

Does effective governance matter for Islamic social finance? Evidence from mosques in Yogyakarta

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Article Info

Article History

Received : 2025-09-17

Revised : 2026-01-12

Accepted : 2026-01-18

Published : 2026-01-22

Keywords:

Effective governance, Islamic social financial management, Mosque.

DOI:

[10.20885/JEKI.vol12.iss1.art1](https://doi.org/10.20885/JEKI.vol12.iss1.art1)

JEL Clasification:

D31, D71, G30

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Paper type:

Research paper



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Abstract

Purpose – This paper examines how effective governance influences Islamic social finance management, using mosques in Yogyakarta as a case study during and after the Covid-19 crisis.

Methodology – This study employs a survey with a sample of 360 mosques in Yogyakarta using a quantitative approach with ordinary least squares (OLS) and logit regression models.

Findings – The findings indicate that an increase in the effective governance index score has a positive and significant effect on the fundraising index and zakat distribution, resulting in increases of 0.14 standard deviations and 6.5 percent, respectively. Furthermore, effective governance had a positive and significant effect on the probability of mosques having a financial management system, with a marginal effect of 7.3 point percentage.

Implication – The government should offer financial management training and support the digitalization of reporting systems as a means of strengthening mosque governance.

Limitations – First, the data used were cross-sectional, which may restrict researchers' ability to identify long-term causal relationships. Second, despite efforts to address endogeneity using several variables, the instruments are theoretically valid but statistically insignificant.

Original – This study is the first to present micro-level empirical evidence from mosques in Yogyakarta, an area that has rarely been explored in Islamic financial governance literature. Furthermore, we used a multidimensional effective governance index that ranges from 0 to 1. The index was then standardized using a z-score to ensure comparability and balance across mosques.

Cite this article:

Nasution, P. I., Hardiyanti, W. R., Sambodo, N. P., & Pailis, E. A. (2026). Does effective governance matter to Islamic social finance? Evidence from mosques in Yogyakarta. *Jurnal Ekonomi & Keuangan Islam* 12(1), 1-21. <https://doi.org/10.20885/JEKI.vol12.iss1.art1>

Introduction

The Covid-19 pandemic has heightened human suffering, disrupted the global economy, increased the lives of billions of people worldwide, and had a profound impact on various sectors, including health, economic, environmental, and social (Mofijur et al., 2021). The government's imposition of a lockdown policy led to a shock in both aggregate demand and supply owing to disruptions in the distribution of goods and services, resulting in a negative impact on the economy. When most economies and finance struggle during a crisis, Islamic social finance (ISF), including *zakat*, *infaq*, and *sadaqah* (ZIS), has become increasingly critical (Ascarya, 2022). Evidence from Indonesia shows

a substantial increase in the ZIS performance during this period. According to [Badan Amil Zakat Nasional \(2021\)](#), total ZIS collection reached IDR 14.043 trillion in 2021, representing a 12.85% increase compared with IDR 12.510 trillion in 2020. Moreover, zakat disbursements were predominantly allocated to humanitarian programs, amounting to IDR 10.207 trillion, which grew by 14.86% relative to the previous year. These developments underscore the growing role of the ISF in addressing crisis-induced vulnerabilities. Consistent with this evidence, [Nik Azman et al. \(2021\)](#) stated that ISF plays a crucial role in supporting income stability and promoting micro-entrepreneurship, particularly during periods of economic distress.

However, the increasing economic uncertainty caused by the pandemic also reinforces the urgency to implement effective governance and management, including ISF management. Strong governance is a prerequisite for ISF management organizations to improve credibility, accountability, transparency, and public trust ([Anwar & Khalsiah, 2018](#); [Nurhasanah, 2018](#)). One study, [Kasri and Ramli \(2019\)](#) emphasized that mosques with strong governance structures and transparent financial practices are in a better position to maintain and even improve their fundraising performance. As community-based socioeconomic institutions, mosques play a strategic role in ISF management. They serve as places of worship and centers for collecting and distributing Islamic social funds, including zakat, or Islamic charitable donations. Several studies show that as institutions with high public trust, mosques are effective in reaching vulnerable groups underserved by the formal financial system ([Holle et al., 2023](#); [Reksawan & Yandri, 2025](#)). Through mosque-based ISF management, Islamic social funds are distributed not only to meet basic needs but also to support micro-enterprises, economic empowerment, and community resilience, especially during crises.

Additionally, mosques serve as trusted intermediaries between donors and beneficiaries, making transparency, accountability, and good governance key factors in the sustainability of social fundraising ([Kasri & Ramli, 2019](#)). Several studies confirm that the effectiveness of the mosque's role in ISF management depends on the quality of governance, including the leadership capacity of mosque administrators, financial reporting systems, compliance with Sharia principles, and the participation of congregations and stakeholders ([Dellaportas et al., 2012](#); [Sawmar & Mohammed, 2021](#)). During times of crisis, mosques have proven to play an important role as social and economic buffers by channeling ISF for emergency assistance, income recovery, and strengthening community-based micro-enterprises. This further strengthens the position of mosques as a major factor in maintaining the sustainability and resilience of the ISF ([Ascarya, 2022](#); [Holle et al., 2023](#)).

Based on the above literature, effective governance is a key foundation in the management of social and charitable funds, particularly in mosque-based ISF institutions. Although awareness of the importance of good governance continues to increase, the implementation of effective governance practices in mosque financial management remains uneven. This inconsistency in governance implementation has led to varying levels of trust among communities, which ultimately affects the sustainability of the ZIS fund collection. Therefore, the main question of this study is the extent to which effective governance influences mosque-based ISF management.

This study examines the effects of effective governance on Islamic social finance management. We use three indicators, including the fundraising index, zakat distribution, and financial management, with mosques in Yogyakarta as a case study during and after the pandemic crisis. This study employs a survey with a sample of approximately 360 mosques in Yogyakarta, which is data collected by the Center for Sharia Economics and Business Studies (Pusat Kajian Ekonomi dan Bisnis Syariah, PKEBS), a research center under the Faculty of Economics and Business at Gadjah Mada University (UGM) in Indonesia. The sample collected by PKEBS was obtained from a survey of mosque committees between June and July 2023. The study employed a quantitative approach using the ordinary least squares (OLS) method and logistic regression models to determine the effect of effective governance on Islamic social management.

