

## GOVERNANCE MISALIGNMENT IN NU COIN PROGRAM AND LOCAL ECONOMIC WELFARE GOALS

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### ABSTRACT

*This study examines the misalignment between the governance of the NU Coin program and local economic welfare objectives, using the Affordable Food Charity Market of UPZISNU Sentul as a case example. A qualitative case study approach was employed through in-depth interviews, observations, and document analysis. Data were analyzed using condensation, thematic categorization, and triangulation to ensure credibility. The results indicate that although NU Coin effectively mobilizes community donations, governance inconsistencies—such as fragmented planning, irregular collection cycles, and weak monitoring—restrict its ability to generate sustained welfare outcomes. Subsidized food assistance provides short term relief by reducing household expenditures but does not enhance structural economic resilience. The study is limited to one NU Coin unit and qualitative data, reducing generalizability. Broader comparative or mixed-methods research is recommended. Strengthening planning, documentation, monitoring, and integrating productive economic initiatives can improve governance–welfare alignment and program effectiveness. Improved governance could enhance community resilience, participation, and trust in Islamic philanthropic institutions. This study provides one of the first empirical examinations linking governance misalignment with welfare outcomes in NU Coin programs and offers a governance–welfare alignment framework for grassroots Islamic philanthropy.*

**Keywords:** *NU Coin, program governance, welfare alignment, Islamic philanthropy, local economic development*

### I. INTRODUCTION

Islamic social finance has become an important mechanism for strengthening local welfare systems in Indonesia, especially in rural and semi-urban communities with high economic vulnerability. Instruments such as zakat, infak, and sedekah (ZIS) act not only as religious obligations but also as redistributive tools that reduce household burdens, support social protection, and enhance community resilience (Beik & Pratama, 2017; Ascarya, 2019; Latief, 2019; Hati et al., 2021). Within the Nahdlatul Ulama (NU) network, the NU Coin (KOIN NU) program represents one of the most widely adopted grassroots fundraising initiatives, mobilizing small but frequent community donations to finance activities such as subsidized food markets, educational assistance, and emergency relief.

Despite its value as a community safety net, evidence shows that NU Coin governance is not fully aligned with evolving local economic welfare needs. Communities continue to face rising living costs and unstable employment, yet NU Coin operations—such as planning, collection cycles, and distribution procedures—remain fragmented and inconsistent (UPZISNU Sentul Annual Report, 2022–2024; World Zakat Forum, 2020). These patterns indicate governance structures that have not adequately adapted to beneficiary socioeconomic conditions.

Existing studies highlight NU Coin's strengths in mobilizing participation and fostering a philanthropic culture (Subhi, 2021; Fazaa'adin, 2022; McGregor & Sumarto, 2020). However,

research on Islamic social finance governance stresses the importance of strategic planning, accountability, and contextual responsiveness (Beik & Arsyianti, 2016; Terry, 2010). Limited attention has been given to how governance mechanisms influence welfare outcomes, despite recurring issues such as weak targeting, fragmented coordination, and lack of linkage to long-term economic development (Tajudin Subhi et al., 2022; Suprihantosa & Febriyani, 2021; Widiastuti & Rani, 2021; World Bank, 2019). This indicates a clear research gap.

Field observations in Sentul reinforce this gap: although NU Coin successfully mobilizes funds and distributes subsidized goods, welfare impacts remain short-term and consumptive, providing only temporary relief with limited contribution to structural resilience. This reflects Midgley's (2014) concept of structural misalignment, where governance mechanisms fail to address deeper socioeconomic challenges.

This study therefore pursues two objectives: (1) to integrate community-level governance analysis with observed welfare outcomes, and (2) to answer why NU Coin programs with strong community participation still struggle to generate meaningful welfare improvements. The study argues that misalignment arises from fragmented planning, inconsistent distribution routines, weak monitoring, and limited engagement with local economic stakeholders. By proposing a governance-welfare alignment framework, this paper shifts attention from fundraising performance to the governance dynamics required for sustainable welfare impact. The paper proceeds as follows: Section II reviews theoretical foundations; Section III outlines the methodology; Section IV presents and discusses the findings; and Section V concludes and provides recommendations.

