

Philanthropy: A Customary Practice to Meet Donor Expectations Lesson from Islamic NPOs in Indonesia

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Abstract

Philanthropy is a form of altruism that comprises private initiatives that enhance the public good. Throughout history, benevolence or voluntary contributions have appeared in numerous shapes and objectives, representing the economic and political framework of the time and various motivations. Non-profit organizations (NPOs) in Indonesia have undergone tremendous transformations, evolving to be more modern and professional. They determine market segments, manage donor networks, formulate fundraising strategies, and construct appropriate, impactful, and beneficial programs with the organization's system and human capital. Aside from that, Islamic NPOs have become more strategic and able to preserve a clear vision and mission. They have also established organizational structures, appointed qualified leaders, and designed long-term, medium-term, and short-term activity plans and budgets. Moreover, they have appointed program supervisors and assessed the effectiveness and efficiency of their plans. This research aims to investigate the broad issues confronting Islamic charity in Indonesia as it evolves towards a strategic institution. This study adopted qualitative methodologies to discover comprehensive explanations for the occurrences studied. In-depth semi-structured interviews with an array of practitioners and academics were employed to gather data. This study found that a great deal of effort is required to improve the capabilities of Islamic NPOs in terms of good governance, system strengthening, cultural internalization, public openness,

and accountability. Such aspects are important for establishing effective intermediary organizations that meet donor expectations. Therefore, Islamic NPOs must accelerate capacity building by enhancing each aspect of the organization to sustainably impact its beneficiaries positively.

Keywords: Modern Philanthropy, Donor Expectation, Islamic NPOs, Beneficiaries

1. Introduction

Philanthropy encompasses charity in all its manifestations, particularly the offering of time, skills, and wealth to enhance the well-being of others. Philanthropy is a type of altruism that involves private endeavors for the public benefit, with an emphasis on quality of life. It is a charitable custom through which repeated charitable acts are conducted to promote welfare, justice, and cultural innovation (Jusuf, 2007). The purpose of philanthropy is to promote human welfare by mitigating and resolving societal issues. Philanthropy has appeared in many varied forms and roles throughout history, reflecting the economic and political structure and value systems of the time, as well as the various motives behind the types of benevolent activities conducted. From a historical standpoint, philanthropy restores economic development by narrowing the income gap between the wealthy and the poor. In this sense, it encompasses non-profit norms and organizations designed to eliminate poverty, encourage voluntary wealth transfer, and advance vertical social/financial mobility. Philanthropy is an expression of social capital embedded in a collective culture (tradition) that has persisted throughout time, primarily in rural areas.

Philanthropy is an established tradition among Western and Eastern societies, with numerous entities extending structured programs to worldwide beneficiaries. Such programs support scholarships and educational institutions, access to medicines and health facilities, legal aid, environmental conservation, and improving the quality of public facilities for a wider spectrum of grantees. Meanwhile, traditional and modern philanthropy contrast in their impact and path to serving society. Traditional philanthropy is typically short-term, with groups obtaining resources through fundraisers and one-time contributions. On the other hand, modern philanthropy emphasizes longevity and evolution in individual and societal well-being (Jusuf, 2007). Modern philanthropy aligns with practically every objective in the Sustainable Development Goals (SDGs) regarding environmental protection and sustainability (Home: The 17 Goals, 2024).

The form of modern philanthropy proposed by NPOs employs professional management approaches to achieve benefits. They enhance organizations by establishing a clear vision, goal, and purpose and adopting a

full-time staffing system, effective fundraising strategies, and disciplined program supervision. Beneficiary appraisal is also an essential phase for comprehending the beneficiary party's circumstances and determining appropriate solutions. Moreover, coordination with the government, media partners, security forces, and community members is crucial for attracting participation and avoiding conflicts of interest. Coordination with other non-profit organizations is also of the utmost importance to prevent overlapping projects as a beneficiary's scope expands.

Although leading community-based zakat institutions such as Dompot Dhuafa (DD) and the government-owned National Amil Zakat Agency (Baznas) have pioneered the implementation of organizational governance along with efforts to streamline all internal processes, many zakat institutions keep encountering internal challenges. Zakat institutions must expedite capacity building by enhancing every aspect of the organization, as they are responsible for leading beneficiaries to prosperity and reducing poverty. Especially since public trust in zakat organizations is currently substantial. Zakat institutions' primary objective is to satisfy donor expectations through the delivery of impactful programs. Previous studies have revealed a favorable and significant influence of religiosity and family traditions on the tradition of giving alms through institutions.

This study aims to explore the broad issues confronting Islamic charity in Indonesia as it transitions to a strategic and effective professional institution. Qualitative methodologies were employed to seek comprehensive explanations for the occurrences studied. This research utilized the case study technique to meticulously investigate phenomena that occur in Islamic non-governmental organizations (NPOs). In-depth semi-structured interviews with an array of practitioners and academics were utilized to collect data. Next, the content analysis technique was used to determine the suitability of the interview responses to the literature.

This paper's structure is as follows: Section 1 provides an introductory explanation to the topic, Section 2 examines the theoretical backdrop and hypothesis formulation, Section 3 provides a brief explanation of the data and study process, and Section 4 thoroughly examines the empirical findings and their practical implications for diverse stakeholders. The final segment comprises the conclusion of the entire study.

2. Theoretical background and hypothesis development

Nonprofit organizations (NPOs) have undergone significant advancements, transforming into exceedingly refined and professional entities (Walker & Ahmed, 2007). NPOs encompassing religious, charitable, civic, and educational institutions of various shapes and missions constitute the most pervasive organized manifestation of community adherence to the public

good. By consistently garnering broad public support, this ability, diversity, and resilience for innovation can be leveraged in advancing the environment and social life (Aviv et al., 2015). While instances of unethical or improper behavior by a single organization are uncommon, they have the potential to compromise the resources that are essential for innumerable other endeavors. Correspondingly, scandals featuring financial fraudulence, inefficiency, inadequate human resources, and destitute work culture affect NPOs, ultimately compromising the public's trust (Kieting & Thrandardottir, 2018).

