Cuadernos de Economía (2026) Volume 49, Issue 137, 31-43

Asociación Cuadernos de economía

Cuadernos de economía

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ARTÍCULO

# Implementation Of Sharia Good Corporate Governance: Becoming A Solution to Improve the Performance of Zakat Organizations in Indonesia

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**Keywords:**
Organizational Performance, Zakat Institutions, Ziswaf, Good Corporate Governance, Sharia

**Abstract:** The study investigates the performance of Indonesian zakat organisations through the lens of Sharia good corporate governance (GCG). The proxies for GCG include the size and educational qualifications of the board of directors, the size and competence of the Sharia supervisory board, as well as the size of both the supervisory and management boards. Control variables in the analysis comprise size, age, and leverage. This research is significant for evaluating the implementation of Sharia GCG within Indonesian zakat institutions, particularly given the increasing demand for transparency and accountability in Zakat fund administration. The study focuses on the period 2018–2022, with leverage incorporated as a control variable. The sample consists of 75 Indonesian zakat organisations, encompassing both state agencies and private amil institutions registered with the Ministry of Religious Affairs, which enhances the representativeness of the findings. This quantitative investigation utilises financial statements and annual reports of zakat management entities covering the years 2019-2022. The population comprises organisations such as Baznas and LAZ. Findings indicate that neither the board of directors nor their educational background exerts a significant influence on organisational performance. Conversely, the size of the Sharia supervisory board, the supervisory board, and the management board demonstrates a positive and significant impact. Interestingly, the knowledge level of the Sharia supervisory board negatively affects performance, which limits the utility of size and age as control variables. Leverage is found to positively influence the performance of zakat organisations and is therefore maintained as a control variable. The implementation of Sharia GCG facilitates financial transparency and accountability in the collection and distribution of Zakat funds. Adopting Sharia GCG principles enables zakat organisations to make more informed decisions, strengthen stakeholder relations, and comply with relevant norms and standards. However, limitations such as constrained resources for assessing organisational performance and restricted access to data, compounded by the most recent data being only up to 2022, restrict the study's scope.

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https://doi.org/10.32826/cude.v49i137.1004

## Introduction

Organisational effectiveness is closely linked to the management of available resources (Samsul Haidir, 2020). Both zakat institutions and profit-oriented companies encounter challenges in achieving optimal performance (Abbas & Frihatni, 2023). The community entrusts zakat organisations with the management of zakat, infaq, and sadaqah (ZIS) contributions to maximise their collection and distribution (Amrani et al., 2022). Unlike conventional firms, the performance of these institutions cannot be evaluated through financial metrics such as return on assets or stock value. Consequently, this study assesses performance based on the efficiency and effectiveness with which ZIS funds are distributed and expanded (BASNAS, 2019).

In Indonesia, contributions of zakat, infaq, and sadaqah have shown a positive trajectory from 2002 to 2022 (Abdullah et al., 2023), reaching an estimated IDR 22 trillion in 2022, reflecting an increase of IDR 11,881.81 billion, or 84.16%, from the previous year. Historical events such as the natural disasters in Aceh City in 2005 and Yogyakarta City in 2007 triggered a 95% increase in ZIS collection (Amalia, 2018). During the COVID-19 pandemic in 2020, contributions exceeded usual levels, as reported in Puskas Baznas' policy evaluation (BAZNAS, 2023). The distribution of payments in 2021 and 2022 also demonstrated substantial effectiveness, achieving a 92.77% success rate. In 2022, the R&D Directorate documented Indonesia's zakat potential, estimating that IDR 250,406.32 billion could be mobilised (BAZNAS, 2023). Despite this potential, zakat organisations frequently fall short of their collection targets and struggle to realise their full capacity.

Widiastuti et al. (2021) emphasise that zakat institutions must engage in collaboration and synergy that extends beyond mere fund collection, requiring both individuals and corporations to identify potential contributors. Many zakat organisations face limitations in human resources, technical expertise, managerial and financial competencies, as well as in beneficiary selection processes (Amrani et al., 2022). Effective governance is critical for ensuring accuracy, transparency, and public trust in zakat management organisations (Nurhasanah, 2018; Saputra, 2020). Implementing Sharia governance mechanisms ensures that management operations comply with both Sharia principles and sound corporate governance practices (Sawmar & Mohammed, 2021). The primary functions of zakat institutions revolve around fund mobilisation and distribution (BASNAS, 2019), and robust Sharia governance is indicative of institutional effectiveness (Nomran & Haron, 2022).

To strengthen zakat organisations, Widiastuti et al. (2021) recommend the adoption of standardised governance frameworks similar to those applied in corporate settings (Saputra, 2020). These include regular implementation of Sharia governance practices, supervision by dedicated boards, and the enforcement of sanctions. Additionally, it is necessary to enhance the quality, quantity, and competency of human resources in organisational, financial, and technical management domains (Hudayati et al., 2023). Standardisation of governance is further facilitated through the formulation of zakat administration regulations and norms (Amalia, 2019). Sharia governance encompasses both internal control systems and the oversight of supervisory boards (Leena Haniffah et al., 2023), which contribute to institutional effectiveness. Mediawati (2019) assert that a structured Sharia management framework is crucial for zakat governance and organisational performance.

Research on Sharia governance is extensive, highlighting that Islamic administrative practices ensure organisational policies align with religious principles and stakeholder expectations (Nawaz, 2019; Zeineb & Mensi, 2018). Agency theory underscores that managers act as agents to achieve the organisation's objectives (Lestari et al., 2019), while Islamic teachings emphasise justice and accountability (Nareswari et al., 2023). Sharia governance fosters compliance with Islamic law, transparency, accountability, social responsibility, and stakeholder engagement (Nasution et al., 2023). It can also mitigate principal-agent conflicts through supervision and control mechanisms. This study examines the role of directors, Sharia supervisory boards, and other governance factors in organisational performance. Although rarely explored, the interaction between Sharia governance and the effectiveness of zakat institutions remains a critical area of investigation. This research draws inspiration from Zakiy et al. (2023) and focuses on the implementation of Sharia governance and its influence on organisational performance within Indonesian zakat institutions.

