

Transforming mustahiq into muzzaki through strategic management: An empirical study of productive zakat distribution in Yogyakarta, Indonesia

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ABSTRACT

Introduction

Poverty alleviation remains a major development challenge in Indonesia. Zakat, as an Islamic redistributive mechanism, has the potential to function as a productive economic instrument. This study examines a productive zakat distribution model aimed at transforming mustahiq into muzzaki through empowerment and sustainable economic development, based on economic criteria including income, asset ownership, ability to meet basic needs, and fulfillment of the nisab threshold.

Objectives

The study aims to analyze how productive zakat contributes to socio-economic transformation, identify institutional and managerial factors influencing program effectiveness, and propose an applicable model of zakat distribution that supports mustahiq independence and transition toward muzzaki status.

Method

Using a qualitative descriptive approach and case study design, the research was conducted in several zakat institutions in Yogyakarta, including BAZNAS, LAZISMU, LAZISNU, and Rumah Zakat. Data were collected through in-depth interviews, direct observation, and document analysis involving 55 mustahiq and zakat managers. The data were analyzed using Miles and Huberman's model of data reduction, display, and verification.

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Results

Findings show that productive zakat programs when integrated with planning, mentoring, and monitoring significantly improve beneficiaries' income, business performance, and self-reliance. The application of management principles (forecasting, organizing, actuating, and controlling) enhances accountability and program impact. However, challenges remain in limited institutional capacity, uneven monitoring, and insufficient long-term evaluation.

Implications

The study demonstrates that productive zakat can serve as an investment in human and social capital rather than a short-term relief tool. It highlights the need for strategic management integration and institutional collaboration to ensure sustainability and measurable economic transformation among mustahiq.

Originality/Novelty

This research contributes to Islamic economic scholarship by offering an empirical framework that links productive zakat management with socio-economic empowerment and sustainable development. It advances the understanding of zakat as a transformative instrument that aligns Islamic social finance with modern development management practices.

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INTRODUCTION

Poverty remains a major challenge in Indonesia. As of March 2024, the Central Bureau of Statistics reported that 25.82 million people, or 9.03% of the population, lived below the poverty line (Badan Pusat Statistik, 2024). In the Special Region of Yogyakarta (DIY), the poverty rate reached 10.83%, exceeding the national average (Badan Pusat Statistik Provinsi DI Yogyakarta, 2024). This continued poverty is particularly significant considering Indonesia's relatively high Human Development Index (HDI) and low unemployment rates, indicating structural issues such as low-quality and informal employment, wage stagnation, limited access to productive assets and capital, regional disparities, and unequal access to basic services rather than a mere lack of jobs (Amir et al., 2022; Dar, 2004; Putri & Mintaroem, 2020; Ranis et al., 2000; Talalweh & Samarah, 2021). The problem of poverty in Indonesia underscores the need for innovative solutions; in this context, contemporary scholarship increasingly conceptualizes zakat not merely as a traditional religious obligation but as a modern, institutionalized instrument for socio-economic empowerment and sustainable poverty alleviation (Aghion & Bolton, 1997; Karuni, 2020; Nawawi et al., 2021; Suri et al., 2011; Vrachimis & Zachariadis, 2013). Although zakat is fundamentally a form of worship

(*'ibādah māliyyah*), it is increasingly viewed as an Islamic economic instrument for addressing material and social inequities, with implications for fiqh interpretation and policy design (Çamlıbel, 2014; Chapra, 2000; Mankiw, 2022; Qoyum et al., 2021).

The traditional understanding of zakat has largely focused on consumption-based models, where zakat is distributed to address immediate needs such as food, clothing, or basic medical assistance (Maghfirah et al., 2026; Rama, 2019; Sarif et al., 2024). While such an approach offers essential short-term relief, it has not contributed significantly to alleviating the systemic causes of poverty or promoting long-term economic independence for recipients (*mustahiqqun*) (Maşca et al., 2015). In contrast, productive zakat—defined as zakat directed toward entrepreneurial activities or skills development—holds promise in fostering self-sufficiency by providing capital, training, and mentoring to establish or expand income-generating activities (Alam et al., 2022; Alim, 2015; Ayuniyyah et al., 2017; Hoque et al., 2015).