A considerable body of research investigates the implementation of strategic management in order to transform NPOs toward modern, professional, and efficient institutions. NPOs undergo a transformation into contemporary and effective organizations through the enhancement of four key components: purpose, impact, people, finances, and operations (Gripper & Joy, 2016). According to Porter and Kramer, strategic philanthropy consists of at least four components: (1) superior and measurable performance in specific areas; (2) unique positioning; (3) engaging in numerous and distinctive activities; and (4) foregoing some grant-making opportunities to focus on others (Menkes, 2021). Simultaneously, the NPO develops its grand design and strategy over time, striving to meet the expectations of each stakeholder in order to attain sustainability. For the purpose of establish effective NPOs alongside an adequate basis, the independent sectors consider 33 principles of good corporate and ethical practices, notably public disclosure and legal compliance, effective governance and financial oversight, responsible fundraising, and strong financial oversight (Aviv et al., 2015). In order to bolster the capacity of NPOs, Grant makers for Effective Organizations (GEO) delineated the culture, system, and power entailed (GEO, 2021).

Strong and effective leadership is essential to an NPO's attainment. As leaders, the board of management is responsible for establishing the identity of the institution (Zhang et al., 2024), specifically its vision, mission, and strategic objectives (Aviv et al., 2015). NPO executives form a collaborative team with diverse scientific backgrounds and experiences to develop programs, funding, marketing, communications, finance, and administration. The board should design a comprehensive and well-organized framework, policy, and procedure that incorporates each phase of the process. Leaders additionally possess essential roles for establishing the culture and promoting ethical behavior, as well as guaranteeing awareness of legal and regulatory requirements in the nonprofit sector. They ensure that all enlisted resources are highly motivated persons and possess a solid grasp of the strategies and operations of the organization (Renz et al., 2024). Additionally, they are capable of properly dedicating themselves to their supervision functions. Leaders assess the performance of an institution, measuring its economic and

social impact, identifying challenges, and gathering feedback from all stakeholders (Gripper & Joy, 2016; GEO, 2021).

NPOs cultivate goals and assures their efficacy in achieving sustainability. A vision statement acts as the direction for an organization, while a mission outlines the specific contributions that a charity aims to make in pursuit of this vision (Gripper & Joy, 2016). Strategic objectives pertain to the desired results or outputs, the actions that are to be taken (processes), and the resources that ought to be possessed (inputs) from many viewpoints. NPOs may be able to adopt the balanced scorecard (BSC), which was developed by Kaplan and Norton (1996). By harmonizing financial and non-financial factors, external and internal interests, short-term and long-term objectives, the BSC method converts strategic plans into well-defined performance metrics and objectives. The process of formulating the Balanced Scorecard (BSC) involves several distinct steps. Financial sustainability assesses the performance of an institution from a financial standpoint, utilizing analysis and metrics that are generally appropriate. Evaluation of donors and beneficiaries from the sight of consumer perceptions regarding services through the use of metrics such as market share, customer satisfaction, loyalty, and customer acquisition. The operational procedures entailed in the provision and promotion of r services are referred to as the internal business process perspective. A perspective focused on learning and growth, detailing enhancements and modifications in the available resources to facilitate sustained development. The four perspectives delineate enduring strategic objectives, thereby constituting a strategy map that illustrates causality (Kaplan & Norton, 2004).

The strategic objectives provide direction in encompassing short-term goals, targets, programs, and the annual budget. To accomplish their objectives, NPOs construct program implementation strategies, allocate resources, designate technical phases, and deploy measurable instruments and indicators to gauge accomplishments and consequences. They identify market segments, manage donor connections, develop funding plans, and create appropriate, impactful, and favorable programs with the assistance of the organization's system and human capital. Activities should remain flexible and adaptable, even if they are initially included in the annual planning, in order to accommodate changes in demand. Continuous improvement is essential for optimizing program effectiveness, accomplished by rigorous internal evaluation and positive stakeholder feedback. Fundraising and donor retention are interconnected with the program that is often disseminated and made accessible to the public. In order to ensure that individuals in each division comprehend their obligations and maintain high-quality execution, it is imperative for a charitable organization to furnish them with suitable training and oversight (Gripper & Joy, 2016).

Good corporate governance (GCG) practices in non-profit organizations (NPOs) are currently gaining attention, considering the organization's prominence and numerous instances of failure due to varying circumstances (McDaniel, 2020). It refers to the examination and control of an organization by explicit instructions, establishment of systems, development of human resources, and monitoring of activities (Mair et al., 2015). NPO creates an organizational structure, assigns power and responsibility to leaders in each field, and places capable human capital in programs to achieve principles, goals, and plans. Every decision passes into account the most pertinent possibilities to attain the greatest entails with efficient input. Mitigating operational, market, and environmental risks at all stages will reduce failure and loss. Adequate computerized system support, the prevalence of internet networks, the digitalization of office and staff administration, work processes, financial recording, and reporting will conserve time as well as offer solutions to obstacles (GEO, 2021).

NPOs, as intermediary entities, strive to promote the welfare of beneficiaries. With this profound aim, NPOs recognize the importance of strengthening organizational culture in order to uplift people and nurture reputation. Values such as integrity, hard work, humility, loyalty, and so on are instilled in every person, defining the essence of any NPO movement. Humans, as a NPO's capital and determinant of success, possess a wide range of desires, souls, perceptions, abilities, and working styles. Organizational culture is achieved via the dedication of leadership, which consistently aligns a holistic vision toward NPOs and gradually instills it in each individual as a spirit in carrying out their duties and obligations (Gripper & Joy, 2016).

NPOs examine program execution to determine whether it is on time, provides a long-term benefit, and presents a distinction for beneficiaries. Evaluation will clarify misconceptions attributed to individuals, processes, funds, or regulations through the integration of an assessment system and conquest indicators. The inquiry of activities and resources will allow NPOs to enhance their planning for the next term with feasible targets. Evaluation will additionally consider the extent to which the NPO adheres to the intended goals. Performance assessment must evaluate at least three significant variables: behavior (process), output (direct product of an activity), and outcome (effect of the action), all of which cannot be separated and are interdependent in performance management (Aviv et al., 2015; GEO, 2021; Gripper & Joy, 2016).

