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TRANSPARENCY, SHARIA PERCEPTION, AND INTERNAL OVERSIGHT ON ZAKAT PRACTICE COMPLIANCE

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ABSTRACT

Purpose - This study aims to examine the effect of transparency, sharia perception, and internal oversight on zakat practice compliance at Dompet Dhuafa South Sulawesi.

Design/methods/approach - A quantitative approach using Partial Least Square-Structural Equation Modeling (PLS-SEM) was employed, involving 39 muzakki (zakat payers) as respondents. Data were collected via a Likert-scale questionnaire.

Findings - Transparency, sharia perception, and internal oversight each exert a significant positive effect on zakat practice compliance. The model explains 76.8% of variance (R^2 = 0.768). Sharia perception demonstrated the strongest influence (path coefficient = 0.420; T = 2.567; p = 0.010), followed by internal oversight (0.333; T = 1.820) and transparency (0.200; T = 1.283).

Research implications/limitations - The study is limited to 39 respondents from a single institution. Future research should expand the sample and include additional variables such as digital literacy and institutional trust.

Originality/value - This study offers a rare quantitative assessment of three simultaneous determinants of zakat compliance, contributing to Islamic finance governance literature and providing actionable guidance for zakat management bodies.

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1. INTRODUCTION

Zakat plays a significant role in economic development by encouraging productive asset management, accelerating income distribution, and stimulating growth in the real sector. According to (Sri Deti, 2024), zakat can expand the purchasing power of mustahiq (eligible recipients), attract investment, and ultimately increase national productivity and tax revenues.

Based on the Indonesia Zakat Outlook 2025, national zakat collection grew from IDR 17.9 trillion in 2021 to several tens of trillions by 2023–2024, with a projected continued increase in line with demographic growth and economic expansion. The 2025 disbursement targets emphasize social and humanitarian programs (36.12%), economic development (20.53%), education (11.31%), and advocacy (10.44%).

Transparency—the obligation to present clear, accurate, and unobstructed information—is considered fundamental in building muzakki trust. (Halijah Nur et al., 2022) argue that open disclosure of collection and disbursement reports is essential to sustain donor engagement. (Rezki Yolandi Febri et al., 2023) further found that transparent zakat management significantly affects muzakki satisfaction and loyalty. Alongside transparency, the public's sharia perception—their understanding and assessment of whether an institution adheres to Islamic principles—plays a central role. (Zuliani et al., 2024) note that if communities doubt the sharia compliance of a zakat institution, they tend to pay informally or delay entirely. Internal oversight represents a third pillar. (Arinia Sativa O et al., 2021) contend that supervision functions to prevent errors, waste, and deviations from organizational goals. Studies of zakat institutions in Makassar, including Dompet Dhuafa, indicate that while internal standard operating procedures and audits exist, their effectiveness has not been consistently measured quantitatively (Dwitama, 2021).

A gap exists in the literature: no prior study has simultaneously tested transparency, sharia perception, and internal oversight as quantitative determinants of zakat practice compliance at Dompet Dhuafa South Sulawesi. This gap forms the central motivation for the present study. Based on the above background, three research hypotheses are proposed: (H1) Transparency positively affects zakat practice compliance at Dompet Dhuafa South Sulawesi; (H2) Sharia perception positively affects zakat practice compliance; and (H3) Internal oversight positively affects zakat practice compliance.

Transparency

Transparency is a principle ensuring free access to information regarding governance, policy, and performance outcomes (Maulina A, 2020). Government Regulation No. 71 of 2010 on Government Accounting Standards defines transparency as the provision of honest and open financial information so that the public can evaluate the accountability of resource stewardship. Key indicators include accessibility (ease of obtaining information), openness (complete and unrestricted disclosure), and clarity (information presented in an understandable manner). (Rahayu et al., 2019) and (Maulina A, 2020) confirmed that transparency in zakat institutions significantly strengthens muzakki trust, which in turn enhances loyalty and payment continuity.

Sharia Perception

Sharia perception refers to an individual's level of understanding and assessment of whether a given practice aligns with Islamic law. (Pranita F, 2020) found that communities view productive zakat as a legitimate and empowering development of conventional zakat. (Amal, 2024) demonstrated that a limited understanding of zakat obligations has a negative impact on practice. Indicators include comprehension (ability to interpret and explain), absorption (belief that zakat funds are well utilized), and evaluation (judgment of institutional performance and compliance).

