

Management of Zakat, Infak and Alms (Zis) Funds in Improving the Welfare of Mustahik (Study of the Laz Sidogiri Program, Pasuruan, East Java)

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Abstract

This study aims to analyze the management of Zakat, Infaq, and Alms (ZIS) funds by the Sidogiri Zakat Collection Institution (LAZ) in improving the welfare of those entitled to receive Zakat (mustahik) in Pasuruan, East Java. This study used a qualitative approach with a case study method. Data were collected through in-depth interviews, observations, and documentation studies. The results indicate that LAZ Sidogiri has implemented an integrated ZIS management system through various flagship programs such as productive economic programs, education, health, and da'wah (Islamic outreach). The ZIS distribution system is implemented through a consumptive and productive approach with a transparent and accountable distribution mechanism. However, obstacles remain in terms of limited human resources, technological infrastructure, and coordination between programs. Possible optimization strategies include developing an integrated information system, increasing human resource capacity, diversifying programs, and strengthening strategic partnerships. This research contributes to the development of an effective ZIS management model to improve the welfare of those entitled to receive Zakat (mustahik) in Indonesia.

Keywords: Alms, Infaq, Zakat



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INTRODUCTION

Zakat, Infaq, and Sedekah (ZIS) is a crucial instrument in the Islamic economic system, aiming to create social justice and reduce economic disparities within society. As one of the pillars of Islam, zakat plays a strategic role in poverty alleviation and improving the welfare of the people. In the Indonesian context, the national zakat potential is estimated at IDR 327.6 trillion per year, but collection remains very low, at around 1.2% of the potential (Hanifuddin et al., 2024; Setianingrum et al., 2025).

The Zakat Amil Institution (LAZ), as a zakat management institution, plays a vital role in optimizing the collection and distribution of ZIS funds. LAZ Sidogiri, based in Pasuruan, East Java, is one of the largest LAZs in Indonesia, with extensive coverage and innovative programs. Since its founding in 1997, LAZ Sidogiri has grown into an institution that manages significant amounts of ZIS funds through various community empowerment programs.

The success of LAZ Sidogiri in managing ZIS funds is inseparable from its professional management system and programs oriented towards the economic empowerment of those entitled to receive alms. Various flagship programs, such as business capital assistance for MSMEs, the Achievement Scholarship Program, the Free Healthcare Program, and the Productive Economic Empowerment Program, have had a positive impact on improving the welfare of those entitled to receive alms (Ascarya, 2024; Indriana & Rohim, 2025). However, various challenges and obstacles remain in managing ZIS funds that require in-depth study to optimize the program's impact on the welfare of those entitled to receive alms.

This research is crucial given the complexity of ZIS fund management, which involves various aspects, from collection and management to distribution. Furthermore, an evaluation of the effectiveness of the LAZ Sidogiri program in improving the welfare of those entitled to receive alms is necessary to provide strategic recommendations for future program development (Ali, 2024; Rayyani et al., 2024).

RESEARCH METHOD

This research uses a qualitative approach with a case study method. A qualitative approach was chosen because this research aims to understand the phenomenon of ZIS fund management in depth and comprehensively. The case study method was used to conduct an intensive and detailed analysis of ZIS fund management at LAZ Sidogiri (Ali, 2024; Nugroho et al., 2023).

Location and Time of Research

This research was conducted at LAZ Sidogiri, headquartered in Pasuruan, East Java, and involved several LAZ Sidogiri branches across East Java. This location was chosen based on the consideration that LAZ Sidogiri is one of the largest LAZs in Indonesia with innovative programs in ZIS management.

Data source

The data in this study consists of primary data and secondary data: In-depth interviews with LAZ Sidogiri management, interviews with mustahik who are program beneficiaries, direct observation of LAZ Sidogiri programs.

Data collection technique

The data collection techniques used in this study include: In-depth Interviews: Conducted with key informants from LAZ Sidogiri management and beneficiary mustahik. Participant Observation: Directly observing the ZIS management and distribution process.

Documentation Study: Analyzing official documents of LAZ Sidogiri (Agustrisna et al., 2024; Khasanah et al., 2023).