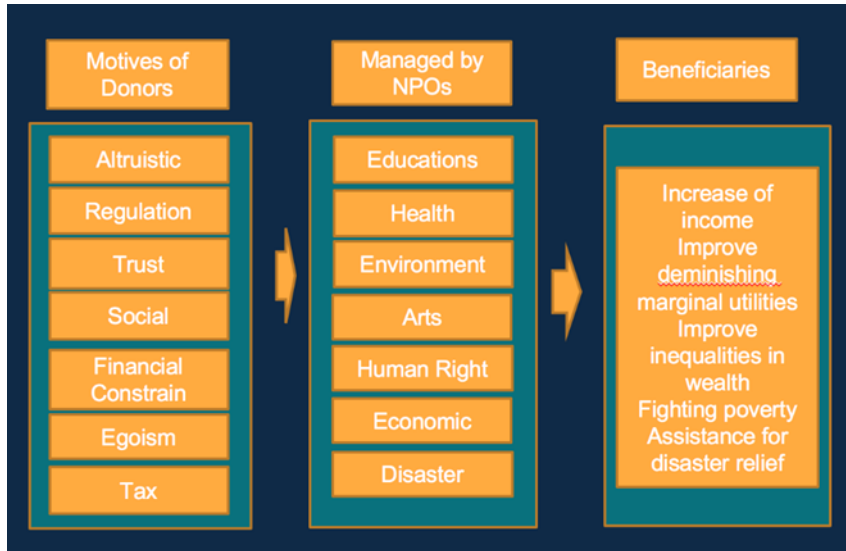


Figure 1. Islamic Philanthropy Practice

Transparency and clarity guarantee that NPOs adhere to the regulations and operate within the legal framework. Transparency fosters donor confidence and prevents against managerial impropriety or fraudulent behavior. Transparency is displayed by the disclosure of activity reports and audited financial statements. Audited financial reports assign a comprehensive analysis of financial management, offering insight into fund receipts and expenditures, as well as highlighting the assets and liabilities of NPOs. Furthermore, it underlines that NPOs comply with accounting standards as one of legal formal requirements. Explanatory notes to financial reports comprise the nature of the activity, its location, and the individual accountable for it. They also include impact measurements, pertinent documentation, and images that serve as tangible and authentic proof of events that transpired within a one-year timeframe (Gripper & Joy, 2016; GEO, 2021).

The most effective charities are motivated by the impact they offer and their commitment to the communities they serve, as outlined in their vision. Impact practice refers designing strategies to create impact, executing, evaluating the outcomes, and gaining insight to apprise subsequent decisions (Gripper & Joy, 2016). Policy-makers continue to highly prioritize comprehending the social ramifications and worth of the third sector (Harlock, 2013). The notions of social effect and social value have been mentioned early on in the international literature and practice of social social enterprises and non-profit organizations (Lyon, 2010).

Multiple instruments are utilized to assess the effectiveness of programs within Islamic NPOs. Social Return on Investment (SROI) is a

method used to evaluate the efficiency of a social and environmental endeavor (Heady & Keen, 2010). The Center of Islamic Business and Economic Studies (CIBEST) evaluates the efficiency of zakat organizations by analyzing the poverty level of a certain area from both material and spiritual viewpoints. The aim is to offer a comprehensive and all-encompassing method of assessing poverty, including both tangible and intangible aspects (Beik & Arsyianti, 2015). The Balanced Scorecard (BSC) evaluation is divided into four views: financial, customer (*muzakki*), internal business, and development and learning perspectives. The inclusion of the zakat program and business strategy in this situation demonstrates notable characteristics of attraction (Beranda: Baznaz, 2024). The National Zakat Index (IZN) is a composite index designed to provide a thorough evaluation of the influence of zakat on the welfare of *mustahik* persons. The Zakat Village Index (IDZ) is formulated based on process-oriented concepts to monitor the continuous progression of development. The IDZ acts as a benchmark for Zakat management organizations who are either implementing or considering implementing empowerment initiatives at the village or town level (Beranda: Baznaz, 2024).

NPOs require substantial resources to accomplish their targets and assist beneficiaries. As a result, they expand their donor base and endeavor to nurture trust by surpassing donors' expectations amidst a proliferation in the amount and diversity of similar institutions. Donors attempt to recognize and identify specific institutions with comparable marketing communication patterns through online and offline platforms. Intense, intimate, and transparent communication is essential for maintaining donor credibility and confidence. Providing a distinct letter or report to each donor delivers the impression that the NPO truly transmits each donation based on preferences and expectations, while also highlighting that each donor is exceptional.

NPO limits the most effective and measurable communication techniques to website content updates, personal emails, and a variety of powerful social media platforms. Gathering with patrons in panels, disseminating enactment outcomes, and conducting vocation visits will boost donors' confidence while allowing them to express feedback. In-depth content will notify audiences about the organization and the nature of the industry as a whole while carrying out its more comprehensive and sustainable objective. Statistics and figures supplement the information, preventing overreaction to lengthy narratives about beneficiaries. The idea is to gain entrance far beyond what contributors expect by expressing appreciation in thoughtful and unexpected ways. Constructing meaningful connections has been a core strategy of the organization for a long time. In the context of reciprocal trust, NPOs need to nurture steadfast and exuberant donor affinities.

3. Data and Methodology

The aim of this study is to further clarify the general issues confronting Islamic NPOs in Indonesia as it strives to become a strategic and effective professional institution. This study employs qualitative techniques to acquire an enhanced knowledge of philanthropic practices in Indonesia that pertain to fulfilling donor expectations. This study adopts the case study technique to thoroughly investigate current phenomena that occur in Islamic NPOs in Indonesia. Case studies are utilized to ensure external validity by providing insight into the management of Islamic NPOs.

