



Transforming Islamic Philanthropy: Strategies and Impacts of Zakat Institutions in Advancing Social Welfare

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Abstract: Islamic philanthropy through zakat management plays a crucial role in achieving social welfare. This study aims to explore the transformation of zakat management strategies in the Zakat Collection Unit (UPZ) of Pacet Sub-district, Cianjur, and analyze its impact on the local community. Using a descriptive qualitative approach, the study gathered data through in-depth interviews, field observations, and documentation involving UPZ administrators, zakat recipients (*mustahik*), and other stakeholders. The findings reveal that the UPZ of Pacet Sub-district has implemented various innovations, including the digitalization of zakat collection and distribution systems, as well as enhanced transparency in reporting. These strategies have successfully increased public trust and participation in Islamic philanthropy. The impacts include improved access to education and healthcare services, economic empowerment of zakat recipients, and reduced poverty rates in the area. This study confirms that the transformation of zakat management in the UPZ of Pacet Sub-district significantly contributes to social development. The recommendations proposed include strengthening the capacity of administrators, developing sustainable empowerment programs, and enhancing inter-agency synergy to maximize the benefits of zakat in creating inclusive social welfare.

Keywords: Islamic philanthropy; social welfare; transformation of management; Zakat Collection Unit.

1. Introduction

Zakat is one of the pillars of Islam which has an important role in the Islamic economic system. Apart from being an obligation of worship for every Muslim, zakat is also an instrument in creating socio-economic balance (Sulaiman, 2018). If managed well, zakat has great potential as a tool for poverty alleviation and sustainable economic equality (Hassan & Noor, 2019). In the context of Islamic philanthropy, zakat not only reflects social solidarity, but also becomes clear evidence of the responsibility of Muslims towards the welfare of society. The concept of Islamic philanthropy is rooted in the teachings of the Qur'an and Hadith, including various forms of charity such as zakat, almsgiving, endowment, and waqf. Philanthropy in Islam is not just a social activity, but part of worship and moral obligations that aim to create social justice and the well-being of the people. According to (Sulaiman, 2018), Islamic philanthropy is based on the principles of sincerity (*ikhlas*), justice (*adl*), and social responsibility (*ukhuwwah*). In practice, the main purpose of this philanthropy is to help the poor community without expecting anything in return, but as a form of submission to the teachings of Islam.

Zakat, as the most important form of Islamic philanthropy, is given to Muslim individuals who meet certain conditions and is a religious obligation. In practice, zakat carries out two main functions, namely as an economic and social instrument. Economically, zakat acts as a mechanism for distributing wealth from *muzakki* (zakat givers) to *mustahik* (zakat recipients), such as the needy, poor and those in debt. Thus, zakat not only increases the purchasing power of the poor, but also

accelerates economic turnover and equal distribution of welfare (Hassan & Noor, 2019). At the local level, zakat management is carried out by the Zakat Collection Unit (UPZ), which operates under the coordination of the National Zakat Amil Agency (BAZNAS). UPZ is responsible for collecting, distributing and reporting zakat so that the process runs professionally and transparently. For example, in Pacet District, Cianjur, UPZ has a strategic role in bringing zakat services closer to the community, especially in rural areas that need easier access (Mahyudin & Abubakar, 2020). Through UPZ's active role, it is hoped that public awareness of zakat obligations will increase, so that the impact of zakat on social welfare can be more optimal.

However, during implementation, UPZ faces various challenges that could hamper the effectiveness of zakat management. Some of the main obstacles in Pacet District include low public awareness about zakat obligations, limited human resources in UPZs, and the community's tendency to distribute zakat directly to *mustahik* without going through official institutions (Rohimah & Setiawan, 2021). Apart from that, transparency and accountability of the zakat system is still an issue that often reduces the level of public trust in UPZ as an official zakat management institution. On the other hand, technological developments offer significant opportunities for UPZs to improve zakat administration performance. The use of digitalization and information technology in the zakat distribution and collection system is believed to be able to increase efficiency and transparency in zakat management (A. Ali & Huda, 2022). Apart from that, collaboration between UPZ and other social institutions can expand the scope of the zakat program, so that the benefits can be felt by more people in need. Thus, the transformation of zakat management in UPZ Pacet District can become a model for other regions in optimizing Islamic philanthropy to achieve broader social welfare.

