



Effectiveness of Zakat and Benevolent Fund Distribution: Evidence from Bank Syariah Indonesia (2021–2023)

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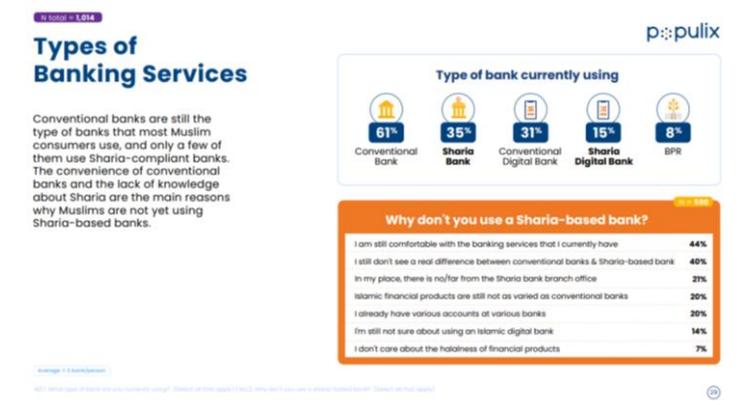
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Abstract: This study aims to analyze the effectiveness of zakat and benevolent fund distribution at Bank Syariah Indonesia during the 2021–2023 period. As an Islamic financial institution, the bank performs not only commercial intermediation functions but also social responsibilities through the management of zakat, infaq, sadaqah, and non-halal funds. The effectiveness of fund distribution is an important indicator in assessing the optimization of Islamic banking's social role. This research employs a descriptive quantitative approach using secondary data obtained from the annual reports of Bank Syariah Indonesia. The Allocation to Collection Ratio (ACR) is applied to measure effectiveness by comparing the amount of funds distributed with the total available funds (collection plus beginning balance). The results show that zakat fund distribution falls into the moderately effective category, with a declining trend from 55% in 2021 to 51% in 2023. In contrast, benevolent funds demonstrate higher effectiveness, reaching the highly effective category in 2022 with a ratio of 93%. These findings indicate differences in fund management mechanisms and distribution priorities. The study suggests the need to optimize zakat fund allocation to minimize idle balances and enhance social impact.

Keywords: ACR; Benevolent Funds; Distribution Effectiveness; Social Welfare; Zakat.

1. RESEARCH BACKGROUND

The more advanced the times, the banking industry in Indonesia is currently growing rapidly. The majority of the population in Indonesia is Muslim, but that does not guarantee that the population uses a lot of sharia transactions. With the fact that there are still many Muslims in Indonesia who still use conventional banks. In a report on Insights and Customer Perspective of Halal Industry in Indonesia from Populix, it was found that the majority of people choose to use conventional banks in their transactions, followed by Islamic banks with fewer people using them for their transactions.



Picture 1. Types of Banking Services.

Source: Populix Indonesia

Of course, there is a reason why the Muslim population has not fully used Islamic banks, one of which is because of the sharia of Islamic banks, the public does not fully believe so that many still use conventional banks (Team, 2023).

Conventional banking and Islamic banking, in essence, have similarities in implementing banking businesses. What distinguishes between the two is the most prominent difference in the operational system. Islamic banks operate not only as financial intermediaries but also as institutions that carry social and ethical responsibilities in accordance with sharia principles. In addition to profit-oriented activities, Islamic banks manage social funds such as zakat, infaq, sadaqah, and non-halal income, which are categorized as benevolent funds. These funds are intended to support social welfare and contribute to community development, including the financing of social infrastructure such as education, health, and public facilities (Maulana et al., 2022). Effective management and distribution of zakat and benevolent funds are crucial to ensure that these funds achieve their intended objectives. One of the indicators commonly used to measure the effectiveness of fund distribution is the Allocation to Collection Ratio (ACR), which compares the amount of funds distributed to the total funds collected and available. A higher ratio indicates better fund utilization and lower idle balance (Andrianto, 2019; Arifin, 2012; Nasution, 2020; Nurul Istiqomah, 2025).

