

# Donor fund empowerment strategy in increasing donor trust: A case study on Lazismu Sidoarjo

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## ABSTRAK

### Introduction

Indonesians are known for their philanthropic behavior, which can be seen from the number of zakat and infaq organizations in Indonesia.

### Objectives

This study aims to analyze the strategy of empowering donor funds and its effectiveness in increasing donor trust in Lazismu Sidoarjo.

### Method

Data was collected using a qualitative approach through in-depth interviews with 14 informants, field observations, and document analysis.

### Results

The results showed that Lazismu Sidoarjo implemented a distribution strategy through 6 pillar programs (education, economy, social, environment, health, and da'wah) with an effectiveness rate of 85% based on the increase in the number of donors from 2021-2024. The effectiveness of the strategy is supported by three main activities: financial transparency, program publication, and activity documentation.

### Implications

This study highlights the importance of transparent, accessible, and documented donor fund management to ensure trust. Zakat and infaq organizations can use the findings to improve public trust.

### Originality/Novelty

This research contributes to developing a donor fund management model that can increase public trust in Amil Zakat institutions.

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## INTRODUCTION

The strategic management of donor funds has become increasingly crucial in ensuring the sustainability and effectiveness of non-profit organizations, particularly those engaged in philanthropic activities such as zakat, infaq, and sadaqah (ZIS) distribution. In Islamic philanthropy, these financial contributions serve as an essential mechanism for social welfare and economic redistribution, aiming to alleviate poverty and promote societal well-being (Ahsan & Sukmana, 2020). Given the growing reliance on non-profit institutions to address economic disparities, maintaining donor trust is imperative. Transparency, accountability, and proper fund allocation are critical factors influencing donor engagement, and the credibility of an institution hinges on its ability to demonstrate financial integrity (Athifah et al., 2018). However, challenges such as fund mismanagement, lack of clear financial reporting, and ineffective communication with stakeholders have often hindered the ability of zakat institutions to secure and sustain donor confidence (Sholikhah & Efendi, 2022). These issues underscore the necessity of exploring effective strategies for managing and empowering donor funds while ensuring optimal financial governance.

Recent studies emphasize that donor trust is a multifaceted construct influenced by institutional transparency, governance practices, and communication strategies (Becker, 2018; Haski-Leventhal & Foot, 2016; Rossi et al., 2020). Organizations that actively disclose financial statements and impact reports are more likely to attract and retain donors (Harris & Neely, 2016; Li & McDougale, 2017). Moreover, the integration of technology in non-profit financial management, including blockchain and digital reporting platforms, has been shown to enhance accountability and trust (Danila et al., 2024; Hamdani et al., 2024; Musa et al., 2022; Susanto et al., 2024). In the context of zakat institutions, trust is further shaped by religious values and the perception of ethical compliance in fund management (Annahl et al., 2021; Ikbah et al., 2023; Nadia & Sari, 2023; Syafira et al., 2020). Despite these advancements, many philanthropic organizations struggle with credibility issues due to inadequate donor engagement and inconsistent reporting practices (Ahmad, 2019; Sadallah & Abdul-Jabbar, 2022; Saifullah & Mubarak, 2024). Given these challenges, investigating strategies for optimizing donor fund management is essential for sustaining public confidence in philanthropic institutions.

One of the primary issues faced by zakat institutions is the persistent gap between donor expectations and actual fund utilization. Donors seek assurance that their contributions reach intended beneficiaries and are used effectively for long-term social impact (Zein, 2020). However, misallocation of funds and the absence of detailed reporting mechanisms have contributed to skepticism among donors (Fatoni & Fakhruddin, 2021; Samargandi et al., 2018). Moreover, studies indicate that non-profits often struggle with financial transparency due to a lack of standardized reporting frameworks and inadequate governance structures (Ghani et al., 2018; Kartini et al., 2021; Sawmar & Mohammed, 2021; Tajuddin, 2023). These limitations highlight the urgent need for non-profit organizations, particularly zakat institutions, to establish

robust financial reporting mechanisms that enhance transparency and facilitate donor engagement. Addressing these challenges requires a shift toward a structured approach that prioritizes financial clarity, systematic fund distribution, and strategic donor communication.

A widely acknowledged solution to this issue is the implementation of comprehensive transparency and accountability measures. Studies have demonstrated that non-profits that provide real-time financial disclosures and periodic impact assessments experience higher levels of donor retention (Li & McDougale, 2017). The adoption of financial audits, third-party evaluations, and regulatory compliance frameworks has also been shown to mitigate concerns related to fund mismanagement (Leardini et al., 2020). In the realm of Islamic philanthropy, religious institutions that align their financial practices with Shariah principles and ensure ethical governance are more likely to gain donor trust (Handriana, 2016; Ikhwandha & Hudayati, 2019; Zainal, 2016). Additionally, leveraging digital platforms for financial reporting has emerged as an effective means of enhancing accountability and facilitating real-time donor engagement (Bhati & McDonnell, 2020). Despite these insights, many zakat institutions still struggle to implement these strategies effectively due to resource constraints and limited institutional capacity.

