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# The Paradox of Plenty in Zakat Management: Baitul Mal Hidayatullah's Financial Sustainability and Effectiveness

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***Abstract:***
*This study examines the paradox between Indonesia's substantial zakat potential and its institutional realization by assessing the financial sustainability and distribution effectiveness of Baitul Mal Hidayatullah. Using secondary data from audited financial statements and institutional reports, the study analyzes zakat collection and distribution through the Allocation to Collection Ratio (ACR), complemented by descriptive statistics, Ordinary Least Squares (OLS) regression, and Pearson correlation analysis. The findings indicate that zakat collection fluctuated considerably, whereas distribution remained consistently high, with ACR exceeding 100% in two years due to reserve utilization. Regression results reveal that distribution volume significantly improves ACR performance, while collection growth alone does not proportionally enhance distribution effectiveness. These findings highlight a structural imbalance between fundraising capacity and sustainable fund allocation. The study implies that zakat institutions should strengthen reserve management, improve fundraising sustainability, and enhance financial governance to maintain long-term institutional resilience. This study is limited to a single national zakat institution and a five-year observation period; therefore, future studies should employ comparative analyses across multiple institutions and incorporate broader governance and macroeconomic variables.*

**Keywords**: Zakat Management, Allocation to Collection Ratio, Financial Performance, Zakat Institutions, Fundraising Effectiveness.

**JEL Classification Code:** G21, L31, O15, Z12, D64

## 1. Introduction

Indonesia, as the country with the world's largest Muslim population, possesses substantial zakat potential; however, the distribution and performance trends of zakat management in the country remain far from ideal (Mukhlishin et al., 2024). According to Badan Amil Zakat Nasional (BAZNAS) estimates, the national zakat potential reached IDR 327 trillion, yet the amount of zakat actually collected in 2023 remained at around IDR 32.32 trillion, meaning that formal institutions absorbed only 10 percent of this estimated potential (BAZNAS, 2023). This wide and persistent gap between potential and realization indicates that the mobilization and utilization of zakat funds in Indonesia continue to fall short of an ideal condition, despite steady nominal growth in annual collection and a continued preference among many *muzakki* to distribute zakat directly to *mustahik* rather than through formal zakat management organizations (Durohman et al., 2023b). Direct distribution may fulfill individual religious obligations, but it limits institutional coordination, weakens beneficiary mapping, and reduces the effectiveness of fund allocation, thereby leaving zakat distribution fragmented and short-term oriented, constraining its contribution to sustainable poverty alleviation (Anisyah et al., 2024).

To visually illustrate the persistent paradox of plenty in Indonesia's zakat landscape, Figure 1 compares the estimated national zakat potential with the actual zakat collected by formal institutions from 2019 to 2023.

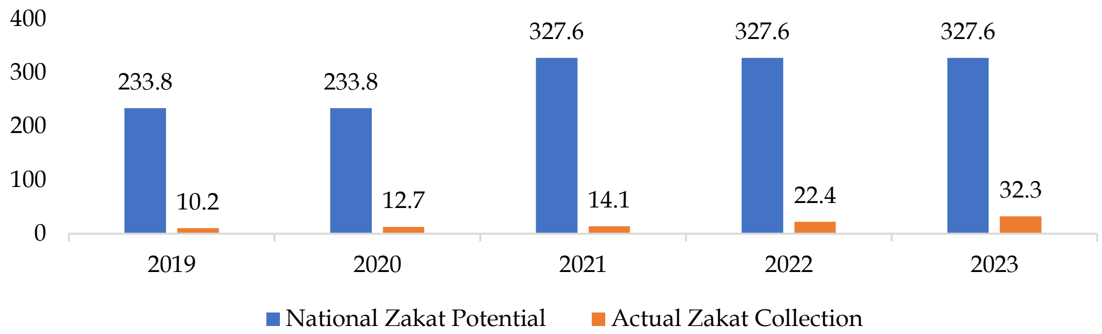


**Figure 1**: Comparison of National Zakat Potential vs. Actual Zakat Collection
Note: BAZNAS Financial Reports 2019–2023

As shown in Figure 1, while the national zakat potential has been revised upward from IDR 233.8 trillion to IDR 327.6 trillion following updated assessments by BAZNAS, actual collections have consistently lagged far behind this revised estimate. In 2023, despite reaching a record high of IDR 32.3 trillion, formal institutions only absorbed approximately 9.8% of the total potential. This significant and persistent gap underscores a structural mismatch in the national zakat ecosystem. The paradox lies in the fact that, while the resource base is immense, the institutional capacity to mobilize these funds remains constrained, leaving the social impact of zakat under-optimized (Fakhruddin et al., 2024). This visualization highlights the urgency of research examining how individual institutions, such as Lembaga Amil Zakat (LAZ) Baitul Mal Hidayatullah, navigate these structural challenges while maintaining distributional effectiveness and financial sustainability (Mukhlishin et al., 2024).

Within Indonesia's zakat governance system, Organisasi Pengelola Zakat (OPZ) comprises the government-mandated BAZNAS and privately initiated LAZ. While BAZNAS operates through an administrative structure extending from the national to the municipal level (Batubara & Syahbudi, 2022), LAZ institutions are generally founded through civil-society or corporate philanthropic initiatives and tend to build closer, more direct relationships with *muzakki* at the grassroots level (Amar et al., 2024). This proximity gives LAZ a strategic role in extending zakat collection beyond what centralized BAZNAS structures can achieve alone, while also facing the same governance and reporting challenges as the wider OPZ sector (Najiyah et al., 2022). Consequently, the financial performance and distributional effectiveness of LAZ institutions carry direct implications for the national zakat ecosystem as a whole, since an increasing share of nationally collected Zakat, Infaq, and Sadaqah (ZIS) funds is channeled through LAZ rather than through BAZNAS alone (Yahya, 2020).