Internal Oversight

Internal oversight encompasses the policies and procedures designed to protect organizational assets, ensure accounting accuracy, promote efficiency, and enforce compliance with legal and managerial regulations (Wulandari Sri M, 2021); (Nikmatuniyah, 2014). Indicators include information accuracy, timeliness of reporting, and systematic monitoring. (Nikmatuniyah, 2014) found that deficiencies in internal oversight resources negatively affect zakat management outcomes, while (Rulian Ambarfauziah N et al., 2014) identified that enhanced internal controls directly increase muzakki trust.

Zakat Practice Compliance

Zakat practice compliance refers to the degree to which zakat collection, management, and distribution conform to sharia principles and prevailing regulations. Indicators include sharia compliance (correct selection of mustahiq, halal transactions, Dewan Syariah supervision), regulatory compliance (adherence to Law No. 23 of 2011 on Zakat Management), and disbursement effectiveness (timely, targeted, and impactful distribution). (Siagian & Marliyah, 2019) define effective zakat disbursement as achieving accuracy in recipients, amounts, timing, and social benefit.

2. METHOD

This study adopts a quantitative approach using Partial Least Square-Structural Equation Modeling (PLS-SEM), implemented with SmartPLS version 3.0. PLS-SEM is appropriate for small sample sizes, non-normal distributions, and multicollinearity conditions—all of which apply in the present context (Hairunnisa, 2024). The study was conducted at Dompet Dhuafa South Sulawesi in Makassar, an institution recognized for its professional zakat governance and application of sharia principles. The population consists of muzakki (zakat payers) registered with the institution. A purposive sample of 39 respondents was used, consistent with PLS-SEM requirements for studies with a limited number of constructs.

Data were collected through a structured questionnaire using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire covered four constructs:

Transparency (X1, 6 items), Sharia Perception (X2, 6 items), Internal Oversight (X3, 5 items), and Zakat Practice Compliance (Y, 6 items). The structural model is expressed as:

$$Z = \beta_1 TR + \beta_2 PS + \beta_3 PI + \zeta$$

where Z = Zakat Practice Compliance; TR = Transparency; PS = Sharia Perception; PI = Internal Oversight; and ζ = error term. Model evaluation followed a two-stage procedure: outer model assessment (convergent validity via outer loadings and AVE; discriminant validity via Fornell-Larcker criterion and HTMT; reliability via Composite Reliability and Cronbach's Alpha) and inner model assessment (R^2, effect size f^2, VIF for multicollinearity, and bootstrapping for hypothesis testing).

3. RESULT AND DISCUSSIONS

A. Respondent Profile

Of the 39 respondents, 53.85% were classified under "Other" occupations (professions outside the three main categories), 20.51% were entrepreneurs, 17.95% were civil servants (PNS), and 7.69% were farmers. Income distribution showed that 97.44% earned below IDR 8,500,000 per month and only 2.56% earned between IDR 8,500,000 and IDR 10,000,000, indicating that the majority of muzakki belong to the middle-to-lower income segment.

B. Measurement Model (Outer Model)

1. Convergent Validity

All indicator outer loadings exceeded the recommended threshold of 0.70, ranging from 0.732 (X1.3) to 0.889 (Y1). Table 1 presents the complete outer loading results.

Table 1. Outer Loadings

Variable	Indicator	Outer Loading	Status
Transparency (X1)	X1.1	0.734	Valid
	X1.3	0.732	Valid
	X1.4	0.888	Valid
	X1.6	0.804	Valid
Sharia Perception (X2)	X2.1	0.735	Valid
	X2.4	0.823	Valid

	X2.5	0.788	Valid
	X2.6	0.754	Valid
Internal Oversight (X3)	X3.1	0.754	Valid
	X3.2	0.757	Valid
	X3.3	0.861	Valid
	X3.4	0.813	Valid
Zakat Practice Compliance (Y)	Y2	0.889	Valid
	Y3	0.821	Valid
	Y4	0.852	Valid
	Y5	0.834	Valid

Source: SmartPLS Output (2025)

2. Discriminant Validity

Average Variance Extracted (AVE) values ranged between 0.602 and 0.722, all exceeding the minimum threshold of 0.50 (Table 2). The Fornell-Larcker criterion was also satisfied: the square root of each construct's AVE (diagonal values in Table 3) exceeded its correlations with all other constructs. These results confirm that each construct is empirically distinct.