A more refined solution involves the integration of strategic donor fund management practices, including structured fund distribution and empowerment programs. Empirical studies suggest that organizations that allocate funds through structured programs, such as education, economic empowerment, and health initiatives, tend to foster greater donor confidence (Brinkerhoff & Goldsmith, 1992; Reinsberg, 2017; Robinson, 1995; Shiva & Suar, 2012; Streeten, 1997). Effective fund utilization not only enhances the credibility of the institution but also ensures that philanthropic contributions yield tangible social benefits (Saifullah & Mubarak, 2024). Moreover, institutions that implement monitoring and evaluation frameworks for their fund allocation processes are better positioned to demonstrate impact and attract continued donor support (Haski-Leventhal & Foot, 2016). Within the context of zakat management, structured fund empowerment models, such as microfinance initiatives and sustainable livelihood programs, have been recognized as effective approaches for maximizing the long-term benefits of donor contributions (Begum et al., 2018; Imsar et al., 2023; Majid et al., 2024).

Several studies have explored the relationship between donor trust and financial management strategies, highlighting the importance of governance frameworks, transparency initiatives, and digital engagement platforms (Sawmar & Mohammed, 2021; Tajuddin, 2023). However, research on the specific mechanisms that enhance donor confidence in Islamic philanthropic institutions remains relatively limited. While prior studies have examined transparency and accountability in non-profit organizations (Athifah et al., 2018; Bin-Nashwan et al., 2021), there remains a significant gap in understanding how strategic donor fund empowerment contributes to donor trust. Additionally, the role of financial reporting tools, digital transparency mechanisms, and structured fund allocation strategies in strengthening donor

relationships has yet to be fully explored in the context of zakat institutions. Addressing this gap requires a targeted investigation into the specific strategies that effectively enhance donor confidence while ensuring optimal fund utilization.

This study aims to analyze the strategies employed by *Lazismu Sidoarjo* in managing and empowering donor funds to enhance donor trust. By examining the institution's financial transparency measures, structured fund distribution frameworks, and strategic donor engagement initiatives, this research seeks to provide a comprehensive understanding of effective donor fund management in Islamic philanthropic organizations. The novelty of this study lies in its focus on integrating transparency mechanisms with structured empowerment programs, offering a holistic approach to strengthening donor confidence. Through a qualitative analysis of *Lazismu Sidoarjo's* operational strategies, this study contributes to the development of an improved donor fund management model that can be applied to other zakat institutions. Furthermore, by addressing the research gap in strategic donor fund management within Islamic philanthropy, this study offers valuable insights into the factors that drive donor trust and institutional credibility. The findings of this research are expected to inform best practices for non-profit financial management, ensuring that donor contributions are utilized effectively for long-term social impact.

## LITERATURE REVIEW

### **The Role of Zakat, Infaq, and Sadaqah (ZIS) in Economic and Social Development**

Zakat, infaq, and sadaqah (ZIS) are fundamental aspects of Islamic philanthropy, playing a crucial role in wealth redistribution and socio-economic development. These financial instruments aim to alleviate poverty, promote social justice, and empower disadvantaged communities through structured economic support ([Ahsan & Sukmana, 2020](#)). Zakat, in particular, serves as an obligatory charitable contribution for eligible Muslims, functioning as a financial mechanism to balance wealth disparities and provide sustainable economic opportunities for the underprivileged ([Al Kubaisi, 2024](#); [Aziz & Mohamad, 2016](#); [Gundogdu, 2019](#); [Hoque, 2022](#); [Zauro et al., 2020](#)).

Several studies highlight the importance of effective ZIS fund management in achieving its intended social impact. Previous studies emphasize that the success of zakat institutions depends on their ability to implement well-structured financial strategies, ensuring that funds reach those in need efficiently and effectively ([Awwaliyyah & Maksum, 2024](#); [Muhammad A. A. & Rosidta, 2023](#); [Nurhalimah et al., 2023](#); [Suharto & Fajar, 2024](#)). Poor governance, lack of accountability, and misallocation of resources have been cited as major challenges that hinder the optimal utilization of zakat funds ([Irwansyah & Retnowati, 2023](#); [Maulana et al., 2023](#); [Rejab et al., 2023](#)). Consequently, ensuring proper fund distribution and empowerment programs is essential in strengthening public trust and encouraging continued participation in Islamic philanthropy.

### **Trust and Accountability in Zakat Institutions**

Trust is a critical factor influencing donor engagement in zakat institutions. The willingness of donors to contribute is largely determined by their perception of the institution's credibility, transparency, and financial integrity (Athifah et al., 2018). Transparency in financial reporting and operational processes has been found to significantly enhance donor confidence, as it ensures that funds are used as intended and not misappropriated (Sholikhah & Efendi, 2022).