In-depth interviews with a semi-structured interview question pattern were adopted to gather information from parties who understand the process of conducting Islamic NPOs. The data presented in activity and financial reports has limitations regarding on motivation, preferences, composition, and management procedures for Islamic NPOs. Interviews are meant to deepen the problem, complement, corroborate, and reinforce the quantitative test's conclusions. The content analysis technique seeks to determine the compatibility of the replies to the literature. Semi-structure was chosen since, theoretically, this research is sufficient, aside from offering flexibility for an explanation based on the personality of the resource person (expert).

3.1. Sample Selection

The two foremost Islamic NPOs in Indonesia, DD and Baznas, existed as the qualitative research samples. These two institutions have been around for a long time and represent both government and community-based zakat institutions. Both have distinct personalities, cultures, policies, settings, and tactics, as well as activity and financial information displayed on their websites. Purposive sampling was performed, which involves selecting either one or several respondents who match the research criteria. The responders in the study represent a few kinds of institutions, including overtly Islamic NPO management, scholars, psychologists and regulators. Diversity in 12 respondent backgrounds is one way to ensure internal validity through source triangulation approaches.

3.2. Research Instrument

This research utilizes multiple sources in order to suggest a systematic approach to problem-solving for NPOs in Indonesia. The theory of change may possibly be suitable to depict the complete explanation of this investigation. The theory of change outlines the desired transformation and the sequential actions required to accomplish it. Additionally, it captures the underlying assumptions of the argument and, if feasible, provides supporting evidence for them. It is highly advantageous as a tool for both strategic planning and assessment (Kail & Lumley, 2012). The formulation of interview

questions is derived from a thorough examination of existing literature and real-world observations, as elucidated in Chapter 2.

The opinions of specialists or academics on qualitative methodologies are required to verify the reliability and consistency of the draft questions that have been constructed. To ensure the validity and reliability of the questions, a preliminary test (pilot test) was conducted by selecting relevant respondents to eliminate repetitive or overlapping questions. To maintain the dependability of interview question formation, they are tailored to the research aims and hypotheses in a study protocol (Wahyuni, 2012). The study protocol serves as a framework for ensuring consistency and coherence among research objectives, questions, hypotheses, data, and analysis.

After gathering data from the semi-structured interview, the information is separated into categories for analysis determined by the answers received from respondents. The analysis is divided into subject matters in order to provide substantial responses to the research questions. Following the interview, the results in the form of recordings and notes are evaluated using content analysis. Content analysis is a technique for comprehending and determining interview outcomes from both written and recorded media. The method begins with listening to the tape and emphasizing the points raised by the source. Data is analyzed thoroughly and continually until it matches the saturation criterion. N-Vivo 12 plus is utilized for data processing to maintain the new-fangled finding of variables. These terms could be the same variables as the findings of quantitative research, or new variables that can be validated in future studies.

Table 1. Semi-structured Questions in Interviews

Num	Construction of Hypothesis	Questions
1	NPO is governed	What is the role of the leader in determining the vision, mission, values and objectives of the NPO? How to formulate a program based on the strategic goals of the NPO? How to implement the program and ensure it is in accordance with the formulated targets?
2	NPO performance encourages the improvement of culture and ethics so that it has a positive effect on all stakeholders.	How culture and ethics affect NPO performance? Is the NPO designing programs that lead to a more positive culture for all stakeholders? Does the NPO have indicators of cultural change in stakeholders and what is the impact on increasing donations?
3	NPO solicits, receives and expends its money	Is there a standard mechanism or procedure for receiving and allocating money?

- | | | |
|---|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Does the NPO have any rules regarding the amount disbursed from the total revenue? |
| | | Does the NPO have regulations on the amount spent on fundraising and operations |
| 4 | NPO disclose financial reporting to the public | Does the NPO publish audited financial statements annually?
Are the financial statements accompanied by adequate program, beneficiary and financial analysis?
Do NPOs receive feedback from donors or the public and how does it affect donations |
| 5 | The program designed by the organization maximizes socio-economic change and the religiosity of the beneficiaries. | How NPOs evaluate program effectiveness?
How NPOs measure the socio-economic and cultural improvement of beneficiaries?
Any improvements during program implementation are rolled out to beneficiaries? |

Source: Author, 2023

4. Result and Discussion

4.1. Case Study: Dompot Dhuafa and Baznas

Dompot Dhuafa (DD) is an Islamic philanthropic and humanitarian organization dedicated to empowering individuals and humanity. Empowerment is accomplished by the management of zakat, *infaq*, alms, *waqf* (*ziswaf*), and other social funds in a modern and trustworthy manner. DD completes organizational structures with an unwavering vision, mission, and goals. Leaders are responsible for determining the organization's direction so as to accomplish goals, inspire human resources, and establish models of committed tenets. DD's vision is to achieve an impartial and prosperous society. The four missions of DD are emphasized on optimizing the usefulness of zakat, *infaq*, alms, and *waqf* (*ziswaf*) in removing the impoverished from poverty, advocacy and justice-based community transformation services, courtesies, and empowerment for an impact on sustainable community independence, good corporate governance, and the fulfillment of sharia principles by developments in information and communication technology. DD's values are integrity, synergy, professionalism, innovation, and responsiveness. Apart from that, DD provides a work culture and code of ethics that aligns with the organization's vision and objectives.

In its management, DD emphasizes the concept of compassion or love as the foundation of the philanthropic movement, which focuses on five program pillars: health, education, economy, social and da'wah, and culture. From 1993 to 2023, DD donors' generosity benefited more than 31 million

people. To expand the contemporaneous voyage, DD operates 5 service offices, 25 domestic branches, and 5 international branches. DD also engages with 88 strategic networks across 33 countries. ZCPs are the essential principles of zakat and encompass 18 areas of zakat management around the world.

As a national zakat institution, DD is committed to restoring organizational governance and increasing management standards, transparency, accountability, and responsibility. Similarly, the Indonesian accounting standard (PSAK) governs the recording of income and expenditure as well as the creation of audited yearly financial reports. The following is a brief financial report for five consecutive years.