Based on this background, this research seeks to explore UPZ's strategy in managing Islamic philanthropy and identify the impact of the transformation of zakat management on the social welfare of society. In this case, it is important to understand the strategic steps implemented by UPZ to increase the effectiveness of zakat management, as well as the extent to which these changes can have a positive impact on beneficiaries. Thus, this research aims to explain the transformation strategy of Islamic philanthropy carried out by UPZ and analyze its impact on community welfare in Pacet District.

2. Research method

This research was designed as qualitative research with a descriptive-analytical approach which aims to provide an in-depth description and analysis of the phenomenon of zakat management by UPZ in Pacet District, Cianjur. This approach allows a deeper exploration of the strategies implemented by UPZ and their impact on improving social welfare. In line with (Creswell & Plano Clark, 2011), qualitative research provides a comprehensive understanding of the social context and the interactions that occur within it. This study focuses on UPZ as a zakat management unit, involving UPZ administrators, *mustahik*, and other stakeholders, such as community leaders and local policy makers. The information collected is carefully selected to ensure the involvement of parties who have deep insight into zakat management (Huberman & Miles, 1992).

Data were collected through in-depth interviews with key informants, including UPZ administrators and *mustahik*, to explore experiences and strategies in zakat management. Apart from that, field observations were conducted to directly observe the practice of collecting and distributing zakat, including interactions between the UPZ and the community. Documentation is also part of the data collection method, by examining financial reports, zakat distribution reports, and other relevant documents. To increase the validity and reliability of the research, a triangulation approach was applied by comparing results from various sources (Patton, 2002). Data analysis was carried out using the thematic analysis method, which includes the processes of transcription, coding, theme identification and interpretation. Using this method, research seeks to find the main patterns in zakat management, the challenges faced, and UPZ strategies

in improving social welfare (Braun & Clarke, 2019). Through this approach, it is hoped that this research can provide comprehensive insight into the transformation of zakat management and offer practical solutions in optimizing Islamic philanthropy for the welfare of society.

3. Results and Discussion

3.1. Transformation of Islamic Philanthropy in the UPZ of Pacet District

Zakat continues to experience development in Islamic philanthropy, especially in zakat management at the local level. The Zakat Collection Unit (UPZ) in Pacet District, Cianjur, is a clear example of how this transformation is being carried out to answer the challenges and needs of society which continues to develop. This transformation includes improving methods for collecting, distributing and reporting zakat so that its management and impact are more optimal in creating social welfare (A. Ali & Huda, 2022). Various innovations continue to be developed to increase the effectiveness of zakat management, including a community-based approach that involves religious and community leaders as agents in increasing awareness and community participation in paying zakat.

Apart from conventional approaches, the use of digital platforms such as zakat payment applications and awareness campaigns on social media has expanded the reach of collection, especially among the younger generation who are more familiar with technology (A. Ali & Huda, 2022). Digital transformation in zakat management is not just a trend, but also a strategic necessity in increasing the effectiveness of zakat fund distribution. Digitalization allows wider access for people to pay zakat, without being limited by geographical and time constraints. As stated (Castells, 2024), in the era of global networks, digital technology has become the main instrument in accelerating the flow of information and financial transactions, including in Islamic philanthropy. With a digital system, zakat payments become easier, more transparent, and faster, ultimately increasing muzakki's compliance with their obligations. In the theory of planned behavior (Ajzen, 1991), ease of access and efficiency of a system has a positive correlation with increasing individual participation in an action. This means that when people are given more practical facilities for paying zakat, such as mobile banking or QR code-based applications, their tendency to pay zakat will increase. This is in line with research findings (A. Ali & Huda, 2022), which show that digital-based zakat payment systems have increased *muzakki* compliance rates by up to 40% in several regions in Indonesia. Not only does it have an impact on *muzakki*, digitalization also brings significant changes in zakat institutional management. One of the most important aspects is increasing transparency and accountability. UPZs that implement digital reporting systems can provide real-time information to the public on zakat distribution, thereby reducing the potential for mistrust or maladministration. *Transparency International* (2019) confirmed that digital-based financial systems have a positive correlation with the level of public trust, especially in philanthropic organizations (Holle et al., 2021). By having a digital dashboard or publishing financial reports online, UPZ can ensure that muzakki have direct access to monitor where their funds are channeled.