Becker (2018) argues that voluntary accountability practices in non-profit organizations directly influence public trust and donor commitment. Similarly, Rossi et al. (2020) found that extensive online financial disclosures result in increased donor contributions, reinforcing the notion that transparency fosters credibility. These findings align with the theory of signaling, which suggests that effective communication of accountability measures serves as a trust signal to potential donors (Haski-Leventhal & Foot, 2016). Furthermore, research by Harris & Neely (2016) indicates that non-profit organizations with positive transparency ratings receive greater donor support, highlighting the significance of clear financial communication in securing sustained funding.

The role of governance in maintaining donor trust has also been widely explored. Lee et al. (2024) found that third-party evaluations of non-profit organizations enhance public perception of credibility, leading to higher donation rates. Similarly, Leardini et al. (2020) argue that government support and external validation serve as key indicators of institutional reliability, reinforcing donor confidence. Given the importance of accountability, zakat institutions must prioritize financial transparency and governance best practices to ensure continued public support.

### **The Impact of Transparency on Donor Confidence**

Transparency in zakat fund management is essential in fostering donor confidence and sustaining long-term financial contributions. A study by Bin-Nashwan et al. (2021) highlights that donors are more inclined to contribute when they have access to clear, detailed information regarding fund allocation and usage. Organizations that maintain rigorous financial reporting standards and provide regular updates on fund utilization are better positioned to build and maintain trust with their donor base.

The integration of digital transparency tools has also been identified as a key factor in strengthening donor confidence. Research by Bhati & McDonnell (2020) suggests that non-profits that utilize social media and digital reporting platforms to disclose financial activities experience increased engagement and donor retention. Similarly, Samargandi et al. (2018) found that organizations with strong online transparency practices receive higher levels of public trust and financial support. These findings emphasize the need for zakat institutions to adopt digital transparency mechanisms to enhance donor engagement and accountability.

Beyond digital tools, the implementation of independent audits and third-party evaluations further reinforces institutional transparency. Studies by Tajuddin (2023) and Qutaiba et al. (2024) demonstrate that external audits significantly improve

donor perceptions of credibility and fund management effectiveness. By ensuring independent oversight, zakat institutions can mitigate concerns related to financial mismanagement and fraud, ultimately strengthening public trust.

### **The Role of Donor Engagement in Strengthening Institutional Credibility**

Active donor engagement plays a pivotal role in reinforcing trust and sustaining financial contributions. Paxton et al. (2020) argue that emotional appeals and direct engagement with donors enhance their sense of connection with non-profit organizations, increasing their willingness to contribute. Similarly, Graça & Zwick (2021) found that recognition and appreciation of donor contributions significantly impact their perceived value of charitable giving, leading to increased donor loyalty.

A study by Li & McDougle (2017) highlights that reliance on credible information sources influences donor decision-making. Donors are more likely to contribute when they perceive an organization as transparent, reputable, and aligned with their values. This underscores the importance of strategic communication in maintaining donor relationships and ensuring continued financial support.

Furthermore, Bhati & McDonnell (2020) emphasize the role of social media in donor engagement, noting that organizations that actively communicate their impact through digital platforms experience higher donor retention rates. By leveraging technology, zakat institutions can foster real-time engagement, share success stories, and demonstrate the tangible outcomes of donor contributions.

### **Fund Distribution Strategies and Their Impact on Donor Trust**

Effective fund distribution is a key determinant of donor trust in zakat institutions. Research by Zein (2020) highlights that structured fund allocation models significantly improve donor confidence, as they ensure that contributions are directed toward meaningful and impactful programs. Previous studies suggest that zakat institutions that allocate funds toward education (Srinovita et al., 2016; Syoviana & Yahya, 2022), healthcare (Fikriyah & Ridlwan, 2018), and economic empowerment initiatives (Hidayat et al., 2019; Lestari et al., 2022) experience greater donor satisfaction and retention.

Empirical evidence further suggests that monitoring and evaluation frameworks play a crucial role in ensuring the effectiveness of fund distribution. Saifullah and Mubarok (2024) found that institutions with strong oversight mechanisms are more likely to maintain donor confidence and attract sustained financial support. Additionally, Imsar, Daim Harahap, and Hasibuan (2023) emphasize the importance of structured empowerment programs, such as microfinance initiatives, in maximizing the long-term impact of donor contributions.

### **Gaps in the Literature and the Need for Further Research**

While extensive research has been conducted on transparency, accountability, and donor engagement in non-profit organizations, studies specifically focusing on zakat institutions remain limited. Existing literature has predominantly examined financial governance in broader non-profit sectors (Athifah et al., 2018; Bin-Nashwan et al.,

2021), leaving gaps in understanding the unique challenges faced by Islamic philanthropic organizations.