LAZ institution that occupies a prominent position in this landscape is LAZ Baitul Maal Hidayatullah, which ranked third in the 2024 Top Brand Award for the zakat and charity institution category, following BAZNAS RI and Dompet Dhuafa (BAZNAS, 2024a). Despite this public recognition, prior empirical evidence suggests that Baitul Maal Hidayatullah's financial performance has not always been consistent (Fatkhurohman, 2022). Latif et al. (2022) examining Baitul Maal Hidayatullah's financial ratios for the 2017–2019 period, found that although the institution's growth of collection and growth of allocation ratios were generally categorized as very good, its zakat allocation ratio, an early precursor of the Allocation to Collection Ratio (ACR) framework, reached only 88 percent in 2019, placing it in the Effective rather than the Highly Effective category. This finding indicates that, even prior to the period examined in the present study, Baitul Maal Hidayatullah's distribution performance already exhibited signs of fluctuation and had not consistently reached the highest effectiveness threshold, providing an empirical basis for selecting Baitul Maal Hidayatullah as the object of continued investigation rather than an arbitrary choice of case (Uula & Maziyyah, 2023).

This performance pattern raises a more specific concern regarding Baitul Maal Hidayatullah's ACR, the standardized indicator introduced in the Zakat Core Principles (ZCP) to measure the proportion of collected zakat funds distributed to eligible beneficiaries (Bahri & Utama, 2019). Sustaining an ACR that approaches or exceeds 100 percent can be interpreted in two contrasting ways: as evidence of strong distributional commitment or as an indication that an institution is disbursing beyond its current collection capacity by drawing down accumulated reserves (Kartini et al., 2021). If such a pattern persists without a corresponding recovery in zakat collection, available financial reserves may gradually decline, potentially reducing the institution's financial resilience during periods of future revenue uncertainty (Kim & Mason, 2020). Despite the practical importance of this issue, no previous study has specifically examined whether the ACR pattern of LAZ Baitul Maal Hidayatullah during the 2019–2023 period reflects sustained distribution performance or increasing dependence on accumulated reserves.

The relationship between zakat distribution and institutional performance, as captured by ACR, remains a point of debate in the literature (Yusup et al., 2021). On one hand, a high ACR is evidence of distributional effectiveness and organizational accountability, positioning it as a benchmark of good performance (Bahri et al., 2022; Khaq & Anggraini, 2024). On the other hand, ACR consistently above 100 percent, rather than being an unqualified achievement, may instead signal a sustainability paradox in which legitimacy-driven overdistribution jeopardizes an institution's future fundraising and operational capacity (Haris, 2025). This unresolved tension between distribution-as-achievement and distribution-as-risk constitutes an important research gap, as even the most recent empirical evidence remains limited to cross-sectional analysis across multiple LAZ within a single reporting year, leaving the temporal dynamics of this paradox within a single institution largely unexamined (Haris, 2025). Very few empirical studies have tested this tension longitudinally within a single LAZ using both descriptive and inferential statistical methods.

Recent studies on ACR in zakat management have generally combined the ratio with complementary analytical methods, such as Data Envelopment Analysis (Khaq & Anggraini, 2024), the International Standard of Zakat Management (Dina & Tista Putriana, 2023; Fajar & Darna, 2024), and digital transparency and accountability indicators (Hadi et al., 2024), reflecting a broader shift toward multidimensional evaluation of distributional effectiveness. Complementary work has also examined the behavioural determinants of *muzakki* trust as a driver of collection performance (Roziq et al., 2021). However, these studies remain predominantly cross-sectional or comparative across multiple institutions, leaving the intertemporal dynamics of collection, distribution, and ACR within a single, nationally recognized LAZ comparatively underexplored. This gap that becomes more pressing given that Baitul Maal Hidayatullah's own post-pandemic ACR trajectory has not yet been analyzed using formal statistical techniques such as regression and correlation analysis (Fajar & Darna, 2024).

This study aims to analyze the financial performance of LAZ Baitul Maal Hidayatullah during the 2019–2023 period by examining trends in zakat collection, zakat distribution, and distribution effectiveness using the ACR framework. In addition, the study seeks to evaluate the relationship between collection performance and distribution outcomes through statistical analysis and to assess the extent to which the institution maintains sustainable operational performance over time. By focusing on a nationally recognized private zakat institution and employing a longitudinal analytical approach, this research is expected to contribute to the literature on Islamic social finance, strengthen understanding of the debated relationship between zakat distribution and institutional performance, and provide practical recommendations for improving the governance and effectiveness of zakat institutions in Indonesia.

## 2. Literature Review

Financial sustainability has long been examined in the non-profit management literature as an organization's capacity to maintain sufficient financial resources over time in order to sustain its mission without compromising programmatic continuity (Harb et al., 2026). Within the context of Islamic social finance institutions, Sulaiman and Zakari (2019) adopted the Tuckman and Chang model to measure the financial sustainability and vulnerability of state-managed waqf institutions in Malaysia, applying four financial ratios—equity balance, revenue concentration, administrative cost, and operating margin—derived from institutions' audited financial reports, and found that only one out of seven waqf institutions examined was financially sustainable across all four components, indicating that institutions performing poorly on multiple indicators face heightened risk of mission discontinuity during periods of revenue stress (Sulaiman & Zakari, 2019). This framework remains the principal theoretical reference for subsequent studies assessing the resilience of non-profit and faith-based charitable organizations, including Islamic social finance institutions such as zakat management bodies (Mukhlishin et al., 2024).