This study contributes to the literature in several ways. First, it provides the first micro-level empirical evidence from mosques in Yogyakarta, a setting that has been largely overlooked in Islamic financial governance studies. Existing research has focused mainly on formal institutions such as the National Zakat Agency (BAZNAS) and other large zakat organizations ([Tahliani, 2018](#); [Zakiy et al., 2023](#)), while studies such as [Sawmar and Mohammed \(2021\)](#) examine donor behavior and compliance

rather than the governance of grassroots operational units. Second, this study advances methodological rigor by developing a composite Effective Governance Index based on six principles—Transparency, Accountability, Legitimacy, Participation, Performance, and Inclusiveness—and standardizing this index, along with the fundraising index, using z-scores [Organisation for Economic Co-operation and Development \(2008\)](#). This approach enables balanced and statistically comparable assessments across mosques and supports robust inferential analysis, moving beyond the descriptive and qualitative methods commonly used in previous studies ([Amin & Muhammadah, 2024; Letmiros, 2020](#)). Finally, this study links mosque governance quality directly to fundraising, zakat distribution, and financial management outcomes during and after the Covid-19 crisis, thereby shifting the focus from large formal institutions to the operational effectiveness of frontline delivery agents in times of systemic shock ([Ascarya, 2022; Nik Azman et al., 2021](#)).

Literature Review

Islamic social finance

ISF is defined as “finance for social good,” a system designed to promote social justice through wealth redistribution and fair financial practices ([Azman & Ali, 2019](#)). This concept aligns with the objectives of Islamic law (*Maqāṣid al-Shārī‘ah*), which aims to preserve faith, life, intellect, lineage, and wealth, while promoting social welfare and cohesion ([Sulaeman et al., 2025](#)). ISF is not merely charitable; it is a structured approach to economic participation that prohibits exploitative practices and promotes risk-sharing, asset backing, and ethical investment ([Bonang et al., 2026](#)).

The ISF represents an ethical financial paradigm rooted in Shariah principles that seeks to promote social justice, wealth redistribution, and human well-being. By balancing commercial viability with social welfare, ISF aims to create a prosperous and inclusive society while preventing economic exploitation through prohibitions on interest (*riba*), excessive speculation (*maysir*), and contractual uncertainty (*gharar*), thereby advancing the common good (*maslaha*) ([Norchaevna, 2024](#)). The ISF ecosystem consists of several interconnected instruments designed to support social protection and community development, among which Zakat serves as its cornerstone ([Widiastuti et al., 2022](#)). Zakat is a mandatory form of almsgiving that requires eligible Muslims to contribute 2.5% of their surplus wealth annually for redistribution to eight designated beneficiary groups (*asnaf*), including the poor, the needy, and those in debt. It is administered by *muzakki*, *mustahiq*, and authorized institutions in accordance with *nisab* and *haul* regulations ([Herianingrum et al., 2024; Widiastuti et al., 2022](#)). According to [Jouti \(2019\)](#), ISF includes *waqf* (Islamic endowment), *zakat* (compulsory alms), *sadaqah* (donation), *qard hasan* (benevolent), among others. The goals of ISF are social safety and alleviating poverty ([Abduh, 2019; Uddin & Hossain, 2025](#)), supporting the improvement of socioeconomic conditions of poor groups, and ensuring the distribution of income and wealth during the pandemic. ISF can play a pivotal role in improving socio-economic welfare and the community ([Bin-Nashwan et al., 2020; Sulistyowati, 2019](#)).

Waqf is a permanent charitable endowment in Islamic finance, in which assets such as property or cash are donated and locked in perpetuity. The generated income provides sustainable funding for social causes, such as education or healthcare, involving donors (*waqif*), managers (*mutawalli*), and beneficiaries. *Sadaqah* refers to voluntary, flexible charity without fixed rules that allows spontaneous giving for immediate welfare needs. This strengthens social solidarity through direct donors to beneficiaries, distinct from the obligatory *zakat* ([Al-Qardawi, 1999; Singer, 2008](#)). *Qard hasan* is an interest-free loan aimed at poverty alleviation or emergency aid that requires only principal repayment. It promotes financial inclusion by offering debt-free assistance to Islamic microfinance firms ([Aderemi & Ishak, 2023](#)).

Governance in Islamic social finance

Governance in Islam represents a moral and ethical framework that extends beyond administrative control to cultivate accountability, justice, and trust, grounded in core principles such as *Tawhid* (ultimate accountability to God), *amanah* (trust), *al-‘adl wa al-Ihsan* (justice and benevolence) and *Shura* (consultation). Within ISF, governance serves as a critical enabler, ensuring that financial instruments

fulfill both their religious and socio-economic objectives through structures such as the Shariah supervisory board, which safeguards Shariah compliance. Effective governance is, therefore, not only a regulatory requirement, but also a religious and operational imperative that enhances institutional performance, builds public trust, and prevents mismanagement. Empirical evidence shows that strong governance mechanisms and institutional credibility are essential for addressing the challenges related to transparency and trust in ISF institutions (Malik, 2024; Norchaevna, 2024).

While large ISF institutions typically adopt formal governance structures, governance at the mosque level is often less institutionalized yet remains equally important. Mosque management committees implicitly perform governance functions by applying the principles of *amanah* (trusteeship) and *shura* (consultation), although they frequently face challenges, such as limited technical expertise and weak record-keeping systems (Widiastuti et al., 2022). Nevertheless, digital platforms offer significant opportunities to improve transparency and operational efficiency, which are essential for maintaining stakeholder trust, particularly in the reporting of zakat collection and distribution (Norchaevna, 2024). Empirical studies further highlight the importance of the ISF in supporting economic and social welfare. Partial least squares structural equation modeling (PLS-SEM), Nik Azman et al., (2021) showed that zakat and waqf played a crucial role in stabilizing microfinance income during the Covid-19 pandemic. Similarly, Ascarya (2022) found that ISF instruments, especially zakat, infaq, and waqf, contributed to economic recovery, while Herianingrum et al., (2024) demonstrating that zakat from *mu'zakki* continued to improve the welfare of *mustahiq* despite pandemic-related shocks. Complementing these findings, Napitupulu et al., (2024) we identified six key dimensions of ISF governance—accountability, governance practices, performance, efficiency, Islamic accounting, and governance awareness—highlighting the central role of governance in strengthening ISF institutions globally.

Several studies have examined the relationship between effective governance and ISF, such as Zakiy et al. (2023) discussing the impact of Sharia governance on organizational performance in *zakat* management institutions in Indonesia. This study utilized data from 33 *zakat* management organizations in Indonesia from 2017 to 2021. The results indicate that the size of the board of directors and supervisory board have a significant positive impact on organizational performance. Meanwhile, Ramdani et al., (2024) the approach of Islamic values to *waqf* governance illustrates *tawheed*, justice, accountability, trust, and mutual consultation. Sawmar and Mohammed, (2021) aim relationship between the governance of *zakat* institutions and *zakat* payment compliance, which includes four mechanisms of governance institutions: the board and leadership attributes, transparency and disclosure practices, stakeholder management practices, and procedural justice. Trust had a moderating effect on the relationship between governance and *zakat* compliance.

