

Strategic Management and Digital Transformation in Zakat, Infaq, and Sadaqah (ZIS) Fund Governance: A Case Study of Baitulmaal Muamalat West Java

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ABSTRACT

This study investigates the strategic and digital management of zakat, infaq, and sadaqah (ZIS) funds conducted by Baitulmaal Muamalat (BMM) West Java to promote sustainable community empowerment. Using a qualitative case study approach, data were collected through semi-structured interviews with twelve key informants, direct field observations, and document reviews. Thematic analysis was applied to identify strategic patterns in ZIS fund governance. The findings reveal that BMM employs a hybrid strategy integrating productive zakat distribution, group-based Islamic microfinance, entrepreneurship training, and digital collaboration with fintech platforms. These initiatives have improved beneficiaries' economic resilience and reduced dependency on consumptive aid. Nevertheless, the organisation faces persistent challenges, including limited human resources, inadequate financial literacy among recipients, and weak monitoring mechanisms. This research contributes to the literature on Islamic social finance by demonstrating how strategic management and digital transformation can reinforce transparency, accountability, and the socio-economic impact of zakat-based empowerment programs.

Keywords: islamic social finance; digital transformation; strategic management; community empowerment; Baitulmaal Muamalat.

INTRODUCTION

Islamic social finance—comprising zakat, infaq, and sadaqah (ZIS)—is a vital mechanism for social redistribution and economic justice in Muslim societies. Rooted in Qur'anic principles of equity and compassion, these instruments function not merely as charity but as structured economic tools aimed at reducing inequality and promoting productive welfare. Over the past two decades, ZIS institutions have evolved from traditional distributive entities into professional organisations implementing strategic, development-oriented programmes aligned with maqasid al-shariah Ascarya & Masrifah (2023). This evolution reflects a growing recognition that sustainable welfare requires systematic management and strategic governance rather than sporadic distribution.

In Indonesia, the world's largest Muslim-majority country, zakat potential exceeds IDR 300 trillion annually, yet less than 10 per cent is effectively collected (Sukmana, 2023). This gap reflects not only limited compliance among payers (muzakki) but also structural weaknesses in institutional capacity, transparency, and accountability (Rizkon et al, 2021). Consequently, zakat institutions must adopt a more professional, strategically managed, and technology-driven orientation to maximise social impact.

The rapid expansion of digital technology has further transformed the landscape of Islamic philanthropy. The rise of fintech platforms, mobile payments, and online crowdfunding has enhanced the transparency, efficiency, and accessibility of zakat management (Hassan et al., 2023). However, many regional institutions struggle with digital integration due to inadequate resources, fragmented data systems, and limited managerial expertise. Hence, while technology offers significant potential, its full utilisation in improving governance and empowerment outcomes remains underdeveloped.

Research on the intersection of strategic management and digital transformation in Islamic social finance remains limited. Previous studies have examined operational efficiency (Fersi & Boujelbene, 2023), microfinance governance (Hussin et al, 2024) and digital payment adoption (Ismail & Possumah, 2020). However, few explore how strategic planning and digital innovation interact to achieve sustainable empowerment outcomes. This gap highlights the need for empirical, context-based research on the managerial and technological practices of ZIS institutions, particularly in Indonesia, where digital philanthropy is expanding but still under-analysed.

Baitulmaal Muamalat (BMM) West Java serves as an exemplary case for such inquiry. As the philanthropic arm of Bank Muamalat Indonesia, BMM has pioneered integrating Islamic ethics, strategic management, and digital systems into zakat governance. The West Java branch, in particular, has introduced digital zakat platforms, fintech collaborations, and entrepreneurship-based empowerment initiatives that align religious principles with managerial innovation. Despite this, scholarly evaluation of BMM's strategic and digital mechanisms remains scarce, with most studies focusing on programmatic outcomes rather than underlying governance structures (Rizqon et al., 2024).

Accordingly, this study explores how BMM West Java integrates strategic and digital management to administer ZIS funds and foster sustainable community empowerment. It addresses three central questions: (1) What strategic management approaches guide BMM's ZIS governance? (2) How is digital technology integrated into its operations? Moreover, (3) What are the implications of these practices for beneficiaries' empowerment

and independence? By answering these questions, the study contributes to the broader discourse on Islamic social finance, providing empirical evidence on how faith-based institutions can enhance accountability, organisational effectiveness, and socio-economic impact through the synergy of strategic management and digital innovation.

METHOD

This study employed a qualitative design with a single case study approach to gain an in-depth understanding of how Baitulmaal Muamalat (BMM) West Java strategically and digitally manages zakat, infaq, and sadaqah (ZIS) funds to promote community empowerment. The case study method was chosen for its ability to capture complex managerial and institutional dynamics within their real organisational context (Annalah, 2024). BMM West Java, a regional branch of Bank Muamalat Indonesia's philanthropic arm, was purposively selected for its pioneering integration of strategic management principles and digital transformation into ZIS governance. The branch's extensive empowerment programmes, including micro-entrepreneurship and digital fundraising, provided a rich context for examining strategic and digital management practices.