Building on this foundation, more recent studies have identified revenue diversification as an important determinant of non-profit financial stability because it reduces dependence on a single source of income and mitigates revenue fluctuations (Hung & Hager, 2018). Empirical evidence indicates that organizations with more diversified revenue portfolios tend to exhibit greater financial stability and resilience than those relying heavily on a single funding source (Kim & Mason, 2020). In the context of zakat institutions, diversified funding from ZIS can broaden the institutional funding base and strengthen financial capacity to support sustainable program implementation (Mukhlishin et al., 2024).

Financial reserves are widely recognized as an important component of non-profit financial resilience because they provide organizational buffers that support operational continuity during periods of revenue uncertainty or temporary funding shortfalls (Kim & Mason, 2020). Maintaining adequate financial reserves enables organizations to continue delivering essential programs while adapting to fluctuations in income and expenditure. In the context of Islamic social finance, institutional sustainability also depends on sound governance, accountability, and effective financial management to ensure that organizational objectives can be achieved over the long term (Hudaefi et al., 2025). Accordingly, for zakat institutions, sustained disbursement levels that consistently exceed annual collections may gradually reduce available financial reserves, thereby limiting financial flexibility in responding to future economic uncertainty.

Zakat institutions operate without a universally recognized institutional performance evaluation framework, requiring performance measurement systems that integrate governance, transparency, Shariah compliance, and sustainability dimensions (Hudaefi et al., 2025). The sustainability of zakat institutions therefore depends on maintaining effective governance, financial accountability, and public trust while ensuring that collected funds are distributed in accordance with Shariah principles and institutional objective (Hudaefi et al., 2025; Wahyuni-TD et al., 2021). Accordingly, financial sustainability should be understood as maintaining institutional capacity through sound governance and effective fund management. Against this background, this study examines how zakat collection and distribution influence institutional financial effectiveness as measured by the ACR.

Alongside financial sustainability, the effectiveness of fund distribution represents an important dimension of institutional performance because it reflects how efficiently collected zakat funds are transferred to eligible beneficiaries (Bahri & Utama, 2019; Hudaefi et al., 2025). In organizational performance research, effectiveness is generally defined as the extent to which an organization achieves its intended goals and objectives (Kulachai et al., 2021). Within the zakat sector, this concept is operationalized through the ACR introduced in the ZCP, which measures the proportion of collected zakat funds distributed to eligible beneficiaries during a given fiscal period (Bahri & Utama, 2019).

The ACR has become the most widely adopted instrument for assessing institutional distribution performance in the empirical zakat literature (Maghfirah et al., 2026). Khaq & Anggraini (2024) applied the ACR jointly with Data Envelopment Analysis (DEA) to evaluate several LAZ in Indonesia, finding that institutions with strong fundraising performance did not necessarily achieve efficient operations, indicating that high collection does not automatically translate into optimal resource management. Their findings confirm the relevance of ACR as a standardized cross-institutional benchmark while also revealing that distribution effectiveness and operational efficiency are analytically distinct dimensions of institutional performance (Widiastuti et al., 2021). Similar patterns have been documented at the level of individual zakat institutions. Bahri et al. (2022) measured the effectiveness of zakat disbursement at Amil Zakat Institution Dewan Da'wah using the ZCP approach. They reported that the institution achieved a Highly Effective distribution classification based on the ACR. Similarly, (Putri & Mubaraq, 2024) found that Amil Zakat Institutions in Indonesia generally attained high ACR values, indicating effective zakat distribution to eligible beneficiaries.

Complementary evidence from national-level institutions further corroborates the utility of ACR as an effectiveness benchmark (Hudaefi et al., 2025). Dina & Putriana (2023) evaluated BAZNAS using both ACR and the International Standard of Zakat Management (ISZM), while Fadhilah & Fitanto (2025) extended this combined approach to assess national zakat agencies over multi-year periods, consistently identifying gaps between distributional effectiveness and cost or operational efficiency. Collectively, these studies indicate that a favorable ACR score, even one signaling highly effective distribution, does not, by itself, guarantee that an institution operates efficiently or sustainably, reinforcing the need to examine ACR performance jointly with financial sustainability (Khaq & Anggraini, 2024).

Empirical studies on Indonesian zakat institutions show that financial sustainability is shaped not only by internal reserve and distribution decisions but also by external macroeconomic conditions (Pamuncak et al., 2025). The financial performance of national zakat institutions before and during the Covid-19 pandemic found that the crisis produced marked fluctuations in both collection and expenditure patterns (Durohman et al., 2023b). Similarly, Muhari (2023) reported that heightened social solidarity and humanitarian concern during the pandemic period produced uneven, crisis-driven patterns in zakat collection and distribution rather than stable, planned disbursement. At a broader macroeconomic level, Kafabih (2024) demonstrated a non-linear relationship between inflation and zakat collection in Indonesia, while Rahayu et al. (2021) found that macroeconomic indicators significantly influenced zakat receipts during the pandemic era. Together, these findings suggest that the financial sustainability of zakat institutions is influenced by external macroeconomic conditions and economic shocks (Durohman et al., 2023a; Kafabih, 2024; Pamuncak et al., 2025; Rahayu et al., 2021)

Financial ratio analysis has been used to evaluate the sustainability and health of specific zakat organizations at the institutional level (Hudaefi et al., 2025). Anisyah et al. (2024) analyzed Rumah Zakat's financial performance over 2017–2022 and identified inconsistencies between fundraising growth and operational cost efficiency. In a related study, Purnamasari (2022) measured the financial performance of NU Care-LAZISNU using the BAZNAS financial ratio framework and found generally sound performance. However, certain efficiency and liquidity ratios showed room for improvement. These institution-specific findings echo the broader concern raised (Sulaiman & Zakari, 2019), who applied the Tuckman and Chang model to state-managed waqf institutions in Malaysia and found that only one of seven institutions examined was financially sustainable across all four ratio components, indicating that distributional performance can coexist with underlying structural weaknesses in cost efficiency or reserve management (Kim & Mason, 2020).