Furthermore, digitalization allows for better collaboration between UPZ and the National Zakat Amil Agency (BAZNAS). This collaboration is very important in ensuring that zakat funds are not only collected in large amounts, but also distributed optimally according to community needs. According to strategic management theory, organizations that are able to utilize technology in coordination and planning will have higher competitiveness (Hera et al., 2024). With digital-based data integration, UPZ and BAZNAS can avoid duplication of zakat recipients and ensure that funds are distributed to *mustahik* who really need them. Apart from that, the use of technology also increases effectiveness in managing *mustahik* data. With a data-based system, UPZ can map the needs of zakat recipients based on socio-economic categories, so that zakat programs can be more targeted. This is in line with Big Data principles in public policy (Sarker, 2021), where accurate data analysis can assist in more effective decision making. For example, with AI-based algorithms and data mining, UPZ can identify poverty trends in an area and adjust zakat

distribution strategies based on these patterns.

However, the transformation in zakat management is not only limited to the technological aspect. Pacet District UPZ is also starting to adopt an empowerment approach in distributing zakat. Not only providing direct assistance to *mustahik*, but also through skills training programs, business capital assistance and economic assistance aimed at increasing their economic independence. This strategy is based on the principles of social justice and welfare which are the basis of Islamic philanthropy (Bagasra & Bagasra, 2021). By providing skills and business capital, *mustahik* not only receive temporary assistance but also have the opportunity to escape poverty in the long term. This approach also aims to ensure that independent *mustahik* can become *muzakki* in the future, so that the economic cycle in zakat management can continue in a sustainable manner (Hassan & Noor, 2019). Public trust in zakat management is very dependent on the level of transparency and accountability implemented by the management institution. In this context, the Pacet District Zakat Collection Unit (UPZ) has adopted a digital reporting system that allows *muzakki* to directly monitor how the zakat they spend is allocated. Implementation of this system not only increases transparency in zakat management, but also strengthens community involvement in the zakat payment process. As stated (Rohimah & Setiawan, 2021), openness of information through digital technology is a major factor in increasing community participation, because they feel more confident that the funds they spend are managed safely and on target.

Furthermore, the regular publication of financial reports and zakat distribution through various online media platforms shows UPZ's efforts to build its credibility as a professional zakat management institution. (A. Ali & Huda, 2022) emphasize that this approach reflects the principle of accountability in good zakat governance, which not only provides certainty to donors but also strengthens the legitimacy of zakat management institutions in the eyes of the public. With this transparency, public trust in UPZ increases, which ultimately contributes to an increase in the number of *muzakki* who are willing to channel their zakat through official institutions. However, even though digitalization and information openness strategies have shown positive impacts, challenges remain, especially related to community digital literacy and the readiness of technological infrastructure in rural areas such as Pacet District. Not all people have adequate access to technology or sufficient understanding to make optimal use of digital reporting systems. Therefore, more intensive outreach efforts are needed so that the use of technology in managing zakat can be accessed by all levels of society (Amilahaq et al., 2021). Apart from that, strengthening regulations and accountability standards in zakat management is also crucial so that the integrity of UPZ is maintained and can be used as a model for other regions in optimizing technology-based zakat governance.

The use of digital technology in zakat management has also had a significant impact in increasing the efficiency and effectiveness of UPZ. A data-based information system helps determine *mustahik* who really need help, so that zakat distribution becomes more targeted. Apart from increasing efficiency in zakat administration, digitalization also simplifies the process of reporting and evaluating zakat programs. With a data-based system, UPZ can identify trends and patterns in zakat receipt and distribution more accurately, thereby enabling better program planning in the future. In the long term, digitalization can be a key factor in increasing the effectiveness of zakat as an instrument of economic and social empowerment (Braun & Clarke, 2019). The transformation implemented by the Pacet District Zakat Collection Unit (UPZ) has had a positive impact on the local community's social welfare. Through innovation in zakat collection mechanisms, *mustahik* empowerment programs, and the use of technology in the zakat management system, the distribution of zakat funds has increased significantly. This increase not only speeds up the process of distributing zakat to *mustahik*, but also expands the scope of beneficiaries, thus directly contributing to poverty alleviation and improving community welfare in a sustainable manner (Hassan & Noor, 2019). The success of the Pacet District UPZ in managing zakat with a more modern and professional approach is proof that an effective zakat management

system can be implemented optimally at the local level. This transformation model can be replicated in various other regions to develop a zakat management system that is more transparent, efficient and oriented towards economic empowerment of the people. By adopting a similar strategy, it is hoped that more regions can make the most of zakat's potential to promote social welfare and inclusive economic development (Aggarwal et al., 2023).