## II. LITERATURE REVIEW

### Islamic Social Finance and Philanthropic Instruments

Islamic social finance (ISF) provides key mechanisms for redistribution and poverty alleviation in Muslim societies. Instruments such as zakat, infak, sedekah, and waqf aim to promote fairness, social protection, and community welfare (Hafidhuddin, 2002; Kahf, 2005). These instruments operate across two domains: consumptive welfare for immediate household needs and productive welfare to enhance long-term resilience (Beik & Arsyianti, 2016).

In Indonesia, community-based philanthropy supports routine welfare needs, with neighborhood micro donations fostering participation and social cohesion (Huda et al., 2020). This aligns with the NU Coin mechanism, where household coin boxes generate continuous micro-contributions for local welfare activities. Field evidence from UPZISNU Sentul shows that this household-driven fundraising model encourages participation and ensures fund availability. This reflects Subhi's (2021) concept of participatory philanthropy and is consistent with literature emphasizing that culturally embedded donation systems encourage engagement but require strong governance to optimize welfare outcomes (Banks & Hulme, 2012; Lewis, 2014).

### Governance in Islamic Social Finance Institutions

Governance is a critical determinant of Islamic social finance performance, encompassing strategic planning, documentation, distribution procedures, accountability, and monitoring (Terry, 2010). Effective governance aligns programs with institutional mandates and beneficiary needs (Ascarya, 2019; Mahadin & Alsmadi, 2022; Lecy & Searing, 2022). Empirical studies highlight governance features associated with strong outcomes, including clear objectives, transparent reporting, contextually responsive program design, and formalized monitoring systems (Nasir & Nurzaman, 2018). However, research also documents common governance weaknesses in community-based philanthropy—informal planning, inconsistent documentation, and fragmented

evaluation (Suprihantosa & Febriyani, 2021). These challenges mirror conditions in UPZISNU Sentul, where variation in planning and administrative practices limits program consistency and effectiveness.

### **Welfare Frameworks and Economic Vulnerability**

Welfare within ISF is understood as a multidimensional condition involving access to essential goods, consumption stability, economic security, and resilience (Midgley, 2014). Welfare programs generally fall into short-term (subsidized food, charity markets, emergency aid) and long-term categories (income support, empowerment initiatives, productive asset distribution). In contexts of rising living costs, subsidized food programs provide immediate relief but often fail to generate sustained welfare improvements without strong governance and integration with local economic structures (Beik & Pratama, 2017; Sadeq, 2002). Field evidence from UPZISNU Sentul demonstrates that such programs ease temporary household burdens yet offer limited contribution to long-term resilience, aligning with Shirazi's (2014) view that poverty alleviation requires combining consumptive and productive approaches.

### **Prior Studies on NU Coin and Community Philanthropy**

Studies on NU Coin highlight its strengths: high community participation rooted in NU's cultural religious legitimacy (Subhi, 2021), low-entry fundraising accessible to low-income households (Fazaa'adin, 2022), and reinforcement of social cohesion. However, recurring challenges include weak beneficiary targeting, fragmented coordination between collection and distribution, limited documentation and monitoring, and dominance of consumptive assistance with minimal linkage to empowerment programs (Tajudin Subhi et al., 2022; Pratama, 2015). These findings align with conditions in UPZISNU Sentul, where most NU Coin funds are allocated to subsidized food assistance, with limited integration into long-term economic initiatives.

### **Structural Misalignment in Welfare Governance**

According to Midgley (2014), structural misalignment occurs when governance mechanisms, resource flows, and community needs are not synchronized. Misalignment arises when planning lacks socioeconomic grounding, distribution is disconnected from broader welfare strategies, monitoring is weak, and implementation relies on tradition rather than evidence. This framework explains why high participation in NU Coin programs does not necessarily translate into sustainable welfare improvements.

### **Research Gap**

Although literature documents NU Coin's participatory strengths and cultural embeddedness, few studies examine how governance structures affect welfare outcomes. Gaps remain in understanding:

1. why strong fundraising does not always yield strong welfare results;
2. why consumptive assistance persists despite shifting economic pressures; and
3. how governance inconsistencies contribute to misalignment between program objectives and community needs.

This study addresses these gaps by analyzing how governance arrangements shape the alignment—or misalignment—between NU Coin program management and local economic welfare goals.