## Literature Review

### Agency Theory

This study utilises agency theory to examine the influence of Sharia governance on the performance of zakat management organisations (Jensen & Meckling, 1976). Agency theory centres on the principal-agent relationship, in which the principal delegates full responsibility for financial management to the agent. A fundamental concern arises from differences in information access and behaviour between the principal and the agent. Agency theory proposes that these asymmetries can be managed through formal labour contracts that align the interests of both parties (Darwanto & Chariri, 2019). Within zakat institutions, founders grant authority to management and supervisory boards to operate the organisation. To minimise potential conflicts of interest, institutions are required to adhere strictly to Sharia governance and principles (Amalia, 2019; Sawmar & Mohammed, 2021).

### Zakat Management Organization in Indonesia

Organisations are responsible for the collection and utilisation of zakat funds (Mardian et al., 2021). Such institutions have contributed to economic development and the alleviation of poverty in various countries (Saputra, 2020). In Morocco, for example, the Ministry of Finance and the Ministry of Awqaf are establishing private or semi-public zakat bodies to manage community contributions (Amrani et al., 2022). In Malaysia, zakat collection is mandatory (Nomran & Haron, 2022). In Indonesia, zakat administration is governed by Law No. 23 of 2011, which regulates the collection, management, and distribution of zakat (Rini et al., 2021). According to this law, both BAZ and LAZ are required to manage zakat; however, unlike BAZ, LAZ operates as a privately-owned entity with government authorisation (Zadjuli et al., 2020). Legally, zakat management organisations must plan, administer, and coordinate the collection, distribution, and utilisation of funds. To effectively reduce poverty and enhance community welfare, the efficiency and impact of zakat administration in Indonesia must be strengthened (Zakiy et al., 2023).

### Organizational Performance

The operational efficiency and overall effectiveness of zakat management organisations are influenced by a range of factors (Alam & Miah, 2024). Early indicators of performance include an institution's ability to engage the community in zakat activities through inclusive and well-managed collection efforts (Maisaroh & Pratama, 2023). Effective management of zakat funds necessitates careful investment planning, stringent cost control, and sound financial administration (Tashkandi, 2022). The distribution of zakat resources must be equitable, transparent, and responsive to ensure that recipients can achieve sustainable outcomes. Organisational efficiency in zakat management is closely linked to the timely and accurate allocation of funds, alongside mechanisms that ensure accountability (Qoyum et al., 2022). The efficacy of zakat management institutions is ultimately determined by both operational efficiency and the social and economic impacts of community empowerment (Nomran & Haron, 2020).

### Good Corporate Governance Sharia

Agency theory underpins the role of corporate governance in monitoring management activities, providing protection to shareholders against potential managerial misappropriation (Aslam & Haron, 2021). Contemporary corporate governance frameworks incorporate the roles of management, the board of directors, shareholders, and other stakeholders (Darmawan & Herianingrum, 2020). In the context of zakat management, governance extends to the interactions between entrepreneurs, managers, and other relevant parties (Al-Saadi et al., 2022). Stakeholder theory posits that effective organisational performance relies on the cultivation of strong relationships with all stakeholders (Aslam & Haron, 2020). The implementation of internal control systems further strengthens governance practices (Zakiy et al., 2023). Achieving governance that is transparent, equitable, accountable, and responsible is essential (Sawmar & Mohammed, 2021). The collection, growth, and distribution of zakat serve as indicators of sound governance, which in turn requires a structured and well-organised framework (Rahman & Jusoh, 2018).
Corporate governance mechanisms typically comprise shareholders' meetings, boards of commissioners, directors, and specialised committees (Aslam & Haron, 2020). Within zakat management institutions, ownership and oversight structures include supervisory boards, management boards, and foundation boards, all operating in accordance with Sharia principles. Sharia governance supervisory boards possess distinct functions and responsibilities compared to conventional boards (Zakiy et al., 2023). The performance of zakat management organisations, as well as the trust and confidence of stakeholders, is largely influenced by the implementation of Sharia governance. These perceptions directly affect organisational stability and overall effectiveness (Mubarokah et al., 2018). Robust Sharia governance ensures that stakeholders comprehend the legal requirements governing Sharia-compliant transactions and facilitates full disclosure of relevant information, thereby encouraging donations. Reducing information asymmetry between managers and stakeholders enhances public trust in the institutions (Jensen & Meckling, 1976).

### Size, Organisational Age, and Leverage

Organisational size is a critical factor when evaluating operational performance, as it often determines the range of functions an organisation can effectively manage (Ben Abdallah & Bahloul, 2023). Employment size is a common measure, with larger institutions typically capable of overseeing a greater number of business activities. The age of an organisation, defined as the duration from its establishment to the present, provides insight into its development and stability (Farag et al., 2018). Older organisations tend to enjoy greater trust, having endured multiple economic cycles and varying market conditions (Nomran & Haron, 2020). Leverage refers to the strategic use of resources or assets to enhance operational outcomes or investment returns. In the context of zakat management, organisations may employ funds to support social initiatives. Effective leveraging requires the application of accounting information systems to manage resources efficiently and to evaluate organisational performance, thereby assisting zakat administrators in optimising fund utilisation.

### Hypothesis Development

Sharia governance refers to internal control mechanisms that ensure both sound organisational governance and compliance with Sharia principles. Effective governance within zakat management institutions must align with Sharia requirements (Aslam & Haron, 2020; Elamer et al., 2020). The performance of each board is influenced by multiple factors. Agency theory suggests that an excessively large board of directors can impede communication and coordination (Jensen & Meckling, 1976), thereby necessitating higher levels of consensus to facilitate timely and effective decision-making.

