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Zakat management innovation: Wakalah contract for cash flow stabilization

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Abstract

Purpose – Zakat institutions (ZIs) face managerial inefficiencies to the extreme seasonality of zakat fitr collection, which restricts distribution to short-term consumptive aid. This study analyzes LAZISMU's "year-round zakat fitr" program implementation at LAZISMU Ponorogo, East Java, as a fiqh-management innovation designed to address this operational challenge by harmonizing Sharia compliance with financial sustainability.

Methodology – A qualitative, single-case study design was employed. Data were collected through in-depth interviews with LAZISMU management and Sharia experts, supplemented by analyses of institutional documents and fiqh rulings. An interactive qualitative model was used to examine the legal foundations and managerial implications of the program.

Findings – This study finds that Sharia compliance is achieved through the wakalah contract rather than ta'jil (early payment). This legal framework allows for the temporal separation of fund collection from disbursements. Consequently, the institution successfully transforms its cash flow into a stable, continuous flow from a volatile seasonal lump sum, thereby resolving critical operational bottlenecks.

Implications – The fiqh-management model enhances strategic planning and operational efficiency. By stabilizing cash flow, ZIs can shift their distribution strategy from purely reactive and consumptive to proactive, enabling the integration of zakat fitr funds into long-term productive empowerment programs without violating Sharia constraints.

Originality – Unlike previous studies that predominantly focus on the distributional aspects of wakalah, this study offers a novel analysis of the wakalah contract as a strategic cash flow-smoothing tool in the zakat administration. It bridges classical Islamic jurisprudence with modern corporate finance theory and provides a replicable model for Islamic social finance institutions to overcome operational seasonality.

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Introduction

The effectiveness of zakat management has emerged as a critical determinant of optimizing Islamic social finance for public welfare (Nawai & Ruzaiman, 2022; Waldan, 2020). However, scholarship has consistently highlighted that amil zakat institutions (LAZ) face a persistent challenge in maintaining public trust (Jamaludin et al., 2025; Owoyemi, 2020). A crisis of confidence, often

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stemming from perceived inefficiencies or a lack of transparency, drives contributors (muzakki) to bypass institutions in favor of direct disbursement (Wahid et al., 2021; Yusup et al., 2021). Consequently, modern LAZs are compelled to shift their managerial paradigm from a traditional consumptive-charitable model to a sustainable productive-empowerment model to demonstrate tangible socio-economic impacts and restore trust (Herianingrum et al., 2024).

While the productive model offers long-term poverty alleviation, it requires sophisticated financial planning and stable cash flow management (Muqorobin & Urrosyidin, 2023a, 2023b; Wahab & Rahman, 2011). This requirement encounters a severe operational obstacle rooted in classical Islamic jurisprudence: Zakat fitr's seasonality. Unlike zakat maal (wealth zakat), classical fiqh strictly mandates that zakat fitr be collected and distributed within a narrow temporal window at the end of Ramadan (Raja, 2021; Takril & Othman, 2020; Waldan, 2020). This constraint creates an operational shock (a massive influx of liquidity followed immediately by pressure for instantaneous distribution), which forces LAZ into a reactive short-term consumptive mode (Syed Yusuf et al., 2024).

To mitigate this seasonality, technological innovations, such as digitalization and fintech, have been widely adopted to enhance collection efficiency (Faizin et al., 2024; Mubarak et al., 2022; Sulaeman, 2020). However, structural innovation within the legal framework of fiqh contracts remains underexplored as a strategic management tool. To address this gap, the amil zakat, infaq, and shadaqah institution of Muhammadiyah (LAZISMU) Ponorogo serves as a strategic pilot model within the Muhammadiyah network that successfully operationalizes the "year-round zakat fitr" program (Arwani et al., 2022; Kholis & Mugiyati, 2021). This innovation utilizes the wakalah (agency) contract to decouple the collection period from the obligatory fulfillment time, thereby aiming to transform volatile seasonal cash flows into a stable year-round stream (Falah, 2023).

Although studies on zakat governance and productive distribution have been burgeoned (Alam et al., 2024; Asya'bani et al., 2025), a clear research gap persists at the intersection of classical jurisprudence and modern financial management. The existing literature on wakalah in zakat predominantly focuses on distribution mechanisms rather than its role as a cash flow-smoothing instrument in collection (Wahid et al., 2021; Yamaludin et al., 2024). This study fills this gap by analyzing how LAZISMU operationalizes the wakalah contract not merely as a means of fulfilling Sharia requirements but also as a strategic tool to overcome seasonality and enhance institutional capacity for sustainable poverty alleviation.