A parallel strand of research links financial sustainability to governance quality, transparency, and donor trust (Baehaqi et al., 2025). Walidah & Anah (2020) found that transparent financial reporting significantly strengthens *muzakki* confidence and willingness to channel zakat through formal institutions. Hadi et al. (2024) showed that digital zakat management and reporting transparency significantly strengthen accountability, which in turn improves fundraising performance, while Roziq et al. (2021) demonstrated that transparency, accountability, and institutional reputation are key determinants of *muzakki* trust and loyalty. Adiwijaya et al. (2024) corroborated these findings, reporting that financial transparency and institutional accountability are the strongest predictors of continued formal zakat payment in the Indonesian context. These domestic findings are consistent with international evidence that higher financial reporting transparency among UK charities is associated with greater donor confidence and sustained giving, forming a virtuous cycle between transparent governance and financial health (Hyndman & McConville, 2018).

The studies indicate that the financial sustainability of zakat institutions is a multidimensional phenomenon, shaped simultaneously by internal reserve and revenue-diversification practices, external macroeconomic volatility, and governance mechanisms that sustain donor trust (Widiastuti et al., 2021). However, most of these studies examine these dimensions separately or rely on cross-sectional comparisons across multiple institutions, leaving the longitudinal interaction between collection, distribution, and sustainability within a single institution comparatively underexplored (Haris, 2025). Although the studies reviewed above make substantial contributions to zakat management literature, several important gaps remain. First, existing research has primarily focused on behavioral determinants of zakat participation, institutional performance measurement, and cross-sectional analyses, whereas longitudinal assessments of the financial performance of individual zakat institutions remain limited (Haris, 2025; Hudaefi et al., 2025; Tok et al., 2022). Second, prior studies have examined financial sustainability, zakat distribution effectiveness, governance, and institutional reputation as separate research streams, providing limited evidence on how these dimensions jointly evolve within a single zakat institution over time (Amar et al., 2024; Fakhruddin et al., 2024; Harb et al., 2026; Yusup et al., 2021). Third, despite its prominent position among Indonesia's leading zakat institutions and its recognition through the 2024 Top Brand Award, no previous study has comprehensively examined LAZ Baitul Maal Hidayatullah's financial performance (BAZNAS, 2024a).

These gaps are consequential because previous studies have primarily examined zakat collection and zakat distribution from different analytical perspectives. Recent studies have focused on identifying the determinants of zakat collection and institutional fundraising performance (Amar et al., 2024), whereas other studies have evaluated the effectiveness of zakat distribution using distribution-based performance indicators such as the ACR (Yusup et al., 2021). However, limited empirical evidence explains how zakat collection, distribution, and ACR performance interact within the same institution over time. Addressing this gap is important for providing a more comprehensive assessment of institutional performance and financial sustainability in zakat management (Hudaefi et al., 2025; Kim & Mason, 2020).

This study addresses this gap by integrating the ACR framework with descriptive statistics, Ordinary Least Squares (OLS) regression, and pearson correlation analysis to examine the longitudinal relationships among zakat collection, distribution, and distribution effectiveness at LAZ Baitul Maal Hidayatullah over the 2019–2023 period. This research is intended to contribute empirical evidence on the interaction between financial sustainability and distribution effectiveness in Islamic social finance and to offer practical recommendations for strengthening the resilience and governance of zakat institutions in Indonesia.

## 3. Research Methods

This study employed a quantitative descriptive research design to examine the financial performance of zakat collection and distribution at LAZ Baitul Mal Hidayatullah during 2019–2023. The approach was selected because it enables systematic measurement and interpretation of institutional financial phenomena using numerical data without experimental manipulation (Creswell & Creswell, 2018). The study exclusively utilized secondary data obtained from audited annual financial reports, institutional publications, and official reports issued by LAZ Baitul Mal Hidayatullah and BAZNAS between 2019 and 2023. The five-year observation period was intentionally chosen to capture pre-pandemic, pandemic, and post-pandemic financial dynamics, allowing assessment of structural changes in zakat collection and distribution performance (Qadri et al., 2023).

This design mirrors established practice in institution-specific financial ratio and ACR-based zakat management studies, which typically analyze the complete set of audited annual reports accessible for a single zakat institution over a defined period (Kartini et al., 2021; Rachmawati et al., 2023), because the objective is to characterize the financial performance of this specific institution rather than to generalize inferentially to a wider population of zakat institutions (Yin, 2018), the descriptive statistics, OLS regression, and pearson correlation employed in this study function as trend-indicative and associative tools that complement the ACR ratio analysis, consistent with methodological guidance on the appropriate scope of small-sample regression applications (Al-Homaidi et al., 2021; Herianingrum et al., 2023).