## **III. METHODOLOGY**

This study employs a qualitative descriptive design to examine the alignment between NU Coin governance mechanisms and local economic welfare objectives. A qualitative approach is appropriate because governance practices, decision-making processes, and welfare implications are best understood through contextual rather than numerical analysis (Creswell, 2014). This approach enables an in-depth exploration of institutional behavior and governance–welfare linkages. The unit of analysis is the NU Coin program managed by UPZISNU Ranting Sentul, including its planning processes, fundraising cycles, distribution mechanisms, and welfare-oriented activities such as subsidized food markets. Data were collected from three primary sources: (1) in-depth interviews with administrators, community leaders, and beneficiary households; (2) direct observations of collection routines, allocation meetings, and distribution events; and (3) document analysis of financial reports, operational records, internal memos, and program guidelines.

Data analysis followed Miles, Huberman, and Saldaña’s (2014) interactive model—data condensation, data display, and conclusion drawing. Interview transcripts, field notes, and documents were coded into key themes such as planning coherence, fund regularity, distribution effectiveness, and welfare outcomes. Patterns were visualized through matrices and narrative summaries to link governance inconsistencies with welfare misalignment.

Scientific rigor was ensured through triangulation across interviews, observations, and documents; member checking with program administrators; and cross-validation of administrative records, all of which reduce bias and improve credibility (Yin, 2018). Overall, this methodological design supports the development of a governance–welfare alignment model grounded in empirical evidence, clarifying how governance structures shape the effectiveness and sustainability of NU Coin programs.

#### IV. RESULTS AND DISCUSSION

This chapter presents the empirical findings supported by tables and figures that illustrate governance mechanisms, welfare outcomes, and structural issues in the NU Coin program. A critical discussion follows, including comparison with previous studies and robustness checks.

##### Governance Structure and Operational Mechanisms

Field data show that NU Coin operations at UPZISNU Ranting Sentul rely on a small, community-led structure consisting of a chairman, treasurer, collection coordinator, and neighborhood collectors. Activities depend heavily on informal communication, manual documentation, and voluntary coordination—features commonly observed in grassroots philanthropic initiatives in Indonesia (Lewis, 2014; The Jakarta Post, 2021). While such mechanisms encourage community participation, they limit administrative consistency. The absence of strategic planning, standardized reporting, and performance indicators reduces the program’s ability to respond to local economic needs, consistent with findings by Suprihantosa & Febriyani (2021).

**Table 1. Governance Components of the NU Coin Program**

Governance Component	Observed Practice	Implication
Planning	Informal discussions; no written plans	Limited strategic direction
Fund Collection	Household coin boxes; periodic pickups	High participation, low predictability

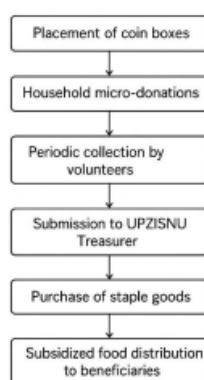
Documentation	Manual ledger; inconsistent completeness	Weak accountability
Distribution	Mainly subsidized food market	Short-term welfare orientation
Monitoring & Evaluation	No formal M&E tools	Difficult to measure impact
Coordination	Informal communication	Fragmented decision-making

Source: Field Data, 2024

### Fund Collection and Distribution Mechanisms

NU Coin employs a micro-donation system using household coin boxes with variable collection frequency, producing fluctuating fund flows. Similar volatility is reported across community-based Islamic philanthropy units nationally (World Zakat Forum, 2020; Puskas BAZNAS, 2020; 2022). Distribution activities primarily focus on subsidized food programs, offering discounted staples such as rice and cooking oil. Although aligned with common Islamic social finance practices (Beik & Arsyianti, 2016), this approach reinforces short-term, consumptive assistance rather than long-term welfare improvement.

Figure 1. NU Coin Collection–Distribution Flowchart



Source: Field Observation, 2024

This cycle indicates a functioning workflow but highlights instability in timing and fund availability.

### Welfare Outcomes of the Subsidized Food Program

The subsidized food initiative reduces short-term household expenditure, consistent with Midgley's (2014) emphasis on consumption stabilization. However, its long-term impact remains limited due to: (1) irregular distribution timing, (2) lack of linkage with local economic programs, (3) absence of productive empowerment components, and (4) broad targeting criteria. These findings align with Nasir & Nurzaman (2018), who argue that consumptive aid alone cannot sustain welfare improvements.

