountability emphasizes that the success of zakat management institutions is not measured solely by the amount of funds collected, but by the extent to which these funds provide tangible benefits to the community. Transparency to the public, community involvement in programs, and reporting the results of beneficiary empowerment are forms of social accountability for the institution. Social accountability builds closeness and public trust, while also

demonstrating that zakat truly functions as an instrument for economic redistribution and empowerment.

Overall, accountability serves as a control mechanism and reinforces the credibility of zakat management institutions. Through financial, sharia, and social accountability, these institutions can maintain transparency, ensure compliance with Islamic values, and demonstrate tangible social impact. These three aspects form the foundation for the sustainable and equitable optimization of ZISWAF fund management.

Institutions with a strong accountability system can utilize ZISWAF funds more optimally for productive programs, such as MSME empowerment and education scholarships. Yatim Mandiri and LMI have mentoring programs for beneficiaries, which increase the social impact of ZISWAF funds.

As a recommendation, this study highlights three main strategies to increase the effectiveness of Islamic Social Finance in Indonesia: 1) Increasing digitalization and transparency through the implementation of sharia-based financial technology (fintech); 2) standardization of sharia audits and strengthening of regulations to ensure more consistent governance across Islamic philanthropic institutions; and 3) strengthening literacy and public participation so that the community is more active in supervising and contributing to Islamic social finance.

In this study, the accountability practices implemented by Islamic philanthropic institutions in Ponorogo reflect how Islamic social finance can be managed transparently and accountably to be more effective in helping vulnerable groups. A model of good

governance at the local level can serve as a model for wider implementation on a national and international scale.

However, compared to countries such as Malaysia and Saudi Arabia, which already have more advanced Islamic social finance digitization systems, philanthropic institutions in Indonesia, especially in Ponorogo, still face challenges in standardizing financial audits and reporting. The digitization of Islamic social finance can be a strategic step to increase efficiency and transparency in managing ZISWAF funds.

The findings of this study hold policy relevance for Indonesia's national zakat governance framework. Strengthening accountability mechanisms at the local level—through standardized sharia audits, unified digital reporting (e.g., integration with SIMBA), and enhanced training for amil professionalism—can inform regulatory refinements under the National Zakat Board (BAZNAS). The proposed integrated accountability model can serve as a prototype for formulating national guidelines that harmonize financial transparency with Islamic ethical governance, contributing to Indonesia's broader Islamic social finance ecosystem.

CONCLUSION

This study explores the accountability practices of Islamic philanthropic institutions in Ponorogo within the framework of Islamic Social Finance. By analyzing financial, sharia, and social accountability mechanisms, the study found that while there have been various efforts to improve transparency and governance, there are still challenges in audit standardization, limited human resources, and

public literacy and participation. More broadly, this study confirms that accountability in Islamic social finance impacts the efficiency of ZISWAF fund management and plays a crucial role in building public trust. Institutions that consistently implement good governance practices, such as transparent financial reporting, periodic audits, and Sharia compliance, tend to get more participation from the public.

At the policy level, the proposed integrated accountability model offers insights for the enhancement of Indonesia's zakat governance system, particularly in establishing consistent sharia audit standards and digital reporting protocols. Future research could undertake comparative studies across different provinces or employ longitudinal designs to assess the evolution of accountability practices and their impact on public trust over time. Through a more *maqāṣid*-aligned and digitally integrated framework, Islamic social finance can more effectively realize social justice, reduce inequality, and strengthen the welfare of the ummah both locally and nationally.

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