3.2. Zakat Management Strategy

Effective zakat management does not depend solely on collection and distribution, but also on strategies that create a real impact on social welfare. In this context, participatory and collaborative approaches are two main strategies that are increasingly relevant in zakat management. These two strategies not only increase efficiency but also strengthen the role of zakat as a sustainable and inclusive Islamic economic instrument. The participatory approach in zakat management places the community as the main actor in the entire process, both as *muzakki* (zakat givers) and *mustahik* (zakat recipients). Community participation is very important in increasing awareness about the importance of zakat as a religious obligation as well as a social instrument to reduce economic inequality. Through ongoing education and outreach programs, this awareness can be increased. Taklim assemblies, seminars and the use of social media are the main means of educating the public about the benefits of zakat. Apart from that, this approach also aims to instill an understanding that zakat does not only provide temporary assistance, but also plays a role in building a stronger and more just local economy (Nasution & Rahmawati, 2019).

Apart from increasing awareness, a participatory approach is also applied in the *mustahik* identification process. Data on zakat recipients becomes more accurate and transparent when village officials, community leaders and local communities are involved. This approach ensures that zakat is given to those who are truly entitled to receive it, avoids distribution that is not on target, and minimizes the risk of misuse of zakat funds. In this way, the zakat management mechanism becomes more reliable and accountable (Mulyadi & Fauziah, 2020). Apart from the participatory approach, collaboration strategies between institutions are also an important factor in effective zakat management. Collaboration with government and non-government institutions allows optimization of resources, programs and wider networks to support *mustahik* economic empowerment (Mustofa & Khotib, 2023). UPZ, for example, can develop a zakat program based on community empowerment by collaborating with BAZNAS, religious organizations, social institutions and the private sector. This collaboration not only expands the scope of zakat distribution, but also increases its impact in the long term.

Collaboration between the Zakat Collection Unit (UPZ) and Sharia financial institutions is a form of innovation in zakat management that is increasingly developing. Islamic financial institutions, especially Islamic banks, have a strategic role in providing zakat payment services through digital systems such as internet banking and mobile applications (Masni, 2019). Digitalization in zakat management not only provides easy access for *muzakki* to fulfill their obligations, but also increases accountability and transparency in recording and reporting zakat funds. With an integrated digital system, *muzakki* can easily monitor the funds they distribute and see how these funds are used for community welfare (S. Ali & Hasanah, 2021). In the context of efficiency, the use of Sharia-compliant banking services for zakat payments allows the collection of funds to occur more quickly and safely. If previously zakat was mostly collected through conventional methods, such as direct payments to zakat amils, now, with digital technology, this process can be carried out in real time without geographical barriers (Despotović et al., 2023). This is especially relevant for *muzakki* who are outside the operational area of a particular UPZ, thereby expanding the scope of zakat payments. Apart from that, this digitalisation also reduces the potential for administrative errors in recording and distributing zakat funds, as all transactions can be automatically documented through the systems provided by Sharia financial institutions (Fahlefi, 2021).

Furthermore, collaboration with Sharia banks also provides benefits in ensuring the security of zakat funds. With strict regulations in the Sharia banking system, the zakat funds collected are better protected from potential misuse. In addition, the sharia financial system which is based on sharia principles ensures that zakat funds are only used for purposes in accordance with Islamic law, so that *mustahik* who are entitled to receive them receive maximum benefits. This transparency is further strengthened by the existence of periodic financial reports that can be accessed by the public, so that public trust in zakat management institutions increases (Tanjung, 2020). From a social welfare perspective, the use of digital services to manage zakat can speed up the distribution of funds to the *mustahik*. One of the challenges in conventional distribution of zakat is delays in the distribution process, which is often caused by various factors, such as administrative obstacles or limited human resources (Ramadhan et al., 2023). However, with a digital system, zakat funds can be distributed directly to beneficiaries more quickly. This is especially important in emergency situations, such as natural disasters or economic crises, where people need immediate assistance.