The primary analytical instrument employed in this study is the ACR, a financial effectiveness indicator specifically developed for zakat institutions within the ZCP framework issued by the Center for Strategic Studies of BAZNAS (BAZNAS, 2019). The ACR is calculated as the ratio of total annual zakat distribution to total annual zakat collection, expressed as a percentage, according to the formula:

$$ACR = (Zakat\ Distribution \div Zakat\ Collection) \times 100\%$$

This indicator is widely adopted in the empirical zakat management literature as the most operationally tractable measure of institutional distributional effectiveness (Rahmat & Nurzaman, 2019), since it directly captures the proportion of collected resources that are successfully channeled to eligible beneficiaries within a given fiscal period (Anisyah et al., 2024; Khaq & Anggraini, 2024). Crucially, ACR values exceeding 100% indicate that the institution has disbursed funds in excess of current-year collections, which in practice reflects the drawdown of accumulated reserves from prior periods—a condition (Sulaiman & Zakari, 2019) similarly identify as strategically significant for assessing the long-term financial sustainability of Islamic social finance institutions. The effectiveness classification framework categorizes ACR outcomes into five ordinal tiers, as detailed in Table 1.

**Table 1**: ACR Effectiveness Classification Framework

| No | ACR Value (%) | Category | Interpretation |
|---|---|---|---|
| 1 | ≥ 90 | Highly Effective | Excellent distributional performance |
| 2 | 70 – 89 | Effective | Adequate distributional performance |
| 3 | 50 – 69 | Moderately Effective | Below-average performance |
| 4 | 20 – 49 | Below Expectation | Poor performance |
| 5 | < 20 | Ineffective | Critical underperformance |

Note: BAZNAS (2019)

To strengthen analytical rigor beyond reliance on a single indicator, this study complements the ACR with an integrated statistical approach consisting of descriptive statistics, OLS regression, and Pearson correlation. Descriptive analysis was conducted on zakat collection, distribution, and ACR, using measures of central tendency and dispersion to identify financial trends and volatility patterns, an approach consistent with descriptive statistical practice in recent Islamic social finance studies (Rahmat & Nurzaman, 2019). Furthermore, an OLS regression model was estimated to examine the influence of annual collection and distribution on ACR performance, while pearson correlation analysis evaluated structural relationships among variables, mirroring the combined regression–correlation approach applied in recent zakat institutional performance research (Al-Homaidi et al., 2021)**.** All analyses were performed using python procedures equivalent to standard econometric software such as eviews and stata, ensuring transparency, consistency, and replicability of results.

The OLS regression is employed because it provides the best linear unbiased estimator of the relationship between the independent variables (annual zakat collection and distribution) and the dependent variable ACR, consistent with the Gauss–Markov property underlying OLS estimation in small-sample institutional finance research (Iqbal et al., 2022), by minimizing the sum of squared residuals between observed and predicted values (Herianingrum et al., 2023), its valid application requires that the estimated model satisfies the classical linear regression assumptions of normally distributed residuals, absence of multicollinearity among predictors, homoscedasticity of the error variance, and absence of autocorrelation (Ghozali, 2018). Accordingly, prior to interpreting the regression coefficients.

This study conducted a classical assumption test comprising the Shapiro-Wilk normality test, the Variance Inflation Factor (VIF) test for multicollinearity, the breusch-pagan test for heteroscedasticity, and the durbin-watson test for autocorrelation (Ghozali, 2018). These four tests serve a distinct diagnostic function from pearson correlation analysis. They cannot be substituted for it, since the classical assumption test evaluates whether the OLS estimator itself is unbiased and efficient (Iqbal et al., 2022), whereas the pearson correlation only measures the strength and direction of a linear association between two variables, independent of any regression model (Ghozali, 2018; Schober et al., 2018). Pearson correlation analysis is applied under the assumption that the paired variables are continuous and jointly approximate a bivariate normal distribution (Schober et al., 2018).

## 4. Finding and Discussion

A descriptive statistical analysis of LAZ Baitul Mal Hidayatullah's financial performance provides a comprehensive picture of the dispersion and variability of the three principal research variables. As presented in Table 2, the mean annual zakat collection is IDR 273.04 billion, with a standard deviation of IDR 54.84 billion and a Coefficient of Variation (CV) of 20.08%, indicating relatively high inter-annual volatility relative to the mean. A skewness value of 0.5584 for the collection variable reflects the disproportionate influence of the significant increase in zakat collection during 2020 on the overall data distribution. The COVID-19 pandemic created substantial fluctuations in zakat collection and distribution activities, as heightened humanitarian concerns, and increased public awareness encouraged greater zakat contributions during the crisis (Muhari, 2023).

**Table 2**: Descriptive Statistics of Key Financial Variables

| Statistic | Collection | Distribution | ACR |
|---|---|---|---|
| Mean | 273.0433 | 260.0479 | 97.8820 |
| Median | 270.8051 | 249.3876 | 92.2100 |
| Std. Dev. | 54.8395 | 55.6421 | 26.0477 |
| Variance | 3,007.3691 | 3,096.0382 | 678.4802 |
| Min | 206.3125 | 210.6062 | 65.5000 |
| Max | 358.7651 | 355.4264 | 137.6400 |
| Skewness | 0.5584 | 1.1828 | 0.4519 |
| Kurtosis | -0.4475 | -0.0938 | -0.5556 |
| CV (%) | 20.0845 | 21.3968 | 26.6113 |

Note: Data processed by the author

The distribution variable exhibits a substantially higher skewness of 1.1828, driven primarily by the extraordinary disbursement surge recorded in 2022, when distribution reached IDR 355.43 billion, far exceeding both the mean and the collection figure for that year. This pronounced distributional asymmetry indicates that a stable smoothing policy does not guide the institution's fund disbursement strategy; instead, it responds to programmatic expansion decisions and the availability of reserves accumulated in prior periods (Sulaiman & Zakari, 2019). High levels of zakat distribution may reflect strong institutional effectiveness as measured by the ACR, which emphasizes the extent to which collected funds are allocated to beneficiaries (Fajar & Darna, 2024). Nevertheless, the coefficient of variation of 26.61% for the ACR indicates that the effectiveness of fund allocation was not uniformly maintained throughout the observation period, highlighting fluctuations in the institution's distribution performance (Bahri et al., 2022).