Empirical studies examining the economic role of mosques in community development remain limited and are largely dominated by qualitative approaches(As-Salafiyah et al., 2021). For mosques to play an effective socioeconomic role, Amin and Muhammadah (2024) we identified three essential pillars: *idarah* (management), *imarah* (community engagement through activities), and *ri'ayah* (maintenance and provision of facilities). These functions allow mosques to adapt to contemporary needs through eco-mosque initiatives or mosque-based financial institutions serving the urban poor(Muslim et al., 2014). In Indonesia, several mosques, including Jogokariyan, Nurul Jannah, Wahidiyah, At-Taqwa Pancor, and At-Taqwa Harapan Permai, are recognized for their community empowerment programs(Efiyanti et al., 2021; Letmiros, 2020; Muchin, 2025), including Islamic microfinance, SME development, scholarships, business cooperation, and pandemic relief funded through ZISWAF and digital platforms(Habibi et al., 2023). However, these initiatives are often constrained by limited expertise in Islamic economics, weak partnerships, ineffective fund management, poor communication, and low managerial capacity, all of which can undermine program effectiveness and erode donor trust. (Budiman & Sadewa, 2018).

Measurement of fundraising and effective governance indices

Fundraising index

The Fundraising Index is based on six binary indicators aggregated using equal weighting, a method widely recommended when there is no strong theoretical or empirical basis for differential weights

because it provides a neutral and easily interpretable measure([Munda & Nardo, 2005](#); [Saisana & Tarantola, 2002](#)). Accordingly, the index captures two core and interrelated dimensions of modern mosque fundraising: institutionalization, which reflects formal, transparent, and accountable financial management practices; and digitization, which represents the adoption of digital tools to enhance efficiency, accessibility, and donor outreach. A dichotomous (1/0) scoring system was employed to ensure objectivity, comparability, and replicability across mosques with heterogeneous administrative capacities, consistent with best practices for composite indicators, as guided by the Handbook on Constructing Composite Indicators([Organisation for Economic Co-operation and Development, 2008](#)). The validity of the index is empirically supported by its positive and significant association with key outcome variables, in line with the recommended validation procedures for composite indicators([Organisation for Economic Co-operation and Development, 2008](#)).

To enhance comparability and enable econometric analysis, both indices are standardized using z-scores, producing unit-free variables with a mean of zero and a standard deviation of one, consistent with OECD recommendations and common practices in governance measurement ([Organisation for Economic Co-operation and Development , 2008](#)). Z-score standardization facilitates meaningful comparisons across mosques and supports the use of indices in regression-based analysis. The application of this methodology to Islamic social finance and mosque governance aligns with prior empirical studies, confirming that this approach is both statistically robust and contextually appropriate.

To form the index score, a simple aggregation of the average of the six indicators was performed as follows:

$$FI_i = \frac{1}{6} \sum_{j=1}^6 D_{ij}$$

Where FI_i represents the fundraising index for mosque i and D_{ij} is a dummy variable for indicator j in mosque i . The final value of the index falls between 0 and 1, reflecting the proportion of fundraising aspects in each mosque. For this index to be used in inferential statistical analysis and to have a comparable scale, we use the z-score as a standardization:

$$ZFI_i = \frac{FI_i - \bar{FI}}{S_{FI}}$$

where ZFI_i is the standard value of the fundraising index for mosque i , FI is the composite score before standardization, \bar{FI} is the mean score S_{FI} as the standard deviation of the whole sample. Standardization was used to convert the scores into normally distributed variables with a mean of 0 and a standard deviation of 1.

Effective governance index

We also compiled an effective governance index to measure the extent to which the principles of effective governance are applied in a mosque environment, especially in managing social and religious funds. The construction of the index follows established practices in composite indicator development, where standardized indicators and equal weighting are commonly applied in the absence of a strong theoretical basis for differential weighting(OECD, 2008). Similar approaches have been used in studies examining governance and performance in non-profit and Islamic social finance institutions, emphasizing transparency, accountability, and institutional capacity as equally important dimensions ([Bin-Nashwan et al., 2020](#); [Zakiy et al., 2023](#)). Each indicator uses a Likert scale consisting of 1 'Strongly Disagree,' 2 'Disagree,' 3 'Neutral,' 4 'Agree,' and 5 'Strongly Agree.' The score of each indicator is categorized by calculating the average score of questions in that dimension, and then all indicators are combined into one composite index. Since all indicators are ordinal with the same scale, the final score of the good governance index is also standardized using a z-score:

$$Z\text{Effective_governance}_i = \frac{\text{Effective_governance}_i - \text{Effective_governance}}{S_{\text{Effective_governance}}}$$

Where $Z\text{Effective_governance}_i$ represents the value of the good governance index for mosque i , $\text{Effective_governance}$ is the component before standardization, $\text{Effective_governance}$ is the mean score, and $S_{\text{Good_governance}}$ as the standard deviation of the entire sample. Standardization was used to convert the scores into normal distribution variables with a mean of 0 and a standard deviation of 1.

Research Methods

This study uses data from the PKEBS survey conducted between June and July 2023 by a research center at the Faculty of Economics and Business, Universitas Gadjah Mada (UGM), Indonesia ([Pusat Kajian Ekonomi dan Bisnis Syariah, 2023](#)). This study employs a quantitative survey administered to mosque management committees across the Special Region of Yogyakarta to collect information on governance practices, transparency, and ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) donation patterns during and after the pandemic. A stratified random sampling approach was applied based on geographical location, mosque size, and historical donation level to ensure representativeness. From an initial sample of 500 mosques across Yogyakarta City, Sleman, Bantul, Kulon Progo, and Gunungkidul, the final analytical sample consisted of 360 mosques, following data validation.

The main explanatory variable is Islamic Social Finance, which includes three indicators: the fundraising index, zakat distribution, and financial management. The fundraising index is used as an indicator of ISF because it directly reflects the quality of governance, level of public trust, and institutional sustainability. [Ali et al., \(2025\)](#) emphasize that the collection of Islamic social funds is highly sensitive to the transparency, accountability, and credibility of fund managers. In the context of community-based institutions, such as mosques, where contributions are voluntary, fundraising performance serves as a key proxy for congregational participation and social legitimacy. The fundraising index is a composite measure of a mosque's ability to manage its ZIS funds. This index is constructed using six dummy variables that act as indicators and capture the key aspects of financial infrastructure and digital fundraising.