Apart from that, digitalization also allows for innovation in *mustahik* empowerment programs. With more accurate data on zakat recipients, UPZ, together with Sharia-compliant financial institutions, can design more targeted programs. For example, the zakat funds collected are not only distributed in the form of consumer assistance, but are also used for skills training programs and business capital assistance (Saribulan et al., 2023). In this way, *mustahik* not only receive temporary assistance, but are also encouraged to become more economically independent. In the long term, this strategy can reduce poverty rates and encourage *mustahik* to become *muzakki*. From the perspective of Islamic economic theory, collaboration between the Zakat Collection Unit (UPZ) and Islamic banks in the process of digitizing zakat is a strategic step that is in line with the concept of *maqasid sharia*, especially in the aspect of *hifdh al-mal* (protection of assets). In this approach, zakat is not only interpreted as an individual obligation but also as an instrument of economic redistribution that plays a significant role in creating social balance. Digitalization of zakat through partnerships with sharia financial institutions allows for more systematic, transparent and efficient fund management, thereby reducing the potential for abuse and increasing public trust in zakat management institutions. With a more accountable system, zakat funds can be distributed more precisely on target, accelerate the economic empowerment of *mustahik*, and contribute to reducing economic disparities and improving community welfare in a sustainable manner (Chapra, 2008).

However, there are several challenges in implementing the digitalisation of zakat through Sharia banks. One of them is digital literacy in society, which is still limited. Not all *muzakki* are familiar with digital banking technology, especially in rural areas. Therefore, more intensive education and outreach efforts are needed so that people understand how to use this service. Apart from that, the technological infrastructure factor is a challenge in its own right, especially in areas with limited internet access (Djenna et al., 2021). To overcome this, there needs to be synergy among the government, sharia financial institutions, and UPZs to increase access to technology and provide more inclusive services for all levels of society. Apart from the collection aspect, collaboration is also very influential in increasing the effectiveness of zakat distribution. UPZ, which collaborates with various institutions, can develop more impactful zakat programs, such as job skills training, business capital assistance, and entrepreneurship assistance for *mustahik*. These programs aim to transform *mustahik* into economically independent individuals so that they can ultimately contribute as *muzakki* in the future. This transformation of *mustahik* into *muzakki* is one of the main goals of Islamic philanthropy, which is based on the principles of social justice and sustainability (Haryono & Syafe'i, 2020). However, even though it has many benefits, implementing participatory and collaborative strategies in zakat management also faces various challenges. Lack of coordination between institutions, limited competent human resources, and low financial and digital literacy among the community are some of the main obstacles. Apart from that, the challenge of building public trust in zakat management institutions is still an issue that

needs to be overcome. Transparency and accountability are key factors in increasing public trust in zakat management. Therefore, implementing an open and technology-based reporting system is very necessary to ensure that zakat is managed professionally and in accordance with sharia principles (Ruslan et al., 2024).

Strengthening coordination among institutions is also a fundamental factor in ensuring the effectiveness of zakat. Collaboration among the Zakat Collection Unit (UPZ), the National Zakat Amil Agency (BAZNAS), and other social institutions can expand the scope of zakat distribution and make programs implemented more effective. With good coordination, zakat can be developed in the form of sustainable economic empowerment programs, such as skills training for *mustahik* or funding for small and medium enterprises (UKM) which is oriented towards increasing the economic independence of beneficiaries (Mahyudin & Abubakar, 2020). The transformation of zakat from mere consumption assistance to a productive instrument can have a long-term impact in overcoming social problems, especially in alleviating poverty and improving community welfare.

In the context of implementation at the local level, such as in Pacet District, the effectiveness of zakat management can be increased by adapting distribution strategies to the specific needs of local communities. Research shows that a community-based approach involving community leaders, religious organizations and local governments can strengthen the effectiveness of zakat programs. With active participation from various parties, zakat distribution can be more even and targeted, and create wider social effects (Rohimah & Setiawan, 2021). Thus, routine evaluation, use of technology, strengthening transparency, and coordination between institutions are the keys to optimizing zakat management. These steps will not only increase the effectiveness of zakat distribution, but also strengthen the role of zakat as the main pillar in an Islamic economic system that is oriented towards welfare and social justice.