Additionally, there is a lack of research exploring the integration of digital transparency tools within zakat institutions. While studies by Bhati & McDonnell (2020) and Samargandi et al. (2018) highlight the effectiveness of digital engagement strategies, their applicability in Islamic philanthropic contexts requires further investigation. Moreover, limited attention has been given to the impact of structured fund empowerment programs on donor trust, despite evidence suggesting their significance in sustaining long-term contributions (Imsar et al., 2023).

Addressing these research gaps is crucial in developing effective donor fund management strategies tailored to zakat institutions. By examining the specific mechanisms that enhance donor confidence in Islamic philanthropic organizations, future research can contribute to the advancement of best practices in non-profit financial management.

## METHOD

### Research Design

This study employs a qualitative research approach with a case study design to explore the strategies utilized by *Lazismu Sidoarjo* in empowering donor funds and enhancing donor trust. A qualitative methodology is suitable for understanding complex social phenomena, particularly in non-profit financial management, where perceptions, institutional practices, and stakeholder engagement play a critical role (Creswell & Poth, 2016). The case study approach allows for an in-depth examination of *Lazismu Sidoarjo's* strategies, providing rich insights into how the organization ensures financial transparency, accountability, and the effectiveness of fund utilization.

By focusing on a single institution, this research aims to provide a context-specific understanding of donor fund management in an Islamic philanthropic setting. The study does not seek to generalize findings but rather to develop a conceptual understanding that can inform best practices for other zakat institutions facing similar challenges.

### Data Collection Methods

Data collection was conducted through a triangulation approach, combining in-depth interviews, participant observation, and document analysis to ensure reliability and validity. The triangulation of multiple data sources enhances the credibility of the findings and reduces potential biases (Denzin, 2017).

### In-Depth Interviews

Semi-structured in-depth interviews were conducted with 15 key informants, including:

- 7 senior officials and administrators from *Lazismu Sidoarjo*, responsible for financial management, donor relations, and program implementation.
- 4 consistent donors, who have contributed regularly over the past four years and provide insights into donor expectations and trust factors.

- 3 beneficiaries (mustahik) who have received financial aid or empowerment assistance from *Lazismu Sidoarjo*, offering perspectives on fund distribution and program effectiveness.

A semi-structured interview format was chosen to allow for flexibility, enabling informants to elaborate on their experiences while ensuring that key themes related to financial transparency, donor engagement, and fund utilization were consistently addressed (Patton, 2015). Interviews lasted between 45 to 90 minutes, were audio-recorded with consent, and later transcribed for thematic analysis.

### **Participant Observation**

To gain firsthand insights, a three-month participant observation was conducted, where the researcher engaged in various activities within *Lazismu Sidoarjo*, including donor meetings, fund distribution programs, and administrative operations. Observations were documented in field notes, focusing on:

- Decision-making processes in fund allocation.
- Interactions between organizational staff, donors, and beneficiaries.
- Transparency measures in financial reporting and public disclosures.

This method provided contextual depth by capturing non-verbal cues and informal institutional practices that might not emerge in interviews (Spradley, 2016).

### **Document Analysis**

A systematic review of *Lazismu Sidoarjo*'s internal reports, financial statements, and program documentation from 2021 to 2024 was conducted. Key documents analyzed included:

- Annual financial reports detailing income sources, fund distribution, and expenditures.
- Donor engagement records, including newsletters, social media publications, and official communications.
- Program impact assessments, evaluating the effectiveness of fund distribution across six key areas: education, economic empowerment, social welfare, healthcare, environmental initiatives, and religious activities.

Additionally, external sources such as regulatory guidelines for zakat institutions and relevant policies from governmental and non-governmental organizations were reviewed to provide a comparative framework (Sholikhah & Efendi, 2022).

### **Data Analysis Approach**

A thematic analysis approach was employed to interpret qualitative data, following Braun & Clarke's (2006) framework. Thematic analysis was chosen for its flexibility in identifying patterns and deriving meaning from complex data sets. The analysis was conducted in the following stages:

1. Familiarization with Data – All interview transcripts, field notes, and documents were read multiple times to gain a comprehensive understanding of emerging patterns.



2. Initial Coding – Open coding was applied to identify recurring themes related to financial transparency, donor trust, accountability, and fund utilization.
3. Theme Development – Codes were grouped into broader themes, ensuring alignment with the research questions. Emerging themes were cross-verified against field observations and documentary evidence.
4. Review and Refinement – Themes were refined through an iterative process, ensuring they accurately represented the perspectives of multiple stakeholders.

The final themes were categorized into three major areas:

- Institutional strategies for financial transparency and accountability.
- Donor engagement practices and their impact on trust.
- Effectiveness of fund distribution and empowerment programs.

### **Research Validity and Reliability**

To enhance the credibility and trustworthiness of the findings, several methodological safeguards were employed:

- Triangulation: The use of multiple data sources (interviews, observations, and documents) mitigated biases and ensured a comprehensive understanding.
- Member Checking: Preliminary findings were shared with selected informants to verify interpretations and improve accuracy ([Lincoln & Guba, 1985](#)).
- Peer Review: The research design and analytical approach were reviewed by independent scholars specializing in Islamic philanthropy and non-profit financial management.
- Thick Description: Detailed contextual descriptions were provided to ensure findings were presented transparently and with sufficient depth.