Data were collected between February and May 2024 through semi-structured interviews, field observations, and document analysis. Interviews, conducted both face-to-face and online, lasted 45–60 minutes and explored themes of strategic planning, digital implementation, transparency, and sustainability. Observations of empowerment activities and reviews of institutional documents—such as strategic plans, annual reports, and digital dashboards—were used to triangulate findings. Twelve purposively selected participants contributed to the study, comprising senior managers, programme officers, digital administrators, and beneficiaries actively engaged in empowerment initiatives. All participants had at least two years of relevant experience and provided informed consent. To ensure confidentiality, pseudonyms were used and all identifiable information was removed from the transcripts.

Data were transcribed verbatim and analysed thematically following Mohd Hussen et al (2024) framework. The process involved iterative coding, theme identification, and integration of empirical findings with theoretical insights from strategic management and Islamic social finance. NVivo 12 software was used to maintain coding rigour and traceability. Credibility was ensured through triangulation of data sources, member checking with participants, and peer debriefing with Islamic economics scholars to minimise bias. All participants were informed of their rights, and data confidentiality was strictly maintained. Overall, this methodological design provides a rigorous and transparent framework for understanding how BMM West Java integrates strategic and digital approaches in ZIS fund management, thereby strengthening the validity of findings and contributing to the broader discourse on Islamic social finance and organisational strategy.

RESULTS AND DISCUSSION

This section presents and analyses the study's empirical findings on the strategic and digital management of zakat, infaq, and sadaqah (ZIS) funds at Baitulmaal Muamalat (BMM) West Java. Through thematic analysis, three major themes were identified: (1) strategic orientation and institutional capacity building, (2) digital transformation and transparency enhancement, and (3) empowerment impact and sustainability challenges. Each theme is discussed below, integrating empirical evidence from interviews, observations, and document analysis with relevant theoretical perspectives.

Strategic Orientation and Institutional Capacity Building

The first significant finding indicates that BMM West Java has adopted a strategic management orientation that goes beyond conventional charity-based zakat distribution. The institution explicitly integrates long-term planning, stakeholder analysis, and performance monitoring into its operational framework. Interviews with senior managers revealed that the branch develops annual strategic plans aligned with the national BMM framework, emphasising empowerment, self-reliance, and social impact as core performance indicators.

One senior manager explained:

"We no longer treat zakat merely as assistance. Each programme must have a measurable empowerment outcome. We assess how far beneficiaries can sustain their businesses after the funding period."

This statement demonstrates a shift towards a results-based management (RBM) approach that focuses on measurable outputs and long-term sustainability rather than on short-term disbursement volumes. Field observations further showed that programme officers employed participatory planning methods in which beneficiaries were involved in identifying livelihood priorities and co-designing projects. Such a participatory orientation resonates with the concept of strategic fit in public sector management (Bryson, 2018), which emphasises alignment between institutional mission and stakeholder expectations. In BMM's case, this alignment ensures that strategic objectives — such as poverty alleviation and economic inclusion — remain consistent with the religious mandate of zakat while also conforming to modern management accountability standards.

In addition to strategic planning, institutional capacity building has become a central pillar of BMM's governance model. The branch invests in regular staff training on topics such as financial literacy, programme

evaluation, and sharia compliance. These internal capacity-development efforts address one of the key challenges identified in prior studies on zakat institutions — namely, the shortage of professional human resources capable of balancing religious and managerial competencies (Ismail & Possumah, 2020). Overall, the strategic orientation of BMM West Java reflects a deliberate effort to institutionalise professionalism in ZIS management, thereby bridging the gap between faith-based values and managerial efficiency. This finding reinforces the argument by Ascarya (2022) that the sustainability of Islamic social finance depends not merely on financial capital but on the strength of human and institutional capital underpinning its management processes.

Digital Transformation and Transparency Enhancement

The second central theme concerns the integration of digital technology into BMM West Java's management and service delivery systems. The organisation has embraced digital transformation as a strategic tool to enhance transparency, operational efficiency, and donor engagement. Data from interviews and internal documents show that BMM has developed a digital zakat platform integrated with its primary financial management system. Through this platform, donors can contribute funds via mobile banking, e-wallets, or fintech applications. The digital dashboard also enables real-time tracking of fund inflows and outflows, producing monthly transparency reports accessible to the public. A digital administrator highlighted the significance of this innovation by stating:

“Digitalisation allows us to connect directly with donors and beneficiaries. They can see how their donations are used and what programmes they support. Transparency builds trust, and trust builds sustainability.”