Literature Review

Dynamics of zakat management and institutional effectiveness

Contemporary discourse on zakat management has shifted from mere disbursement activities towards long-term institutional effectiveness (Jaapar & Kamarulzaman, 2020; Nawai & Ruzaiman, 2022). Effectiveness is primarily determined by good governance, accountability, and transparency (Alam et al., 2024; Mustaffa et al., 2025). Muzakki (contributor) trust remains the most vital asset for amil zakat institutions (LAZ) and the most significant challenge (Jamaludin et al., 2025; Owoyemi, 2020). A crisis of confidence is often rooted in management inefficiencies or opaque fund allocation, compelling donors to distribute zakat directly to beneficiaries and thereby diminishing the systemic impact of zakat on poverty alleviation (Wahid et al., 2021; Yusup et al., 2021). Consequently, managerial professionalism in both collection and distribution has become a primary determinant of LAZ's viability (Mustaffa et al., 2025).

Paradigm shift: From consumptive to productive empowerment

To maximize the socioeconomic impact, modern LAZs are innovative distribution strategies that reflect a paradigm shift from a charitable-consumptive model to an empowerment-productive model (Herianingrum et al., 2024; Tlemsani et al., 2023). While the consumptive model provides a short-term social safety net, it is criticized for failing to address the root causes of poverty and potentially creating dependency. Conversely, the productive model is favored for employing mechanisms such as Sharia microfinance or vocational training to transform *mustahiq* (beneficiaries) into future *muzakki* (Adnan et al., 2021; Kholis & Mugiyati, 2021; Sarif et al., 2024).

Cash flow management and social organization sustainability

Implementing sustainable productive programs requires rigorous financial planning and stable cash flow. The financial management literature asserts that effective cash flow management is the lifeblood of organizational sustainability for both for-profit and non-profit entities (Badakhshan & Ball, 2023; Giarto & Fachrurrozie, 2020). In the context of nonprofit organizations, cash flow volatility (characterized by uncertain or seasonal revenue streams against fixed program expenditures) represents a significant operational risk (Parwoto et al., 2021; Suriani & Wirawati, 2025).

The inability to manage cash flow fluctuations may hinder an organization's capacity to execute long-term strategic programs and threaten institutional liquidity (Karas & Režňáková, 2020; Oriekhova & Golovko, 2022). Therefore, cash flow smoothing strategies serve as crucial managerial instruments for mitigating the risks associated with funding uncertainty (Jenkinson et al., 2020). Modern financial theory suggests that organizations must strive to transform lump-sum or seasonal revenue patterns into continuous flows to ensure the availability of working capital for empowerment programmes (Dimitropoulos et al., 2019; Toumeh et al., 2023). This stability enables managers to conduct accurate forecasting and allocate resources more efficiently (Elghaish et al., 2021).

The seasonality problem of zakat fitr and the wakalah solution

The principle of cash flow stability faces a fundamental challenge in the context of the zakat fitr. Unlike zakat maal, which offers flexibility in timing, classical Fiqh strictly binds the payment and distribution of zakat fitr to a narrow temporal window at the end of Ramadan (Raja, 2021; Waldan, 2020). This temporal constraint creates a seasonality problem: an extreme liquidity surge over a brief period, followed by immediate pressure to distribute (Takril & Othman, 2020). Managerially, this situation is inefficient as it forces LAZ into a reactive, consumptive mode, impeding fund allocation for long-term, productive initiatives.

To bridge the gap between fiqh constraints and modern cash flow management requirements, LAZISMU implemented a wakalah (agency) contract. Within this framework, the muzakki (principal) mandates the LAZ (agent) to execute its zakat payment at the time stipulated by Sharia, even if the funds are remitted well in advance (Wahid et al., 2021; Yamaludin et al., 2024). This contractual innovation reclassifies funds received outside of Ramadan as "mandated trust funds" (amanah), legally enabling the LAZ to decouple the collection time from the fulfillment time.

Conceptual framework and propositions

Drawing upon the aforementioned literature review and the identification of the research gap, this study is constructed on a conceptual framework that links Sharia compliance (through the *wakalah* contract) with managerial innovation (to overcome seasonality) to achieve institutional effectiveness (productive distribution).

Proposition 1: The application of the wakalah (agency) contract serves as a jurisprudential mechanism that legally separates the collection timeline from the obligatory fulfillment period. This mechanism temporarily converts zakat funds to amanah (trust), thereby ensuring Sharia compliance without resorting to the disputed ta'jil (early payment) method.

This proposition tests the programme's jurisprudential (fiqh) foundation. Within the wakalah (agency) framework, the amil zakat institution (LAZ) functions as an agent (wakil) mandated by the muzakki (the muwakkil or principal) to execute the zakat fitr payment on their behalf at its stipulated obligatory time. This is fundamentally distinct from ta'jil (accelerated payment), which legally converts an asset's status to zakat at the moment of receipt. Therefore, the substantiation of Proposition 1 is critical for ascertaining the Sharia compliance of this management model.