Table 2. Financial Performance of Dompot Dhuafa

Funds	2018	2019	2020	2021	2022
Zakat	156,015,369,139	215,801,304,053	204,546,161,071	211,766,883,962	211,108,015,845
Infaq	35,528,292,171	48,301,957,464	42,903,847,398	37,394,905,333	39,504,379,620
Bound Infaq	27,321,108,203	46,889,558,282	37,182,079,493	51,269,223,372	55,030,185,607
Qurban	36,013,057,680	45,217,063,246	66,288,643,859	61,149,316,198	56,602,424,679
Humanity	34,074,920,856	12,975,998,463	31,450,757,880	20,943,700,175	9,956,771,475
Waqf	34,449,727,582	23,746,404,279	26,800,296,587	28,681,090,386	33,230,160,846
Others	1,836,441,130	4,312,754,873	3,654,253,081	2,508,600,231	5,372,403,860
Total	325,236,916,761	397,245,040,660	412,826,039,369	413,713,719,657	410,804,341,933

Distribution	2018	2019	2020	2021	2022
Education	42,357,986,147	50,848,275,528	40,144,524,874	38,899,497,232	45,474,854,732
Health	42,276,003,394	40,544,698,060	23,753,655,773	26,870,589,033	36,259,955,447
Social					
Society	37,786,841,080	95,071,418,541	86,552,266,213	103,875,089,932	103,625,739,692
Economy	56,310,086,007	82,160,596,887	91,099,551,053	55,171,920,362	46,924,530,085
Humanity	21,793,699,555	47,334,710,254	41,092,357,209	26,635,584,876	20,522,392,324
Advocacy	4,064,228,638	-	-	123,828,786	-
Da'wah and					
Culture	-	6,689,688,553	5,389,958,066	7,591,742,435	16,380,264,744
Qurban	-	-	-	60,148,717,079	53,133,268,044
Network					
Development	5,962,767,981	-	-	-	-
ZIS					
Socialization	29,495,097,856	33,613,742,845	24,448,650,682	26,089,859,694	24,985,303,917
Office					
Operations	36,711,676,917	44,995,318,215	41,345,554,612	42,834,845,278	40,948,472,390
Total	276,758,387,575	401,258,448,883	353,826,518,483	388,241,674,707	388,254,781,375

Source: dompetdhuafa.co.id

From 1993 to 2022, there have been 662,636 total donors, and new contributors growing at an 18.9% rate. The number of volunteers is 19,528. In 2022, the total number of beneficiaries was 3,078,212. 2,537,176 persons participated in social programs, 242,806 in education, 210,143 in health, 16,780 in economics, and 71,307 in *da'wah* and culture. In 2022, DD was

successful in collecting IDR 410,804,341,933 from the public and delivering IDR 388,254,781,375 to the community through various programs. The distribution absorption rate for 2022 is 94.51%.

DD conducted research and studies to assess the effectiveness of initiatives to meet donor expectations. The Institute for Demographic and Poverty Studies (Ideas) is a think tank organization that conducts extensive studies on national advancement and public policy. DD evaluates the program utilizing numerous kinds of examination. Economic empowerment program for 54 farmer families empowers them to manage land agriculture on a total of 10 hectares. The farmers were led through several stages of building and post-production, including digital marketing. Considering the impact of 2019 through the method of sustainable livelihood impact assessment (SLIA), average income comprises 1-1.5 million per month to +/- 2.5 million after converting to ownership from renting. Knowledge of how to manage nutritious vegetables is expanding faster than ever before.

Another example is Ethos scholarship, with the tagline "Breaking the Poverty Chain" in addition to discovering invaluable human resources in regions through the development of youth integrity. The Center of Islamic Business and Economic Studies (CIBEST) approach is applied for assessing 397 achievements from 2020-2022 in a national, regional, district, and city area. 79% of beneficiaries shifted to quadrant I (prosperous), 65% of beneficiaries experienced a turning point that transformed them into more noble (spiritual and social), and 58% of alumni initiated social enterprises. The alumni earnings vary from \$5 to \$50 million. Healthy Area is a 12-zone initiative aimed mostly at marginalized people. The impact will be empirically measured in 2020 utilizing SLIA. 85% already utilizes sanitation facilities that are thoroughly omnipresent and impenetrably pristine. The social return of investment (SROI) is 1.85, which implies that every Rp.1 spent is worth Rp.1.85. This proves program is suitable for implementation. From many programs offered, the contribution to SDG'S:

1. Sharia microfinance program, empowerment of farmers, breeders, fishermen, and MSME craftsmen.
2. Food assistance for the community streets, breastfeeding movement, improvement knowledge of family nutritional needs.
3. Curative medical services in clinics and homes sick, health promotion programs that supporting the fulfillment of SDGs targets.
4. Middle school-high school level services free, student education scholarships underprivileged achievers, PAUD, program increasing teacher capacity.
5. Improvement empowerment program women's economy, education adolescent reproductive health and couples of childbearing age.
6. Skills training for youth poor people, job creation through a solid agro-

- industrial program works, empowerment of disabilities.
7. Pineapple industrial house program Subang, sharia micro assistance, construction of road access and broken bridge in the countryside.
 8. Land area revitalization program critical, productive tree planting landslide and mangrove areas, education on disaster awareness.
 9. Legal Aid Center, Review Demography and Poverty (IDEAS).
 10. Collaborating with institutions NGOs, Government, and international humanitarian issues, health, advocacy, environment. Building a world association zakaf forum, international youth for peace, southeast humanitarian forum (SEAHUM), etc.