The overall descriptive picture indicates that LAZ Baitul Mal Hidayatullah operates within a financially volatile environment characterized by high inter-annual variability on both the revenue and expenditure sides. The proximity between the mean collection figure (IDR 273.04 billion) and the mean distribution figure (IDR 260.05 billion), combined with a mean ACR of 97.88%, suggests that the institution operates in close proximity to a full-disbursement posture distributing nearly all funds collected to *mustahiq* within the observation window (Bahri & Utama, 2019). While this orientation reflects a strong institutional commitment to maximizing social impact, it simultaneously implies limited capacity to build operational reserves, a vulnerability that has been identified in the nonprofit financial sustainability literature as a major risk factor (Bahri et al., 2022)

The annual trend analysis reveals a distinctly non-linear, cyclically volatile pattern in both principal financial flows over the five-year observation period. As shown in Table 3, zakat collection increased sharply by 73.89% between 2019 and 2020, the largest single-year growth recorded during the study period, before declining by 24.43% in 2021, contracting a further 4.75% in 2022, and partially recovering by 4.87% in 2023. This V-shaped trajectory is consistent with the behavioral response of Indonesian Muslim donors during the COVID-19 pandemic, whereby acute social solidarity substantially reinforced zakat giving in the initial phase of the pandemic (Kailani & Slama, 2020), followed by a reversion to lower baseline levels as economic pressures eroded the disposable income of middle-class *muzakki* (Rahayu et al., 2021). The standard deviation of annual collection growth rates, which reaches 38.34 percentage points, underscores the absence of a stable organic growth trajectory.

**Table 3**: Annual Growth Rate Analysis and Variability

| **Year** | **Collection** | | **Distribution** | | **ACR** | |
|---|---|---|---|---|---|---|
| | Value | Growth | Value | Growth | Value | Growth |
| 2019 | 206.31 | 0.00 | 210.61 | 0.00 | 102.08 | 0.00 |
| 2020 | 358.77 | 73.89 | 235.10 | 11.63 | 65.50 | -35.83 |
| 2021 | 271.11 | -24.43 | 249.39 | 6.08 | 91.98 | 40.43 |
| 2022 | 258.23 | -4.75 | 355.43 | 42.52 | 137.64 | 49.64 |
| 2023 | 270.81 | 4.87 | 249.72 | -29.74 | 92.21 | -33.01 |
| Mean | 273.04 | 12.64 | 260.05 | 7.62 | 97.88 | 5.31 |
| CV (%) | – | 20.08 | – | 21.40 | – | 26.61 |

Note: Data processed by the author

Zakat distribution followed a more gradual and relatively sustained trajectory between 2019 and 2022, expanding by 11.63%, 6.08%, and 42.52% in successive years, before contracting sharply by -29.74% in 2023. The asymmetric relationship between collection and distribution growth wherein distribution continued to expand even as collection declined in 2021 and 2022 is characteristic of institutions that prioritize *mustahiq* continuity over fund balance management (Kafabih, 2024). This asymmetry is most pronounced in 2022, when distribution grew by 42.52% while collection contracted by -4.75%, producing an ACR of 137.64% that was only sustainable through the drawdown of accumulated reserves. A supplementary time-trend regression of ACR against the observation year confirms that no statistically significant linear trend exists in ACR over time (slope = 5.2400; R-squared = 0.1012; p-value = 0.6019), indicating that the observed fluctuations do not constitute part of a systematic improvement or deterioration trajectory but rather reflect reactive and non-linear institutional adjustments consistent with the episodic, reserve-dependent disbursement behavior observed in other Islamic social finance institutions lacking stable spending policies (Green et al., 2021).

The absence of a statistically significant upward trend in ACR carries substantial analytical implications within the 'paradox of plenty' framing adopted in this study. Although Indonesia's zakat potential is estimated at IDR 32.32 trillion for 2023 (BAZNAS, 2024b), the institution's ACR performance oscillated between 65.50% and 137.64% throughout the study period without evidence of convergence toward a stable equilibrium. This pattern is theoretically consistent with the mobilization gap identified in the Islamic social finance literature, wherein structural mismatches between macroeconomic zakat potential and actual institutional collection capacity generate persistent instability at the organizational level (Fajar & Darna, 2024).

The ACR analysis, conducted using ZCP's effectiveness classification framework, reveals a highly dynamic distributional performance pattern throughout the observation period. As detailed in Table 4, four of the five observation years (2019, 2021, 2022, and 2023) produced ACR values classified as highly effective (ACR ≥ 90%), while only 2020 yielded a sub-threshold ACR of 65.50%, which falls within the moderately effective category (50%–69%). The overall mean ACR of 97.88% positions the institution at the upper boundary of the highly effective category, reflecting a strong institutional commitment to maximizing zakat disbursement relative to collection (Rahmat & Nurzaman, 2019). This finding is consistent with prior assessments of high-performing Indonesian zakat institutions, in which maintaining a high distribution-to-collection ratio is treated as a primary organizational performance objective (Anisyah et al., 2024; Khaq & Anggraini, 2024).