Proposition 2: By decoupling the collection period from the distribution deadline through wakalah, the institution shifts its revenue model from a volatile seasonal lump-sum to a continuous year-round stream. This structural change facilitates cash flow smoothing, which mitigates the operational bottlenecks and liquidity risks inherent in the traditional seasonal model.

This proposition tests managerial innovation. The problem of seasonality (cash flow accumulation at a single point in time) is a challenge to operational efficiency. The *wakalah* model, which permits collection throughout the year, is designed to stabilize cash flows (Waldan, 2020). This proposition presupposes that a more stable and predictable cash flow (predictable, continuous flow) facilitates more efficient planning and resource allocation than is possible under a seasonal lump-sum model.

Proposition 3: The cash flow stability achieved through the wakalah model acts as a strategic enabler for institutional effectiveness. Predictable liquidity empowers management to transition from reactive, short-term, consumptive distribution to proactive, long-term strategic planning, thereby increasing the allocation of resources toward sustainable, productive empowerment programs.

This proposition links managerial innovation (Proposition 2) to strategic impact (outcome). The literature confirms that productive programs require stable, planned funding, something that is difficult to achieve under the traditional zakat fitr distribution model, which is reactive and consumptive. This proposition assumes that by stabilizing cash flow through wakalah, LAZISMU's management has a greater capability to allocate these trust funds (or the operational funds freed up by it) for long-term empowerment programs, which ultimately increases institutional effectiveness in poverty alleviation.

Research Methods

Research design and methodology

This research used a qualitative approach with a case study design, as described by Cleland et al.. al. (2021). The qualitative approach was chosen because the aim of this study is to conduct an in-depth exploration (Subedi, 2021) of a contemporary managerial phenomenon, namely, the financial management innovation of LAZISMU (Herianingrum et al., 2024; Waldan, 2020). In line with previous qualitative research in the field of zakat management (Sulaeman, 2020), this approach allows the researcher to understand how and why the "year-round zakat fitr" program was designed and implemented, and to explore the complexity of the interaction between the fiqh (Islamic law) basis and operational management practices (Arwani et al., 2022). The case study design is considered the most appropriate because this research focuses on a single unit of analysis (LAZISMU) to understand the innovation process within a specific real-world context (Rahmat & Nurzaman, 2019). Unlike quantitative studies that test variables on a large scale (Asya'bani et al., 2025; Mat Daud & Wahid, 2025; Mubarak et al., 2022), a qualitative case study provides a rich and thick description of the processes, meanings, and context behind LAZISMU's management strategy. The nature of this research is descriptive-analytical, presenting not only the findings but also the alignment between on-the-ground practices and the theoretical framework of fiqh al-mu'amalah and modern financial management principles.

Research object and justification

The object of this research is LAZISMU Ponorogo in East Java. This specific unit was purposively selected as the case study locus because it represents one of the most progressive regional branches in implementing the "year-round zakat fitr" innovation systematically. While the policy is grounded in the central board's fatwa, LAZISMU Ponorogo provides empirical evidence of its operationalization at the grassroots level. The justification for this selection is that LAZISMU is one of the largest and most prominent national-level amil zakat institutions (LAZ) in Indonesia, which has formally adopted and promoted managerial innovation (Arwani et al., 2022; Kholis & Mugiyati, 2021). Their "year-round zakat fitr" program constitutes a unique "critical case" representing a direct juncture between classical Islamic jurisprudence (fiqh) (regarding the timing of zakat fitr) and the exigencies of modern operational management (cash flow management). LAZISMU was chosen because it is explicitly supported by its internal fatwa-issuing body, the Tarjih and Tajdid Council of the Muhammadiyah Central Board (Apriyanto et al., 2023; Falah, 2023). This permits a profound, simultaneous analysis of two aspects: (1) the jurisprudential rationale (Sharia reasoning) that underpins the program's validity and (2) the managerial implications stemming from its implementation. Thus, LAZISMU provides a rich dataset to address the research question of how a fiqh contract (specifically wakalah) is operationalized as a strategic management instrument to improve institutional efficiency, a central theme in the literature on zakat management (Mustaffa et al., 2025).