Previous studies by Siti Batiah, Nofinawati, and Sarmiana (2022) investigated the distribution of zakat and benevolent funds at a branch office of Bank Syariah Indonesia (BSI KCP Gunung Tua). The findings revealed that zakat distribution was not conducted consistently each year, whereas benevolent funds were distributed more routinely and in accordance with institutional procedures. The study also identified internal and external factors influencing fund distribution effectiveness (Siti Batiah, Nofinawati, 2022).

Furthermore, Laylan Syafina and Nurwani (2021) examined the relationship between zakat funds, non-halal income, and Corporate Social Responsibility (CSR) performance in Islamic banks in Indonesia. Using quantitative analysis and the Gross Allocation to Collection Ratio, the study concluded that zakat funds and non-halal revenues significantly influence CSR performance, both partially and simultaneously (Laylan Syafina, 2021).

Although previous research has explored fund disclosure, CSR relationships, and institutional-level effectiveness, limited studies have comparatively analyzed the effectiveness of zakat and benevolent fund distribution at the national Islamic banking level, particularly after the establishment of Bank Syariah Indonesia as the largest Islamic banking institution in Indonesia. Therefore, this study seeks to fill this gap by examining the comparative

effectiveness of zakat and benevolent fund distribution at BSI during 2021–2023 using the Allocation to Collection Ratio approach.

2. THEORETICAL FRAMEWORK

Zakat is the most important part of being a Muslim. It means giving some property or money to help people in need. It is something that Allah wants us to do. Zakat is not just about giving to Allah, it is also about caring and helping others. It is a way to ensure that everyone is treated fairly and no one is left without getting what they need. Zakat is meant to help reduce poverty and ensure that everyone has enough money to live a good life. It is important for organizations that handle zakat to distribute it in a way that truly helps people in need. Zakat can also be used to start businesses and create jobs for people. It has many roles and functions in our society to ensure that everyone is served (Lutfi, 2023).

Benevolent funds are social funds other than zakat managed by Islamic banks received from the public. The statement of sources and uses of Benevolent funds is a report that shows the sources and uses of Benevolent funds during a certain period of time, as well as the balance of Benevolent funds which shows undistributed Benevolent funds as of a certain date. Initially, these benevolent funds were called Qardh funds, but were later replaced with the term charity funds. The source of charity funds according to PSAK 101 consists of Infaq, Shadaqah, the results of the administration of Waqf according to applicable law, refunds from productive benevolence, fines and non-halal income. However, the use of charity funds is for productive benevolent funds, donations, and other purposes for the common good and benefit. Benevolent funds applied by Bank Syariah Indonesia are infaq, sadaqah, fines and non-halal income. After this, we will explain the matters mentioned above (Faizah, 2022).

Etymologically, charity comes from the word “Ash-Shidqu” which means justice and truth. While the meaning of alms in terminology is any form of giving in order to help others who are oriented towards goodness. Meanwhile, according to article 1 of Indonesian Law No. 23 of 2011 concerning the management of zakat, alms are assets or non-assets issued by a person or business entity outside of zakat for public benefit. Sadaqah is also defined as a person's gift sincerely, to those who are entitled to receive it accompanied by the reward of Allah SWT. Sadaqah also has a broader meaning concerning non-material things. Islam does not stipulate the amount of property that is given in charity, but people have educated with almsgiving to spend both material and non-material assets (Ferri Alfadri, Darwis, 2022).

Etymologically, infaq comes from the word “anfaqa” which means spending money. Meanwhile, terminologically, infaq means spending part of the property or income or income for an interest that is ordered by Islamic teachings. Infaq does not recognize Nisab, so infaq is issued by followers who have high income or low income when they have space or time. Infaq can be given to anyone, not just to a specific person. Islam dictates the manner of spending by not allowing the owner to manage and spend as he pleases (Sri Ningsih, 2022).

Fines in the Indonesian dictionary is defined as a penalty in the form of paying a certain amount of money if you fail to pay your obligations (Yandiato, 2001). In English there is also the word fine which means late fee. Whereas in Arabic ta'widh is compensation for costs incurred due to a customer being late in paying his obligations after maturity. Fines are one type of punishment.