Despite these developments, zakat distribution in Indonesia—particularly in Yogyakarta—continues to face significant inefficiencies. A considerable portion of zakat funds remains underutilized within zakat management institutions, reflecting limited institutional capacity to maximize zakat's poverty alleviation potential (Al Haq & Abd. Wahab, 2017; Nahar, 2018; Rasyid, 2025; Sudaryo et al., 2021; Uddin & Hossain, 2025). Many institutions lack comprehensive strategies to assess the productive potential of *mustahiqqun*, while the absence of standardized frameworks for distribution and monitoring has led to fragmented practices, inconsistent beneficiary selection, and weak outcome evaluation (Alim, 2015; Jaelani, 2016). This study addresses these gaps by proposing a productive, empowerment-oriented zakat distribution model that aims to support the gradual transformation of *mustahiqqun* into *muzakkin* and promote sustainable socio-economic improvement.

The solution to this issue lies in the design of a more structured and integrated zakat distribution model that prioritizes productive uses of zakat funds, alongside continuous monitoring and support. The literature indicates that the productive use of zakat can significantly improve the economic outcomes of *mustahiqqun*, particularly when combined with capacity-building initiatives (Rusiawan et al., 2015). Previous studies (Ojiya et al., 2019; Rizal et al., 2021; Tobing et al., 2024; Zulinda et al., 2022) highlights the benefits of zakat used for productive purposes, such as providing capital for small businesses or agricultural projects, which has been shown to create sustainable economic growth. Another study by Ramadhan & Sari (2025) emphasizes the importance of training and mentorship in the productive zakat model, which helps recipients build the skills necessary to manage their businesses effectively. These findings support the notion that zakat, when channeled into entrepreneurship, can promote economic independence and reduce long-term poverty more effectively than traditional consumptive approaches (Ayuniyyah et al., 2017; Hoque et al., 2015).

Previous studies (Ayuniyyah et al., 2017; Putra & Widiastuti, 2019) supports the shift towards zakat being used as a productive tool, showcasing successful programs where zakat was distributed to create micro-businesses, which led to long-term improvements in the living standards of *mustahiqqun*. These studies indicate that zakat

not only addresses immediate financial needs but also provides a foundation for economic empowerment through skills training, business development, and networking (Hoque et al., 2015). However, the gap in existing research lies in the lack of a comprehensive and standardized framework for zakat institutions to implement and evaluate the effectiveness of these models. This study aims to bridge this gap by developing a model for zakat distribution that combines economic empowerment with systematic monitoring and evaluation to ensure the transformation of *mustahiqqun* into *muzzakin*.

This study proposes a conceptual framework for productive zakat distribution aimed at supporting the long-term economic empowerment of *mustahiq*, grounded in the premise that zakat integrated with entrepreneurial support, skills development, financial assistance, and ongoing monitoring can enhance self-reliance and potentially facilitate a gradual transition into *muzakki*. Focusing on zakat institutions in Yogyakarta, the research examines existing distribution practices, implementation mechanisms, and institutional barriers through an in-depth analysis of current programs. By structuring these elements within an organized and measurable managerial perspective, the study contributes to the literature on zakat as an instrument for sustainable development and offers practical recommendations to improve the effectiveness and sustainability of zakat distribution in Indonesia (Ghlamallah et al., 2021).

LITERATURE REVIEW

The Role of Zakat in Poverty Alleviation

Zakat, as one of the five pillars of Islam, has long been recognized as a significant tool in addressing poverty and promoting social equity (Mustamin et al., 2025). It is a form of wealth redistribution aimed at ensuring that resources circulate within society, especially to those who are in dire need. According to Wijaya & Khotijah (2020), zakat plays a vital role in improving human development by distributing wealth from the affluent to the less privileged. However, the conventional understanding of zakat has primarily focused on consumptive uses, providing immediate relief for the basic needs of the poor. While this model offers temporary assistance, it does not address the underlying causes of poverty or facilitate long-term self-sufficiency for the recipients, referred to as *mustahiqqun* (Nurdin et al., 2025; Pratama, 2015).

