

Optimization of Zakat Fund Management in Improving the Welfare of Foster Children at Al-Ichlas Orphanage Surabaya: Sharia Economic Perspective

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ABSTRACT

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Zakat is one of the instruments in the Islamic economic system that has strategic potential in poverty alleviation and improving welfare. This study aims to evaluate the extent to which the management of zakat funds implemented at the Al-Ichlas Orphanage in Surabaya can be optimized to improve the welfare of foster children from a sharia economic perspective. This study uses a descriptive qualitative method with a case study approach. Data collection techniques are carried out through direct observation, in-depth interviews, and documentation.

The results of the study indicate that zakat management has been carried out in accordance with the basic principles of sharia, but has not been fully optimal. Limited human resources, lack of sharia-based financial management training, and the absence of accountability and transparency standards are the main obstacles. This study recommends strengthening the zakat reporting system, increasing sharia financial literacy, and strategic partnerships with official zakat institutions (LAZ) to achieve efficient and equitable zakat management.

This study concludes that optimal, planned, and accountable management of zakat funds can provide a real contribution to improving the welfare of foster children. Therefore, it is necessary to strengthen the monitoring and evaluation system of the program and develop the capacity of human resources so that the benefits of zakat can be felt more widely and sustainably.

INTRODUCTION

Zakat is the third pillar in Islam which has a central role in creating social justice and equitable welfare. Good zakat management can be a means of distributing wealth more evenly in the community. In the local context, orphanages are one of the institutions that rely heavily on zakat funds to carry out their operations, including meeting the living needs and education of foster children.

Al-Ichlas Surabaya Orphanage is one of the social institutions that has received and utilized zakat funds in daily management and child empowerment programs. However, the fundamental question that needs to be studied is the extent to which the management of zakat funds has been carried out optimally and in accordance with sharia economic principles.

In recent years, zakat management in Indonesia has shown significant progress, both in terms of fund collection and distribution. However, the increase in zakat funds collected has not been fully accompanied by optimization of zakat management and utilization in a productive and sustainable manner, particularly in non-formal social institutions such as orphanages. A common phenomenon is that zakat is still dominated by short-term consumptive distribution patterns, focused on meeting basic needs, but not fully directed towards empowerment programs that can sustainably improve the welfare of those entitled to receive it.

In the context of orphanages, including the Al-Ichlas Orphanage in Surabaya, zakat is a primary source of funding to support the institution's operations and meet the living and educational needs of the foster children. However, in practice, zakat

management at the social institution level often faces various challenges, such as limited financial management systems, minimal transparency and accountability standards, and the suboptimal integration of Islamic economic principles in the planning and utilization of zakat funds. This situation has the potential to prevent zakat from maximizing its impact on improving the welfare of foster children, both in terms of material, educational, and personal capacity development.

Another phenomenon that reinforces the importance of this research is the gap between the ideal goal of zakat from a sharia economic perspective namely, creating social justice and equitable distribution of welfare and the reality of zakat management at the micro level. Zakat should not only function as a philanthropic instrument, but also as a strategic economic instrument for building independence and sustainable welfare for those entitled to receive it. Therefore, an empirical study is needed that can evaluate the extent to which zakat management practices align with the principles of justice (al-'adl), transparency (amanah), efficiency (itqan), and sustainability (istimrar) as emphasized in sharia economics.

This study aims to find out how the strategy of managing zakat funds at Al-Ichlas Surabaya Orphanage can improve the welfare of foster children from the perspective of sharia economics. Optimizing the management of zakat funds is very important, both in terms of transparency, efficiency, and sustainability. In this case, the perspective of sharia economics is the main reference in developing a zakat fund management system that can create sustainable welfare for foster children. The sharia economic approach emphasizes that zakat must be managed with the principles of justice, transparency, and efficiency that can provide maximum benefits to the community. Seeing the importance of optimal zakat fund management to improve the welfare of foster children, this study aims to explore and analyze how the strategy of managing zakat funds at Al-Ichlas Surabaya Orphanage can be optimized, as well as how it impacts the welfare of foster children, with a sharia economic perspective.

Problem Formulation :

1. What is the practice of managing zakat funds at Al-Ichlas Surabaya Orphanage?
2. To what extent does the management of zakat funds improve the welfare of foster children?
3. What are the challenges and solutions for optimizing zakat management from the perspective of sharia economics?

Purpose of the Problem

1. Analyzing the process of managing zakat funds at the Al-Ichlas Surabaya Orphanage.

2. Assessing the impact of zakat funds on the welfare of foster children.
3. Providing recommendations for zakat management in accordance with sharia economic principles.

Based on this phenomenon, this research is important to conduct because it not only provides an empirical description of zakat management practices at the Al-Ichlas Orphanage in Surabaya, but also analyzes its impact on the welfare of foster children comprehensively. Furthermore, this research is expected to provide theoretical contributions to the development of Islamic economic studies, particularly regarding zakat management in social institutions, as well as practical contributions in the form of strategic recommendations for orphanage managers and zakat institutions so that zakat management can be carried out more optimally, accountably, and oriented towards sustainable welfare.