This testimony aligns with Rahman et al. (2024), who found that digitalisation in zakat institutions enhances not only efficiency but also trust capital — a crucial determinant of long-term donor retention. The use of fintech partnerships also reflects an adaptive strategy to contemporary financial ecosystems, enabling BMM to reach younger, tech-savvy donors and to diversify its funding channels. From a managerial perspective, BMM's digital initiatives also strengthen internal accountability mechanisms. The system automatically records transaction data and generates analytical summaries for programme evaluation. This technological integration exemplifies the “data-driven governance” model described by Jamei et al. (2023), in which digital systems monitor, evaluate, and communicate social finance performance in real time. However, despite these achievements, the study also found that digital capacity remains uneven across the organisation. Some field officers expressed difficulty in utilising the system effectively, especially in rural areas where internet connectivity is limited. As one field officer noted:

“Sometimes we rely on manual reports because the digital system is not accessible in the villages. We need more training and better tools.”

This reflects the digital divide identified in the broader literature on technology adoption in the non-profit sector (Al-Mamun, 2021). While BMM has made substantial progress, the full potential of digital zakat management requires continuous investment in infrastructure, user training, and cybersecurity resilience.

Empowerment Impact and Sustainability Challenges

The third theme concerns the outcomes and challenges of BMM West Java's empowerment-oriented ZIS programmes. The empirical findings reveal that the institution has successfully implemented several productive zakat models, including micro-mudarah financing, entrepreneurship training, and community-based cooperative schemes. These initiatives have contributed to improving beneficiaries' economic resilience and income stability. Interviews with beneficiaries suggest that productive zakat programmes have helped transform them from aid recipients into independent entrepreneurs. One beneficiary shared:

“Before joining the programme, I depended on monthly aid. Now, I manage my own small shop and can even donate to others.”

This narrative illustrates a shift from dependency to empowerment, consistent with the transformational zakat concept proposed by Ahmed (2019), which emphasises human development through capacity building and social inclusion. Observational data also indicated that the majority of empowerment programmes included mentorship and financial training sessions, suggesting a holistic approach that combines capital support with skill development. Nevertheless, sustainability challenges persist. Several beneficiaries reported difficulties in maintaining their business performance after the initial support period, often due to market constraints, limited financial management skills, and insufficient post-programme monitoring. Moreover, although digitalisation has enhanced transparency, it has not fully resolved the problem of continuous impact evaluation. The absence of a comprehensive monitoring and evaluation (M&E) framework limits BMM's ability to measure long-term social outcomes. These findings echo the concerns of Sarea (2021), who argue that many zakat institutions still lack systematic impact assessment mechanisms despite adopting modern management systems. The experience of BMM West Java suggests that achieving sustainable empowerment requires not only initial funding and training but also ongoing mentoring, network facilitation, and periodic evaluation. Therefore, future strategies should incorporate an integrated M&E model, possibly leveraging digital analytics to track beneficiary progress over time.

CONCLUSION

This study examined how Baitulmaal Muamalat (BMM) West Java strategically and digitally manages zakat, infaq, and sadaqah (ZIS) funds to foster sustainable community empowerment. Using a qualitative case study approach, the research found that BMM has successfully evolved from a conventional charity-based model into a strategically managed and digitally driven Islamic social finance institution. The findings highlight that effective ZIS management depends less on financial capacity than on the strength of institutional strategy, governance, and human capital. The study concludes that BMM West Java has institutionalised modern strategic management principles—such as participatory planning, performance measurement, and capacity building—into its governance structure. This orientation ensures that empowerment programmes aim not at temporary relief but at measurable socio-economic transformation and community self-reliance.

Digital transformation has emerged as a key enabler of transparency, efficiency, and trust. Through fintech integration and real-time digital dashboards, BMM has improved accountability and donor confidence. Nonetheless, the effectiveness of these innovations depends on adequate human resource competence and infrastructure, as digital skill gaps and limited connectivity remain challenges in rural areas. The empowerment-focused ZIS programmes—particularly micro-mudarabah financing, entrepreneurship support, and mentoring—have enhanced beneficiaries' economic independence, illustrating the institution's success in operationalising the transformative dimension of zakat. However, sustaining these impacts requires stronger post-programme monitoring and evaluation to ensure long-term socio-economic progress and scalability.

Theoretically, this research contributes to the literature on Islamic social finance governance by demonstrating the synergy between strategic management and digital transformation in improving institutional effectiveness. The case of BMM West Java challenges the notion that faith-based and managerial approaches are incompatible, revealing a model of religio-managerial hybridity in which Islamic values of accountability (*amanah*), transparency (*shafafiyah*), and empowerment (*tamkin*) are realised through data-driven, professionally managed systems.

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