### **Ethical Considerations**

Given the sensitive nature of financial transparency in non-profit organizations, ethical guidelines were strictly adhered to:

- Informed Consent: All participants were informed about the study's purpose, their voluntary participation, and their right to withdraw at any stage.
- Confidentiality: Personal identities were anonymized, and sensitive institutional data was handled with strict confidentiality measures.
- Non-Maleficence: The study ensured that findings would not negatively impact the reputation of *Lazismu Sidoarjo* or its stakeholders.

Ethical approval was obtained from a university ethics review board, ensuring adherence to established research standards ([Patton, 2014](#)).

## RESULTS

### Effectiveness of Donor Fund Management at Lazismu Sidoarjo

The findings of this study indicate that *Lazismu Sidoarjo* has successfully implemented a structured approach to donor fund management, emphasizing financial transparency, systematic fund distribution, and targeted empowerment programs. The institution operates based on six key program pillars: education, economic empowerment, social welfare, healthcare, environmental sustainability, and religious activities. The effectiveness of these programs has been measured through donor retention rates, the impact on beneficiaries, and the overall increase in public trust.

Analysis of financial records and donor data from 2021 to 2024 reveals a steady growth in donor contributions, with an 85% effectiveness rate in fund distribution as indicated by the increase in active donors. This growth is attributed to the institution's commitment to transparency, accountability, and continuous donor engagement. Informants emphasized that clear financial reporting and open communication have strengthened donor confidence in *Lazismu Sidoarjo's* ability to manage funds responsibly.

A critical component of the institution's effectiveness is its dual approach to fund allocation: (1) Immediate distribution to address urgent needs and (2) Long-term empowerment programs aimed at fostering financial independence among beneficiaries. The combination of these strategies ensures that donor funds are utilized optimally, balancing short-term relief with sustainable economic solutions.

### Transparency and Accountability Mechanisms

One of the key findings of this study is the role of transparency in maintaining donor trust. *Lazismu Sidoarjo* employs multiple mechanisms to ensure financial accountability, including public financial reports, external audits, and digital communication strategies.

#### Public Financial Disclosure

Regular publication of financial reports and donor contributions has been a cornerstone of the institution's transparency efforts. Informants highlighted that donors receive detailed reports outlining how their contributions are utilized across various program areas. These reports are published in digital formats, newsletters, and printed financial bulletins distributed to stakeholders.

A donor interviewed in this study emphasized the importance of financial disclosure, stating:

"We receive detailed breakdowns of fund allocation, which assures us that our contributions are making a real impact. The transparency provided by *Lazismu Sidoarjo* is what keeps me committed to donating regularly." (Informant 5, Donor).

Additionally, financial information is made available on request for donors who seek further details, reinforcing the institution's commitment to accountability.

### **External Audits and Independent Evaluations**

To enhance credibility, *Lazismu Sidoarjo* conducts annual external audits performed by independent financial institutions. This process ensures compliance with financial governance standards and strengthens public confidence in the institution's fund management. Informants noted that the implementation of third-party verification has been instrumental in preventing mismanagement and reinforcing organizational credibility.

An administrator within *Lazismu Sidoarjo* explained:

"Audits are conducted annually to ensure that every rupiah is accounted for. The transparency of this process reassures both donors and regulatory bodies that our fund management practices align with ethical and financial standards." (Informant 1, Senior Administrator).

### **Digital Transparency and Media Engagement**

The use of social media, online platforms, and digital publications has further enhanced transparency by providing real-time updates on fund allocation and program outcomes. Informants emphasized that frequent social media posts, live video updates, and digital newsletters allow donors to witness the direct impact of their contributions.

A social media coordinator at *Lazismu Sidoarjo* highlighted:

"We document and publish every significant initiative, ensuring that our donors see where their money goes. This digital approach has helped us build stronger donor relationships." (Informant 10, Social Media Coordinator).

### **Donor Engagement Strategies and Their Impact on Trust**

Another major finding of this study is the institution's proactive donor engagement strategy, which has been instrumental in fostering long-term trust and financial support.

### **Personalized Communication and Relationship Building**

Donors receive regular updates and personalized reports, ensuring that they remain informed about how their funds are utilized. Informants emphasized that direct donor communication through calls, emails, and personal meetings strengthens donor relationships and enhances trust.

One long-term donor stated:

"Knowing exactly how my donations are used gives me confidence in the organization. The personalized updates and open communication make me feel like my contributions are valued." (Informant 4, Donor).

### **Annual Donor Appreciation Events**

To further enhance engagement, *Lazismu Sidoarjo* organizes annual donor appreciation events, where donors are invited to meet beneficiaries, witness project developments, and gain firsthand insights into the institution's impact. These events

serve as platforms for building emotional connections between donors and recipients, reinforcing the institution's credibility.