**Table 4**: ACR Performance Classification — LAZ Baitul Mal Hidayatullah

| Year | Collection (IDR) | Distribution (IDR) | ACR (%) | ZCP Classification |
|---|---|---|---|---|
| 2019 | 206,312,497,231 | 210,606,225,442 | 102.08 | Highly Effective |
| 2020 | 358,765,075,841 | 235,103,655,665 | 65.50 | Moderately Effective |
| 2021 | 271,105,860,710 | 249,387,588,925 | 91.98 | Highly Effective |
| 2022 | 258,228,098,693 | 355,426,429,019 | 137.64 | Highly Effective |
| 2023 | 270,805,102,264 | 249,715,799,759 | 92.21 | Highly Effective |
| Mean | 273,043,326,948 | 260,047,939,762 | 97.88 | Highly Effective |

Note: Data processed by the author

The two years in which ACR exceeded 100%, namely 2019 (102.08%) and 2022 (137.64%), warrant particular analytical attention, as they indicate that the institution disbursed more funds than it collected within the respective fiscal year. In 2022, this excess amounted to 37.64 percentage points above total collection, representing a reserve drawdown of approximately IDR 97.20 billion. While this behavior reflects commendable distributional intent, it carries significant financial sustainability risks if sustained over consecutive periods without a commensurate recovery in collection performance. (Kim & Mason, 2020) find that non-profit organizations with limited operating reserves are considerably less prepared to withstand a sudden decline in donor activity or a broader economic contraction, underscoring the risk that persistent revenue–expenditure imbalances pose to organizational resilience. The ACR data for LAZ Baitul Mal Hidayatullah thus reveal a disbursement posture that is highly effective in the short term but potentially erosive of long-term institutional resilience if not moderated by proactive reserve management policy, consistent with (Green et al., 2021) finding that charities dependent on volatile or concentrated income streams face measurably greater risk of financial distress and reduced survival prospects. Conversely, the anomalously low ACR of 65.50% in 2020, despite that year recording the highest collection value (IDR 358.77 billion), reflects a measured institutional response to the extraordinary uncertainty generated by the COVID-19 pandemic, a pattern also observed by (Pericoli, 2023) in her comparative analysis of BAZNAS and Islamic Relief, which found that both institutions adjusted their zakat distribution channels and pacing in response to the operational disruptions of 2020–2021.

To identify the initial relationship among the research variables, a Pearson correlation analysis was conducted. This analysis aims to identify the strength and direction of the linear relationship between collection (Collection), distribution (Distribution), and the level of effectiveness (ACR). The results of the correlation matrix are presented in Table 5.

**Table 5**: Pearson Correlation Matrix

| Variable | Collection | Distribution | ACR |
|---|---|---|---|
| Collection | 1.0000 | -0.0171<br>(0.9783) | -0.6337<br>(0.2510) |
| Distribution | -0.0171<br>(0.9783) | 1.0000 | -0.7786<br>(0.1208) |
| ACR | -0.6337<br>(0.2510) | 0.7786<br>(0.1208) | 1.0000 |

Note: Data processed by the author

Based on the results presented in Table 5, a very weak and statistically insignificant relationship was found between Zakat Collection and Zakat Distribution (r = -0.0171; p = 0.9783). This correlation value, which is close to zero, indicates the existence of structural independence between cash inflows and cash outflows at LAZ Baitul Mal Hidayatullah during the observation period (Schober et al., 2018). This implies that the fundraising strategy was not automatically followed by an increase in the volume of fund distribution during the same period. This finding is consistent with the paradox of plenty phenomenon, in which successful fund mobilization often experiences a time lag or managerial constraints before it can be transformed into effective utilization programs (Fadhilah & Fitanto, 2025).

The correlation between Zakat Collection and ACR shows a moderate negative relationship (r = -0.6337; p = 0.2510). Theoretically, this relationship can be explained by the mathematical structure of the ACR ratio, in which an increase in the denominator (collection) without a proportional increase in the numerator (distribution) will reduce the effectiveness ratio (Bahri & Utama, 2019). In contrast, Zakat Distribution has a strong positive correlation with ACR (r = 0.7786; p = 0.1208). Although statistically it has not reached the 5% significance level due to the sample limitation, the direction of this relationship confirms that the institution's effectiveness performance is far more sensitive to managerial decisions related to fund distribution than to fundraising capacity alone (Khaq & Anggraini, 2024). The independence between these fund flows provides an empirical basis for the need to synchronize policies between the fundraising unit and the distribution unit in order to maintain the stability of the institution's financial performance (Haris, 2025).

The model was subjected to a classical assumption test to ensure that the estimator is the Best Linear Unbiased Estimator (BLUE), despite the small sample size (Al-Homaidi et al., 2021; Herianingrum et al., 2023; Iqbal et al., 2022). Table 6 summarizes the results of the normality, multicollinearity, heteroscedasticity, and autocorrelation tests, each computed directly from the estimated regression residuals.

**Table 6**: Classical Assumption Test Results

| Classical Assumption | Test | t-Statistic | P Value |
|---|---|---|---|
| Normality of residuals | Shapiro-Wilk | 0.8013 | 0.0831 |
| Multicollinearity | VIF | 1.0003 | - |
| Heteroscedasticity | Breusch-Pagan | 2.6282 | 0.2687 |
| Autocorrelation | Durbin-Watson | 2.0281 | - |

Note: Data processed by the author

Based on the results of the Shapiro–Wilk test, the residual probability value of 0.0831 (> 0.05) indicates that the residuals are normally distributed, thereby satisfying the requirement for parameter testing using the t-test and F-test. The multicollinearity test shows a VIF value of 1.0003, which is significantly below the threshold value of 10, confirming the absence of correlation among the independent variables (Collection and Distribution). Furthermore, the Breusch–Pagan test produced a p-value of 0.2687 (> 0.05), indicating that the residual variance is homoscedastic. Finally, the Durbin–Watson statistic of 2.0281 falls within the ideal range (1.5–2.5), demonstrating the absence of serial autocorrelation. Since all of these basic assumptions are satisfied, the regression model is considered valid and efficient for further interpretation (Ghozali, 2018)

To further examine the quantitative relationship between financial inputs and distributional effectiveness, an OLS regression analysis was conducted with ACR as the dependent variable and annual zakat collection and distribution as independent variables. The regression output, as presented in Table 7, yields a model with exceptionally high explanatory power: an R-squared of 0.9912 and an Adjusted R-squared of 0.9825, indicating that approximately 99.12% of the variance in ACR is jointly explained by zakat collection and distribution volumes.