Non-halal fund receipts are defined as any revenue or income from business practices that are said to be inconsistent with the basic rules of sharia, namely receipt of funds from services, interest, demand deposits, this is based on Statement of Financial Accounting Standards (PSAK) No. 109. By sharia institutions, the acceptance of non-halal funds is in principle prohibited because their collection is usually carried out due to urgency or when conditions are not possible. However, it is not income knowingly received by Islamic institutions, for example obtained from money laundering, corruption, theft. It has been emphasized by the MUI National Sharia Council (DSN) Fatwa regarding business practices that are not in line with sharia rules, such as practices carried out by conventional financial institutions such as banks and insurance providers, as well as investments with a high percentage of corporate debt. Financial institutions that have interests that exceed their capital, as well as games of chance, are not allowed when trading. The criteria for non-halal funds are divided into two, namely: 1. Haram assets or assets because they contain unclean substances, such as alcoholic beverages, animals that are not allowed in Islam, and others. 2. Assets arising from unlawful activities, unlawful activities such as lending with interest, gambling, bribery, corruption, sale and purchase of alcoholic beverages, sale and purchase of pork, etc. nonhalal comes from bank interest and fines, where interest and fines are a criminal act of usury. Usury in the Qur'an and hadith is forbidden by Allah. Basically, the income of non-halal funds is haram, everything that does not belong to him and cannot be utilized, so it must be donated to make it more useful (Syamsuri et al., 2022).

Social Infrastructure in the Big Indonesian Dictionary can be interpreted as physical facilities or public infrastructure. The facilities in question are generally public facilities such as hospitals, roads, sanitation facilities, etc. In the Routledge Dictionary of Economics, it is

clear that infrastructure is the main service provided by the state. Infrastructure development can develop a country's economy, because it builds infrastructure and other supporting facilities to help drive economic and community activities. According to the World Development Report infrastructure is a key element of economic growth, and regions with adequate infrastructure can expect stronger economic development. Based on the results of the World Development Report infrastructure is categorized into three groups, as follows first, Economic infrastructure consists of physical resources used for production, consumption, and communication as well as public works such as irrigation canals, dams and drainage channels, land, air, and sea transportation are all included in transportation. Secondly, Social infrastructure, refers to facilities that maintain people's health and performance, such as education, health, and recreation. Administrative and institutional infrastructure. Infrastructure is put in place to improve welfare. There are four main reasons for infrastructure development: infrastructure creates jobs, which are essential for creating a just and successful society and nation; advances in core infrastructure, technology and science have a direct impact on the investment environment. The growth of investment and capital flows is greatly impacted by the availability of supporting infrastructure in ports, industrial areas, markets, and universities. The expansion of infrastructure will lead to physical and non-physical isolation in various regions. To overcome physical isolation in various parts of Indonesia, the government should prioritize infrastructure development that facilitates national integration policies in the socio-economic field. Infrastructure facilitates new scientific discoveries and can be effectively utilized by industry and market players. Infrastructure development plays an important role in the socio-economic integration of communities across the region (Mustofa, 2018).

3. RESEARCH METHODS

This study employs a quantitative descriptive approach using secondary data obtained from the annual reports of Bank Syariah Indonesia for the period 2021–2023 (Creswell, 2018). The data analyzed include information on zakat funds and benevolent funds, particularly regarding fund collection, distribution, and beginning balances.

To measure the effectiveness of fund distribution, this study applies the Gross Allocation to Collection Ratio (ACR). The ACR is calculated by comparing the total amount of funds distributed during a specific period with the total available funds (collection plus beginning balance). This ratio is used to assess the extent to which collected funds are allocated and to evaluate the level of fund utilization.

The results of the calculation are interpreted based on effectiveness categories to determine whether the distribution of zakat and benevolent funds can be classified as highly effective, effective, moderately effective, less effective, or ineffective. The analysis focuses on comparing trends over the three-year period to identify patterns in fund management performance.