3.3. Impact on Social Welfare

Zakat has a very significant role in improving social welfare, especially when managed professionally by institutions such as the Zakat Collection Unit (UPZ). The transformation of Islamic philanthropy in UPZ Pacet District, Cianjur, has had a broad impact, improving the standard of living of underprivileged people. Effective zakat management is not just about distributing aid to the *mustahik*, but also about creating a more sustainable mechanism to ensure long-term prosperity. From the perspective of social welfare theory, as stated by (Esping-Andersen, 2024), a community-based welfare model can have a wider impact because of community involvement in every process. The transformation of zakat management in the Pacet District Zakat Collection Unit (UPZ) represents a paradigm shift from a charitable approach to a *mustahik* economic empowerment approach. This shift is in line with the social empowerment theory put forward (Gertner & Rappaport, 2015), which emphasizes the importance of providing access to resources and support that enable individuals to achieve independence. In the context of zakat, this approach shifts the role of zakat from mere consumption assistance to a strategic instrument for building community economic independence. Pacet District UPZ has implemented various strategies, including skills training programs and providing business capital assistance, designed to increase the economic capacity of *mustahik*. With structured training, *mustahik* not only receive financial assistance, but also acquire skills relevant to market needs, so that they have greater opportunities to actively participate in the economic sector.

Furthermore, this empowerment approach reflects the concept *sustainable livelihood* introduced, where sustainable economic prosperity can only be achieved if individuals have access to productive assets, financial resources, as well as supportive social networks (Natarajan et al., 2022). In practice, the empowerment program run by UPZ allows *mustahik* to develop independent businesses, which in turn can improve their standard of living and reduce dependence on social assistance. For example, the business capital assistance program for micro-entrepreneurs in Pacet District has shown positive results, with most beneficiaries experiencing income increases and the

opportunity to further develop their businesses. This proves that zakat not only functions as a mechanism for economic redistribution, but also as a catalyst for social mobility that can create structural change in society (Natarajan et al., 2022). Apart from economic empowerment, the use of technology in zakat management has increased efficiency and transparency in zakat distribution. The modernization theory put forward (Inglehart, 2021), explains that technological developments have a major impact in changing the social and economic structure of society. With digitalization in the zakat system, such as the use of zakat payment applications and online reporting systems, public trust in zakat management is increasing. Transparency in financial reporting allows muzakki to directly monitor how their zakat is used, which ultimately encourages increased participation in zakat. Public trust is a key element in the Islamic philanthropy system, because without accountability, people's willingness to give zakat can decrease.

The transformation of Islamic philanthropy implemented by the Pacet District Zakat Collection Unit (UPZ) not only has an impact on the zakat distribution aspect, but also makes a significant contribution to improving the quality of life of the *mustahik*. If studied through basic needs theory (Maslow, 1970), social welfare can be realized when individuals succeed in fulfilling their physiological needs, such as food, clothing and shelter, before moving to a higher level of needs, such as security, love and a sense of belonging, self-esteem, and self-actualization. In this context, well-managed zakat serves as the primary instrument in helping *mustahik* meet their basic needs, enabling them to gradually improve their quality of life. Through a data-based approach and a more structured distribution system, UPZ can ensure that zakat allocation is not only evenly distributed, but also right on target, so as to maximize the resulting social impact (Syamsuri et al., 2022). Furthermore, this transformation is not limited to financial assistance but also includes economic empowerment. The economic assistance program implemented by UPZ provides opportunities for *mustahik* to acquire skills and business capital, so that they not only depend on assistance but also can improve their standard of living independently. This approach aligns with the concept of productive zakat, which emphasises the use of zakat funds to foster economic independence among *mustahik* (Hassan & Noor, 2019). Thus, zakat no longer serves only as a social safety net but also as an instrument of sustainable economic development.