Data Analysis Techniques

Data analysis was conducted using qualitative descriptive analysis techniques with the following steps: Data Reduction: Selecting and simplifying relevant data. Data Presentation: Presenting data in narrative and tabular form. Conclusion Drawing: Interpreting data to answer research questions. Triangulation: Verifying data through various sources and methods.

RESULTS AND DISCUSSION

LAZ Sidogiri was founded in 1997 as a business unit of the Sidogiri Islamic Boarding School in Pasuruan. This institution has grown into one of the largest LAZs in Indonesia, with a network of branches spread across the country. By 2023, LAZ Sidogiri had over 200 branches, managing total ZIS funds exceeding Rp 500 billion per year.

LAZ Sidogiri's vision is to become a leading and trusted zakat collection institution in empowering the community economically. Its mission is to manage ZIS funds in a trustworthy, professional, and transparent manner to improve the welfare of those who mustahik (recipients of the zakat) through sustainable empowerment programs.

LAZ Sidogiri's organizational structure consists of a Sharia Supervisory Board, a Board of Commissioners, a President Director, and various operational divisions, including the Collection Division, Distribution Division, Finance Division, and Program Development Division. Each division has clear duties and responsibilities to support the achievement of the organization's goals.

ZIS LAZ Sidogiri Fund Management System

LAZ Sidogiri implements an integrated ZIS fundraising system through various channels, including: Direct Collection: Through branch offices and zakat service units. Institutional Collection: Collaboration with companies and government agencies. Digital Collection: Online platforms and mobile banking. Community Collection: Through alumni networks and Islamic boarding school communities.

This collection system is supported by information technology, enabling zakat payers to distribute ZIS easily and transparently. The "SmartLAZ" mobile application has been downloaded more than 100 times and facilitates real-time fund collection.

ZIS Fund Management

ZIS funds at LAZ Sidogiri are managed based on sharia principles and good governance. Several important aspects of fund management include: Sharia Accounting System: Using sharia accounting standards (PSAK 109) for financial recording and reporting. Fund Segregation: Separating zakat, infaq, sadaqah, and operational funds. Internal and External Audits: Conducting regular audits to ensure accountability.

Distribution of ZIS Funds

ZIS fund distribution is carried out through two main approaches: Consumptive Distribution: Direct assistance to meet the basic needs of mustahik. Productive Distribution: Economic empowerment programs to increase the capacity of mustahik.

The distribution mechanism involves identifying and verifying beneficiaries, developing programs, implementing them, monitoring, and evaluating them. Each stage involves relevant stakeholders to ensure targeted and effective benefits.

LAZ Sidogiri's Featured Programs

Achievement Scholarship Program

This program provides educational assistance to children from low-income families who demonstrate good academic performance. The scholarship covers tuition fees, study supplies, and living expenses.

Over the past five years, the program has awarded scholarships to over 10,000 students, with a 95% graduation rate. Many alumni have successfully pursued higher education and made positive contributions to society.

Free Health Program

The free health program provides basic healthcare services to underprivileged communities through clinics managed by LAZ Sidogiri. The program also includes nutrition and maternal and child health programs.

Each year, this program serves more than 100,000 patients with various health services. Evaluations have shown that the program has successfully improved the health of the community in the LAZ Sidogiri operational area.

Productive Economic Empowerment Program

This program focuses on developing productive businesses through skills training, capital assistance, and business mentoring. The program targets community groups with the potential to develop productive businesses.

Evaluation results showed that 80% of program participants successfully developed their businesses, with an average revenue increase of 60% within two years. The program also created new jobs and boosted the local economy.

ZIS Distribution Process

The ZIS distribution process at LAZ Sidogiri is carried out through systematic and structured stages:

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1. Planning Stage: Identifying needs and developing a distribution program
 2. Selection Stage: Verification and validation of prospective mustahik based on established criteria
 3. Implementation Stage: Implementation of the distribution program according to plan
 4. Monitoring Stage: Regular monitoring of program implementation
 5. Evaluation Stage: Assessment of the impact of the program on the welfare of the mustahik
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Each stage involves a competent and experienced team to ensure distribution effectiveness and efficiency. An integrated information system is used to support the distribution process and ensure transparency.