A fundraising coordinator described the importance of these events:

"By inviting donors to witness the impact of their contributions, we create a direct emotional connection. This strengthens their trust and encourages continued participation in our programs." (Informant 3, Fundraising Coordinator).

### **Effectiveness of Fund Distribution and Empowerment Programs**

The study findings indicate that *Lazismu Sidoarjo's* approach to fund distribution and economic empowerment has been highly effective in generating long-term impact.

#### **Immediate Relief Distribution**

Fund distribution focuses on urgent humanitarian needs, including:

- Healthcare assistance for low-income families.
- Emergency aid for disaster victims.
- Education scholarships for underprivileged students.
- Basic needs support for economically vulnerable groups.

A recipient of educational assistance noted:

"Without this scholarship, I wouldn't have been able to continue my studies. This support has changed my life." (Informant 14, Scholarship Recipient).

#### **Economic Empowerment and Long-Term Sustainability**

Beyond immediate relief, *Lazismu Sidoarjo* has implemented empowerment programs designed to promote financial independence among beneficiaries. These initiatives include:

- Microfinance assistance for small businesses.
- Vocational training programs to enhance employability.
- Business development grants for aspiring entrepreneurs.

A beneficiary who received small business funding explained:

"The financial assistance I received allowed me to start a small business, which now sustains my family. This program didn't just give me money—it gave me a future." (Informant 12, Business Owner and Beneficiary).

To ensure the sustainability of empowerment programs, *Lazismu Sidoarjo* conducts continuous monitoring and mentorship sessions, ensuring that recipients utilize funds effectively.

A program coordinator emphasized:

"We do not simply provide financial aid; we also offer mentorship and follow-ups to ensure recipients succeed in the long run." (Informant 7, Program Coordinator).

## DISCUSSION

### The Role of Transparency and Accountability in Strengthening Donor Trust

The findings of this study confirm that financial transparency and accountability play a critical role in enhancing donor trust within philanthropic institutions. *Lazismu Sidoarjo* has effectively adopted several mechanisms, including regular financial reporting, third-party audits, and digital transparency initiatives, to ensure that donors remain informed about fund allocation and program impact. These findings align with prior studies that emphasize the positive relationship between financial disclosure and donor confidence (Athifah et al., 2018; Rossi et al., 2020).

The publication of annual financial reports and periodic updates serves as a tangible demonstration of the organization's commitment to accountability. This approach is consistent with research by Harris & Neely (2016), who argue that organizations that maintain transparent financial communication experience higher levels of donor engagement and financial sustainability. Moreover, the integration of external audits and independent evaluations further reinforces the credibility of *Lazismu Sidoarjo*, mitigating concerns over fund mismanagement (Leardini et al., 2020).

Digital transparency has emerged as a particularly effective tool in maintaining donor trust. The findings indicate that *Lazismu Sidoarjo's* social media engagement, real-time financial updates, and digital newsletters have significantly improved donor perceptions of organizational integrity. This supports Bhati & McDonnell's (2020) assertion that non-profit organizations that utilize digital platforms to communicate financial information tend to experience higher donor retention rates. By leveraging digital transparency tools, *Lazismu Sidoarjo* has been able to provide real-time evidence of impact, ensuring that donors perceive their contributions as meaningful and effectively utilized.

### Donor Engagement Strategies and Their Impact on Contribution Patterns

A key finding of this study is the significant role of donor engagement strategies in fostering long-term financial contributions. *Lazismu Sidoarjo* has successfully employed personalized communication, direct relationship-building initiatives, and annual appreciation events to maintain donor commitment. These findings support research by Paxton et al. (2020), who emphasize that personalized donor engagement strategies enhance emotional investment and encourage sustained giving.

The practice of direct communication through personalized reports and regular donor interactions has been instrumental in building a sense of trust and ownership among contributors. This is consistent with Graça & Zwick's (2021) argument that donor recognition and appreciation contribute significantly to perceived organizational value and donor loyalty. By ensuring that donors receive continuous updates on fund utilization, *Lazismu Sidoarjo* has established a reciprocal relationship where donors feel actively involved in the organization's mission.

The study also highlights the effectiveness of annual donor appreciation events, which serve as platforms for fostering direct emotional connections between donors

and beneficiaries. This approach aligns with findings by Li & McDougale (2017), who suggest that donors are more likely to continue their financial support when they witness firsthand the impact of their contributions. These events not only reinforce donor confidence but also provide an opportunity for *Lazismu Sidoarjo* to showcase the effectiveness of its financial management strategies.

### **Effectiveness of Fund Distribution Strategies in Achieving Social Impact**

The dual approach adopted by *Lazismu Sidoarjo*—balancing immediate fund distribution with long-term empowerment programs—has proven to be an effective strategy for maximizing donor contributions. The findings indicate that while short-term financial aid meets urgent needs, sustainable empowerment programs ensure that beneficiaries achieve financial independence and long-term stability.