The National Zakat Amil Agency (Baznas) is a government-owned entity that collects and distributes zakat, infaq, and alms throughout Indonesia. Baznas, a modern and professional Islamic NPO, with an encompassing vision, mission, goals, performance indicators, and organizational structure. Baznas' vision is to evolve into the primary institution responsible for people's well-being. This vision is outlined in nine missions, nine aims, and 21 objectives. Baznas devised around 74 achievement indicators to assess organizational performance, management, and program impact. Currently, there is only a central Baznas and district offices (UPZ) in 34 provinces and 463 towns and cities. To deliver more wide-ranging benefits, Baznas distributes funds for health, education, economic, disaster, education, and *da'wah* endeavors. In August 2023, Baznas acquired around 600 billion in funds from nearly 1.5 million beneficiaries in Indonesia.

Organizational oversight and disclosure consist of employing the public accounting firm's opinion on financial reports indicator; management system certification ISO 9001 (Quality), 27001 (Information Security), 37001 (Anti-Bribery), 45001 (Occupational Health & Safety), 31000 (Risk), and 19600 (Compliance); sharia compliance auditor opinion; and the transparency and accountability in reports. The program's impact is gauged by the number of villages that act as permanent areas for the ZIS-DSKL distribution and utilization program in all OPZs. The others are the percentage of unhandled complaints from *mustahik* or beneficiaries' association with ZIS-DSKL distribution transactions, the number of *mustahik* or direct beneficiaries, assessing the impact of zakat on obstacles, rates of poverty, and social inequality. Measuring tools of *mustahik* and beneficiaries include the influence of zakat on the health, education and business entities, and efforts to eradicate poverty, increase the welfare of the community, and reduce social inequality.

4.2. Finding and Discussion

4.2.1. Good Corporate Governance

The governance advances guide encompasses a wide range of standards for organizational management, consisting of outlining leaders and their replacements, salary levels, funding, collecting and distributing funds, managing communication media, exposure activities and finances, and assessing impacts or benefits. As a social institution that raises community funds, Islamic NPOs recognize that their primary responsibility is to contributors, hence transparency and accountability are prioritized by providing complete and clear information. The greatest challenge for Islamic NPO is ensuring public accountability (Putra, 2023). There are problems with fraud across multiple regional national zakat *amil* bodies (UPZ), as well as non-neutrality toward political objectives. Zakat *amil* institutions (LAZ) must determine how much it would assist with reducing poverty and promoting welfare (Juwaini, 2023). As the amount of grants grows, so will the demands for public accountability. Therefore, despite its significant societal obligation, philanthropic governance is inadmissible as ordinary. Philanthropic institutions must be shifted away from the consumer or charity sectors towards poverty-relief functions. Governance emphasizes the process of authorizing donations and initiatives, as well as the value of accomplishments and errors. At its most fundamental level, governance considerations include accountability in transcribing and publication, no resource exploitation, and no depletion of political interests (Rosidin, 2023). Governance is aimed at increasing public responsibility in huge institutions.

4.2.2. Organization Culture

Regulations and setting governance policies are significantly more legally enforceable than ethics. Ethics is personal, and it is frequently interpreted based on each individual's virtues, tools, and level of belief. A culture that has been fostered is extremely resilient to overcome. Culture is the spirit that drives employee performance. DD instills accountability as a core principle in the organization. Leaders provided an example and reiterated their commitment toward the organization's culture (Putra, 2023). Culture is intrinsic and inseparable when developing and implementing strategies, as evidenced by activity priority, instrument completeness, details of target achievement, and placement of individuals based on capacity. Culture is elementary in Islamic NPOs (Mintarti, 2023). The cultural jargon on the website must be divided between individual and technical parts of the system. Some Islamic NPOs require a leadership commitment to scrutinize cultural cultivation through daily endeavors and evaluation using measurable qualitative and quantitative metrics. The obstacle is that quantitative measures

for adopting culture in institutions have yet to be established (Suprihartanti, 2023). Prominent corporations, for example, adhere to the Sigma approach.

4.2.3. Leadership and Ownership

The issue of self-belonging and ownership conflicts in Islamic NPOs remains a topic as long as the founders' and leadership's sense of self-belonging persists. On the other hand, the rules governing managerial transitions and sequence are not strictly enforced. Furthermore, ethical enforcement deviates from non-religion-based NPOs, which have maintained a code of standards for reversing boards that is permissible but not tightly monitored by the council or ethics. Leadership transitions occur swiftly, and ownership is always possessed since non-Islamic NPOs have extensive experience and learning processes (Mintarti, 2023).

The leadership style of Islamic NPOs was not yet patterned, and it began to evolve in accordance with the contest rules to a proficient echelon. Islamic NPO leaders strengthen institutions through schedule surveillance, program design, timetable analysis and identification, fundraising, marketing, and communication, understanding donor segmentation, and developing do and don't decrees. The requirement for distinct leadership styles varies according to the type of institution. NPOs working with institutions on social development, empowerment, and transformation need participatory leadership, whereas disaster or relief agencies require command line and logistics management, and social justice.

The initial stage of enhancing the competence of zakat management organizations (OPZ) is to advance leader knowledge (Rosidin, 2023). Certification of associations and leaders in various areas will boost enactment and public confidence. Technical skills in fundraising, program, and financial training are necessary, with non-technical training such as leadership, communication, and culture development rapidly being included. For government institutions such as Baznas, the culture is similar to that of bureaucrats, with no concern for providing basic amenities.

4.2.4. Strengthening of System

Islamic NPOs additionally advocate excellent corporate governance by establishing policies and standard operating procedures (SOP) to standardize process and technical requirements. Strengthening lineups based on long-term goals and SOPs with approval systems will reduce risk. As publicly owned Islamic NPOs, DD and Baznas are attempting to strengthen the system so that all aspects of decision-making and implementation are under supervision (Suprihartanti, 2023). Each level of leadership ensures that all procedures are followed before granting open-handed approval. Each program's design, operation, and financial reporting are guaranteed to be in conformity with

processes and standards. Donations are accepted and distributed based on financial regulations.

In these ailments, many Islamic NPOs are solely concerned with assisting the poor, without regard for enfranchisement. Apart from that, without performance and professionalism, an institution will perish because donor trust is dependent on the continuance of the organization's consignment. This situation is extremely different from the strategic view of charity, which evaluates the impact of programs on the prosperity of beneficiaries. Islamic NPO consortiums, such as the Zakat Forum (FOZ), can elevate small organizations as the essence of collaboration and mutual benchmarking (Rosidin, 2023).