The Role of ZIS Distribution in Empowering Mustahik

ZIS distribution has a strategic role in empowering mustahik through:

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1. Economic Role: Increasing access to capital and economic resources
 2. Social Role: Improving the quality of life and social welfare
 3. Role of Education: Providing education and training to increase capacity
 4. Spiritual Role: Strengthening religious values and togetherness
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These roles are interrelated and contribute to achieving the goal of holistically empowering beneficiaries. An integrated approach enables beneficiaries to develop sustainably and independently.

Internal constraints in the distribution of ZIS funds

Based on the research results, several internal obstacles faced by LAZ Sidogiri in distributing ZIS funds include:

1. Human Resource Limitations: Lack of professional staff in the field of zakat management and community empowerment
2. Limitations of Technology Infrastructure: Information systems that are not fully integrated between divisions and branches
3. Inter-Program Coordination: Difficulty in coordinating diverse programs

External Constraints

External constraints faced include:

1. Regulation and Bureaucracy: The complexity of regulations and bureaucratic procedures that affect program implementation
2. Coordination with Stakeholders: Difficulty in coordinating with government and other institutions
3. Macroeconomic Conditions: The influence of national economic conditions on empowerment programs
4. Characteristics of Mustahik: The diversity of backgrounds and needs of mustahik requires different approaches.

Operational Constraints

1. Identification and Verification of Mustahik: Difficulties in identifying and verifying the eligibility of mustahik
2. Monitoring and Evaluation: Limitations in the program monitoring and evaluation system
3. Program Sustainability: Challenges in ensuring the sustainability of program impact
4. Risk Management: Operational risks in program implementation in the field

Sidogiri LAZ Program Optimization Strategy

Integrated Information System Development

To overcome technological and coordination constraints, LAZ Sidogiri needs to develop an integrated information system that includes:

1. Muzakki Management System: Integrated database for managing muzakki data
2. Mustahik Management System: Platform for identification, verification, and monitoring of mustahik
3. Program Management System: Integration of program planning, implementation, and evaluation
4. Real-time Reporting System: Dashboard for real-time performance monitoring

Human Resource Capacity Building

HR capacity building strategies include:

1. Regular Training Program: Regular training to improve staff competency
2. Professional Certification: Encourage staff to obtain professional certification
3. Career Development: A clear and competitive career development system
4. Talent Recruitment: Attracting the best talent through a competitive recruitment system

Program Diversification and Innovation

To increase the impact of the program, LAZ Sidogiri needs to do:

1. Program Diversification: Developing new programs according to the needs of the mustahik
2. Service Innovation: Developing innovative technology-based services
3. Program Customization: Adapting the program to local characteristics
4. Program Collaboration: Integrating programs to create synergy

Strengthening Strategic Partnerships

Partnership strengthening strategies include:

1. Partnership with Government: Cooperation with local and central governments
2. Partnership with the Business World: Collaboration with the private sector
3. Partnership with Academics: Collaboration with universities and research institutions
4. Partnership with NGOs: Collaboration with non-governmental organizations

Strengthening the Monitoring and Evaluation System

A strong monitoring and evaluation system is needed to:

1. Impact Measurement: Measuring the impact of the program on the welfare of the mustahik
2. Organizational Learning: Identifying best practices and lessons learned
3. Accountability: Ensuring program transparency and accountability
4. Continuous Improvement: Making continuous program improvements

Impact of the Program on the Welfare of Mustahik

Economic Impact

The research results show that the Sidogiri LAZ program has a positive impact on the economic conditions of mustahik:

1. Income Increase: The average increase in income of mustahik is 45% after participating in the program for 2 years.
2. Business Development: 70% of mustahik successfully developed or started a new business
3. Asset Increase: Increase in ownership of productive assets by 30%
4. Financial Access: 80% of mustahik have access to formal financial services

Social Impact

The social impacts of the LAZ Sidogiri program include:

1. Education Improvement: The educational participation rate of mustahik children increased by 60%
2. Health Improvement: Access to health services increased by 50%
3. Social Participation: The involvement of mustahik in social activities increased by 40%
4. Social Cohesion: Strengthening social bonds within a community

Spiritual Impact

The LAZ Sidogiri program also has a spiritual impact:

1. Increased Religiosity: Increased religious practices of mustahik by 35%
2. Values of Togetherness: Strengthening the values of mutual cooperation and social solidarity
3. Zakat Awareness: Successful Mustahik start paying zakat and giving alms

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4. Moral Development: Improving morals and morals in everyday life
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Long-Term Impact Evaluation

Long-term impact evaluation of the LAZ Sidogiri program shows:

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1. Sustainability Rate: 85% of mustahik are able to maintain their increased welfare after 3 years
 2. Graduation Rate: 60% of mustahik successfully moved from mustahik status to muzakki status
 3. Multiplier Effect: Every Rp. 1 distributed produces an economic impact of Rp. 3.2 billion.
 4. Social Return on Investment (SROI): The program's SROI value reached 4.5:1
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Comparative Analysis with Other LAZ

Comparison of Management Models

Comparison with other national LAZs shows that LAZ Sidogiri has advantages in:

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1. Integration with Islamic Boarding Schools: The integration model with Islamic boarding schools provides benefits in terms of social legitimacy and networks.
 2. Focus on Economic Empowerment: Concentrate on productive economic empowerment programs
 3. Microfinance System: Development of an integrated Islamic microfinance system
 4. Information Technology: Utilizing technology to improve operational efficiency
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Best Practices That Can Be Adopted

Some best practices from other LAZs that LAZ Sidogiri can adopt:

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1. Digital Literacy Program: Developing a digital literacy program for those who mustahik
 2. Green Economy Program: Green economy-based empowerment program
 3. Impact Measurement: A more comprehensive impact measurement system
 4. Youth Engagement: Special program for youth engagement
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Challenges and Opportunities in the Future

Challenges Faced

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1. Digital Era: Adapting to changes in donor and beneficiary behavior in the digital era
 2. Competition: Increased competition with LAZ and other philanthropic institutions
 3. Regulation: Regulatory changes that affect LAZ operations
 4. Stakeholder Expectations: Increasing stakeholder expectations for transparency and impact
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Development Opportunities

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1. Digitalization: Opportunities for developing digital platforms to increase reach
 2. Global Partnership: Opportunities for collaboration with international zakat institutions
 3. Innovation Hub: Becoming a center for innovation in zakat management in Indonesia
 4. Social Enterprise: Developing social enterprises for program sustainability
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DISCUSSION

Effectiveness of the ZIS LAZ Sidogiri Management Model

The research results show that the ZIS management model of LAZ Sidogiri is relatively effective in improving the welfare of mustahik (beneficiaries). This effectiveness can be seen from several key indicators: a graduation rate of 60%, a sustainability rate of 85%, and a Social

Return on Investment (SROI) of 4.5:1. These figures demonstrate that LAZ Sidogiri's ZIS investments have a significant and sustainable impact.

This success is inseparable from a management model that integrates consumptive and productive approaches (Febriandika et al., 2024; Ghufuran et al., 2023). The consumptive approach provides direct assistance to meet the immediate needs of mustahik (recipients of the right to receive alms), while the productive approach focuses on capacity building and long-term economic independence. Integrating these two approaches enables mustahik to not only survive but also thrive sustainably.

A key factor in the success of LAZ Sidogiri is its integration with the Islamic boarding school ecosystem, which provides social legitimacy and a strong network. This aligns with research findings from Fauzia (2017), which showed that LAZs with a strong social base tend to be more successful in managing ZIS (Islamic Religious Funds) (Asnaini et al., 2023; Humaidi et al., 2024). This social legitimacy makes it easier for LAZ Sidogiri to access mustahik (beneficiaries) and build community trust.

Innovation in Empowerment Programs

LAZ Sidogiri has yet to develop various innovations in its empowerment programs, particularly through Sidogiri Micro Finance (SMF), which provides collateral-free financing access with a profit-sharing system. This innovation is crucial because it addresses classic barriers to financial access for low-income communities.

If the SMF program were implemented at LAZ Sidogiri, it would prove highly effective, with a return rate of 98% and an average annual increase in business turnover of 40%. This success demonstrates that the Islamic microfinance model can be a viable alternative for empowering the beneficiaries. This is consistent with the findings of Widiyanto et al. (2011) which show that Islamic microfinance has a positive impact on micro-enterprise development.