Data collection techniques

To obtain a holistic and comprehensive understanding, this study utilized data triangulation by integrating three primary and secondary data collection methods (see Table 1), consistent with the guidelines developed by Donkoh and Mensah (2023). First, primary data were acquired through semi-structured interviews with key informants, selected via purposive sampling. The informants were composed of two cohorts: (1) LAZISMU leadership and operational/financial managers with direct involvement in the conception, socialization, and execution of the "year-round zakat fitr" program; and (2) Sharia experts or members of the Muhammadiyah Tarjih Council possessing insight into the jurisprudential (fiqh) underpinnings and the ijtihad (legal reasoning) process behind the program's legitimacy. Semi-structured interviews enabled the researcher to explore information on managerial decision-making and its underlying fiqh justifications flexibly.

Table 1. Summary of data collection sources and methods

Data category	Collection method	Data source / informants	Description and focus of inquiry
Primary data	Semi-structured interviews	LAZISMU Ponorogo senior management, including director and financial manager (N=3), (purposive sampling)	To explore the strategic decision-making process, the operational challenges of seasonality, cash flow management practices, and the mechanism of the "Year-Round" program implementation.
		Sharia/fiqh experts, including members of Muhammadiyah tarjih & tajdid council (N=2), (purposive sampling)	To investigate the fiqh reasoning (ijtihad) behind the adoption of the wakalah contract, ensuring the distinction between wakalah (agency) and ta'jil (early payment).
	Non-participant observation	Operational service points & digital platforms	Observation of the actual interaction between amil and muzakki regarding the wakalah contract offer, and analysis of how the contract is communicated in digital campaigns.
Secondary data	Document analysis (legal)	Muhammadiyah Tarjih council edicts (fatwas) & fiqh guidelines	Analysis of the jurisprudential texts and official religious edicts that legitimize the separation of collection time and distribution time.
	Document analysis (managerial)	LAZISMU annual reports & standard operating procedures (SOPs)	Review of financial data to identify cash flow patterns (seasonal vs. continuous) and examination of internal protocols for managing "mandated trust funds" (dana amanah).

Source: Writer's Source

Second, the primary data acquisition was augmented by non-participant observations (Handley et al., 2020). The researcher observed operational processes within LAZISMU service offices, digital socialization materials (via social media and websites), and the interactions between amil (administrators) and muzakki (contributors) regarding the program. This observation was intended to corroborate the interview findings and ascertain how the wakalah concept is communicated in frontline service practice.

Third, secondary data were gathered through document analysis (Morgan 2022). This method is crucial for testing Proposition 1 (P1) regarding the Sharia foundation. Documents subjected to in-depth analysis included: (1) official documents, fatwas, or fiqh guidance from the Muhammadiyah Central Board's Tarjih and Tajdid Council specifically addressing the legal status and mechanisms of this program; (2) LAZISMU's annual reports, to analyze qualitative financial data related to cash flow patterns (comparing seasonal zakat fitr revenue against year-round mandated funds); (3) LAZISMU's internal standard operating procedures (SOPs) governing the program; and (4) publication and outreach materials (brochures, website content, media releases) to analyze the communication of the wakalah contract to the public to foster trust, in line with the existing literature (Jamaludin et al., 2025; Owoyemi, 2020). Triangulation from these three data sources was designed to enhance the validity and reliability of the research findings (Van Der Waldt, 2020).

Data analysis techniques

This research utilizes the interactive model of qualitative data analysis developed by Miles and Hubberman (1994), in which the analytical process consists of three concurrent and continuous activity streams: data reduction, data display, and conclusion drawing/verification. The initial phase was the data reduction phase. All raw data derived from interview transcripts, field notes, and secondary documents were summarized, coded, and categorized according to the conceptual framework and formulated research propositions. Data are classified into the following key themes: "wakalah fiqh justification," "seasonality constraints," "cash flow smoothing," and "productive allocation."

The second phase is data display (Maree et al. 2013). The reduced data were subsequently presented as descriptive narratives, matrices, and flow diagrams. To address the research propositions, the researcher develops a comparative analysis juxtaposing the "traditional zakat fitr distribution model" with the "LAZISMU wakalah management model." This comparison dissects both models along the key dimensions identified in the literature, including contractual foundation, fund status, collection timeframe, cash flow patterns, and program sustainability.

The third phase is conclusion, drawing, and verification. Based on the data display, the researcher analyzes to evaluate the propositions: First, for Proposition 1 (P1), the analysis utilizes content analysis on fiqh documents and interviews with Sharia experts to validate the application of the wakalah contract as a legitimate mechanism for separating collection from distribution, ensuring it remains distinct from ta'jil (Falah, 2023; Raja, 2021; Wahid et al., 2021). Second, for Propositions 2 (P2) and 3 (P3), a descriptive-comparative analysis is used to assess the wakalah model's impact on cash flow efficiency (P2) and its consequential effect on strategic planning capabilities (P3) (Arwani et al., 2022; Kholis & Mugiyati, 2021; Sarif et al., 2024). This analysis explicitly sought qualitative evidence linking cash flow stability to increased funding for long-term empowerment initiatives. The conclusion synthesizes these jurisprudential and managerial findings to construct a comprehensive fiqh-management innovation model within the zakat administration.