Zakat is explicitly established in the Qur'an as one of the pillars of Islam, as stated in Surah At-Tawbah (9:60): "Zakat expenditures are only for the poor and the needy, for those employed to collect it, for those whose hearts are to be reconciled, for the emancipation of slaves, for those in debt, for the cause of Allah, and for the stranded traveler—an obligation imposed by Allah. And Allah is All-Knowing, All-Wise."

Recent shifts in zakat management have introduced the concept of productive zakat, which aims to utilize zakat funds for economic empowerment. Productive zakat provides capital, training, and support for small businesses—such as food processing, tailoring, retail, and micro-agriculture—to enable *mustahiqqun* to achieve financial

independence (Firmansyah et al., 2024). Previous literature (Alim, 2015; At-Tariqi, 2004; Hafidhuddin, 2002), suggests that productive zakat aligns with Islamic economic principles that emphasize the importance of self-sufficiency and sustainable development. By directing zakat funds towards productive activities, the zakat system can create a lasting impact on reducing poverty and promoting economic growth, particularly in Muslim communities. These developments demonstrate the potential of zakat not just as a tool for welfare but also as a driver of socio-economic change (Rusydiana et al., 2025).

Zakat Distribution Models: Consumptive vs. Productive

In Indonesia, zakat distribution has traditionally prioritized immediate needs, a fiqh-legitimate approach essential for short-term relief. However, recent Islamic economic literature views productive zakat as a complementary strategy that supports income generation, education, and skills development to enhance the long-term socio-economic impact of zakat (Ahmad et al., 2015; Mawardi et al., 2022; Zulkipli et al., 2025).

Previous studies (Hoque et al., 2015; Rizal et al., 2021) highlights the importance of productive zakat in improving the economic capacity of mustahiqqun. By providing seed capital for small enterprises or offering technical training, productive zakat helps build the skills and resources needed to foster economic independence. Moreover, as Ma'wa et al. (2024) and Ramadhan & Sari (2025) assert, zakat's potential is maximized when it is used for capacity building, enabling mustahiqqun to manage and expand their businesses effectively. This literature suggests that a shift from consumptive to productive zakat is not only in line with Islamic principles but also necessary to achieve long-term poverty reduction and socio-economic development. However, the transition to productive zakat faces several challenges, including the need for institutional capacity, monitoring, and evaluation mechanisms, which will be explored further in the subsequent sections (Djaenab et al., 2025; Jamaludin et al., 2025; Rum et al., 2025; Zulaikha, 2025).

Barriers in Implementing Productive Zakat

While the shift toward productive zakat presents an opportunity for sustainable development, several barriers hinder its effective implementation. One major challenge is the lack of institutional capacity within zakat management organizations (Abd. Wahab & Abdul Rahman, 2011; Al Haq & Abd. Wahab, 2017; Nahar, 2018; Naz'aina, 2015). Previous studies (Ayuniyyah et al., 2017; Jaelani, 2016) found that despite the growing interest in productive zakat, many zakat institutions are still primarily focused on consumptive distribution and have not yet developed the infrastructure to support productive programs effectively. This includes inadequate systems for assessing the business potential of mustahiqqun, insufficient monitoring and mentoring programs, and a lack of standardized frameworks for evaluating the success of zakat distribution (Daud et al., 2011; Sawmar & Mohammed, 2021).

Additionally, the absence of a clear and unified strategy for zakat distribution has led to inefficiencies in the allocation of funds. Previous studies note that zakat

institutions face challenges in optimizing fund utilization, with some zakat allocations showing limited long-term impact on *mustahiqqun* livelihoods (Putra & Widiastuti, 2019). Although financial assistance is provided, it does not consistently lead to sustained self-reliance, highlighting the need for stronger coordination, accountability, and managerial coherence to support the gradual transition of *mustahiqqun* toward *muzakkin* status.