### Size of the Board of Directors on Zakat Organizational Performance

Aslam and Haron (2021) emphasise the regulatory role of directors, while Croci (2018) notes that boards of directors significantly influence organisational governance. Agency theory posits that contracts establish the obligations and incentives governing principal-agent relationships. Such agreements serve to reduce conflicts between agents and principals and to align organisational objectives more effectively (Aslam & Haron, 2021; Jensen & Meckling, 1976). Management board directors are responsible for selecting annual reports, strategic plans, budgets, programmes, and organisational zakat allocations (Sawmar & Mohammed, 2021). Boards oversee zakat administration, governance processes, financial and programme planning, stakeholder engagement, and reporting, and they communicate to stakeholders regarding empowerment, human resources, information technology, muzakki, mustahik, and organisational partners in addition to financial matters (Amalia, 2019). Board size is also correlated with the competence of directors (Nawaz et al., 2021).
Inadequate personnel and poor-quality human resources can negatively affect zakat collection (Widiastuti et al., 2021). According to Baznas Regulation No. 3 of 2019, zakat administration requires a minimum of 20 technical, administrative, and financial professionals (Wijayati, 2021). Larger boards are associated with enhanced managerial control and operational efficiency (Farag et al., 2018). By expanding internal and external networks, large boards assist management in addressing complex issues using comprehensive information (Mezzi, 2018). In addition, substantial boards provide guidance from zakat management groups to standardise governance practices (Srairi, 2019). Consequently, the size of the board may influence the administration of zakat, leading to the formulation of the following hypothesis:

**H1:** The size of the Board of Directors has a positive effect on organizational performance at Zakat institutions.

### Directors' Educational Background on Zakat Organizational Performance

Agency theory suggests that boards of directors with higher educational qualifications possess a better understanding of agency principles, enabling them to identify and mitigate organisational agency risks (John et al., 2020). The educational background of directors may also influence their capacity to interpret and evaluate strategic information effectively (Solihati et al., 2023). Academic expertise has been shown to enhance board performance (Croci, 2018), as companies guided by well-qualified directors are better equipped to address diverse organisational challenges (Kusumastati et al., 2022). Adequate experience is essential for board members to analyse, evaluate, and make informed decisions that optimise organisational outcomes, particularly concerning long-term strategic objectives (Saidu, 2019). According to Agustia et al. (2022), the educational attainment of the board positively affects organisational success. A well-educated board can improve market positioning and utilise their knowledge to make superior strategic decisions (John et al., 2020). Directors with relevant expertise are more capable of making sound managerial choices, which in turn influence overall organisational performance. In zakat management institutions, high-quality education among directors enhances both governance and operational effectiveness. Based on these considerations, the second hypothesis is proposed:

**H2:** The educational background of Directors has a positive effect on organizational performance at zakat institutions.

**The Size of the Sharia Supervisory Board on the Performance of Zakat Organizations**

AAOIFI Governance Standard No. 1 mandates that Sharia supervisory boards operate independently to guide, evaluate, and monitor financial institutions' compliance with Sharia principles and relevant legal rulings (AAOIFI, 2016). Agency theory emphasises the necessity of a Sharia supervisory board within zakat organisations to ensure proper Sharia-compliant management (Mukhibad et al., 2021). These boards are responsible for overseeing the collection and distribution of zakat funds. To provide informed guidance on personnel matters and Sharia law, supervisory boards draw on the Quran, hadith, and the interpretations of ulama (ijtihad) (Rahman & Jusoh, 2018). The Sharia supervisory board guarantees that zakat administration aligns with Sharia standards (Zakiy et al., 2023) and maintains oversight of zakat operations (Baihaqi & Ulfa, 2022). Research has also evaluated the board's effectiveness in monitoring the distribution of funds (Mediawati, 2019), highlighting the role of internal Sharia monitoring mechanisms (Zakiy et al., 2023).

Similar to the board of directors, the size of the Sharia supervisory board can affect organisational performance (Sawmar & Mohammed, 2021). According to Baznas Regulation No. 3 of 2019, zakat institutions' Sharia boards must comprise a chairperson and two members recommended by the Indonesian Ulema Council. Empirical studies indicate that boards with a higher number of Sharia-compliant members are more effective in monitoring organisational management and maintaining adherence to Sharia principles (Al-Musheifri, 2021). This structure supports improvements in zakat management and ensures Sharia compliance (Farag et al., 2018). Additionally, contemporary transaction practices and zakat administration may enable key supervisory board members to enhance institutional performance (Susetyo, 2020). Based on these considerations, a hypothesis is proposed to examine the effect of Sharia supervisory board size on the performance of Indonesian zakat management organisations.

**H3:** The size of the Sharia Supervisory Board has a positive effect on organizational performance at zakat institutions.

**Sharia Supervisory Expertise on Zakat Organizational Performance**

Nawaz et al. (2021) emphasise that every zakat management organisation requires a Sharia supervisory board with diverse expertise. In accordance with IFSB-10, Sharia experts are responsible for overseeing relevant operational activities. Members of the Sharia supervisory board are selected based on their specialised knowledge, and agency theory supports the board in managing conflicts of interest and ensuring compliance with Sharia principles impartially (Zakiy et al., 2023). The effectiveness of a Sharia supervisory board is influenced by both its size and the expertise of its members (Nawaz et al., 2021). Zakiy et al. (2023) highlight that Sharia supervisory board members should possess knowledge not only of Sharia law but also of economic, financial, and social matters. A well-composed board, including both experts and other qualified individuals, is necessary to address operational challenges effectively (Mediawati, 2019). Boards with substantial Sharia expertise contribute to improved financial and organisational performance (Zakiy et al., 2023). While the JIABR oversees zakat management, the Sharia supervisory board ensures that operations remain distinct from other economic institutions by enforcing full compliance with Sharia standards in all transactions (Asrida et al., 2023). The performance of zakat management organisations is therefore closely dependent on the competence and understanding of the Sharia supervisory board. Based on this framework, a hypothesis is proposed to examine the impact of the Sharia supervisory board on the performance of zakat management institutions.