Second, the variables of zakat distributions were measured by the average amount of zakat fitrah and fidyah received before, during, and after the pandemic. These variables are employed as ISF indicators because they directly reflect the effectiveness of fund utilization, accountability, and the social impact of Islamic social finance institutions, particularly in achieving redistribution and welfare objectives. A study by [Noor et al. \(2015\)](#) showed that distributing zakat in a targeted and effective manner enhances institutional legitimacy and public trust, ultimately supporting the sustainability of ISF management. Finally, the financial management variables were measured using a dummy variable. Specifically, this is a dummy distribution variable 1 for the mosque's financial planning document and 0 for those not a financial planning document. These variables are employed to ensure proper fund allocation, enhance transparency, and safeguard the rights of donors and beneficiaries, thereby minimizing the risks of mismanagement and Shariah noncompliance ([Muhammed et al., 2025](#)). Definitions of the variables in this study are shown in [Table 1](#).

The variable of interest in this study is the effective Governance Index, which reflects the extent to which mosques adhere to key principles of effective governance. This variable is a crucial determinant of mosque management performance because it ensures the accountability, transparency, and effective oversight of Islamic social fund management and distribution. Empirical evidence from Zakat institutions shows that robust Sharia governance mechanisms greatly improve the efficiency of fund allocation, fundraising growth, and public trust, thus enhancing the overall performance of Islamic social finance ([Zakiy et al 2023](#)). To improve the accuracy of the analysis, several control variables were included to account for mosque- and individual-level heterogeneities. Mosque levels, including decision programs, type of mosque,

mosque status, and mosque management of society. Meanwhile, the individual levels included age, gender, years of education, and informal jobs (see [Table 1](#), definition of control variables). These controls allow for a more accurate estimation of the relationship between the fundraising index and effective governance.

Table 1. Definition of variables

No	Variables	Measurement
1	Fundraising index	There are six indicators used includes (1) mosques receive zakat before, during, and after the pandemic; (2) mosques receive waqf before, during, and after the pandemic; (3) mosques deposit ZISWAF funds in formal financial institutions; (4) the main source of mosque operational funding comes from congregational infaq; (5) mosques have bank accounts at Islamic financial institutions; and (6) mosques have QRIS accounts for ZISWAF transactions. Each indicator is given a value of 1 if the mosque fulfills these characteristics, and 0 otherwise. This variable represents a composite index standardized through z-score transformation.
2	Zakat distribution	Logarithm of the average amount of zakat fitrah and fidyah received before, during, and after the pandemic
3	Financial management	Dummy variable takes the values 1 for mosques that have planning financial documents and 0 for otherwise.
5	Effective governance index	Indicators of effective governance, including Inclusiveness, Justice, Performance, Transparency, Legitimacy, and Accountability. These indicators measure categorical variables such as 1" Strongly Disagree", 2 "Disagree", 3" Neutral", 4" Agree, and 5" Strongly Agree". This variable represents a composite index standardized through z-score transformation.
6	Age	The age of the mosque chairperson is 21-85 years
7	Male	Dummy variable takes the value 1 for males and 0 for females
8	Years of education	Categorical variable taking the values: 0 = 'No Schooling', 6 = 'Primary School', 9 = 'Junior High School', 12 = 'Senior High School', 14 = 'Diploma', 16 = 'Bachelor's Degree', 18 = 'Master's Degree', and 21 = 'Doctoral Degree'
9	Informal job	A dummy variable takes the value 1 for mosque chairpersons employed in the informal sector, and 0 for those employed in the formal sector.
10	Decision program	A dummy variable that takes the value 1 if mosque program decisions are made jointly by the jamaah and mosque administrators, and 0 if decisions are made only by the mosque administrators
11	Type of mosque	Categorical variable indicating the mosque type based on its managing institution: 1 = "Family Mosque", 2 = "Village Mosque", 3 = "Residential Mosque", 4 = "Educational Institution Mosque", 5 = "Community Organization Mosque", 6 = "Company Mosque", 7 = "Government Mosque", 8 = "Others"
12	Mosque status	A dummy variable that takes the value 1 if the mosque's land status is waqf, and 0 otherwise
13	Mosque management of society	A dummy variable that takes the values 1 for mosque management type are society and 0 for others

Source: [Pusat Kajian Ekonomi dan Bisnis Syariah \(2023\)](#)

We used ordinary least squares (OLS) and logistic regression models (logit). We used the OLS method as a benchmark for our estimation, particularly for dependent variables, including the fundraising index and distribution fund. The OLS method was employed in this study for several reasons: First, the data were obtained through random sampling, which supports the use of OLS as an appropriate estimation technique. Second, no empirical evidence indicates the presence of endogeneity issues in the effective governance variable. This is supported by the additional estimations reported in [Table 2](#), which show that effective governance is not significantly correlated with the other explanatory variables in the model. These results suggest the absence of reverse causality or an omitted variable bias related to governance measures. Therefore, OLS provides an

unbiased and consistent estimator and is considered the most appropriate method for this analysis (Wooldridge, 2013). Subsequently, we estimate the other dependent variables by applying the logit method. The logit method is best suited because financial management documents have a binary dependent variable. Unlike standard linear regression models that assume the use of continuous data as the dependent variable, the logit method employs a nonlinear transformation of the dependent variable to ensure that the predicted probability of the dependent variable is between 0 and 1 (Peng et al., 2002; Wooldridge, 2013).

Specification model OLS follows:

$$Y_i = \beta_0 + \beta_1 \text{effective_governance}_i + \beta_2 X_i + \varepsilon_i \quad (1)$$

Where Y represents the fundraising index, and zakat distribution i represents the mosque. $\text{effective_governance}_i$ is represented by the effective governance index. X_i is represented as a control variable, including age, male sex, years of education, decision program, type of mosque, mosque status, and type of mosque management, and ε_i is the error term.

Specification model logit regression follows:

$$\text{logit } P = \ln \left(\frac{P}{1-P} \right) = \beta_0 + \beta_1 \text{Effective_governance}_i + \beta_2 X_{ij} + \varepsilon_i \quad (2)$$

P probability that the mosque has financial management. $\text{Effective_governance}_i$ is represented by the effective governance index. X_i is represented as a control variable, including age, male sex, years of education, decision program, type of mosque, mosque status, and type of mosque management, and ε_i is the error term.

Logit is used because the dependent variable is binary; it converts the scale to log odds, ensuring that the predicted results are between 0 and 1. The difference between Logit and Probit is that Logit uses the logistic distribution function to model probability. The main advantage of logit regression is its flexibility; unlike Probit, Logit regression does not require the assumption that the error is normally distributed. Instead, Logit models the log-odds of the dependent variable as a linear combination of predictors, making it useful in scenarios where the outcome is binary or categorical. Interpreting Logit results, particularly odds ratios, provides insights into the likelihood of an event occurring with changes in predictor variables. The flexibility and broad applicability of logit make it more popular than probit, although both are frequently used for binary regression (Peng et al., 2002).