The Importance of Capacity Building and Monitoring

Productive zakat requires more than fund distribution, as it must be supported by capacity building and continuous monitoring (Ogunniyi, 2018). Rahman & Suarni (2020) emphasizes that effective productive zakat combines financial assistance with skills development to enable *mustahiqqun* to manage and expand their businesses, while Ramadhan & Sari (2025) highlights the importance of tailored training in areas such as financial literacy, business management, and marketing. Without these complementary components, zakat funds risk suboptimal use and continued dependency. Moreover, regular monitoring and evaluation are critical to ensuring proper fund utilization and tracking *mustahiqqun* progress toward economic independence, as demonstrated by Ayuniyyah et al. (2017), who find that institutions providing consistent supervision and feedback achieve better socio-economic outcomes. The literature emphasizes that zakat institutions must establish clear indicators for success and ensure that recipients are held accountable for using zakat funds in a productive manner. This approach not only helps recipients but also ensures the efficient use of zakat funds in line with Islamic principles of justice and equity.

The Role of Social Capital in Productive Zakat

In addition to financial support and training, social capital plays a crucial role in the success of productive zakat programs (Cobham & Zouache, 2021). Social capital refers to the networks, relationships, and trust that individuals and communities can leverage to improve their economic outcomes. In the context of zakat, social capital facilitates collaboration, enhances market access, and provides moral and emotional support for *mustahiqqun*. According to Putnam (1995) social capital is essential for fostering economic development and reducing poverty, as it enables individuals to tap into broader networks and opportunities that they would not have access to on their own.

In the case of productive zakat, social capital can be harnessed to create a supportive ecosystem for *mustahiqqun*. For example, zakat institutions can foster collaborations with local businesses, government agencies, and other stakeholders to provide *mustahiqqun* with access to markets, financing, and technical support. As emphasized by Ramadhan & Sari (2025), zakat institutions that integrate social capital into their programs have seen greater success in empowering *mustahiqqun* and enabling them to sustain and expand their businesses. Therefore, integrating social capital into the design and implementation of zakat programs can enhance the overall effectiveness of zakat in promoting long-term economic independence for *mustahiqqun* (Soetomo, 2011; Sulistiyan, 2004).

Gaps in Zakat Distribution Frameworks

Despite the promising potential of productive zakat, a significant gap remains in the theoretical and practical frameworks for its distribution. While there is an increasing body of literature advocating for the shift towards productive zakat, much of the existing research focuses on case studies or pilot programs without providing a comprehensive, standardized model for zakat distribution. According to Alim (2015), while zakat has the potential to reduce poverty and promote economic empowerment, the lack of a clear and consistent framework for its implementation remains a major barrier. This research aims to fill this gap by proposing a standardized model for productive zakat distribution that incorporates best practices from existing programs and ensures effective monitoring and support.

Additionally, the existing literature often overlooks the critical role of zakat institutions in ensuring that zakat is distributed equitably and effectively. While some studies have examined the socio-economic impact of zakat, there is limited research on the institutional mechanisms required to support productive zakat programs (Abd. Wahab & Abdul Rahman, 2011). This study addresses these gaps by focusing on the operational aspects of zakat management, including the design of distribution models, the role of monitoring and evaluation, and the integration of capacity-building strategies. By offering a comprehensive model for productive zakat distribution, this research aims to contribute to the growing body of knowledge on zakat as a tool for sustainable development and poverty alleviation (Chapra, 2008).

Objectives and Scope of the Study

This study aims to develop a standardized model for productive zakat distribution that enhances its long-term effectiveness in promoting *mustahiqqun* financial independence through integrated financial support, training, and continuous monitoring. Focusing on zakat institutions in Yogyakarta, the study examines existing distribution practices, their strengths and weaknesses, and their impact on *mustahiqqun* socio-economic conditions. By proposing a more structured and systematic approach, this research offers practical insights to improve the role of zakat in poverty alleviation and economic empowerment.