4. RESULTS & DISCUSSION

Effectiveness is the ability to choose goals by using the right way to achieve them accurately and quickly, whether successful or not. In Zakat and benevolent funds the effectiveness of the distribution of funds can be seen through the annual report on Bank Syariah Indonesia. The effectiveness of the distribution of zakat funds and benevolent funds can be measured by measuring the Allocation to Collection Ratio by comparing the total collection of funds and the distribution of funds to determine whether all funds obtained have been channeled to the mustahik (Daft, 2013). This ratio is considered important to use because the distribution must be immediately in accordance with the opinion of the majority of scholars. This study uses the ACR formula which is Gross Allocation to Collection Ratio. In ratio This can be used to see the extent of distribution of funds both collected in the same period and the initial balance from the previous period. The formula is:

$$\frac{\text{Distribution of Nonhalal Funds}}{\text{Nonhalal Fund Raising + Nonhalal Fund Ending Balance}}$$

With value interpretation:

| Category | Percentage |
|--------------------|-------------------|
| Highly Effective | >90% |
| Effective | 70-80% |
| Effective Enough | 50-69% |
| Below Expectations | 20-49% |
| Ineffective | <20% |

The data were obtained from the annual reports of Bank Syariah Indonesia for the period 2021–2023

| Description | 2021 | 2022 | 2023 |
|--------------------|----------------|----------------|----------------|
| Funding | Rp 158.902.000 | Rp 211.722.000 | Rp 257.502.000 |
| Distribution | Rp 127.611.000 | Rp 170.771.000 | Rp 205.881.000 |
| Beginning Balance | Rp 72.911.000 | Rp 104.202.000 | Rp 145.153.000 |

The following will explain the formula for the Zakat Fund in 2021

Distribution of Zakat Fund in 2021

$$\begin{array}{r}
 \hline
 \text{Zakat Fund Raised in 2021 + Beginning Balance in 2021} \\
 127.611.000 \\
 \hline
 158.902.000 + 72.911.000 \\
 127.611.000 \\
 \hline
 231.813.000 \\
 = 0,5504911286 \\
 = 55\%
 \end{array}$$

The year 2022

Distribution of Zakat Fund in 2022

$$\begin{array}{r}
 \hline
 \text{Zakat Fund Raised in 2022 + Beginning Balance in 2022} \\
 170.771.000 \\
 \hline
 211.722.000 + 104.202.000 \\
 170.771.000 \\
 \hline
 315.924.000 \\
 = 0.54054456 \\
 = 54\%
 \end{array}$$

The year 2023

Distribution of Zakat Fund in 2023

$$\begin{array}{r}
 \hline
 \text{Zakat Fund Raised in 2023 + Beginning Balance in 2023} \\
 205.881.000 \\
 \hline
 257.502.000 + 145.153.000 \\
 205.881.000 \\
 \hline
 402.655.000 \\
 = 0,51130869 \\
 = 51\%
 \end{array}$$

The following will explain the Virtue Fund formula in 2021

Benevolent Fund Disbursement in 2021

| |
|--|
| Collection of Virtue Funds in 2021 + Beginning Balance in 2021 |
| 59.529.000 |
| <hr/> |
| 72.606.000 + 12.900.000 |
| 59.529.000 |
| <hr/> |
| 85.506.000 |
| = 0,696196758 |
| = 69% |

The year 2022

Benevolent Fund Distribution in 2022

| |
|---|
| Benevolent Fund Raising in 2022 + Beginning Balance in 2022 |
| 108.831.000 |
| <hr/> |
| 89.902.000 + 25.977.000 |
| 108.831.000 |
| <hr/> |
| 115.879.000 |
| = 0,939177936 |
| = 93% |

The year 2023

Benevolent Fund Distribution in 2023

| |
|---|
| Benevolent Fund Raising in 2023 + Beginning Balance in 2023 |
| 80.736.000 |
| <hr/> |
| 83.595.000 + 7.048.000 |
| 80.736.000 |
| <hr/> |
| 90.643.000 |
| = 0,890703088 |
| = 89% |

Based on these calculations, the effectiveness of the distribution of zakat funds and policy funds at BSI 2021-2023 is as follows:

Table 1. Comparison of Zakat Fund and Policy Fund Effectiveness.

| Zakat Fund | | | |
|-------------------|------------------|------------------|------------------|
| Year | 2021 | 2022 | 2023 |
| Ratio | 55% | 54% | 51% |
| Kategori | Effective Enough | Effective Enough | Effective Enough |

| Policy Fund | | | |
|--------------------|-----------|------------------|------------------|
| Year | 2021 | 2022 | 2023 |
| Ratio | 70% | 94% | 89% |
| Category | Effective | Highly Effective | Highly Effective |