The institution's six program pillars—education, economic empowerment, healthcare, social welfare, environmental sustainability, and religious activities—reflect a comprehensive approach to philanthropic fund management. This aligns with research by Zein (2020), who argues that structured fund allocation models contribute to greater donor confidence by demonstrating targeted and impactful utilization of resources.

Short-term fund distribution has been particularly effective in providing immediate relief to vulnerable communities, including financial assistance for healthcare, emergency disaster relief, and educational scholarships. These initiatives align with previous studies emphasizing the role of zakat institutions in addressing short-term socio-economic challenges (Mahmood et al., 2021; Rahman et al., 2012; Yusoff, 2008). The study finds that donors are particularly responsive to urgent humanitarian causes, reinforcing the need for zakat institutions to maintain a balance between immediate aid and long-term development programs.

Long-term empowerment initiatives, such as microfinance programs, vocational training, and small business grants, have significantly contributed to sustainable beneficiary outcomes. The study finds that entrepreneurs and small business owners who received financial assistance have successfully achieved economic self-sufficiency, reducing their dependency on future aid. These findings support research by Imsar et al. (2023), who highlight the effectiveness of zakat-based microfinance programs in promoting financial independence among beneficiaries.

### **Challenges in Sustaining Donor Engagement and Program Scalability**

While *Lazismu Sidoarjo* has successfully implemented donor fund management strategies, certain challenges persist, particularly in maintaining donor engagement and scaling up long-term empowerment programs.

#### **Donor Fatigue and Sustained Commitment**

One of the challenges identified in this study is donor fatigue, where long-term contributors experience decreased motivation to continue their financial support. Informants noted that maintaining engagement requires continuous innovation in communication strategies and new methods for demonstrating organizational

impact. This aligns with research by Bin-Nashwan et al. (2021), who highlight that non-profits must continuously adapt their outreach efforts to prevent donor disengagement.

To mitigate donor fatigue, *Lazismu Sidoarjo* has explored strategies such as storytelling campaigns, visual impact reporting, and interactive digital engagement, ensuring that donors remain emotionally connected to the cause. These strategies align with Bhati & McDonnell's (2020) findings on the effectiveness of digital media in sustaining donor relationships.

### **Limited Resources for Expanding Transparency Initiatives**

Although *Lazismu Sidoarjo* has successfully implemented transparency measures, informants acknowledged resource constraints in expanding digital reporting tools and real-time financial disclosure mechanisms. While digital transparency has enhanced donor trust, maintaining these initiatives requires financial investment and technological expertise. These findings align with Samargandi et al. (2018), who emphasize that resource limitations often hinder non-profits from fully leveraging transparency tools.

To address this challenge, *Lazismu Sidoarjo* is exploring potential collaborations with technology partners and academic institutions to enhance its digital reporting capabilities without imposing additional financial burdens.

### **Scaling Up Economic Empowerment Programs**

The study highlights the challenge of scaling up long-term economic empowerment initiatives due to limited financial and human resources. While current microfinance and vocational training programs have been successful, the demand for such initiatives exceeds the available resources. This finding is consistent with research by Saifullah & Mubarak (2024), who argue that scalability remains a critical challenge for philanthropic institutions aiming to implement sustainable economic solutions.

One potential solution identified by *Lazismu Sidoarjo* is strengthening strategic partnerships with corporate sponsors and government agencies to expand funding sources for empowerment programs. The institution is also considering developing social enterprise models that generate self-sustaining revenue streams, reducing reliance on donor contributions for long-term program funding.

### **Implications for Future Research and Practice**

The findings of this study provide valuable insights for non-profit financial management, particularly in the Islamic philanthropic sector. The effectiveness of *Lazismu Sidoarjo's* transparency measures, donor engagement strategies, and structured fund distribution approaches serves as a model for other zakat institutions seeking to enhance donor trust and financial sustainability.

Future research should explore the impact of digital transparency tools on donor behavior, examining how real-time financial reporting influences long-term financial commitment. Additionally, comparative studies across multiple zakat institutions could provide a broader perspective on best practices for donor fund management.

## CONCLUSION

This study examined the donor fund management strategies employed by *Lazismu Sidoarjo*, focusing on transparency, accountability, donor engagement, and fund distribution effectiveness. The findings indicate that the institution has successfully implemented financial transparency mechanisms, including public financial reports, third-party audits, and digital transparency initiatives, which have played a crucial role in strengthening donor trust. Additionally, personalized donor engagement strategies, such as regular communication, appreciation events, and digital outreach, have significantly contributed to donor retention and sustained financial support.

The study also highlights the effectiveness of *Lazismu Sidoarjo's* dual approach to fund utilization, combining short-term humanitarian aid with long-term economic empowerment programs. While immediate relief efforts address urgent socio-economic needs, structured empowerment programs, such as microfinance and vocational training, provide sustainable financial independence for beneficiaries.