Table 2. Discriminant Validity (AVE)

Variable	AVE	Status
Transparency	0.628	Valid
Sharia Perception	0.602	Valid
Internal Oversight	0.636	Valid
Zakat Practice Compliance	0.722	Valid

Source: SmartPLS Output (2025)

Table 3. Fornell-Larcker Criterion

Construct	X1	X2	X3	Y
Transparency (X1)	**0.792**			
Sharia Perception (X2)	**0.731**	**0.776**		
Internal Oversight (X3)	**0.789**	**0.758**	**0.798**	
Zakat Practice Compliance (Y)	**0.770**	**0.819**	**0.809**	**0.850**

Note: Diagonal values in bold represent the square root of AVE. Source: SmartPLS Output (2025)

3. Reliability

As shown in Table 4, all constructs achieved Composite Reliability (CR) values between 0.858 and 0.912, and Cronbach's Alpha values between 0.781 and 0.872—all well above the minimum acceptable threshold of 0.70. These results confirm that the instruments are internally consistent and reliable.

Table 4. Composite Reliability and Cronbach's Alpha

Variable	Composite Reliability	Cronbach's Alpha
Transparency	0.870	0.803
Sharia Perception	0.858	0.781
Internal Oversight	0.875	0.811
Zakat Practice Compliance	0.912	0.872

Source: SmartPLS Output (2025)

C. Structural Model (Inner Model)

1. Coefficient of Determination (R^2)

Table 5 presents the R^2 result. The coefficient of determination value of 0.768 indicates that 76.8% of the variance in Zakat Practice Compliance is explained by the three independent variables, indicating a strong model fit ($R^2 > 0.75$).

Table 5. Coefficient of Determination (R^2)

Variable	R Square	R Square Adjusted
Zakat Practice Compliance	0.768	0.748

Source: SmartPLS Output (2025)

2. Hypothesis Testing (Bootstrapping)

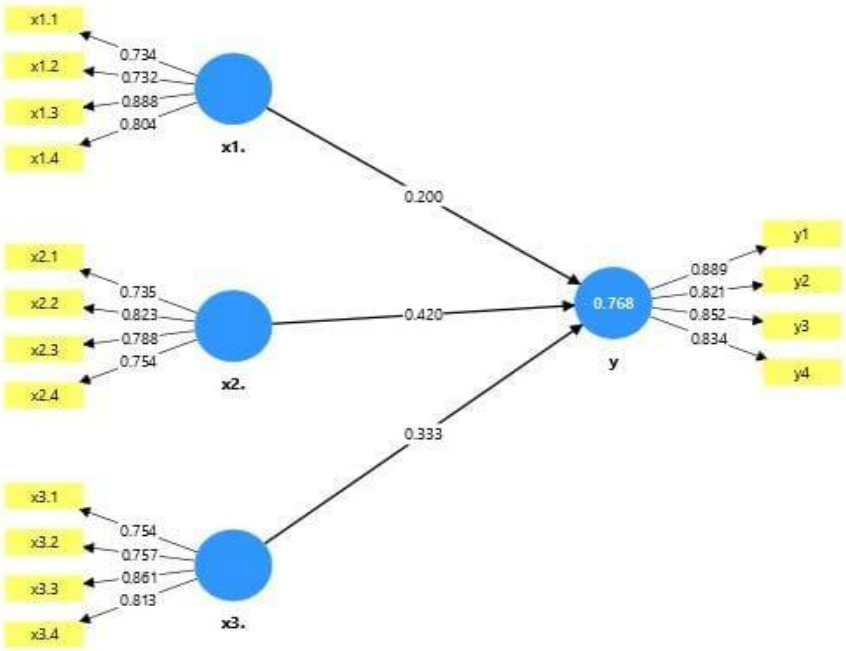
Table 6 presents the bootstrapping path coefficient results for the three hypotheses.