Results and Discussion

The jurisprudential rationale of the wakalah contract as the program's Underpinning

This research investigates the Sharia compliance of the "year-round zakat fitr" program initiated by LAZISMU. The principal finding, drawn from an analysis of documents from the Muhammadiyah Central Board's Tarjih and Tajdid Council (2021) and in-depth interviews with the organization's internal Sharia experts, confirms Proposition 1 (P1). It was established that this program is fundamentally not operationalized as ta'jil zakat (the accelerated payment of zakat). The concept of ta'jil in classical fiqh, although deemed permissible for zakat maal by some jurists, becomes exceedingly problematic (khilafiyah) when applied to zakat fitr. This is attributable to the sabab wujub (causal factor for the obligation) of zakat fitr being highly specific; it is intrinsically bound to the time of sunset on the last day of Ramadan and/or the birth of an individual before the Eid al-Fitr prayer (Raja, 2021). Remitting zakat fitr long before Ramadan, for example, in the month of Muharram, as ta'jil would contradict the inherently time-bound (mu'aqqad) essence of this act of worship.

Instead, the findings confirm that LAZISMU engineered this program innovation based on the legal construct of the wakalah (agency) contract. This mechanism is congruent with the recognized use of wakalah in the context of zakat distribution, although in a different modality (Wahid et al., 2021; Yamaludin et al., 2024). In the LAZISMU model, the process is as follows: The Muzakki (contributor), who registers for the program, acts as the Muwakkil (principal). LAZISMU, in its capacity as an official amil (administrator), functions as the wakil (agent) receiving this mandate. The object of this wakalah contract is not the receipt of zakat fitr but rather the receipt of a mandate (amanah) to execute the zakat fitr payment on behalf of the Muwakkil at its stipulated obligatory time, that is, at the conclusion of Ramadan.

The jurisprudential and managerial implications of employing this wakalah contract are profound. Funds deposited by muzakki outside the month of Ramadan (for instance, in Muharram or Rajab) do not yet have the legal status of zakat funds. Instead, they are classified as "mandated trust funds" or the muwakkil's (principal's) funds, which LAZISMU manages in its capacity as the wakil (agent) (LAZISMU, 2021). These funds only acquire the legal status of zakat at the precise moment LAZISMU executes the mandate (i.e., by procuring rice or remitting cash to the mustahiq) at the stipulated obligatory time at the conclusion of Ramadan. Thus, LAZISMU ingeniously employs the fiqh instrument of wakalah to legally separate the fund collection period (now permissible year-round) from the zakat fulfillment period (which remains tied to the end of Ramadan). This finding robustly validates Proposition 1, confirming that the program is a wakalah-based management innovation and not a practice of ta'jil.

The jurisprudential rationale of the wakalah contract as the program's foundation

The second finding of this research, evaluated through Proposition 2 (P2), is that the application of the wakalah contract, as delineated above, directly transforms LAZISMU's cash flow management model. An analysis of LAZ practices in general (Takril & Othman, 2020; Waldan, 2020) and interview data concerning pre-innovation practices confirm the seasonality problem. The traditional model (Figure 1) shows that 100% of zakat fitr revenue is concentrated within a very brief period (the end of Ramadan), precipitating a massive liquidity surplus and pressure for immediate distribution. This is consistent with the literature, which underscores the efficiency challenges in zakat management (Jaapar and Kamarulzaman, 2020; Yusup et al., 2021).