**H4:** The expertise of the Sharia Supervisory Board has a positive effect on organizational performance at zakat institutions.

**Size of the Supervisory Board on the Performance of the Zakat Organization**

The supervisory board is responsible for overseeing zakat management operations. An independent board ensures that the activities of zakat management organisations are properly monitored. According to agency theory, agents require supervision to align their actions with organisational objectives. Supervisory functions include auditing, financial reporting, and performance evaluation. Such monitoring helps to mitigate actions by agents that may conflict with the primary interests of the institution (Zakiy et al., 2023). The supervisory board ensures that financial reports adhere to applicable standards, reflecting the organisation's accountability to the community. Accurate financial reporting is essential, and the supervisory board reinforces COSO's assertion that internal control does not compromise the reliability of financial reports but rather demonstrates effective oversight of all transactions in accordance with established regulations and guidelines (Zakiy et al., 2023). The size of the supervisory board can affect operational efficiency, particularly within zakat management organisations. Empirical evidence indicates that larger boards enhance internal control mechanisms, which in turn influence organisational performance by ensuring compliance with regulations and promoting good governance practices (Yolanda et al., 2020). By expanding the board, zakat management institutions can strengthen both internal control and operational performance. Based on this rationale, the following hypothesis is proposed:

**H5:** The size of the Sharia Board has a positive effect on organizational performance at zakat institutions.

**Management Board Measures on Zakat Organizational Performance**

The management board is responsible for overseeing zakat operations (Zakiy et al., 2023). Management handles the implementation of work plans, organisational policies, and administrative responsibilities, including the collection, distribution, and utilisation of ZIS funds (Amalia, 2019). Founders appoint management to report directly to them regarding institutional activities (Wahyuni-Td et al., 2021). Management must approve and implement programmes and policies established by the board of directors, functioning as an agent on behalf of the institution. According to agency theory, interactions between the management board and the board of directors are essential to reduce information asymmetry, moral hazard, and adverse selection (Jensen & Meckling, 1976). The performance of management boards can be systematically evaluated. Research into zakat management organisations has rarely considered the effect of board size. Yolanda et al. (2020) found that a larger management board can enhance the effectiveness of zakat management institutions. Expanding the size of the management board supports improved policy implementation and more informed decision-making. Based on these insights, the following hypothesis is proposed:

**H6:** MB size positively affects organizational performance at Zakat institutions.

**Theoretical Framework**

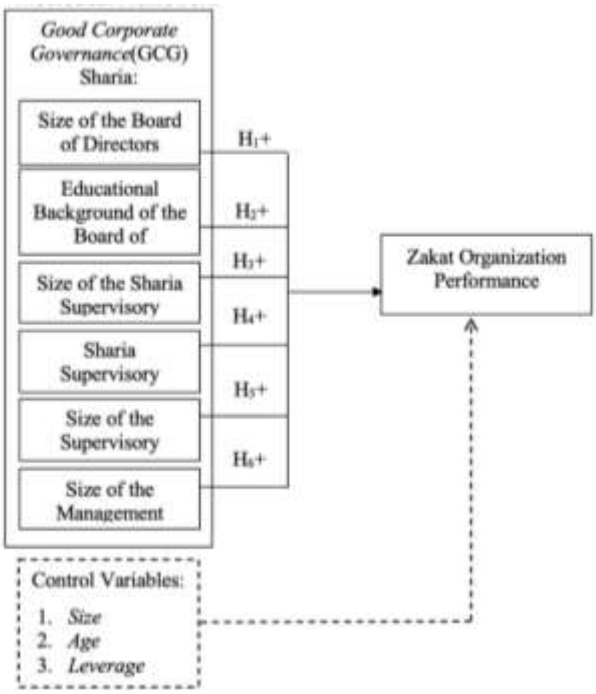


**Figure 1:** research framework

Figure 1 shows a theoretical framework explaining the influence of Sharia Good Corporate Governance (GCG) on the performance of zakat organizations. In this model, Sharia GCG acts as an independent variable measured through several indicators, namely the size of the board of directors, the educational background of the board of directors, the size of the sharia supervisory board, the role of sharia supervision, the size of the supervisory board, and the size of management. Each of these indicators is assumed to have a positive influence on the performance of zakat organizations, as indicated by the positive hypotheses H1-H6. This means that the better the implementation of sharia governance within the organization, the better the resulting zakat performance of the organization. In addition, there are control variables, namely size, age, and leverage, which also influence the performance of zakat organizations but are not the focus of the study. This framework shows that good governance grounded in sharia principles is an important factor in improving the effectiveness and performance of zakat management institutions.

## Research Method

**Sample Selection**

This study employs a quantitative approach, utilising financial statements and annual reports from Indonesian zakat management institutions covering the period 2019–2022. The population for this research comprises all Indonesian zakat management organisations, including Baznas and LAZ. These institutions were selected because research on Indonesian zakat organisations remains limited. Purposive sampling was applied to identify the sample according to the following criteria: (1) inclusion of the National Zakat Agency of the Republic of Indonesia (Baznas); (2) private national zakat amil institutions registered with the Ministry of Religion; and (3) publication of consecutive financial or annual reports between 2018 and 2022 by the national zakat council and private zakat institutions. Based on these criteria, 74 zakat management organisations possess national or regional authorisations, establishing a population of 370 institutions. Of these, 75 organisations met the sampling requirements for 2018–2022, representing 20.3% of the total population.