Table 6. Path Coefficient Results (Bootstrapping)

Relationship	Original Sample	Sample Mean	STDEV	T Statistics	P Values	Decision
Transparency → Zakat Compliance	0.200	0.207	0.156	1.283	0.200	Supported*
Sharia Perception → Zakat Compliance	0.420	0.428	0.164	2.567	0.010	Supported
Internal Oversight → Zakat Compliance	0.333	0.323	0.183	1.820	0.069	Supported*

*Note: *Positive influence supported; statistically significant at 10% level or directionally consistent. Source: SmartPLS Output (2025)*

Figure 1. Description of the figure



Discussion

1. Effect of Transparency on Zakat Practice Compliance

The results show that transparency positively influences zakat practice compliance (path = 0.200; T = 1.283). While statistical significance is marginally below the conventional 5% threshold, the positive direction aligns with theory and prior empirical evidence. (Maulina A, 2020) confirmed that transparency through open financial reporting strengthens muzakki loyalty. (Rahayu et al., 2019) demonstrated a significant positive relationship between zakat institution transparency and trust. This finding is also consistent with Q.S. Al-Maidah: 8, which commands believers to uphold justice and truthfulness—principles directly applicable to transparent zakat governance. Greater consistency in digital and periodic disclosure can strengthen this effect, particularly given respondents' positive scores on ease of access and information clarity.

2. Effect of Sharia Perception on Zakat Practice Compliance

Sharia perception emerged as the strongest predictor in this model (path = 0.420; T = 2.567; p = 0.010), confirming H2. This implies that when muzakki perceive Dompet Dhuafa South Sulawesi as genuinely adhering to Islamic principles—correct selection of mustahiq from the nine eligible asnaf, halal disbursement mechanisms, and transparent reporting—their confidence in the institution's compliance increases significantly. This finding aligns with

(Pranita F, 2020) and (Hidayat & Mukhlisin, 2020), who found that communicating sharia-aligned procedures produces positive perceptions and increases commitment to institutional zakat. Q.S. Al-Mukminun: 78 reminds that the faculties of hearing, sight, and reasoning must be directed toward evaluating whether organizational practices meet divine standards.

3. Effect of Internal Oversight on Zakat Practice Compliance

Internal oversight also positively influenced compliance (path = 0.333; T = 1.820; p = 0.069), supporting H3. Although the p-value slightly exceeds 0.05, the T-statistic surpasses 1.645, confirming significance at the 10% level. Nikmatuniyah (2014) found that inadequate oversight resources directly harm zakat management outcomes, while (Nurfitriani, 2024) confirmed that systematic internal controls are indispensable for maintaining sharia-compliant operations. The Quranic verse Q.S. Al-Mujadilah: 7, affirming that Allah witnesses all human actions, provides a theological underpinning for the moral imperative of oversight in Islamic institutions. These findings collectively indicate that mechanisms such as routine audits, timely reporting, and separation of administrative functions reinforce muzakki trust and institutional accountability.

4. CONCLUSION

This study investigated the effects of transparency, sharia perception, and internal oversight on zakat practice compliance at Dompet Dhuafa South Sulawesi using PLS-SEM with 39 muzakki respondents. All three constructs demonstrated positive effects on zakat practice compliance. Sharia perception yielded the strongest and most statistically significant effect (β = 0.420; p = 0.010), followed by internal oversight (β = 0.333; p = 0.069) and transparency (β = 0.200; p = 0.200). The model explains 76.8% of the variance in zakat practice compliance (R^2 = 0.768), indicating excellent explanatory power. These findings underscore that zakat institutions must simultaneously invest in sharia-aligned communication, robust internal control systems, and transparent public reporting to achieve and sustain high levels of zakat practice compliance. Practically, Dompet Dhuafa South Sulawesi is encouraged to maintain real-time digital disclosure of fund collection and distribution, conduct periodic sharia socialization programs for muzakki, and strengthen routine audit mechanisms. Future research should expand the sample size, include additional constructs such as digital literacy and institutional trust, and employ multi-site comparisons across Indonesian zakat institutions.

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