Endogeneity issue

This study examines the potential endogeneity between effective governance and several outcome variables, such as the fundraising index, zakat distribution, and financial planning. The potential endogeneity of the effective governance variable is a common concern in studies examining governance-performance relationships (Grassa & Matoussi, 2014; Sawmar & Mohammed, 2021). In our context, reverse causality may exist: mosques with better financial performance (e.g., higher fundraising or zakat distribution) may have more resources to invest in governance improvements such as digital systems or trained personnel. Additionally, unobserved factors such as the track record or good reputation of religious leaders or community social capital could simultaneously influence both governance practices and financial outcomes (Habibi et al., 2023; Kasri & Ramli, 2019). To address this, we follow established econometric practices Wooldridge, (2013) by exploring potential instruments that theoretically affect governance but are not directly correlated with the error term in our main outcome equations.

To address this concern, this study explored instruments that may theoretically affect effective governance. These include the following: (i) the role of mosques during the pandemic, (ii) the existence of planning documents, (iii) the age of the mosque, (iv) the criminality in the surrounding area, (v) the term length of the mosque committee chairperson, and (vi) mosque development decision programs. As shown in Table 2, the results indicate that neither the active role of mosques during the pandemic nor the existence of planning documents meet the criteria for instrument validity. The F-statistic values from the first-stage regressions are 7.68 and 4.73,

respectively. These values fall below the critical threshold of 16.38, which was established by [Stock and Yogo, \(2005\)](#) for a maximum instrument bias of 10%, thus indicating that the instrument is weak. Furthermore, the regression results show no statistically significant relationship between criminality, age of mosques, mosque committee chairperson's term length, and mosque development decision program variables with effective governance; thus, there is no strong evidence of potential endogeneity. Therefore, effective governance can be treated as an exogenous variable in the primary estimation. This study uses Ordinary Least Squares (OLS) and logit regression methods, adding relevant control variables to ensure the consistency and reliability of the estimation results. Robustness checks were performed to evaluate the stability of the results.

Table 2. The results of the determinants affecting the effective governance index

Variables	Effective governance index
Criminality	0.053 (0.115)
Age of mosque	-0.000 (0.000)
Term of the chairperson of mosques	0.001 (0.004)
Mosques' development decision program	0.021 (0.056)
Document planning	0.209* (0.110)
Role of mosques for pandemic	0.267** (0.110)
Constant	0.088 (0.632)
Observations	355
R-squared	0.034
adjusted R-squared	0.0177

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Source: Author's work

Result and Discussion

Mosque committee profile

[Table 3](#) presents the ages of those interviewed, ranging from 21 to 85, with an average age of 53 years. Men dominate the mosque committee. Respondents were mostly well-educated, with most having a bachelor's degree and having passed the senior high school level. According to data from the [Ministry of Religious Affairs \(2019\)](#), there are 8,343 mosques in the Yogyakarta province. The majority of these mosques, about 37% or 175 mosques, are categorized as neighborhood mosques or *Rukun Warga (RW)* mosques, which serve smaller community groups. The second largest category is *Jami* mosques, making up 35.3% or 167 mosques, which serve larger congregations at the village or subdistrict level.

Grand Mosque refers to mosques located at the district level and is officially designated by the district government. *Jami* mosques are situated at the village or sub-district level and are officially recognized by the local village government. Other mosques were located in public areas to facilitate worship in the broader community. In Yogyakarta, most mosques are built on *waqf* land, which is designated for religious or charitable purposes, but 14.38% are on non-*waqf* land, including "Hak Pakai" (right of use) and privately owned land. Non-*waqf* land types also include "Sultan Ground," owned by the sultanate and requiring permission for use, "Tanah Kas Desa," which is village treasury land managed for local revenue or social purposes, and state land, which lacks specific property rights. Some mosques are on disputed land or company-owned properties. The distribution of non-*waqf* land includes 27.9% under "Hak Pakai," 26.7% under individual

ownership, and 23.3% under "Girik" status (unregistered ownership), along with other forms such as "*Hak Guna*" (right to use) and "Letter C" (local land documents).

Table 3. Mosque committee profile

Profile	Criteria	Frequency
Gender	Male	95%
	Female	5%
Education	No school	4
	Elementary school	39
	High school	42
	Senior high school	182
	Diploma	22
Occupation	Bachelor	148
	Master Doctor	4
	Retiree	92
	Worker/Employee	85
	Self-employed	76
Type mosque-based management	Other	73
	Civil servant	62
	Freelance worker in agriculture	45
	Not working	17
	Freelance worker in non-agriculture	13
	Self-employed with the help of permanent workers	4
	Military/policy	3
	Self-employed with the help of temporary workers	3
	Neighborhood mosque (Masjid rukun warga)	37%
	Jami mosque	35%
Mosque land status	Other	25%
	Don't know	2%
	Big mosque	1%
	Grand mosque	0.21%
	Waqf	86%
	Non-waqf (ownership right)	35%
	Non-waqf (certificate of ownership)	33%
	Non waqf (Girik)	29%
	Non waqf (other)	27%