**Measurement of the Variables**

The dependent variable in this study is the performance of non-profit zakat management organisations (Zakiy et al., 2023). Performance metrics are assessed using the Gross Allocation Ratio (GAR), which is derived from organisational zakat management data (BASNAS, 2019). The GAR evaluates the balance between the collection and distribution of ZIS funds, taking into account that funds collected in a previous period cannot be redistributed in the subsequent period. This approach ensures that both current-period collections and any outstanding balances from prior periods are properly accounted for in determining the distribution of ZIS funds, thereby maintaining responsibility for funds yet to be disbursed (BASNAS, 2019; Zakiy et al., 2022).
The independent variable in this study is Sharia-compliant good corporate governance (Sharia GCG). This variable is operationalised using proxies such as the size and educational background of the board of directors, the size and expertise of the Sharia supervisory board, and the size of both the supervisory and management boards. Zakat management organisations maintain boards that adhere to Sharia principles. In this study, board size and educational attainment are employed to measure the board of directors' characteristics (Wijayanti & Setiawan, 2023). Membership is calculated based on the number of directors at the end of each fiscal year (Wahyuni-Td et al., 2021), while educational background is quantified by assigning numerical values to academic qualifications: 1 for a bachelor's degree, 2 for a master's, and 3 for a doctorate (Farag et al., 2018). Only Islamic institutions are governed by a Sharia Supervisory Board.

$$GAR = \frac{(\text{Distribution of Zakat Funds } + \text{Alms Infaq Fund}) - (\text{Amil portion of zakat funds} + \text{amil portion of infaq funds})}{(\text{Collection of Zakat Funds} + \text{Alms Infaq Fund}) + (\text{Final Zakat Fund Balance t} - 1 + \text{Final Fund Infaq Balance t} - 1) - (\text{Amil portion of zakat funds} + \text{amil portion of infaq funds})}$$

The Sharia Supervisory Board independently monitors compliance with Sharia principles within Islamic institutions (Zakiy et al., 2023). In this study, both the size and competence of the Sharia Supervisory Board are evaluated. The number of board members at year-end and the proportion possessing Sharia knowledge or other relevant expertise are recorded (Bouri & Ajili, 2018; Mezzi, 2018). Within zakat organisations, supervisory boards provide internal oversight, while management boards implement policies through their directors (Zakiy et al., 2023). This research examines these two proxies by measuring the size of both supervisory and management boards. Few studies have investigated these board sizes in detail; thus, this study assesses membership at the end of each year (Mezzi, 2018; Zeineb & Mensi, 2018). Control variables in this study include the size, age, and leverage of zakat management organisations. Institutions with larger collections may achieve broader market coverage and demonstrate stronger financial stability (Zakiy et al., 2023). Organisational size is measured using total assets, expressed as the natural logarithm of the sum of assets. Age is a critical factor in determining an organisation's stability, experience, and long-term performance, with longer-established zakat institutions typically exhibiting stronger foundations, reputations, and expertise, which influence performance outcomes (Mubarokah et al., 2018; Zakiy et al., 2023). Organisational age is estimated based on the number of years the institution has been operational (Zulfikar et al., 2020).

$$\text{Age} = \text{Year n} - \text{The first year the organization was founded}$$

Leverage constitutes a critical factor in the operations of zakat management organisations. Consequently, institutions must adopt an appropriate level of leverage to enhance performance while minimising exposure to financial risks. In this study, leverage is operationalised using the Debt-to-Asset Ratio (DAR), calculated as follows:

$$DAR = \frac{\text{Total Liability}}{\text{Total Assets}} \text{ x } 100\%$$

**Research Design**

This study employs Moderated Regression Analysis using IBM SPSS to evaluate the data. Analytically, the research investigates the effect of the independent variable on the dependent variable. Prior to applying the multiple regression model, a descriptive statistical analysis is conducted to summarise the data for each variable. To ensure that the regression coefficients are unbiased, consistent, and reliable, classical assumptions—including normality, multicollinearity, heteroscedasticity, and autocorrelation—are examined. A Model Fit Test is subsequently performed to assess the accuracy of the regression model in predicting actual outcomes, followed by hypothesis testing to determine whether to accept or reject the proposed hypotheses (Ghazali, 2011). Accordingly, the multiple regression equation for this study is formulated as:

$$Y = \alpha+\beta_1.X_1+\beta_2.X_2+\beta_3.X_3+\beta_4.X_4+\beta_5.X_5+\beta_6.X_6+\beta_7.K_1+\beta_8.K_2+\beta_9.K_3+\varepsilon \quad \ldots\ldots (1)$$

## Results and Discussion

**Results**

**Descriptive Analysis**

Table 1 presents the results of descriptive statistical analyses. The data indicate that Indonesian zakat organisations perform well, with a mean score of 0.75, a median of 0.76, and a standard deviation of 0.11. The board of directors is sizeable, exhibiting an average of 3.46, a median of 3.00, and a standard deviation of 1.21. Directors also demonstrate strong educational qualifications, with a mean of 2.80. Sharia supervisory boards are relatively small, showing both a mean and median of 3.00, and a standard deviation of 1.27. The Sharia management boards display competent expertise, with an average score of 1.13. Supervisory boards record a mean of 2.93, while management boards average 5.40. Regarding control variables, the average size of zakat organisations is 24.12, the mean organisational age is 18.46 years, and the average leverage is 0.13.

**Table.1:** Descriptive Analysis Test Results

| Variable | Number of Samples | Minimum | Maximum | Mean | Median | Std. Deviation |
|---|---|---|---|---|---|---|
| Organizational Performance | 75 | 0.51 | 0.97 | 0.75 | 0.76 | 0.11 |
| Size of the Board of Directors | | 1.00 | 5.00 | 3.46 | 3.00 | 1.21 |
| Educational Background of the Board of Directors | | 0.00 | 9.00 | 2.80 | 3.00 | 2.47 |
| Size of the Sharia Supervisory Board | | 2.00 | 7.00 | 3.00 | 3.00 | 1.27 |
| Sharia Management Board Expertise | | 1.00 | 3.00 | 1.13 | 1.00 | 0.50 |
| Size of the Supervisory Board | | 2.00 | 6.00 | 2.93 | 3.00 | 1.06 |
| Size of the Management Board | | 2.00 | 12.00 | 5.40 | 4.00 | 2.86 |
| Size | | 20.75 | 26.77 | 24.12 | 24.06 | 1.32 |
| Age | | 4.00 | 29.00 | 18.46 | 19.00 | 5.43 |
| Leverage | | 0.00 | 0.70 | 0.13 | 0.10 | 0.14 |