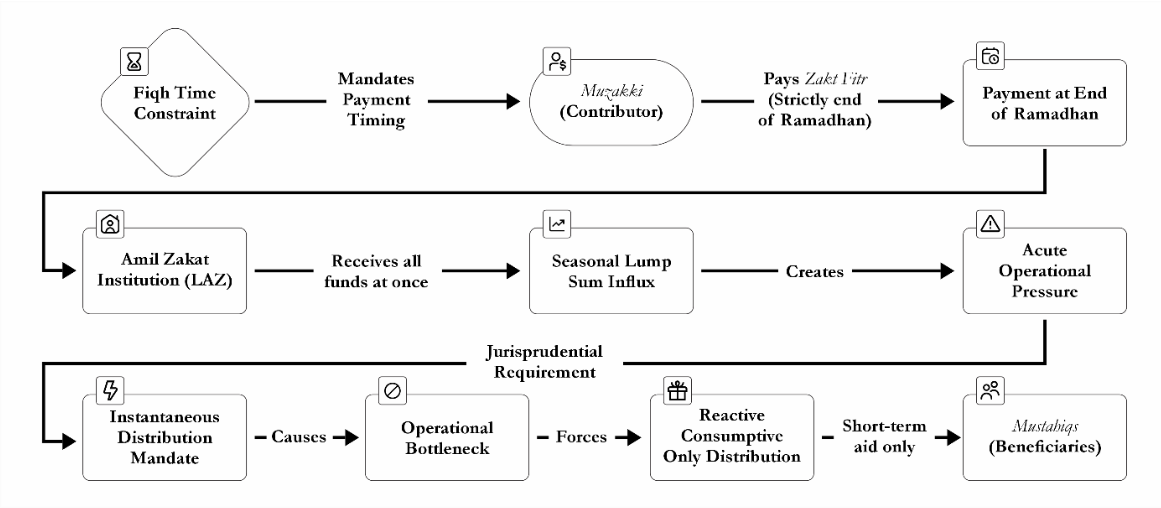

Figure 1. The Traditional (Seasonal) *Zakat Fitr* Cash Flow Management Model
Source: Author's source

By contrast, the wakalah-based "year-round zakat fitr" program fundamentally transforms this cash flow model (Figure 2). Interview data with the LAZISMU financial manager corroborated that this program successfully transformed the revenue pattern from a seasonal lump-sum (a large, single influx) to a continuous flow (sustainable cash flow throughout the year). Muzakki (contributors) can now register and remit their zakat fitr-mandated funds in installments, often in conjunction with their zakat maal or monthly infaq (donations).

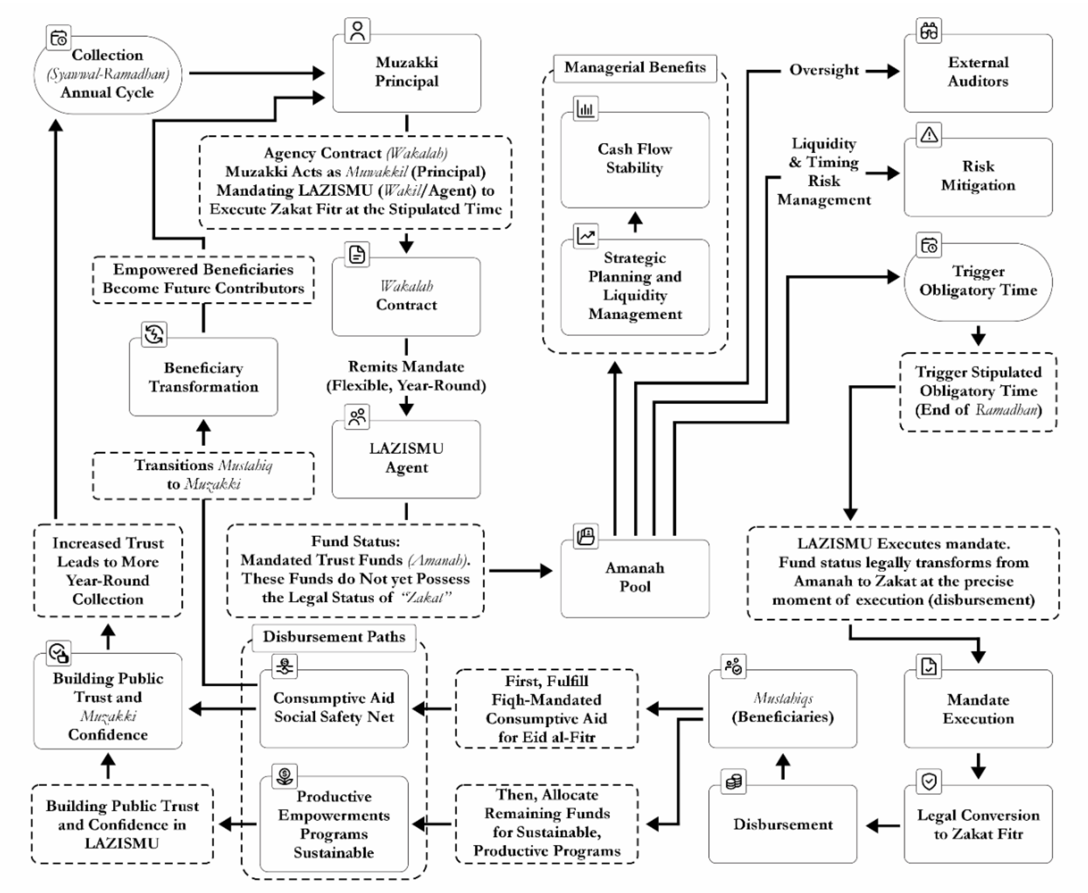

Figure 2. The LAZISMU wakalah-based (sustainable) cash flow management model
Source: Author's source