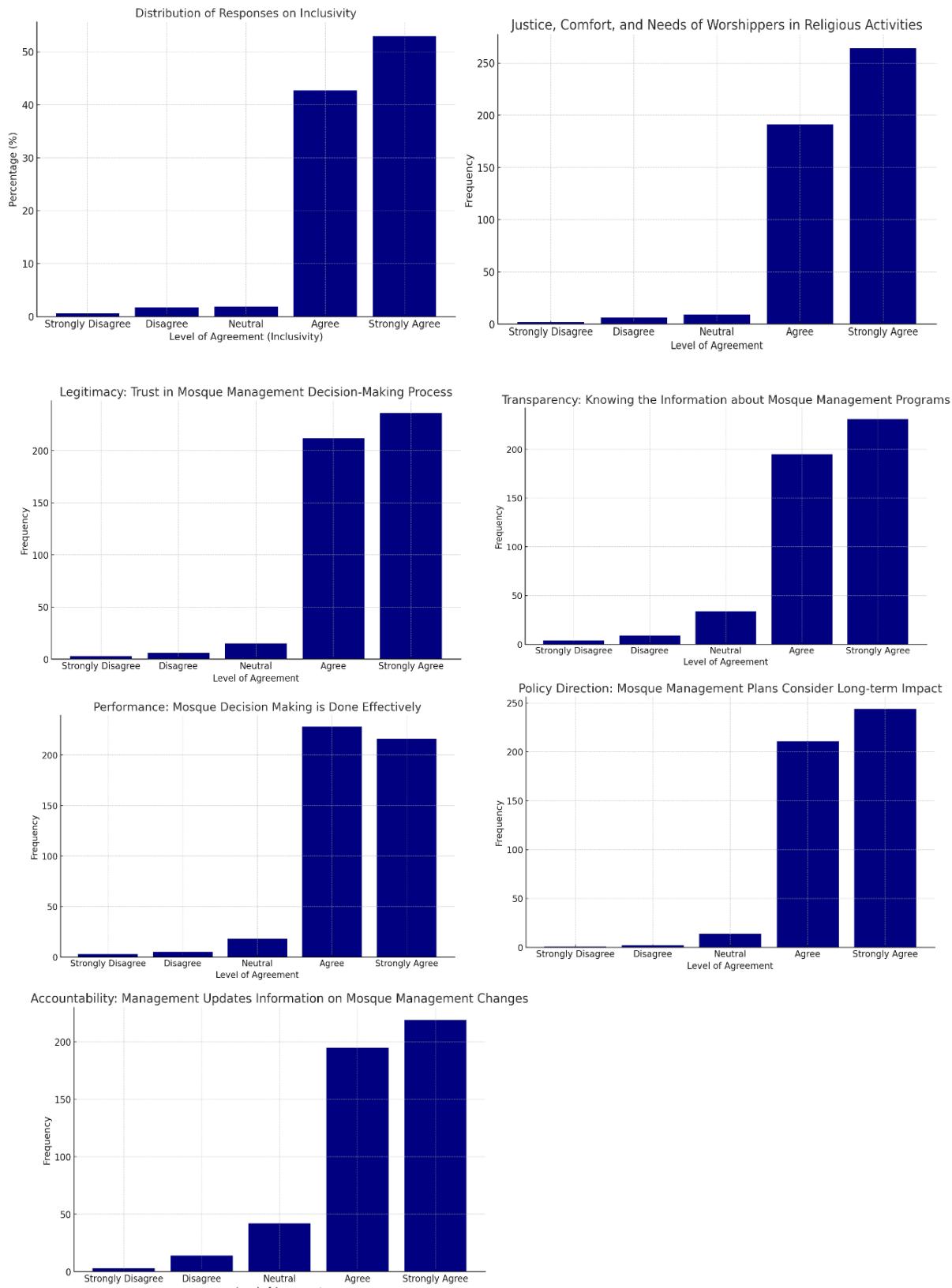
Source: [Pusat Kajian Ekonomi dan Bisnis Syariah \(2023\)](#)

[Figure 1](#) presents the respondents' feedback on several statements related to the eight key factors that contribute to the implementation of effective governance in mosque management. The chart above indicates strong awareness among mosque administrators about the importance of applying effective governance principles in their management practices. In nearly all aspects, most mosque managers strongly agreed with effective governance principles, with performance being the only exception. This widespread agreement serves as a positive indicator for the sustainable management of mosques in the Yogyakarta region, highlighting the commitment to maintaining a professional management process that benefits the community.

The result of descriptive statistics

[Table 4](#) presents the descriptive statistics. It reports the mean, standard deviation, minimum, and maximum of the dependent, independent, and control variables, respectively. The statistics revealed substantial variations in Islamic Social Finance management across mosques. The fundraising and effective governance indices were standardized as z-scores (mean = 0, SD = 1). This standardization ensures comparability across indicators with different measurement scales. In contrast, the zakat distribution showed a substantial dispersion. On average, mosques distributed approximately 120 kg of zakat, ranging from 7 to 1,000 kg. This wide range reflects the heterogeneity in congregation size, managerial capacity, and fundraising ability, particularly during

and after the pandemic. Only 50% of the sampled mosques had a documented financial management system. Only 50% of the sampled mosques had a documented financial management system. These differences reflect meaningful institutional heterogeneity, rather than data inconsistencies. These statistics provide a reference point for interpreting the subsequent regression results.



Figures 1. Effective governance indicator
Source: [Pusat Kajian Ekonomi dan Bisnis Syariah \(2023\)](#)

Table 4. Descriptive statistics

Variables	(1) Obsevarions	(2) mean	(3) sd	(4) min	(5) max
Fundraising index	360	0.000	1	-2.176	2.090
Zakat distribution	360	120.4	130.667	7	1000
Financial management	360	0.500	0.501	0.	1.
Effective governance index	360	0.011	1	-6.470	1.155
Age	360	53.592	11.080	21	85
Male	360	0.947	0.224	0	1.
Years of education	360	12.889	3.482	0	21
Informal job	360	0.453	0.498	0	1
Decision program	360	0.536	0.499	0	1
Type of mosque	360	2.172	0.687	2	6
Mosque status	360	0.864	0.343	0	1
Mosque management of society	360	0.933	0.250	0	1
<i>N</i>	360				

Source: Author's work

The effect of effective governance on fundraising

Table 5 shows that effective governance has a significant positive effect on fundraising, both without and with control variables. In Column 1, without control variables, the findings show that each one-unit increase in the effective governance score is associated with a 0.18 standard deviation increase in fundraising, with a significance level of 1 percent. When adding control variables such as age, gender, years of education, informal employment, and decision program (columns 2 and 3), the results still show a positive and significant trend with coefficients of 0.14 and 0.13 standard deviations. Furthermore, in Column 4 (all control variables), the relationship between effective governance and fundraising remains positive and significant at the 1% level. These findings indicate that effective governance influences fundraising, with an increase of 0.14 standard deviations.

Table 5. The result estimation of effective governance on the fundraising index

Variables	(1) Fundraising index	(2) Fundraising index	(3) Fundraising index	(4) Fundraising index
Effective governance index	0.187*** (0.045)	0.143*** (0.048)	0.139*** (0.049)	0.143*** (0.048)
Age		-0.011** (0.004)	-0.011*** (0.004)	-0.011*** (0.004)
Male		0.375* (0.216)	0.368* (0.217)	0.368 (0.225)
Years of education		0.072*** (0.014)	0.071*** (0.014)	0.068*** (0.014)
Informal job			-0.079 (0.103)	-0.089 (0.103)
Decision program			0.038 (0.102)	0.039 (0.103)
Type of mosque				-0.104 (0.295)
Mosque status				-0.083 (0.172)
Mosque management of society				-0.436 (0.884)
Constant	-0.002 (0.052)	-0.709** (0.347)	-0.650* (0.373)	0.114 (1.614)
Observations	360	360	360	360
R-squared	0.035	0.121	0.123	0.126
F statistics	17.35	13.44	9.203	6.399
Adjusted R-squared	0.0322	0.111	0.108	0.104

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.10

Source: author's work

Several control variables, including age and years of education, were found to be statistically significant determinants of fundraising performance. Age exhibits a negative and statistically significant relationship with the fundraising index across all the model specifications. Specifically, an increase in the age of the head takmir is associated with a decrease in the fundraising index by 0.011 standard deviations; this effect is significant at the 1% level. This finding suggests that older leadership is associated with a lower fundraising performance. In contrast, years of education has a positive and statistically significant effect on fundraising performance. The results indicate that each additional year of education attained by the head takmir increases the fundraising index by approximately 0.068 standard deviation. Meanwhile, other control variables did not exhibit statistically significant effects on the fundraising index.

