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MEASURING THE RETURN ON SOCIAL INVESTMENT (ROSI) OF CORPORATE ZAKAT WAKALAH PROGRAMS: A PLS-SEM APPROACH FOR ISLAMIC FINANCIAL INSTITUTIONS

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Abstract: *The distribution of corporate zakat through the Wakalah (agency) model represents a strategic shift in Islamic wealth management, enabling corporations like Lembaga Tabung Haji (TH) to directly administer socio-economic programs for the Asnaf. However, measuring the actual long-term impact of these interventions remains a methodological challenge. This extensive conceptual paper, building upon a comprehensive grant proposal, introduces a robust methodological framework to evaluate the Return on Social Investment (ROSI) of Zakat Wakalah programs. By employing Partial Least Squares Structural Equation Modeling (PLS-SEM), the study proposes a systematic approach to quantifying the relationships between corporate zakat inputs and multi-dimensional poverty alleviation outcomes. The framework integrates the Maqasid Shariah (Objectives of Islamic Law) with modern socio-economic sustainability metrics, offering a tangible index to evaluate how productive zakat initiatives foster Asnaf financial resilience and enhance institutional reputation. The article argues that transitioning towards evidence-based policymaking in zakat administration is imperative for Government-Linked Investment Companies (GLICs) to optimize their philanthropic portfolios. Strategic implications for Shariah governance, regulatory compliance, and global Islamic finance standardization are extensively discussed.*

Keywords: *Return on Social Investment (ROSI), Zakat Wakalah, PLS-SEM, Maqasid Shariah, Asnaf Sustainability, Lembaga Tabung Haji, Islamic Finance.*

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Introduction

The modernization of Islamic philanthropy has necessitated advanced mechanisms for impact measurement. In the realm of corporate zakat, the transition from centralized state distribution to corporate-led distribution via the Wakalah model has unlocked immense potential for targeted poverty eradication. Government-Linked Investment Companies (GLICs) in Malaysia, particularly Lembaga Tabung Haji (TH), stand at the forefront of this transition. While the theological justification and operational frameworks for Zakat Wakalah are well-established, there is a glaring empirical gap concerning the quantification of its socio-economic impact. Stakeholders, including depositors, regulatory bodies, and Shariah committees, increasingly demand evidence that zakat funds are not only compliant with Fiqh but are also generating optimal societal value. This paper addresses this gap by proposing the Return on Social Investment (ROSI) metric, operationalized through Partial Least Squares Structural Equation Modeling (PLS-SEM), as the definitive tool for evaluating the efficacy of corporate zakat programs.

To delve deeper into the econometric complexities of this framework, it is vital to understand the structural mechanisms that differentiate standard philanthropy from Maqasid-driven zakat interventions. The application of PLS-SEM allows researchers to isolate the variance explained by corporate zakat from other macroeconomic factors such as inflation, government subsidies, and global market fluctuations. This isolation is crucial for calculating an accurate ROSI. Furthermore, the iterative process of model evaluation assessing construct reliability, convergent validity, and discriminant validityensures that the insights provided to the Shariah Advisory Committee are statistically infallible. As Islamic financial institutions expand their footprint in the global ESG landscape, the adoption of such rigorous quantitative models demonstrates a commitment to transparency and accountability. The systemic integration of these data analytics into the corporate governance architecture ensures that the mandate of wealth purification (Tazkiyah) is fulfilled in its most impactful form, creating a sustainable ecosystem of economic empowerment.

The Need for Empirical Measurement in Islamic Social Finance

Historically, the success of zakat institutions was measured by the volume of collections and the speed of disbursements (output metrics). However, output metrics fail to capture the long-term changes in the beneficiaries' quality of life (outcome and impact metrics). In a volatile economic environment characterized by high household indebtedness and inflation, consumptive zakat (short-term cash handouts) is insufficient to break the cycle of poverty. Therefore, corporate entities have pivoted towards productive zakat funding education, micro-enterprises, and healthcare infrastructure. To justify these substantial capital outlays, institutions require a rigorous statistical methodology to prove that these interventions directly cause an uplift in the Asnaf's socio-economic status. This necessity forms the basis for integrating advanced econometric modeling into Islamic social finance.