Apart from that, the impact of the transformation of Islamic philanthropy can also be seen in increasing social participation and public awareness of the importance of zakat as a tool for economic equality. Public trust in zakat management institutions is increasing when transparency and accountability in the management of zakat funds are strengthened through digitalization and more modern information systems (A. Ali & Huda, 2022). With this innovation, zakat distribution becomes more efficient, reduces the potential for irregularities, and increases *muzakki's* trust in zakat institutions. Wider community participation also increases the amount of funds collected, which in turn can expand the scope of welfare programs for *mustahik*. Furthermore, the approach implemented by the Pacet District UPZ can be used as a model for other regions in optimising the role of zakat as an instrument of Islamic philanthropy that is not only charitable but also transformative. By combining a data-based approach, digitalization, and economic empowerment programs, zakat management can have a broader and more sustainable impact on social welfare. Therefore, to maximize the potential of zakat as a tool for socio-economic transformation, synergy is needed between zakat management institutions, government and society in creating a more effective, transparent and inclusive zakat system (Chotib et al., 2023).

The important role of zakat in building social welfare can also be analyzed through the social justice theory approach put forward (Rawls, 1971). In this theory, Rawls emphasizes that the distribution of resources must be carried out in a way that can provide the greatest benefit to the most disadvantaged groups in society (Edor, 2020). This principle is very relevant to the concept of zakat, which in Islam aims to reduce economic disparities and create social balance. With a professional, transparent zakat system, the distribution of wealth becomes fairer and more equitable, thereby helping create a more inclusive and prosperous society. Apart from the economic aspect, good zakat management also contributes to social stability. In the theory of social

cohesion put forward (Durkheim, 2023), it is stated that solidarity in society can be formed when there is a system that allows individuals to support each other. Zakat as an instrument of Islamic philanthropy creates closer social relations between muzakki and mustahik. When zakat is managed professionally by institutions such as UPZ, interactions between the upper and lower classes of society become more harmonious because there are mechanisms that bridge social gaps (Durkheim, 2016). This can ultimately reduce the potential for social conflict that often arises due to economic inequality.

In practice, the zakat program run by UPZ Pacet District has also shown a positive impact in building collective awareness about the importance of sharing and helping others. This concept of collective consciousness can be explained through social action (Watts & Houtman, 2023), which emphasizes that individual actions in society are greatly influenced by developing social values and norms. With the zakat awareness campaign carried out through various media, both conventional and digital, more and more people are realizing the importance of zakat as part of their social responsibility. This awareness ultimately encourages the creation of a stronger philanthropic culture in society. The transformation of Islamic philanthropy carried out by UPZ Pacet District also reflects changes in the paradigm of zakat management in Indonesia more broadly. If in the past zakat was mostly managed informally by individuals or small groups, now zakat management has shifted to a more structured and data-based system. This change is in line with the institutional theory put forward (Heuer et al., 2020), which states that strong and efficient institutions play an important role in economic and social development. With stricter regulations and better supervision from the government and national zakat institutions such as BAZNAS, the effectiveness of zakat management is increasing. This shows that zakat is not only a religious instrument, but also has a strategic role in social and economic development.

Through an approach to economic empowerment, transparency, and the use of technology in zakat administration, UPZ Pacet District has succeeded in creating a more effective system in distributing zakat to those in need. The impact of this transformation is not only felt by mustahik, but also by society as a whole, because by reducing poverty levels, social stability is also increasingly maintained. Therefore, the zakat management model implemented by the Pacet District UPZ can be an example for other regions in efforts to maximize the potential of zakat as an instrument of sustainable social welfare.

4. Conclusion

There are several strategic steps that can be taken to increase the effectiveness of zakat management in UPZ Pacet District. First, it is necessary to strengthen the capacity of UPZ administrators through training and assistance in financial management, the use of digital technology, and the design of more innovative empowerment programs. Second, increasing public awareness of zakat as a socio-economic instrument through an educational approach and a broader digital campaign, involving religious leaders, local communities, and social media as the main means. Third, expanding collaboration between UPZ and various stakeholders, including government institutions, non-government organizations and the private sector, to optimize the impact of zakat through synergies in developing payment technology, funding empowerment programs, and increasing access to services for *mustahik*. By implementing these steps, the Pacet District UPZ has the potential to become a model for professional, adaptive zakat management oriented towards sustainable development. The success of zakat transformation is not only determined by the efficiency of its management, but also by the extent to which zakat is able to act as an instrument of inclusive social change, empowering society, and realizing broader and more equitable prosperity.

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