These findings contribute to the broader literature on non-profit financial management and Islamic philanthropy, demonstrating that a combination of transparency, strategic donor relations, and structured fund allocation enhances institutional credibility and financial sustainability. The study reinforces the importance of leveraging digital transparency tools and social engagement strategies to maintain donor confidence in an increasingly digitalized philanthropic landscape.

By providing a comprehensive analysis of donor trust dynamics within an Islamic philanthropic institution, this study offers valuable insights for other zakat organizations seeking to enhance financial accountability and optimize donor contributions. However, despite its effectiveness, *Lazismu Sidoarjo* faces challenges related to donor fatigue, resource constraints, and program scalability, necessitating continuous innovation and strategic partnerships to ensure long-term sustainability.

### Limitations of the Study

While this study provides meaningful insights into the financial management strategies of *Lazismu Sidoarjo*, several limitations must be acknowledged. First, the study is based on a single-case analysis, which limits the generalizability of the findings to other zakat institutions. While *Lazismu Sidoarjo* provides a robust model of donor fund management, its strategies may not fully represent the operational dynamics of other Islamic philanthropic organizations with different governance structures, donor bases, or regulatory frameworks.

Second, the study primarily relies on qualitative data, including interviews, observations, and document analysis. While this approach provides rich, contextual insights, it lacks quantitative validation, such as statistical correlations between transparency measures and donor retention rates. Future research incorporating mixed-methods approaches could enhance the reliability of findings by providing empirical evidence of causality between financial transparency and donor commitment.



Third, data collection was limited to a three-month observation period, which may not fully capture long-term donor behavior trends or institutional changes. A longitudinal study tracking donor retention, financial performance, and program impact over multiple years would offer a more comprehensive understanding of the sustainability of these strategies.

Lastly, access to certain internal financial records was restricted due to institutional confidentiality policies. Although publicly available financial reports were analyzed, a more detailed examination of internal decision-making processes regarding fund allocation and budgeting could further strengthen the study's findings. Addressing these limitations in future research could provide deeper insights into optimizing donor fund management within Islamic philanthropic institutions.

### **Recommendations for Future Research**

Based on the findings and limitations of this study, several areas for future research are recommended. First, comparative studies across multiple zakat institutions could provide a broader understanding of best practices in donor fund management. By analyzing how different Islamic philanthropic organizations implement transparency measures and donor engagement strategies, future research could identify common challenges and scalable solutions applicable across various institutional contexts.

Second, quantitative research on donor behavior trends is needed to empirically assess the relationship between financial transparency, donor trust, and contribution patterns. This could involve conducting survey-based studies or statistical analyses to measure the direct impact of transparency initiatives on donor retention and funding stability. Understanding the financial decision-making processes of donors could help Islamic philanthropic institutions refine their engagement strategies.

Third, future research should explore the role of technology in optimizing zakat fund management. While this study highlights the effectiveness of digital transparency tools, further investigation into emerging financial technologies, such as blockchain-based auditing systems or AI-driven donor engagement platforms, could provide innovative solutions for enhancing accountability and fund efficiency.

Fourth, longitudinal studies examining the long-term impact of economic empowerment programs would be valuable in assessing the sustainability of microfinance initiatives, vocational training, and entrepreneurial support programs. Future research could track beneficiary progress over extended periods to determine whether these initiatives lead to lasting financial independence.

Lastly, exploring donor motivations and philanthropic behaviors within different cultural and economic contexts could help refine targeted fundraising approaches for zakat institutions. Investigating how socio-economic factors, religious beliefs, and digital engagement influence donor commitments could inform more effective donor outreach strategies tailored to diverse donor demographics.

By addressing these areas, future research can contribute to the development of innovative, evidence-based financial management strategies that enhance the sustainability and impact of Islamic philanthropic institutions.

### Author Contributions

Conceptualization	M.N.I. & I.M.	Resources	M.N.I. & I.M.
Data curation	M.N.I. & I.M.	Software	M.N.I. & I.M.
Formal analysis	M.N.I. & I.M.	Supervision	M.N.I. & I.M.
Funding acquisition	M.N.I. & I.M.	Validation	M.N.I. & I.M.
Investigation	M.N.I. & I.M.	Visualization	M.N.I. & I.M.
Methodology	M.N.I. & I.M.	Writing – original draft	M.N.I. & I.M.
Project administration	M.N.I. & I.M.	Writing – review & editing	M.N.I. & I.M.

All authors have read and agreed to the published version of the manuscript.

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### Institutional Review Board Statement

The study was approved by Program Studi Manajemen Dakwah (S1), Universitas Islam Negeri Sunan Ampel, Surabaya, Indonesia.

### Informed Consent Statement

Informed consent was obtained before the respondents filled out the questionnaire.

### Data Availability Statement

The data presented in this study are available upon request from the corresponding author.

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### Conflicts of Interest

The authors declare no conflicts of interest.

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