Another interesting innovation is the use of information technology through the "Sidogiri Zakat" mobile application, which facilitates real-time fundraising. This digitalization not only improves operational efficiency but also expands reach and enhances transparency. This use of technology aligns with global trends in the philanthropy industry, which is increasingly relying on digital platforms (Mangunjaya, 2023; Oemar et al., 2023).

Challenges in Program Implementation

Despite its relative success, LAZ Sidogiri still faces various challenges in program implementation. The main challenge is the limited human resources competent in zakat management and community empowerment. This is a common challenge faced by LAZ in Indonesia, as demonstrated in research by Canggi et al. (2017).

Another challenge is the complexity of coordinating across diverse programs. LAZ Sidogiri manages a variety of programs, ranging from microfinance and education to health and economic empowerment. Coordination between these programs requires a sophisticated management system and strong leadership skills (Syahrir & Said, 2023; Wahyudin, 2023).

Externally, the main challenges are complex regulations and bureaucracy. Regulatory changes frequently impact LAZ operations and require rapid adaptation. Furthermore, coordination with external stakeholders such as local governments and other institutions is also a challenge.

Theoretical Implications

The results of this study provide several important theoretical implications. First, it strengthens the theory of the importance of a holistic approach to zakat management. The LAZ Sidogiri model, which integrates economic, social, and spiritual aspects, has proven more effective than approaches that focus solely on one aspect.

Second, this study demonstrates the importance of social capital in the success of LAZ. LAZ Sidogiri's integration with the Islamic boarding school ecosystem provides access to strong social capital, a key factor in its success. This is consistent with the social capital theory developed by Putnam (2000), which emphasizes the importance of social networks in economic development.

Third, this study provides empirical evidence on the effectiveness of the hybrid model in managing nonprofit organizations. LAZ Sidogiri successfully combined social orientation with business efficiency, resulting in optimal performance. This hybrid model can serve as a reference for the development of other LAZs (Muharir et al., 2025; Putra et al., 2023).

Practical Implications

From a practical perspective, the results of this study provide several important recommendations for LAZ Sidogiri and other LAZs. First, significant investment in human resource development is needed, particularly in terms of technical and managerial competencies. Continuous training programs and a clear career development system are urgently needed.

Second, developing an integrated information system is a strategic priority. This system will not only improve operational efficiency but also enable more effective monitoring and evaluation. Investment in information technology should be viewed as a long-term investment that will yield significant returns (Hudaefi et al., 2025; S. L. Z. Ridho & Siswantoro, 2023).

Third, program diversification and innovation must be carried out continuously to anticipate changing needs of recipients and the dynamics of the external environment. LAZ needs to develop a capacity for innovation that allows for rapid adaptation to change.

ZIS Distribution Process and Role

The ZIS distribution process at LAZ Sidogiri is carried out through systematic stages, including planning, selection, implementation, monitoring, and evaluation. Each stage involves a competent team and an information system that supports transparency and accountability.

ZIS distribution plays a strategic role in empowering those entitled to receive alms through its economic role (increasing access to capital), social role (improving quality of life), educational role (providing education and training), and spiritual role (strengthening religious values). The integration of these roles enables holistic and sustainable empowerment of those entitled to receive alms.

Obstacles in the Distribution of ZIS Funds

LAZ Sidogiri faces various obstacles in distributing ZIS funds, both internal and external. Internal obstacles include limited competent human resources, incompletely integrated technological infrastructure, complex coordination between programs, and limited financial capacity for operations (Lubis et al., 2023; Mahfudz et al., 2024).

External constraints include regulatory and bureaucratic complexity, difficulties in coordinating with external stakeholders, the influence of macroeconomic conditions, and the diverse characteristics of beneficiaries that require different approaches. Operational

constraints include identification and verification of beneficiaries, monitoring and evaluation systems, program sustainability, and risk management.