The effect of effective governance on the zakat distribution

Table 6. The result estimation of effective governance on the zakat distribution

Variables	(1) Zakat distribution	(2) Zakat distribution	(3) Zakat distribution	(4) Zakat distribution
Effective governance index	0.086** (0.040)	0.066* (0.038)	0.064* (0.038)	0.065* (0.038)
Age		0.014*** (0.004)	0.013*** (0.004)	0.013*** (0.004)
Male		0.055 (0.152)	0.052 (0.156)	0.039 (0.161)
Years of education		0.042*** (0.012)	0.037*** (0.012)	0.033*** (0.012)
Informal job			-0.133 (0.085)	-0.151* (0.086)
Decision program			-0.128 (0.086)	-0.126 (0.086)
Type of mosque				0.064 (0.244)
Mosque status				-0.040 (0.137)
Mosque management of society				-0.155 (0.660)
Constant	4.425*** (0.043)	3.092*** (0.285)	3.305*** (0.286)	3.441*** (1.128)
Observations	360	360	360	360
R-squared	0.011	0.068	0.080	0.090
F statistics	4.477	7.523	5.456	3.975
Adjusted R-squared	0.0795	0.0575	0.0644	0.0665

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Source: author's work

Table 6 presents the regression estimates that examine the relationship between effective governance and zakat distribution by mosque. The results consistently indicate that effective governance is positively and significantly correlated with the zakat distribution across all model specifications. In column 1, where no control variables are included, the coefficient of effective governance is 8.6%, which suggests that a one-unit increase in the effective governance index is associated with an 8.6% increase in zakat distribution. In Columns 2 and 3, the coefficient of effective governance remains positive and statistically significant at the 10 percent level, with effect sizes of 6.6% and 6.4%, respectively. Finally, in Column 4, we include all control variables simultaneously to assess the robustness of the effect. The coefficient of effective governance increases by 6.5 % on zakat distribution by the mosque during and after the pandemic crisis. This indicates that even after accounting for individual and institutional characteristics, the positive correlation between governance and zakat distribution is robust. Meanwhile, age and years of

education exhibit positive and statistically significant effects on zakat distribution, with coefficients of 1.3% and 3.3%, respectively. These results indicate that demographic factors, particularly age and educational attainment of mosque management, play an important role in determining the effectiveness of zakat distribution.

The effect of effective governance on financial management

Table 7 indicates that effective governance significantly increases the likelihood of mosques having a documented financial management system. The results reported in Columns 1–4 show that the coefficient of effective governance remains consistently positive and statistically significant, both with and without the inclusion of the control variables. In Column 6, the estimation results suggest that a one-unit increase in the effective governance index increases the probability of having a financial management system by 0.074 percentage points when several control variables are included. This effect remains robust when the full set of control variables is added, with the estimated probability slightly decreasing to 0.073 percentage points (see Column 8). Regarding the control variables, years of education exhibit a positive but statistically insignificant association with financial management (see Column 8). In contrast, informal employment shows a negative and statistically significant relationship at the 10% level, indicating that mosques managed by takmirs engaged in informal jobs are less likely to have a documented financial management system compared to those whose takmirs are employed in the formal sector.

This study conducted a robustness test to examine the consistency of the results when effective governance is represented by a single key dimension, namely accountability, and when social media is included as an additional control variable. The consistency of the results strengthens the internal validity of the main findings, as the estimated effect of accountability remains positive and statistically significant even when governance is captured by this core indicator alone. Overall, these findings confirm that the main estimations are robust and reliable (see Appendix 1).

Table 7. The result estimation of effective governance on financial management

Variables	Marginal effect			
	(5) Financial management	(6) Financial management	(7) Financial management	(8) Financial management
Effective governance index	0.084** (0.033)	0.074** (0.034)	0.071** (0.033)	0.073** (0.033)
Age		0.002 (0.002)	0.002 (0.002)	0.002 (0.002)
Male		-0.013 (0.111)	-0.018 (0.106)	-0.007 (0.106)
Years of education		0.016** (0.008)	0.014* (0.008)	0.012 (0.008)
Informal job			-0.099* (0.051)	-0.100* (0.052)
Decision program			-0.029 (0.052)	-0.027 (0.052)
Type of mosque				-0.157 (0.152)
Mosque status				0.027 (0.077)
Mosque management of society				-0.545 (0.431)
Constant	-0.007 (0.107)	-1.353* (0.816)	-0.862 (0.849)	2.673 (3.096)
Observations	360	360	360	360

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.10

Source: Author's work

Discussion

This study provides robust evidence that effective governance enhances the performance of mosque-based ISF, particularly fundraising, zakat distribution, and financial management during and after the Covid-19 pandemic. Using a multidimensional governance framework encompassing accountability, transparency, performance, legitimacy, inclusiveness, and fairness, we found that mosques with stronger governance consistently achieve higher fundraising outcomes. This result aligns with the literature on nonprofit and religious organizations, which identifies legitimacy and transparency as the key determinants of successful fundraising (Bin-Nashwan et al., 2020; Mutamimah et al., 2021). In Indonesia, where social trust and religious legitimacy are pivotal, transparency and accountability are essential for sustaining congregational support and collecting social funds (Zakiy et al., 2023). These findings indicate that governance is a strategic institutional asset that enhances operational efficiency and public trust, particularly at the mosque level.

Beyond fundraising, the results show that strong governance significantly enhances the effectiveness of Zakat distribution. Mosques with higher transparency, accountability, and institutional legitimacy exhibit better record keeping, more accurate beneficiary targeting, and greater donor confidence. These attributes allow mosques to expand the reach and effectiveness of zakat distribution, particularly during and after the pandemic. Consequently, mosques function not only as religious institutions, but also as effective intermediaries for community-level poverty alleviation and inclusive development, particularly in Yogyakarta.

The positive relationship between governance and financial management occurs through several interrelated mechanisms. First, transparency and accountability encourage preparation of formal financial reports for congregants and donors. Second, participatory governance increases congregational involvement and requires more systematic and transparent financial planning and reporting. Third, stronger governance is associated with better managerial capacity, particularly in terms of planning and financial oversight. Together, these mechanisms indicate that better governance strengthens both the financial capacity and the credibility of mosques in managing Islamic social funds.