**Table 7**: OLS Regression Output

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C (Constant) | 84.8755 | 11.9734 | 7.0887 | 0.0193 |
| Zakat Collection | -0.2948 | 0.0314 | -9.3758 | 0.0112* |
| Zakat Distribution | 0.3595 | 0.0310 | 11.6026 | 0.0073* |
| **Model Diagnostic** | **Value** | | | |
| R-squared | 0.991240 | | | |
| Adjusted R-squared | 0.982480 | | | |
| F-statistic | 113.1521 | | | |
| Prob(F-statistic) | 0.0088 | | | |
| S.E. of Regression | 3.4478 | | | |
| Sum of Squared Residuals | 23.7746 | | | |
| Observations | 5 | | | |

Note: * indicates significant at 5% level of significance

This regression model shows a very strong explanatory power with an Adjusted R-squared value of 0.9825. This implies that 98.25% of the variability in ACR at LAZ Baitul Mal Hidayatullah is simultaneously influenced by fluctuations in zakat collection and distribution, while the remaining 1.75% is explained by other factors outside the model. The overall significance of the model is supported by an F-statistic value of 113.15 ($p = 0.0088 < 0.01$), confirming the validity of the model at the 99% confidence level Partially, the coefficient for zakat collection is negative and statistically significant (coefficient = -0.2948; t-statistic = -9.3758; p-value = 0.0112), suggesting that an increase in zakat collection is associated with a 0.2948 percentage-point decrease in the ACR. His relationship is mathematically inherent in the ACR formula, whereby a larger collection base without a corresponding increase in distribution reduces the ratio.

The result implies that improvements in fundraising performance were not consistently matched by proportional increases in fund disbursement (Bahri & Utama, 2019). This finding supports the argument of (Bahri et al., 2021) that zakat effectiveness should be assessed not merely by the amount collected but by the extent to which collected funds are successfully allocated to eligible beneficiaries, as measured through the ACR framework. Conversely, the coefficient for zakat distribution is positive and statistically significant (coefficient = 0.3595; t-statistic = 11.6026; p-value = 0.0073). This indicates that each additional unit of disbursement is associated with a 0.3595 percentage-point increase in ACR. This result strengthens the argument that ACR performance is more responsive to strategic allocation policies than to fundraising capacity alone (Khaq & Anggraini, 2024). The dominance of the distribution variable confirms that maintaining the highly effective category requires continuous optimization of zakat distribution performance, as the ACR primarily reflects the institution's effectiveness in allocating collected funds (Bahri et al., 2021).

## 5. Conclusions

This study analyzed the financial performance and distribution effectiveness of LAZ Baitul Mal Hidayatullah from 2019 to 2023 using the ACR framework and complementary statistical methods. The findings demonstrate that the institution consistently maintained a high level of distribution effectiveness, with a mean ACR of 97.88% and 4 of 5 years classified as highly effective. However, zakat collection exhibited significant volatility, peaking in 2020 amid heightened pandemic-era social solidarity before declining in subsequent years. The years 2019 and 2022 recorded ACR values exceeding 100%, indicating that disbursements were sustained through drawdowns of accumulated reserves rather than current-period collection. OLS regression results confirm that distribution volume is the dominant determinant of ACR performance. In contrast, the near-zero correlation between collection and distribution reveals that fundraising growth does not automatically translate into proportional disbursement. These findings reflect the 'paradox of plenty' in Indonesia's zakat landscape. Despite an estimated national zakat potential of IDR

32.32 trillion, institutional collection remains structurally unstable and insufficient to sustain high distribution levels organically.

The implications of these findings are significant and multifaceted. Firstly, sustained ACR values above 100% reflect strong distributional commitment but also signal potential financial vulnerability. Without deliberate and robust reserve replenishment strategies, the long-term continuity of distribution and the overall organizational resilience of zakat institutions could be compromised. Secondly, the observed structural independence between collection and distribution flows suggests that internal governance mechanisms, programmatic efficiency, and strategic reserve management policies exert a more decisive influence on institutional effectiveness than the sheer volume of fundraising alone. This underscores the necessity for a more integrated and holistic approach to evaluating zakat institutional performance, one that critically examines the intricate balance between collection sustainability, meticulous disbursement planning, and prudent reserve management. For future research, it is recommended to extend this analysis beyond a single institution by employing comparative longitudinal approaches across multiple zakat institutions.

Incorporating a broader range of external variables, such as macroeconomic indicators, donor behavioral factors, and institutional governance quality, would provide a more comprehensive and nuanced understanding of the determinants of the sustainability of zakat management in Indonesia. Such expanded research would contribute significantly to the literature on Islamic social finance and offer more robust practical recommendations for the sector. This study is subject to certain limitations, as it relies exclusively on secondary data from the audited financial reports of a single zakat institution over a five-year period, which constrains the generalizability of the findings to other zakat institutions with differing organizational scale, governance structures, or regional operating contexts.

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