4.2.4. Disclosure of Financial Statement

A fair opinion in an audited financial report must demonstrate that the program's disbursements align with the recipient's requirements. Islamic NPOs strive to enhance the form and substance of statements, according to accounting standard (PSAK). The report should accurately represent the giving paradigm, as evidenced by the cost and proportional distribution to each program. The existing regulatory framework for financial reporting of Islamic non-profit organizations is governed by the PSAK 109 guidelines. These reports have undergone several revisions and enhancements depending on their accuracy, comprehensibility, and feedback received during program execution. In addition, NPOs should increase public knowledge about their rapid adoption of norms, such as financial standards (PSAK), which serve as guidelines for financial reporting (Suprihartanti, 2023).

Further types of audits may pertain to Sharia compliance, which guarantees adherence to Sharia fatwas and rules instead of depending solely on the auditor's judgment for comparisons, standards, and measurements. Additionally, there is a planning audit that requires well defined standard plans and budgets (Syukur, 2023). The presence of imperfections may lead to suggestions for adjusting methodologies and endeavors. The purpose of impact assessment is to verify that a program is sustainable, generates a positive influence, aligns with the Sustainable Development Goals (SDGs), and conforms to the government's development objectives. In order to prevent the examiner's subjective bias, the fundamental principle of all audits is that standards function as a benchmark against which realizations are opposed. A significant number of Islamic non-profit organizations (NPOs) have refrained from implementing the accounting standard due to limited resources and a lack of understanding of effective corporate governance practices inside their institutions (Rosidin, 2023).

4.2.4. Measuring Impact

The expansion of Islamic non-profit organizations into fundamental and advanced sectors necessitates the use of measurement instruments like the national zakat index and the national *waqf* index (Siswantoro, 2023). However, the significance of fundamental aspects may be more pronounced when examining practical issues, whereas advanced aspects may encounter disagreements with influential individuals such as philanthropists. It is possible to improve the effectiveness of instruments used to measure the performance of institutions, such as the Balance Scorecard, by ensuring they accurately represent different stages of organizational development. In order to ascertain the magnitude of an institution, it is imperative that we provide more relevant metrics. For instance, we may classify zakat institutions as local, provincial, or national based on the amount of money they generate, not the program's effectiveness. At its most fundamental level, one may infer the existence of District LZA/BAZ. Their main emphasis is on accurately computing *mustahik*, and they strictly refrain from utilizing zakat for any political purposes. Islamic NPOs cannot calculate the Social Return on Investment (SROI) for all their projects due to the requirement that the time span must exceed one year. The social return on investment (SROI) becomes meaningful only when we measure and assign monetary value to the changes made both before and after the program's completion (Suprihartanti, 2023). Additional metrics in descriptive data are usually straightforward, depending on a large number of recipients.

Islamic NPOs conduct surveys to assess the extent of poverty before and after the program's implementation. Islamic NPOs can utilize the BPS headcount index analysis tool, FGT advice, to calculate the duration for which they will continue to be below the poverty line, as illustrated by Baznas. If there are many programs, a varied sample will be adequate, as long as capable personnel conduct the data collection process (Mintarti, 2023). The eradication of poverty via the utilization of zakat and the allocation of resources to recipients showcases the efficacy and proficiency of zakat distribution. Islamic NPOs strive to align their goals through effective coordination, ensuring the well-being of those they serve and achieving the expectations of donors.

4.2.6. Challenges: Regulation and Other Issues

A systematic approach to enabling equitable contributions should be promoted by regulators, NPOs, and the public. From a regulatory standpoint, the government continues to advance in the development of rules and comprehending by finalizing criteria, establishing additional institutions, and coordinating the transmission of information across several platforms. Regulations appear to be less supportive and more restrictive as charitable

entities grow (Juwaini, 2023). Adherence to the stringent regulations of Sharia standards poses a formidable obstacle for any Islamic NPO. Furthermore, in order to mitigate the potential for both compliance and misuse of allotments, institutional policies tightly regulate them. Due of the substantial zakat funds, estimated to be between \$100 and \$50 billion, the government is inclined to impose restrictions on non-profit organizations (NPOs) in order to avoid any potential misuse. Ultimately, the government often acts as a supervisor, primarily emphasizing numerical aspects while examining financial reports. For example, whenever they encounter zakat institutions operating without a license, they consistently suggest that these bodies consider becoming a UPZ (Unit Pengumpul Zakat), which is a government-backed entity responsible for collecting and accumulating zakat funds. The government appears to be neglecting the development of Islamic non-profit organizations (NPOs) (Siswanto, 2023). This situation creates obstacles that hinder Islamic NPOs from functioning as effective and strategic entities.

The meticulous and responsible distribution of zakat, as well as the enforcement of the program, is determined by the institutional culture. Ten to twenty percent of the at least one hundred religious-based philanthropy movement participants in Indonesia attain an advantageous, significant outcome. Economic incentives appear to drive this arrangement, as there is a strong emphasis on earning revenue. Originally, community-based zakat institutions prioritized more than just fund accumulation. However, at present, they have expanded and developed to collect a significant amount of money. Donors, for instance, developed a preference for DD from the time it was established until its collections reached billions of rupiah, not for economic motives but to support impact-based programs. The Zakat forum has deliberated on this matter with the objective of amending the legislation (Rosidin, 2023).

Zakat institutions should aim to become efficient philanthropic organizations, while recipients should understand the donor's desired outcomes. Zakat institutions depict three conditions: they persist in grappling with minor issues, they fail to resolve larger concerns, and their policies remain unchanged. The majority of zakat institutions are sedentary and inadequate in development; their collections do not exhibit considerable growth, and their distribution fails to create a sufficiently significant impact on society. Due to the program's consistency and oversight, zakat postulation is more beneficial when conducted by a zakat institution that adheres to stringent regulations. The National Sharia Economic Committee (KNES) recognizes the necessity of conducting a comprehensive assessment of the institution's quality using a capacity-building approach (Juwaini, 2023).