The article examines the role of zakat institutions in fostering productive zakat and examine how they can integrate capacity-building, social capital, and monitoring into their programs to strengthen their effectiveness their success. By addressing the gaps in current zakat distribution practices, the study seeks to provide a more effective framework for zakat institutions to empower *mustahiqqun* and help them transition from poverty to financial independence. Ultimately, the findings of this research will contribute to the development of a more sustainable and impactful zakat system, aligned with the principles of Islamic economics and aimed at achieving long-term poverty reduction.

Research Gap and the Significance of the Study

Despite the growing recognition of zakat's potential as a tool for poverty alleviation, a significant gap remains in the literature regarding the effective and standardized distribution of productive zakat. While previous studies (Ramadhan & Sari, 2025; Rizal et al., 2021) emphasize the importance of using zakat funds for entrepreneurial empowerment, there is limited research on a comprehensive framework that integrates financial support, capacity-building, and monitoring. Most existing studies rely on individual case analyses or pilot programs, which provide valuable insights but fall short of proposing adaptable operational principles or standardized frameworks for productive zakat distribution across institutional contexts (Alim, 2015). This limitation constrains the scalability of productive zakat initiatives and reduces their potential contribution to broader poverty reduction efforts.

This study addresses this gap by proposing a conceptual framework for productive zakat distribution that supports more effective and sustainable *mustahiqqun* empowerment through adaptable operational principles rather than a single standardized model. By bridging theoretical insights and practical implementation, the framework integrates capacity building, social capital development, and monitoring mechanisms to improve productive zakat management. The findings contribute micro-level insights that support *mustahiqqun* self-reliance and gradual movement toward *muzakki* status, while informing broader discussions on zakat management, sustainable development, and poverty alleviation in Indonesia.

METHOD

This qualitative study examines productive zakat distribution and its potential to support *mustahiqqun* empowerment through a context-sensitive conceptual framework. Data were collected through field observations, in-depth interviews, and document analysis across four zakat management institutions in Yogyakarta, involving 55 *mustahiqqun* and selected institutional staff. Effectiveness is assessed qualitatively by exploring changes in income-generating capacity, continuity of economic activities, and perceived self-reliance, providing an in-depth, context-rich understanding of institutional practices and challenges.

Research Design and Approach

The research adopts a descriptive qualitative design, which allows for the in-depth exploration of zakat distribution processes and the experiences of *mustahiqqun* in Yogyakarta. Qualitative research seeks to understand human experiences and social phenomena within their natural contexts (Creswell & Creswell, 2023), making it well suited for examining zakat distribution and its socio-economic implications. In line with this descriptive-exploratory orientation, the study is guided by analytical propositions rather than formal hypotheses and seeks to develop a conceptual framework grounded in empirical observations. This approach enables the study to provide rich, context-sensitive descriptions of institutional practices and beneficiary experiences without aiming for causal verification or statistical generalization and identifying

patterns, trends, and insights that contribute to the development of theory and practical solutions. The research design emphasizes the use of case studies and field observations to examine the zakat distribution practices of key zakat institutions.

Research Setting and Data Sources

The study was conducted in Daerah Istimewa Yogyakarta (DIY), a province with a high poverty rate despite its relatively high Human Development Index (HDI). The research focuses on four zakat institutions in DIY: BAZNAS (National Zakat Board), Rumah Zakat, LAZISMU (Muhammadiyah Zakat Institution), and LAZISNU (Nahdlatul Ulama Zakat Institution). These institutions were selected based on their prominent role in zakat distribution and their varying approaches to productive zakat programs. The research also targets mustahiqqun who have received zakat support through productive programs, as well as staff members from the selected zakat institutions.

Data for the study were collected from two main sources: primary and secondary. Primary data were obtained through interviews and field observations, while secondary data came from reports, documents, and records related to zakat programs. The inclusion of both primary and secondary data ensures a comprehensive understanding of zakat distribution, its challenges, and its effectiveness in empowering mustahiqqun.