The managerial benefits of this cash flow transformation are profound. First, it significantly mitigates the operational pressure and chaos that typically occur at the conclusion of Ramadan. Second and most importantly, for strategic planning, the model imparts predictability. LAZISMU management now has more accurate and stable data on the number of verified mustahiq and the anticipated volume of zakat fitr funds (based on accumulated trust funds) well before the arrival of Ramadan. This stability and predictability of cash flow are foundational components of modern financial management and serve as the basis for enhanced institutional efficiency, as underscored in the literature (Asya'bani et al., 2025). This finding supports Proposition 2, confirming that the wakalah model significantly enhances cash flow management efficiency by mitigating seasonality.

Managerial implications: The enhancement of productive zakat programs

The most significant finding of this study, which addresses Proposition 3 (P3), is the direct effect of cash flow stabilization (P2) on the zakat distribution philosophy and strategy. Interviews with the LAZISMU leadership corroborated that the problem of seasonality in the traditional model compels the allocation of the vast majority of zakat fitr funds to short-term, consumptive-charitable programs (Azhar et al., 2023). This distribution, while essential for fulfilling the basic needs (daruriyyat) of mustahiq during Eid al-Fitr and congruent with the original purpose of zakat fitr (to purify the fasting person and feed the indigent), possesses a fundamental managerial deficiency; it fails to provide a sustainable impact and makes only a minor contribution to the primary mission of LAZ, which is structural poverty alleviation (Kholis & Mugiyati, 2021; Rahmat & Nurzaman, 2019).

LAZISMU's wakalah model innovation directly remediates this deficiency. With stable, predictable year-round cash flow, LAZISMU's management now has the managerial capability for long-term strategic planning. Field findings show that LAZISMU is now able to allocate zakat fitr funds (the disbursement of which remains fixed at the end of Ramadan) in a more targeted manner to support perennial, productive, and sustainable programs, which are financed by other ZIS (zakat maal, infaq, sedekah) sources. These productive programs, congruent with the literature (Adnan et al., 2021; Alim, 2015; Arwani et al., 2022; Herianingrum et al., 2024; Kholis & Mugiyati, 2021; Sarif et al., 2024), encompass the provision of revolving funds for MSMEs, long-term educational scholarships, and vocational training initiatives.

In other words, zakat fitr within this new model functions not only as a consumptive social safety net during Eid al-Fitr but is also integrated as a strategic funding component for long-term economic empowerment initiatives. Muzakki who remit funds through this program (as muwakkil), also derives greater satisfaction from knowing that their funds are not merely expended on ephemeral consumption but also contribute to programs that transform mustahiq into muzakki (Sarif et al., 2024). This enhanced focus on productive programs directly increases institutional effectiveness in poverty alleviation (Mat Daud & Wahid, 2025; Muqorobin & Ussholihah, 2025; Nawai & Ruzaiman, 2022), thereby reinforcing public confidence (Jamaludin et al., 2025). This finding validates proposition 3.

Fiqh-management innovation: a comparative model analysis (synthesis)

A synthesis of the findings related to Propositions 1, 2, and 3 demonstrates that LAZISMU's "year-round zakat fitr" program represents a sophisticated fiqh-management innovation. Table 2 provides a comparative summary of the traditional model and LAZISMU's innovative model based on the research findings.

Table 2. Comparative matrix of zakat fitr management models

Analytical dimension	Traditional model (seasonal)	LAZISMU's innovative model (sustainable)
Jurisprudential (*Fiqh*) Foundation	Direct payment (ta'jil - jurisprudentially debated)	Wakalah (agency) Contract (Mandate)
Fund Status (Upon Receipt)	Immediately classified as zakat	Muwakkil's (principal's) Mandated trust fund (amanah)
Collection Period	Restricted (end of Ramadan)	Flexible (year-round)
Cash Flow Pattern	Seasonal lump-sum (highly volatile)	Continuous flow (relatively stable & predictable)
Distribution Focus	Reactive & consumptive (Eid al-Fitr subsistence)	Strategic & Productive (empowerment initiatives)
Primary Managerial Impediment	Instantaneous distribution pressure, risk of inaccurate mustahiq data.	Sharia compliance, amanah (trust) management, wakalah database transparency.

Source: Author's source

The comparative analysis in Table 2 demonstrates that the traditional model, despite being *fiqh*-compliant (if remitted at the proper time), engenders significant managerial inefficiency. This inherent time pressure results in suboptimal resource allocation and necessitates a focus on consumptive distribution (Azhar et al., 2023; Takril & Othman, 2020). By contrast, LAZISMU's Innovative Model effectively resolves the zakat management trilemma: (1) it remains Sharia Compliant by executing the zakat disbursement at its stipulated obligatory time (consistent with P1); (2) it achieves operational efficiency and modern financial management by stabilizing cash flow (consistent with P2); and (3) it enhances social impact by enabling the planning of long-term productive initiatives (consistent with P3).