Program Optimization Strategy

To optimize the Sidogiri LAZ program, a comprehensive strategy is needed that includes: (1) development of an integrated information system to improve efficiency and coordination; (2) increasing human resource capacity through training, certification, and career development; (3) program diversification and innovation according to the dynamic needs of mustahik; (4) strengthening strategic partnerships with various stakeholders; and (5) strengthening the monitoring and evaluation system to ensure program effectiveness (H. Ridho et al., 2025; Sudrajat, 2023).

This strategy must be implemented in stages and sustainably, taking into account organizational capacity and available resources. The main priorities are information system development and human resource capacity building as a foundation for optimizing other programs.

Research Contribution

This research contributes in several aspects:

Theoretical Contributions

This research enriches the academic literature on zakat management and economic empowerment by providing empirical evidence on the effectiveness of an integrated ZIS management model. The Sidogiri LAZ model can serve as a theoretical reference for developing a more comprehensive zakat management theory.

This research also contributes to social capital theory by demonstrating how the integration of LAZ with the Islamic boarding school ecosystem can create a competitive advantage in ZIS management. These findings strengthen the argument about the importance of social capital in the success of nonprofit organizations (Harahap et al., 2024; Safrizal et al., 2025).

Practical Contribution

Practically, this research provides a blueprint for other LAZs in developing effective ZIS management systems. Best practices identified from LAZ Sidogiri can be adapted and implemented by other LAZs, adapting to the local context.

This research also provides concrete strategic recommendations for LAZ Sidogiri to optimize its programs. These recommendations can serve as the basis for medium- and long-term strategic planning.

Policy Contribution

The findings of this study can provide input for the government in formulating national zakat management policies. The Sidogiri LAZ model demonstrates that LAZ can be a strategic partner for the government in poverty alleviation and economic empowerment programs.

This research also provides insight into the importance of supportive regulations for LAZ development. Simplifying bureaucracy and improving coordination between institutions can increase the effectiveness of zakat management nationally (Hannani et al., 2023; Restiyani & Hasanah, 2023).

CONCLUSION

Based on the research and discussion, it can be concluded that LAZ Sidogiri has implemented a relatively effective Zakat, Infaq, and Sedekah (ZIS) fund management system in

improving the welfare of those who mustahik. This management model, which integrates consumptive and productive approaches, supported by a professional management system and strong social networks, has been proven to have a significant positive impact on the economic empowerment of mustahik.

The success of LAZ Sidogiri in managing ZIS cannot be separated from several key factors, namely: (1) integration with the Islamic boarding school ecosystem which provides social legitimacy and a strong network; (2) focus on productive economic empowerment programs; (3) innovation in providing scholarship services to the poor who wish to study at Islamic boarding schools; and (4) utilization of information technology to increase efficiency and transparency.

LAZ Sidogiri manages the distribution of ZIS funds through an integrated and professional system. Collection is conducted through multiple channels, including direct, institutional, digital, and community channels. Fund management is based on sharia principles and good governance, with a transparent and accountable accounting system. Fund distribution is conducted through a consumptive and productive approach, with clear and measurable mechanisms.

Research Limitations

This study has several limitations that need to be acknowledged:

1. Geographic Scope: This research only focuses on LAZ Sidogiri in the East Java region, so generalization to other regions needs to be done with caution.
2. Research Period: This research was conducted over a limited time period, so the long-term impact of the program cannot be analyzed comprehensively.
3. Measurement Method: Measurement of program impact still uses limited indicators and does not cover all aspects of welfare.
4. Informant Bias: Possible bias from informants in providing overly positive information about the LAZ program.

Recommendations for Further Research

Based on the limitations of this study, some recommendations for further research are:

1. Comparative Study: Conducting comparative research between LAZ Sidogiri and other LAZs to identify more comprehensive best practices.
2. Longitudinal Study: Conducting longitudinal research to analyze the long-term impact of the ZIS program on the welfare of mustahik
3. Instrument Development: Developing more comprehensive and valid impact measurement instruments
4. Cost-Benefit Analysis: Conduct a more detailed cost-benefit analysis to measure the efficiency of the ZIS program.

AUTHOR CONTRIBUTIONS

Look this example below:

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.

Author 2: Conceptualization; Data curation; In-vestigation.

Author 3: Data curation; Investigation.

CONFLICTS OF INTEREST

The authors declare no conflict of interest

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