**Source:** Data Processed by SPSS Version 26 (2024).

**Classic Assumption Test Results**

The subsequent section presents the outcomes of the classical assumption tests:

**Normality Test Results**

The findings of the normality test are summarised in Table 2. Using the Kolmogorov-Smirnov method, the significance value was 0.200, exceeding the 0.05 threshold. This result indicates that all variables analysed—including organisational performance, board of directors' size, directors' educational background, Sharia supervisory board size, Sharia board expertise, supervisory board size, management board size, organisational size, age, and leverage—follow a normal distribution.

**Table.2:** Normality Test Results One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residuals |
|---|---|---|
| N | | 75 |
| Normal Parameters, b | Mean | ,0000000 |
| | Std. Deviation | ,00000000 |
| Most Extreme Differences | Absolute | ,073 |
| | Positive | ,048 |
| | Negative | -,073 |
| Statistical Tests | | ,073 |
| Asymp. Sig. (2-Tailed) | | **,200c,d** |
| Exact Sig. (2-Tailed) | | ,000 |
| Point Probability | | ,000 |

**Dependent Variable:** Organizational Performance. **Source:** Data Processed by SPSS Version 26 (2024).

### Multicollinearity Test Results

The purpose of the multicollinearity test in this study is to examine the relationships or correlations among the variables. The results are presented in Table 3. As shown, the tolerance values for all variables exceed 0.10, while the variance inflation factor (VIF) values remain below 10.00. These results indicate the absence of multicollinearity within the regression model, suggesting that the independent variables are not excessively correlated and that the model is appropriate for further analysis.

**Table.3:** Multicollinearity Test Results

| Model | Tolerance | VIF | Information |
|---|---|---|---|
| Size of the Board of Directors | ,867 | 1,153 | Multicollinearity does not occur |
| Educational Background of the Board of Directors | ,691 | 1,447 | Multicollinearity does not occur |
| Size of the Sharia Supervisory Board | ,157 | 6,366 | Multicollinearity does not occur |
| Sharia Management Board Expertise | ,514 | 1,946 | Multicollinearity does not occur |
| Size of the Supervisory Board | ,182 | 5,490 | Multicollinearity does not occur |
| Size of the Management Board | ,535 | 1,868 | Multicollinearity does not occur |
| Size | ,285 | 3,504 | Multicollinearity does not occur |
| Age | ,841 | 1,189 | Multicollinearity does not occur |
| Leverage | ,687 | 1,456 | Multicollinearity does not occur |

**Dependent Variable:** Organizational Performance
**Source:** Data Processed by SPSS Version 26 (2024).

### Heteroscedasticity Test Results

The outcomes of the heteroscedasticity test are presented in Table 4. According to the results, the significance values for all variables—including board of directors' size, directors' educational background, Sharia supervisory board size, Sharia board expertise, supervisory board size, management board size, organisational size, age, and leverage—exceed 0.05. The Glejser test therefore indicates no presence of heteroscedasticity, confirming that the data meet the required assumptions for this analysis.

**Table.4:** Heteroscedasticity Test Results - Glejser Test

| Model | Sig | Information |
|---|---|---|
| Size of the Board of Directors | ,970 | Heteroscedasticity does not occur |
| Educational Background of the Board of Directors | ,997 | Heteroscedasticity does not occur |
| Size of the Sharia Supervisory Board | ,844 | Heteroscedasticity does not occur |
| Sharia Management Board Expertise | ,885 | Heteroscedasticity does not occur |
| Size of the Supervisory Board | ,880 | Heteroscedasticity does not occur |
| Size of the Management Board | ,835 | Heteroscedasticity does not occur |
| Size | ,710 | Heteroscedasticity does not occur |
| Age | ,993 | Heteroscedasticity does not occur |
| Leverage | ,970 | Heteroscedasticity does not occur |

**Dependent Variable:** Organizational Performance
**Source:** Data Processed by SPSS Version 26 (2024).

### Autocorrelation Test Results

The results of the autocorrelation test are displayed in Table 5. As indicated, the Durbin-Watson (dW) statistic is 2.013, which is greater than the upper bound (dU = 1.801) and less than 4 minus the upper bound (4 - dU = 2.198). This demonstrates that the Durbin-Watson value satisfies the required criteria, indicating the absence of autocorrelation within the regression model.

**Table.5:** Autocorrelation Test Results

| Model | Durbin-Watson | Information |
|---|---|---|
| 1 | 2,013 | There is no autocorrelation |

**Source:** Data Processed by SPSS Version 26 (2024).

### Moderated Regression Analysis Test Results

The findings of the multiple linear regression analysis are presented in Table 6.
The regression model is expressed as:

$$Y = \alpha + \beta1.X1 + \beta2.X2 + \beta3.X3 + \beta4.X4 + \beta5.X5 + \beta6.X6 + \beta7.K1 + \beta8.K2 + \beta9.K3 + \varepsilon$$

With the estimated coefficients:

$$Y = 0.843 - 0.001.X1 + 0.003.X2 + 0.009.X3 - 0.092.X4 + 0.045.X5 + 0.22.X6 - 0.011.K1 - 0.001.K2 + 0.220.K3 + \varepsilon$$

The results in Table 6 and the corresponding regression equation indicate that all variables examined contribute to organisational performance. This includes control variables such as organisational size, age, and leverage, as well as independent variables comprising board size, supervisory board, and management board. The effects of these variables can be either positive or negative depending on their specific coefficients.