LITERATURE REVIEW

The Concept of Zakat in Sharia Economics

According to the Qur'an and Sunnah, zakat is not only a form of individual worship, but also a public financial instrument. In the sharia economy, zakat is a mechanism for redistributing wealth to maintain economic balance. The purpose of zakat is to raise the standard of living of mustahiq and create social stability.

Zakat Fund Management

Zakat fund management requires adherence to principles of transparency, accountability, efficiency, and trust (amanah). In Indonesia, PSAK 109 provides an accounting framework covering zakat collection, distribution, reporting, and evaluation to ensure compliance with sharia principles. Proper governance mechanisms are essential to maintain public trust and maximize the socio-economic impact of zakat funds.

Institutional Theory posits that organizations must establish legitimacy by conforming to formal rules, norms, and professional standards (DiMaggio & Powell, 1983). In the context of zakat institutions, compliance with accounting standards and transparent reporting strengthens institutional credibility and donor confidence. Abdul Rahman et al. (2012) and Wahab & Rahman (2013) find that governance quality positively influences zakat collection efficiency and distribution effectiveness.

Additionally, the Resource-Based View (RBV) suggests that sustainable organizational performance depends on the effective utilization of both tangible and intangible resources (Barney, 1991). Saad et al. (2014) argue that zakat institutions with strong managerial capabilities, strategic planning, and ethical commitment are more likely to achieve sustainable welfare outcomes. For orphanages, professional zakat management enables a shift from consumptive charity toward long-term empowerment programs.

Foster Child Welfare

The welfare of foster children can be seen from indicators of meeting basic needs such as food, clothing, shelter, health, education, and character development. Zakat funds should be the main source of funding in meeting this need.

METHOD

Types of Research

This study employs a descriptive qualitative approach with a case study method. The selection of a descriptive qualitative design is based on the nature and objectives of the research, which aim to obtain an in-depth and contextual understanding of zakat fund management strategies and their implications for foster child welfare from a sharia economic perspective.

A qualitative approach is considered appropriate because the management of zakat funds involves complex social, managerial, and religious processes that cannot be adequately measured using quantitative indicators alone. Zakat management practices, governance mechanisms, decision-making processes, and perceptions of welfare are socially constructed phenomena that require exploration through direct interaction with research participants in their natural setting. According to Creswell (2014), qualitative research is particularly suitable for studies that seek to explore processes, meanings, and interpretations of participants rather than testing predefined hypotheses.

Furthermore, the descriptive nature of this study is intended to systematically describe and interpret existing practices of zakat fund management at the Al-Ichlas Orphanage without manipulating research variables. This approach allows the researcher to portray the real conditions of zakat utilization, institutional governance, and welfare outcomes as they occur in practice. Yin (2018) emphasizes that descriptive case studies are

appropriate when the research focuses on answering “how” and “why” questions related to contemporary phenomena within real-life contexts.

The case study method is employed because this research concentrates on a single institution—Al-Ichlas Orphanage—as a bounded system with specific organizational characteristics, management structures, and socio-religious contexts. This method enables an in-depth examination of zakat fund management strategies and their impact on foster children’s welfare in a holistic manner. Merriam and Tisdell (2016) argue that case studies are particularly effective for capturing the complexity and uniqueness of institutional practices, especially in social and religious organizations.

Therefore, the use of a descriptive qualitative case study approach allows this research to generate rich empirical insights, contextual explanations, and practical recommendations that are closely aligned with sharia economic principles and the real needs of zakat-based social institutions.

Research Location and Time

The research was conducted at the Al-Ichlas Orphanage, Surabaya during the period March to May 2025. The Al-Ichlas orphanage is located at Jalan Tanjung Sari IV/52 and 58 RW. 02 Tanjung Sari Village, Sukomanunggal District, Surabaya.

Data Collection Techniques

1. Interview: conducted with orphanage administrators, foster children, and donors.
2. Observation: observing daily activities and fund management.
3. Documentation: financial reports and activity archives..

Data Analysis Techniques

Data is analyzed through data reduction, data presentation, and conclusion drawing with thematic techniques.

RESULT AND DISCUSSION

The Social Foundation of Al-Ichlas Surabaya Orphanage is an institution that empowers and helps the poor, orphans, and children from low-income households. The orphanage is committed to providing religious and public education, as well as equipping foster children with useful life skills. At this time, the number of foster children in the Al-Ichlas Surabaya

Orphanage is 75 foster children. Where the foster children consist of several school upgrades from Early Childhood, Kindergarten, Junior High School to High School.