These findings are consistent with those of previous empirical studies. For example, Saad et al., (2014) and Tahliani, (2018) show that good governance practices such as transparency, community participation, and institutional clarity positively affect financial planning and management in zakat institutions and mosques. Similarly, a case study in Malaysia showed that institutions with strong governance structures produce more credible financial reports and attract greater congregational participation in religious and social funding. Taken together, cross-country evidence underscores that effective governance is fundamental for building professional, sustainable, and well-documented financial systems in Islamic social finance institutions.

Importantly, this study shows that governance is not merely a set of formal rules or administrative procedures but also reflects the moral and social credibility of mosque administrators. Effective governance improves internal decision-making, expands congregational participation, and promotes transparency in managing social funds, such as Zakat, Infaq, Sadaqah, and Waqf (ZISWAF). By providing micro-level evidence from mosques in Yogyakarta, this study extends the literature, which has largely focused on national or organizational zakat institutions. The findings provide empirical support for prioritizing governance reforms in mosque-based ISF institutions, particularly during and after the Covid-19 pandemic. Overall, effective governance is a key determinant of institutional resilience, trust, and the social impact in mosque-based Islamic Social Finance.

Conclusion

This paper examines how effective governance influences the management of Islamic social finance, using mosques in Yogyakarta as a case study during and after the crisis. We employ three outcome variables to represent Islamic social finance management: the fundraising index, zakat distribution, and financial management. By conducting a multidimensional effective governance index and applying OLS and logit regression models, the main findings show that mosques with

better governance experience an increase in fundraising and wider distribution of zakat, as well as a greater probability of well-documented financial management systems. The results suggest that governance principles, including transparency, accountability, and legitimacy, are not only administrative ideals but also practical tools for enhancing institutional credibility and building trust among congregants and donors. Furthermore, these findings reinforce the need for policy interventions aimed at strengthening governance structures in mosques, including financial management training programs and digitalization of reporting systems.

This study recommends strengthening mosque-based ISF through coordinated action across stakeholders. Governments should establish standardized Sharia-compliant governance guidelines, provide training and digital financial infrastructure support, and incentivize well-governed mosques. Mosque administrators are encouraged to formalize governance structures, improve transparency through regular financial reporting and audits, and invest in managerial capacity-building. Islamic banks and Fintech institutions should support mosques by offering affordable digital payment systems and integrated ZISWAIF financial tools. Meanwhile, academic institutions and civil society organizations should promote evidence-based governance improvements through research, governance benchmarking, capacity development, and peer learning networks. These measures are essential for enhancing accountability, public trust, and the sustainability of mosque-based ISF management.

This study had certain limitations. First, the data used are cross-sectional, which may restrict the ability of researchers to identify long-term causal relationships. Second, despite efforts to address endogeneity using several variables, the instruments are theoretically valid but statistically insignificant. This study suggests that future research should use longitudinal data to understand how mosques govern and manage social funds over time. At the same time, we need to compare different provinces or the whole of Indonesia using similar research. This will help us better understand how Islamic social finance is governed.

Author contribution

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Supervision: Novat Pugo Sambodo

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Visualisation: Wida Reza Hardiyanti

Writing-original draft: Prayudi Ibrahim Nasution and Wida Reza Hardiyanti

Writing-review & editing: Prayudi Ibrahim Nasution and Novat Pugo Sambodo

Data Availability Statement

The data that support the findings of this study are available from the Department of Economics, Faculty of Economics and Business, Universitas Gadjah Mada, upon reasonable request, and with permission from the data provider.

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Appendix 1. Robustness test

VARIABLES	Appendix test								
	(1)			(2)			(3)		
	Fundraising Index OLS	Fundraising Index OLS	Fundraising Index OLS	Zakat recipient OLS	Zakat recipient OLS	Zakat recipient OLS	Financial management Logit	Financial management Logit	Financial management Logit
Accountability	0.216*** (0.056)	0.160*** (0.059)	0.110* (0.060)	0.172*** (0.053)	0.159*** (0.051)	0.129** (0.051)	0.582*** (0.150)	0.543*** (0.153)	0.498*** (0.159)
Age	-0.011** (0.004)	-0.008* (0.004)	-0.008* (0.004)	0.014*** (0.004)	0.015*** (0.004)	0.015*** (0.004)	0.010 (0.010)	0.010 (0.010)	0.015 (0.011)
Male	0.348 (0.222)	0.322 (0.232)	0.054 (0.155)	0.054 (0.158)	0.028** (0.054)	0.028** (0.054)	-0.099 (0.455)	-0.099 (0.455)	-0.063 (0.466)
Years of education	0.073*** (0.014)	0.062*** (0.014)	0.036*** (0.012)	0.028** (0.012)	0.028** (0.012)	0.028** (0.012)	0.060* (0.034)	0.060* (0.034)	0.041 (0.035)
Informal job	-0.071 (0.104)	-0.088 (0.101)	-0.114 (0.083)	-0.114 (0.083)	-0.136 (0.083)	-0.136 (0.083)	-0.372* (0.224)	-0.372* (0.224)	-0.387* (0.228)
Decision program	0.036 (0.103)	0.059 (0.102)	-0.137 (0.086)	-0.123 (0.085)	-0.123 (0.085)	-0.123 (0.085)	-0.115 (0.222)	-0.115 (0.222)	-0.112 (0.225)
Type of Mosque	-0.061 (0.168)	-0.061 (0.168)	0.101 (0.138)	0.101 (0.138)	0.101 (0.138)	0.101 (0.138)	-0.614 (0.581)	-0.614 (0.581)	-0.614 (0.581)
Mosque Status	-0.061 (0.168)	-0.061 (0.168)	-0.021 (0.138)	-0.021 (0.138)	-0.021 (0.138)	-0.021 (0.138)	0.183 (0.348)	0.183 (0.348)	0.183 (0.348)
Mosque Management of Society	-0.153 (0.792)	-0.153 (0.792)	-0.047 (0.604)	-0.047 (0.604)	-0.047 (0.604)	-0.047 (0.604)	-2.167 (1.580)	-2.167 (1.580)	-2.167 (1.580)
Social Media	0.481*** (0.155)	0.481*** (0.155)	0.261** (0.113)	0.261** (0.113)	0.625*** (0.311)	0.625*** (0.311)	0.625*** (0.311)	0.625*** (0.311)	0.625*** (0.311)
Constant	-0.927*** (0.238)	-1.377*** (0.487)	-1.026 (1.469)	3.690*** (0.228)	2.602*** (0.360)	2.593** (1.032)	-2.507*** (0.659)	-3.293*** (1.135)	-0.075 (2.792)
Observations	360	360	360	360	360	360	360	360	360
adjusted R-squared	0.0280	0.106	0.130	0.0255	0.0822	0.0948	0.0360	0.0534	0.0684

Robust standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.10

Source: Author's work