**Table.6:** Test Results of Moderated Regression Analysis (Equation 1)

| Model | Unstandardized Coefficients | Sig |
|---|---|---|
| | B | |
| Constant | ,843 | ,000 |
| Size of the Board of Directors | -,001 | ,620 |
| Educational Background of the Board of Directors | ,003 | ,071 |
| Size of the Sharia Supervisory Board | ,009 | ,001 |
| Sharia Management Board Expertise | -,092 | ,000 |
| Size of the Supervisory Board | ,045 | ,000 |
| Size of the Management Board | ,022 | ,000 |
| Size | -,011 | ,000 |
| Age | -,001 | ,022 |
| Leverage | ,220 | ,016 |

**Dependent Variable:** Organizational Performance
**Source:** Data Processed by SPSS Version 26 (2024).

**Model Fit Test Results**

**F Test Results**

The outcomes of the F-statistical test are presented in Table 7. The analysis demonstrates that the significance value is 0.000, which is less than 0.05, indicating that all independent variables—including board size, educational background, Sharia supervisory board size, Sharia board expertise, and management board size—alongside control variables such as organisational size, age, and leverage, exert a significant influence on organisational performance.

**Table.7:** F Statistical Test Results

| Model | Sig | Information |
|---|---|---|
| Regression | 0,000 | Accepted |

**Source:** Data Processed by SPSS Version 26 (2024).

**Coefficient of Determination Test Results ($R^2$)**

The results of the coefficient of determination test ($R^2$) are presented in Table 8. The adjusted $R^2$ value is 0.748, equivalent to 74.8%, indicating that the independent variables collectively explain 74.8% of the variance in the dependent variable, while the remaining 25.2% is attributable to other factors not included in the model.

**Table.8:** Determination Coefficient Test Results ($R^2$)

| Model | Adjusted R Square |
|---|---|
| 1 | 0.748 |

**Source: Data Processed by SPSS Version 26 (2024).**

**Hypothesis Test Results**

The results of the t-statistical test are presented in Table 9. The findings indicate that the size and educational background of the board of directors do not significantly impact organisational performance, with a significance value of 0.620 and a coefficient of –0.001. In contrast, the size of the Sharia Supervisory Board has a significant positive effect on organisational performance (significance = 0.001; coefficient = 0.009). Conversely, the expertise of the Sharia Supervisory Board exerts a significant negative effect (significance = 0.000; coefficient = –0.092). Additionally, both the supervisory board size (significance = 0.000; coefficient = 0.045) and management board size (significance = 0.000; coefficient = 0.022) demonstrate significant positive effects. Among the control variables, organisational size and age negatively influence performance (significance = 0.000; coefficient = –0.011; and significance = 0.022; coefficient = –0.001, respectively), whereas leverage has a significant positive impact on organisational performance (significance = 0.016; coefficient = 0.220).

**Table.9:** Results of the T-Statistical Test

| Model | Beta | Sig | Information |
|---|---|---|---|
| Size of the Board of Directors | -,001 | ,620 | Accepted |
| Educational Background of the Board of Directors | ,003 | ,071 | Rejected |
| Size of the Sharia Supervisory Board | ,009 | ,001 | Rejected |
| Sharia Management Board Expertise | -,092 | ,000 | Accepted |
| Size of the Supervisory Board | ,045 | ,000 | Accepted |
| Size of the Management Board | ,022 | ,000 | Accepted |
| Size | -,011 | ,000 | Accepted |
| Age | -,001 | ,022 | Accepted |
| Leverage | ,220 | ,016 | Accepted |

**Dependent Variable:** Organizational Performance
**Source:** Data Processed by SPSS Version 26 (2024).

## Discussion

**The Size of the Board of Directors on Organizational Performance**

The first hypothesis is rejected, as the study found that board size does not have a significant effect on organisational performance. This suggests that merely increasing or reducing the number of board members does not enhance decision-making or supervisory capacity. More critical is the selection of board members with appropriate expertise and skills who can collaborate effectively to achieve the organisation's objectives (Zakiy et al., 2023). Consequently, the quality of board members and their working dynamics have a greater impact on organisational success than the size of the board (Nawaz et al., 2021). According to agency theory, the board of directors is responsible for monitoring management on behalf of shareholders. In situations where the interests of management and owners diverge, this oversight function is essential to mitigate agency risks. In evaluating board size, it is important to consider its relation to supervision and decision-making. Factors such as competence, independence, and representativeness of board members are more influential than numerical strength in determining board effectiveness. Therefore, maintaining organisational performance and reducing agency risk necessitates prioritising the quality and collaborative dynamics of board members over their quantity.

**The Educational Background of the Board of Directors on Organizational Performance**

The second hypothesis is rejected, as the study found that the educational background of the board of directors does not significantly influence organisational performance. The effectiveness of zakat organisations is not solely determined by the academic qualifications of their board members. While formal education contributes to foundational knowledge, practical skills, relevant experience, strategic vision, and an understanding of community needs are of greater importance. Zakat organisations achieve success through effective resource management, adaptability, and innovation in the design and implementation of community programmes. Consequently, organisational performance is more closely associated with the practical and managerial competencies of board members. Agency theory posits that the board of directors is responsible for managing the organisation on behalf of its owners. Although educational background in management or finance can inform board dynamics by providing knowledge of efficient administration and resource allocation, overall effectiveness depends on a combination of education, practical experience, ethical conduct, commitment to organisational goals, and adaptability. Therefore, the performance of zakat organisations is primarily contingent upon the competence and leadership qualities of their board members.