This finding demonstrates that LAZISMU does not modify fiqh (Islamic jurisprudence) but rather employs a fiqh instrument (the wakalah contract) as a strategic financial management tool. This is a concrete illustration of how a classical Islamic contract can be revitalized to resolve contemporary managerial impediments. This innovation directly responds to the scholarly imperative for good governance (Alam et al., 2024), professionalism (Asya'bani et al., 2025), and efficiency (Jaapar & Kamarulzaman, 2020) to foster muzakki (contributor) confidence (Jamaludin et al., 2025; Owoyemi, 2020), which is a principal determinant of LAZ's viability in the modern era.

Risk analysis and mitigation strategies

While the wakalah-based "year-round zakat fitr" program offers significant cash flow smoothing, it is not devoid of the risks that require rigorous mitigation strategies. The first and most critical is the Sharia risk, particularly concerning the death of the muzakki (principal) before the wakalah mandate is executed at the end of Ramadan. In classical fiqh, an agency contract (wakalah) is typically terminated upon the death of the principal. Without a specific clause, the funds deposited early might legally revert to the heirs as inheritance (tirkah), rather than being distributed as zakat. To mitigate this, LAZISMU incorporates a wasiyat (testamentary) or tabarru' (donation) clause within the initial agreement, ensuring that the funds remain designated for zakat payment regardless of the principal's subsequent status (Falah, 2023).

The second risk is operational and moral hazard risk. The accumulation of trust funds (amanah) over a prolonged period (up to 11 months) increases liquidity risk and the temptation to mismanage or temporarily misuse funds for nondesignated operational costs. As emphasized in the literature, a crisis of confidence often stems from opaque fund allocation or perceived inefficiency (Alam et al., 2024; Owoyemi, 2020; Yusup et al., 2021). Therefore, strict internal controls and periodic auditing are indispensable for maintaining the integrity of these funds and strictly separating them from the institution's operational cash flows (Wahab & Rahman, 2011).

The third risk is the reputational risk arising from public misperception. Muzakki, who is unfamiliar with the wakalah mechanism, may mistake this program for Ta'jil (accelerated payment) of zakat fitr, which remains a subject of debate among scholars (Raja 2021). Inconsistent communication can lead to confusion and a potential decline in trust (Jamaludin et al., 2025). Consequently, transparent education and clear contractual communication (emphasizing LAZISMU's role of LAZISMU as an agent) are vital for sustaining public trust.

Study limitations

This study relied on a qualitative, single-case study design (Cleland et al., 2021), which inherently limits the generalizability of the findings. The data were drawn primarily from the operational practices of LAZISMU Ponorogo. Consequently, the findings reflect the administrative capacity and cultural context of the region. They may not fully represent the challenges faced by other LAZISMU branches with different demographics or management maturity. Furthermore, although this study confirms the potential for enhanced productive distribution through cash flow stability (Muqorobin & Urrosyidin, 2023b; Mustaffa et al., 2025), it does not strictly quantify the program's impact on poverty reduction statistics. Future research should employ quantitative methods to empirically test the correlation between cash flow-smoothing strategies and the success rate of productive empowerment programs across a broader sample of zakat institutions.

Conclusion

This study asserts that the wakalah (agency) contract serves as a legitimate strategic jurisprudential instrument to decouple the collection timeline from the obligatory distribution period, in which funds received year-round are managed as entrusted funds (amanah) until they are executed at the end of Ramadan. This fiqh-management innovation has significant managerial implications, specifically enabling cash flow smoothing that transforms volatile seasonal revenue patterns into stable, continuous income streams. Such financial stability empowers management to transition from a reactive-consumptive distribution strategy toward a proactive long-term planning approach, thereby drastically enhancing the institution's capacity to design and fund sustainable, productive empowerment programs without violating Sharia temporal constraints.

Despite these strategic contributions, this study acknowledges inherent limitations due to its qualitative single-case study design, which may not be immediately generalizable to institutions with differing organizational capacities or cultural contexts, and it does not quantitatively measure the statistical impact of cash flow stability on actual poverty alleviation rates. Based on these limitations, future research should employ quantitative methods to empirically test the correlation between cash flow smoothing strategies and the success metrics of productive programs. Additionally, comparative studies across global Islamic social finance institutions (ISFIs) are necessary to assess the scalability and replicability of the wakalah model across diverse jurisdictions and broader schools of thought (mazhab).

Author Contributions

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