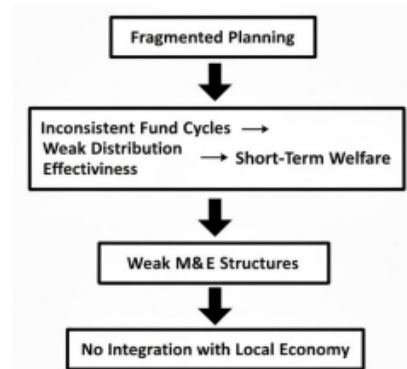
### Structural Drivers of Governance–Welfare Misalignment

Analysis identifies four structural sources of misalignment:

- Fragmented Planning – Absence of written plans results in inconsistent implementation,

- supporting Ascarya's (2019) argument for structured planning.
- Inconsistent Fund Cycles – Micro-donation volatility creates unpredictable revenue, echoing Huda et al. (2020).
  - Limited Monitoring and Documentation – Weak record-keeping reduces accountability and impedes evaluation, consistent with Terry (2010).
  - Weak Integration with Local Economic Actors – Minimal coordination with village institutions limits program sustainability, aligning with Beik & Pratama (2017).

**Figure 2. Structural Drivers of Governance–Welfare Misalignment**



Source: Author's Analysis, 2024

These structural issues collectively restrict the program's ability to generate sustained welfare outcomes.

### Comparison with Previous Studies and Novelty of Findings

The findings reinforce earlier research noting coordination challenges, limited documentation, and reliance on consumptive assistance in NU Coin programs (Tajudin Subhi et al., 2022; Fazaa'adin, 2022). While previous studies emphasize NU Coin's participatory strengths, this study highlights structural misalignment as the core limitation—shifting the focus from fundraising performance to governance quality. This extends Midgley's (2014) misalignment concept into the context of Islamic community philanthropy, an area rarely examined.

### Robustness Check

Reliability was enhanced through triangulation of interview, observation, and document data; cross checking of administrative records; and member verification with administrators. Convergence across these methods confirms that governance inconsistencies—not participation levels or fundraising capacity—are the primary constraints on welfare outcomes.

## V. CONCLUSION AND RECOMMENDATION

This study examined the alignment between NU Coin governance mechanisms and local economic welfare objectives within a community-based Islamic social finance context. Findings show that the household-based micro-donation system successfully mobilizes broad community participation. However, governance practices remain largely informal, marked by ad-hoc planning, irregular fund flows, incomplete documentation, and the absence of structured monitoring and

evaluation.

While these characteristics support inclusiveness and operational flexibility, they weaken strategic direction and administrative consistency. As a result, the subsidized food program delivers short-term expenditure relief but produces limited long-term economic resilience. The core challenge lies not in low participation, but in structural misalignment between governance components—planning, documentation, coordination, and monitoring—and desired welfare outcomes related to stability, empowerment, and local economic integration. The study concludes that improving welfare impact requires strengthening governance coherence and transitioning from a predominantly consumptive model toward a mixed consumptive–productive approach aligned with local economic conditions.

#### 1. Enhance Strategic and Operational Planning

Develop written annual and quarterly plans outlining objectives, targeting criteria, distribution procedures, and evaluation indicators to strengthen consistency and strategic focus.

#### 2. Standardize Financial and Administrative Documentation

Implement structured record-keeping systems, using digital or template-based tools, and institutionalize periodic reporting to improve transparency and accountability.

#### 3. Introduce Basic Monitoring and Evaluation (M&E)

Track key indicators such as fund collection, distribution regularity, cost reductions, and beneficiary coverage to guide evidence-based decision-making.

#### 4. Diversify Welfare Interventions

Complement consumptive assistance with empowerment initiatives—microenterprise support, vocational training, or financial literacy—to enhance long-term welfare outcomes.

#### 5. Strengthen Coordination with Local Economic Actors

Collaborate with cooperatives, BUMDes, suppliers, and local traders to stabilize procurement, reduce price volatility, and expand program effectiveness.

#### 6. Invest in Governance Capacity Building

Provide training for administrators and volunteers on financial management, program design, and welfare development to improve operational professionalism.

### Suggestions for Future Research

Future studies may:

1. Conduct comparative analyses across multiple NU Coin units to identify governance variations and best practices.
2. Employ mixed-methods designs to quantify welfare impact and enhance generalizability.
3. Explore digitalization opportunities for donation tracking, documentation, and program monitoring.
4. Undertake longitudinal studies to examine how governance reforms influence welfare outcomes over time.

These avenues will deepen scholarly understanding of Islamic social finance governance and support the development of more effective community-based welfare systems.

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