**The Size of the Sharia Supervisory Board on Organizational Performance**

The study demonstrates that the size of the Sharia supervisory board positively influences the performance of zakat organisations, thereby supporting the third hypothesis. An expanded supervisory board can enhance the administration of zakat funds, as well as organisational transparency and accountability. A well-constituted supervisory board strengthens the organisation's public legitimacy, which, in turn, facilitates the collection and distribution of zakat (Hadi et al., 2021). According to agency theory, the supervisory board is responsible for overseeing the management of funds in accordance with Sharia principles. An appropriately sized board offers diverse perspectives and enables more effective control over strategic decision-making, thereby improving monitoring processes. Furthermore, an effective supervisory board can foster greater transparency in the management of zakat funds, increase public confidence in zakat organisations, and ensure responsible fund utilisation. A board composed of members with expertise in Sharia law, finance, and risk management supports management in making more informed and strategic decisions regarding zakat fund administration. Therefore, the optimal size and composition of the Sharia supervisory board enhance internal oversight mechanisms and have the potential to improve zakat organisations' performance through more efficient, transparent, and accountable management practices.

**The Sharia Supervisory Board's Expertise on Organizational Performance**

The fourth hypothesis is supported, as the study reveals that the expertise of the Sharia supervisory board exerts a negative effect on the performance of zakat organisations. This finding suggests that mere technical knowledge within the supervisory board is insufficient to enhance organisational effectiveness. An excessively rigid or highly knowledgeable board may constrain the flexibility and creativity of zakat management, fostering bureaucratic procedures and reducing responsiveness to evolving community needs. While adherence to Sharia principles is essential, over-regulation can inadvertently impede organisational performance. From the perspective of agency theory, the knowledge of the Sharia supervisory board can have complex effects on zakat organisations. The board is tasked with ensuring Sharia-compliant fund management and aligning operations with the objectives of fund owners. However, if the board places disproportionate emphasis on strict compliance and control, it may restrict flexibility and hinder innovation in planning and implementing zakat programmes. As a result, zakat organisations may struggle to adapt to changing community requirements and external circumstances, negatively affecting performance. Therefore, it is crucial for the Sharia supervisory board to strike a balance between Sharia conformity and operational flexibility to optimise outcomes for beneficiaries.

**The Supervisory Board Size on Organizational Performance**

The fifth hypothesis is supported, as the findings indicate that the size of the supervisory board positively influences organisational performance. Performance is enhanced when the supervisory board comprises an optimal number of members who can effectively monitor and guide the organisation. The principal responsibility of the supervisory board is to oversee senior management and ensure that decisions align with the long-term interests of both the organisation and its owners. A competent supervisory board mitigates risk, fosters transparency, and encourages innovation. Within the framework of agency theory, the supervisory board functions as the principal mechanism to monitor and resolve potential conflicts between shareholders and managers. A board with an appropriate size and diverse composition can effectively supervise management, evaluate strategic decisions, and ensure that organisational policies support long-term objectives. Agency theory posits that both the size and composition of the supervisory board reduce agency risks and strengthen oversight. Consequently, the finding that "the size of the supervisory board has a positive and significant effect on organisational performance" suggests that a well-structured governance framework can diminish agency conflicts, enhance decision-making processes, and thereby improve overall organisational effectiveness.

**Management Board Size on Organizational Performance**

The sixth hypothesis is supported, as the study demonstrates that the size of the management board positively influences organisational performance. A larger and more diverse management board can enhance the effectiveness of zakat organisations. Such a board facilitates strategic decision-making by incorporating a broad range of perspectives and information. This contributes to more efficient administration of zakat funds, greater transparency in the use and distribution of resources, and improved implementation of community programmes financed by zakat. The observed positive relationship between management board size and organisational performance underscores the importance of robust governance structures to achieve social objectives and ensure sustainability. Agency theory provides a framework for understanding how oversight and control relate to board size and organisational performance. The management board acts on behalf of stakeholders, supervising zakat operations and financial management. An expanded board improves oversight and ensures that strategic decisions align with the organisation's goals. Furthermore, diversity in professional expertise and personal backgrounds among board members may help reduce conflicts of interest between management and external stakeholders, including funders and zakat beneficiaries, thereby enhancing organisational effectiveness.

**Size, Age, and Leverage as a Control Variable**

The study indicates that organisational size exerts a significant negative effect on the performance of zakat organisations. Consequently, size cannot be considered a suitable control variable in this context. Larger zakat management organisations, both in terms of financial resources and programme scope, tend to exhibit lower efficiency in managing and distributing zakat. This finding suggests that expansive zakat organisations may encounter challenges in effectively administering funds and achieving their objectives, highlighting the influence of organisational size on zakat management and distribution practices. Similarly, the analysis reveals that organisational age negatively affects performance, indicating that it cannot be retained as a control variable. Longer-established zakat organisations appear to perform less effectively, suggesting potential difficulties in adapting to environmental changes, incorporating innovative practices, or meeting evolving management expectations. In contrast, leverage demonstrates a significant positive effect on zakat organisations' performance, justifying its use as a control variable. By optimising the use of resources, including zakat funds, organisations can enhance benefits for recipients. The integration of technology may improve the efficiency and accessibility of zakat distribution to vulnerable populations. Moreover, partnerships in corporate and financial sectors can enable zakat organisations to reach broader communities and fulfil societal needs more effectively. Therefore, leverage supports both operational efficiency and sustainable social impact, empowering communities through more strategic and targeted zakat practices.

## Conclusion

In Indonesia, zakat organisations function similarly regardless of board size, with effectiveness relying more on fulfilling board responsibilities than expanding membership. Stakeholder satisfaction and zakat collection are primarily influenced by the educational background of board members. Increasing the number of Sharia Supervisory Board members improves organisational performance, while the expertise of the Sharia Management Board significantly affects efficiency, highlighting the need for qualified personnel. Larger supervisory and management boards enhance monitoring, Sharia compliance, strategic decision-making, and programme success. Control variables such as organisational size, age, and leverage remain important, affecting operational capacity, stability, and financial risk. GCG further strengthens fund management and performance by promoting transparency, accountability, donor trust, cost efficiency, resource optimisation, risk management, and regulatory compliance. The study is limited by the small sample of 75 organisations and the unavailability of publicly reported financial data from 2018 to 2022. Future research should incorporate more recent data and broader performance indicators to provide a comprehensive assessment of zakat institutions.

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