Initially, the Al-Ichlas Surabaya Orphanage began with a congregation of yasin and tahlil recitation congregations which were often scheduled in Tanjusari Village. The idea to establish the orphanage was inspired by the opinion of Mrs. Nyai HJ. Mudawamah in 1985. At the recitation, the pilgrims set aside the recitation cash for the compensation of the children given on the night of takbiran. Next, he began to educate orphans by teaching them to be entrepreneurial selling oil, gas or ice candles.

The study finds that zakat funds are received in both cash and in-kind forms, with allocation primarily directed toward three main sectors: daily consumption, education, and healthcare. Field data indicate that education-related expenditures constitute the largest portion of zakat utilization, covering school fees, uniforms, books, and extracurricular activities. This practice reflects an implicit prioritization of human capital development, which is consistent with maqasid al-shariah, particularly the preservation of intellect (hifz al-'aql).

However, the findings also reveal structural limitations in financial management. Zakat fund recording remains manual, with no digital accounting system or regular internal and external audits. Informants acknowledged that financial reporting is mainly prepared for internal purposes and donor trust rather than for standardized accountability. This condition indicates a gap between normative sharia economic principles and actual institutional capacity.

From a sharia economic perspective, field findings indicate that the Al-Ichlas Orphanage has fulfilled the principle of amanah, as zakat funds are distributed directly to eligible beneficiaries and utilized for legitimate welfare purposes. Nevertheless, the principles of efficiency and justice have not been fully optimized. The absence of systematic needs assessment and professional distribution planning results in uneven allocation across welfare programs. This finding underscores the need for a more structured and professional zakat management system to ensure equitable and sustainable welfare outcomes for all foster children.

Zakat Fund Management Process

Zakat funds at the Al-Ichlas Orphanage are received in the form of cash and goods. The distribution of funds includes the needs of daily consumption, education, and the health of foster children. However, the financial reporting system has not been digitized and there is minimal auditing.

Impact on the Welfare of Foster Children

Based on the results of observations and interviews, it is known that optimal management of zakat funds has a positive impact on the welfare of foster children, including:

1. Improving Access to Education
Foster children can continue their education without being constrained by costs.
 2. Upskilling
Foster children have skills that can be used to be economically independent.
 3. Better Health
Foster children get adequate health care
- 4.3 Obstacles

Fund Management

1. Lack of trained human resources in sharia accounting.
2. There is no integration with the national zakat system such as Baznas.
3. Donations are not routine and unplanned (fluctuating).

Sharia Economic Perspective

In the sharia economy, the management of zakat must meet the following principles:

1. Amanah: zakat is a deposit from the muzakki.
2. Efficiency: zakat must be distributed on target.
3. Justice: paying attention to the needs of all mustahiq.

The Al-Ichlas Orphanage has carried out this mandate, but it has not been optimally efficient and fair due to the limited professional distribution system.

CONCLUSION

The management of zakat funds at the Al-Ichlas Orphanage has been carried out with good intentions and refers to basic sharia principles, but it has not been optimal in terms of management and accountability. Zakat funds have improved the standard of living of foster children, but have not yet

covered aspects of long-term economic empowerment.

Digitization of the financial system to increase accountability. Zakat management training for orphanage administrators. Strategic partnership with LAZ/Baznas to strengthen zakat distribution. Development of foster children's economic empowerment programs, such as skills and entrepreneurship training.

The findings of this study provide important practical implications for zakat-based social institutions, particularly orphanages that rely on zakat funds for their operational sustainability. The results indicate that improving zakat fund management requires the adoption of digital financial systems to enhance transparency, accountability, and accuracy in reporting. Digitalization aligned with sharia accounting standards can strengthen donor trust and facilitate better monitoring and evaluation of zakat utilization. In addition, strengthening the capacity of zakat administrators through structured training in sharia accounting, zakat governance, and financial management is essential to ensure that zakat funds are managed professionally and in accordance with sharia economic principles.

Furthermore, the study highlights the strategic importance of institutional collaboration with formal zakat authorities, such as BAZNAS or licensed Amil Zakat Institutions (LAZ). Such partnerships can improve governance quality, expand access to technical assistance, and enhance the effectiveness of zakat distribution. The findings also suggest the need to shift zakat utilization from a predominantly consumptive approach toward long-term economic empowerment programs, including vocational training and entrepreneurship development for foster children. This strategy is expected to strengthen foster children's economic independence and ensure sustainable welfare outcomes in line with the maqasid al-shariah framework.

With regard to future research, this study opens several avenues for further investigation. Future studies are encouraged to employ comparative designs across multiple zakat institutions to identify best practices and contextual variations in zakat management. Additionally, quantitative or mixed-method approaches may be used to measure the long-term impact of zakat on foster children's educational attainment, health outcomes, and economic self-reliance. Further research could also explore the role

of digital zakat platforms and maqasid al-shariah-based performance measurement models to deepen the understanding of how zakat can be optimized as an instrument for sustainable social welfare.

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