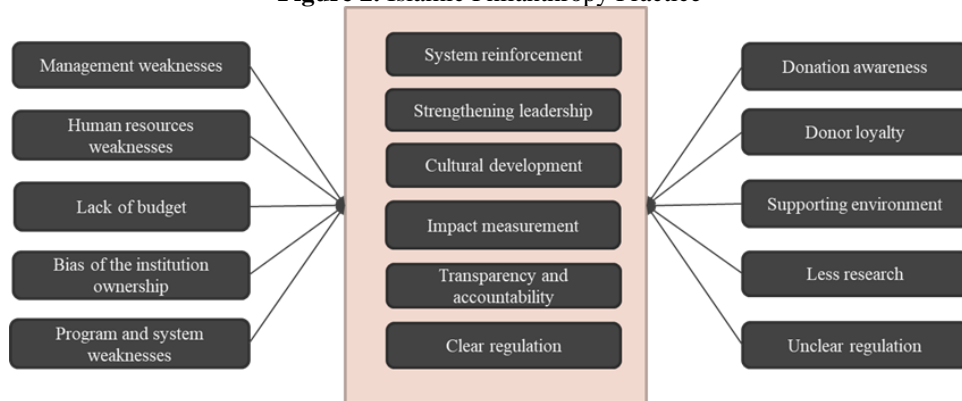
Zakat institutions offer comprehensive information on their programs, activities, and the allocation of donations, as well as the concrete impacts. All

of these services are designed to provide assistance to contributors, fostering strong relationships and ensuring donor loyalty. Donors nowadays expect Islamic non-profit organizations to be transparent and open, considering their obligation to maintain comprehensive programs. As donors acquire more knowledge and expertise, they will be able to contribute to more impactful projects. Based on age demographics, the donor population has the potential to move towards the millennial generation. They possess a heightened awareness of technology, display unwavering consistency in their aspirations, actively observe and utilize assistance, and faithfully adhere to established norms and institutions. At that juncture, benefactors will invigorate zakat organizations to enhance their efficacy (Putra, 2023).

Although Baznas' and DD have established a positive reputation, annual fund collections do not equate to a significant quantity. Consensus dictates that it is mandatory to increase awareness, as the majority of Muslims have yet to dispense zakat. Zakat on corporations decreases taxable income in Malaysia, serving as a favorable incentive for enterprises. Muslims significantly postpone their zakat contributions in comparison to prayer, fasting, and the hajj, primarily due to inadequate education. The existence of contemporary Islamic non-profit organizations (NPOs) that utilize internet platforms for zakat disbursements has not facilitated the process of collecting funds (Siswanto, 2023). The lack of regulations to facilitate zakat payment, such as tax deductions, also contributes to the concomitant decrease in growth.

From the results of interviews and data processing with NVivo, it is concluded that the variables that are of concern and influence the development of Islamic NPO in Indonesia are as follows.

Figure 2. Islamic Philanthropy Practice



Source: Author, 2024

Collaboration with both domestic and international academics is necessary to enhance research abilities and uncover significant themes related to promoting literacy within Islamic NPOs. In Indonesia, community members were the first to establish Islamic NPOs; academics and the government

subsequently joined forces to disseminate information about zakat. Nevertheless, the research institutions, such as Indonesia Magnificent Zakat (IMZ) or internal research institutes inside Islamic NPOs, are currently inadequate for conducting impact studies (Rosidin, 2023). Academics have the ability to broaden the scope of study topics in order to enhance the advancement of society. They may provide valuable insights to both theoretical perspectives and practical applications. For instance, they can investigate the influence of zakat on government programs aimed at reducing poverty, or examine the consequences of rising fuel oil prices on those eligible for assistance.

Conclusions

Currently, several Islamic nonprofit organizations (NPOs) in Indonesia remain to encounter leadership issues. The logistics management style, with its chain of authority, is not preferable for emerging organizations. Islamic NPOs have an institutional obligation to fulfill their commitment to donors by strengthening their team, advancing program design and innovation, redirecting expansion efforts towards social changes, reviewing problem identification and social mapping, implementing a timetable, monitoring progress, and assessing impact. NPOs foster the connection by disseminating information to benefactors about regularly planned and informative events through their website or other communication channels.

The establishment of a robust institution that can efficiently handle staffing changes is the initial step in bolstering capacity building. This, in turn, inspires philanthropic advocates to develop a deeper understanding and more logical thinking, as they strive to overcome challenges associated with financial management, fundraising, agenda development, and digital literacy. By consistently disclosing financial and activity statements, an organization upholds the trust of the public by fostering accountability and transparency in its financial oversight. Philanthropic institutions presently require heightened oversight, comprehensive regulation, including governance and fraud prevention, and the capacity for organizations to devote themselves to the social cause. Philanthropic institutions are gaining greater freedom in their multi-stakeholder engagements, which enables them to form more strategic partnerships with enterprises and universities.

Non-profit organizations (NPOs) ensure environmental sustainability and assist the transition to a more prosperous society through synchronized and methodical efforts. NPOs perform an essential function in bridging the gap between donor expectations and empowering recipients. The objective of this study is to examine the operational practices of Islamic non-profit organizations (NPOs) in Indonesia. The findings reveal several challenges related to leadership, governance, transparency, and other management

aspects. Understanding the specific steps needed in the near future requires a thorough study of the unexplored aspects of Islamic non-profit organizations. The reliance on limited foundations and case studies to understand the current circumstances limits this research. In order to improve the quality of future studies, it is necessary to employ more suitable research methods, which will result in more robust and conclusive findings.

Human Studies: This study has been approved by Prof. Dr. Mehmet Bulut as supervisor in Islamic Economics and Finance Department, Business and Management Department, Sabahattin Zaim University, Istanbul and the principles of the Helsinki Declaration were followed.

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