Literature Review

The literature on zakat impact measurement reveals a gradual evolution from qualitative assessments to quantitative modeling. Scholars such as Ibrahim (2011) and Shirazi (2014) have extensively documented the theoretical potential of zakat in reducing income inequality. However, empirical validations often rely on simplistic descriptive statistics. The introduction of PLS-SEM into Islamic finance research (Hair et al., 2017) has provided a robust tool capable of handling the complex, latent variables inherent in socio-economic studies. In terms of corporate performance, Wahab et al. (2017) established that corporate zakat payments

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positively influence firm value. Yet, the specific measurement of 'social return'—how much societal value is created per Ringgit of zakat spent—remains underexplored. The concept of Return on Social Investment (ROSI), adapted from conventional Social Return on Investment (SROI) frameworks, offers a comprehensive lens through which the Maqasid Shariah can be quantitatively evaluated.

Conceptualizing Return on Social Investment (Rosi) In Zakat

ROSI in the context of corporate zakat is defined as the quantifiable socio-economic value generated for the Asnaf and the broader community, relative to the zakat funds invested by the corporation. Unlike conventional ROI, which strictly measures financial profitability, ROSI incorporates multi-dimensional indicators of human well-being. These indicators are directly mapped to the Dharuriyyat (essentials) of Maqasid Shariah: Religion (Din), Life (Nafs), Intellect ('Aql), Lineage (Nasl), and Wealth (Mal). For instance, TH's 'Program Iqra' (educational scholarships) is an investment in 'Aql and Mal. The ROSI of this program is measured not just by graduation rates, but by the subsequent employment income of the beneficiaries and their transition from zakat recipients to zakat payers. By monetizing or statistically weighing these social outcomes, GLICs can objectively compare the efficacy of different Wakalah programs and allocate future zakat funds to the most impactful initiatives.

Methodological Framework: The Pls-Sem Approach

To operationalize the ROSI concept, this study advocates for the use of Partial Least Squares Structural Equation Modeling (PLS-SEM). PLS-SEM is highly suited for this research because it excels in exploratory models involving complex structural paths and non-normal data distributions, which are typical in poverty and welfare studies. The proposed structural model designates 'Zakat Wakalah Interventions' (e.g., educational support, capital assistance, healthcare provision) as exogenous latent variables. The endogenous latent variables include 'Asnaf Financial Resilience', 'Quality of Life', and 'Institutional Trust/Reputation'. A cross-sectional survey instrument, adapted from the Multidimensional Poverty Index (MPI) and Islamic wealth management metrics, must be designed to collect primary data from the beneficiaries. The PLS-SEM algorithm will then determine the path coefficients (impact strength) and R-square values (explanatory power), providing a mathematically sound validation of the zakat programs' success.

Translating Data into Evidence-Based Policymaking

The ultimate utility of the PLS-SEM ROSI framework is its capacity to drive evidence-based policymaking within Islamic financial institutions. When the Shariah Advisory Committee (SAC) and the Board of Directors review the annual zakat distribution strategy, they are often guided by jurisprudential compliance and historical precedents. By integrating the ROSI index into the decision-making matrix, management can dynamically shift funding towards high-performing programs. For example, if the PLS-SEM analysis reveals that micro-enterprise funding yields a significantly higher path coefficient towards Asnaf financial independence compared to general welfare handouts, the institution can ethically and strategically reallocate its Wakalah quotas. This data-driven approach ensures that corporate zakat is not a stagnant philanthropic duty, but a highly optimized engine for continuous socio-economic engineering.

Strengthening Institutional Reputation and Stakeholder Trust

Beyond the direct impact on the Asnaf, optimizing zakat through empirical measurement profoundly strengthens the institution's corporate reputation. In an era where consumers and investors demand high Environmental, Social, and Governance (ESG) standards, the ability to

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publish a verified 'Zakat Impact Index' provides a massive competitive advantage. For Lembaga Tabung Haji, proving that the zakat deducted from depositors' profits is creating measurable, sustainable change validates its mandate as a premier Islamic GLIC. It neutralizes public skepticism regarding the management of religious funds and fosters deep depositor loyalty, ensuring the sustained liquidity and operational growth of the institution.

Conclusion

The administration of corporate zakat via the Wakalah model is a monumental responsibility that bridges corporate finance with divine obligation. To honor this responsibility, Islamic financial institutions must move beyond traditional output metrics and embrace rigorous impact measurement methodologies. The integration of the Return on Social Investment (ROSI) framework, powered by PLS-SEM analysis, provides a scientifically validated mechanism to optimize zakat distribution. By mapping empirical data to the objectives of the Maqasid Shariah, GLICs like Lembaga Tabung Haji can ensure that every Ringgit of zakat disbursed maximizes Asnaf sustainability while fortifying institutional trust. This methodological evolution is not merely an academic exercise; it is an essential progression for the global Islamic finance industry in its pursuit of authentic socio-economic justice.

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