In the table presented above, it can be seen that the effectiveness of the distribution of zakat funds and policy funds has different results. In zakat funds, it has decreased every year, with a ratio in the year (2021) 55%, year (2022) 54%, year (2023) 51% so that the difference each year has decreased by 1%. This happens because the source of zakat funds at the bank has decreased and the highest source of funds is due to the higher initial balance than the entire collection fund in that year, so that when the percentage is done, it decreases every year. In the Benevolent fund in 2021 to 2022, it increased in 2021 with a ratio of 70% and in 2022 with a ratio of 94%, this is because the source of the Benevolent fund experienced the highest increase in funds from infaq and shadaqah funds. However, in 2022 to 2023 the Benevolent fund decreased by 5%, this happened because the receipt of benevolent funds in 2023 was lower than in 2022, mainly from a decrease in infaq and sadaqah receipts of IDR 9.91 billion.

Although every year the zakat and benevolence funds have decreased, BSI still distributes and distributes the funds to those who are entitled to it, for example to strengthen contributions to society and the state, distributes funds for zakat fitrah for the poor, and optimizes the distribution of zakat funds for the sheep farming cluster program in Garut. Optimizing the distribution of Benevolent funds for all financing of construction and renovation of buildings such as campuses and schools, purchase of operational vehicles, infrastructure equipment, meeting the investment needs of new medical equipment for customers or prospective customers from among business actors in the health services sector and providing capital for several business actors. With zakat funds and policy funds that have been channeled and distributed to the rightful, it will help the welfare of the community and

reduce poverty with the existence of social infrastructure (BSI, 2023).

Comparative Discussion

The comparison between zakat and benevolent funds reveals a notable difference in distribution performance. Benevolent funds consistently show higher effectiveness than zakat funds. This may be influenced by differences in allocation mechanisms, managerial priorities, or regulatory procedures governing zakat distribution. The moderate effectiveness of zakat funds suggests that there is still room for improvement in optimizing fund allocation. In contrast, benevolent funds appear to be managed more aggressively, with minimal idle balances (Al-Zuhaili, 2003).

From a managerial standpoint, maintaining a high ACR is essential to strengthen accountability and public trust. Efficient distribution enhances the social role of Islamic banking institutions and supports the development of social infrastructure, including education, health facilities, and community empowerment programs (Ahmed, 2002).

Overall, while both fund categories contribute to social welfare, benevolent funds demonstrate stronger allocation performance during the observed period. Improving the distribution strategy of zakat funds could further enhance the social impact of Islamic banking operations.

5. CONCLUSION AND RECOMMENDATIONS

The discussion highlights that accounting practices in Islamic banks and financial institutions cannot be fully accommodated within conventional accounting frameworks due to their distinct contractual structures, profit-and-loss sharing mechanisms, and dual commercial–social objectives. Islamic financial institutions operate not only to generate profit but also to fulfill sharia compliance, social accountability, and ethical responsibility. Consequently, their reporting system must reflect these unique characteristics.

The absence of a fully harmonized and standardized accounting framework may result in inconsistencies in financial reporting, reduced comparability across institutions, and potential challenges in maintaining transparency and public trust. Differences in recognizing profit-sharing contracts, zakat obligations, benevolent funds, and non-halal income require specific accounting treatments aligned with sharia principles.

A standardized framework is therefore essential to enhance accountability, ensure consistency in financial disclosure, and strengthen stakeholder confidence. Standardization also supports regulatory oversight and facilitates the integration of Islamic financial institutions into the global financial system without compromising their religious and ethical foundations.

In conclusion, developing and implementing a comprehensive and universally accepted accounting standard tailored to Islamic financial institutions is crucial for sustaining growth, reinforcing governance, and maintaining the credibility of the Islamic financial industry in both domestic and international contexts.

Based on the findings, several recommendations can be proposed.

First, regulators and standard-setting bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) should strengthen efforts to harmonize and standardize Islamic accounting frameworks to enhance consistency and comparability across institutions.

Second, Islamic financial institutions need to improve transparency in reporting profit-sharing contracts, zakat, benevolent funds, and non-halal income to reinforce accountability and public trust.

Third, policymakers should integrate financial and social performance indicators within regulatory frameworks to reflect the dual objectives of Islamic finance.

Finally, further empirical research and professional capacity building in Islamic accounting are essential to support the effective implementation of standardized sharia-compliant reporting practices.

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