Sampling and Participants

The research employs purposive sampling to select participants who are directly involved in zakat distribution and have experience with productive zakat programs. The primary participants include representatives from the four zakat institutions, such as managers, field officers, and coordinators, who are responsible for overseeing zakat distribution programs. Additionally, 55 mustahiqqun who have participated in productive zakat programs were selected as secondary participants. These mustahiqqun represent a diverse range of socio-economic backgrounds, including individuals from both urban and rural areas within Yogyakarta.

The purposive sampling method was chosen because it allows the researcher to select individuals who have specific knowledge and experience related to the research questions (Creswell & Creswell, 2023). This approach ensures that the data collected are relevant to the study's objectives and provides a rich, detailed understanding of the practices and challenges in zakat distribution.

Data Collection Methods

The study utilizes three main data collection methods: in-depth interviews, field observations, and document analysis. Each method is employed to gather specific types of information and provide a holistic view of zakat distribution practices and their impact on mustahiqqun.

In-depth Interviews

In-depth, semi-structured interviews were conducted with key informants, including staff members of zakat institutions and *mustahiqqun* who had benefited from zakat programs. The interviews explored participants' experiences with zakat distribution,

perceived effectiveness of productive zakat initiatives, and challenges encountered during implementation. Interviews with *mustahiqqun* focused on the impact of zakat on their economic activities, distinctions between consumptive and productive assistance, and the forms of support received in managing and developing their businesses. Meanwhile, interviews with institutional staff examined organizational strategies, planning and targeting mechanisms, sharia-based considerations, operational constraints, monitoring practices, and institutionally defined best practices in zakat management and distribution.

Field Observations

Field observations were conducted at the offices of the zakat institutions and at locations where zakat recipients were engaged in business activities. The observations focused on specific aspects of program implementation of zakat programs, including the distribution process, training or mentoring activities, and elements of post-distribution monitoring, as observed during site visits and scheduled interactions, and support mechanisms. This method enabled the researcher to observe the real-time dynamics of zakat distribution and gather firsthand information on how *mustahiqqun* utilize zakat funds in their businesses. Observations were made during site visits and interactions with zakat recipients, providing valuable contextual data that complemented the interview findings.

Document Analysis

Secondary data were gathered through the analysis of documents and reports from zakat institutions. These documents included annual reports, program descriptions, and financial records that provided insight into the planning, execution, and evaluation of zakat distribution programs. The analysis of these documents helped to contextualize the primary data and provided background information on the institutional policies, funding, and program effectiveness. Document analysis also allowed for the examination of any discrepancies between institutional goals and actual outcomes in zakat distribution.

Data Analysis

The data collected through interviews, observations, and document analysis were analyzed using a thematic analysis approach, following the steps outlined by (Braun & Clarke, 2021). This method involves identifying, analyzing, and reporting patterns (themes) within the data. The analysis process began with data familiarization, which involved transcribing and reviewing interview recordings and field notes. The researcher then coded the data into meaningful categories and themes that reflected the research objectives. These themes were organized into broader categories that addressed the key research questions, including the effectiveness of zakat distribution, the barriers to productive zakat implementation, and the role of zakat institutions in empowering *mustahiqqun*.

In addition to thematic analysis, the study used a comparative approach to analyze the differences in zakat distribution practices across the selected zakat institutions. This

comparison provided insights into the varying approaches, successes, and challenges faced by each institution in managing productive zakat programs. The final stage of analysis involved synthesizing the findings into a comprehensive model for zakat distribution that integrates best practices and addresses the identified challenges.

Ethical Considerations

Ethical considerations were an essential component of this study. The researcher ensured that all participants were informed of the purpose and nature of the study and that their participation was voluntary. Informed consent was obtained from all participants, and they were assured of the confidentiality of their responses. Additionally, the study adhered to ethical guidelines regarding data collection and reporting, ensuring that the privacy and rights of the participants were respected throughout the research process. Ethical approval for the study was obtained from the relevant institutional review board before data collection.

RESULTS

This section presents the findings from the research on the distribution of productive zakat across zakat management institutions (Lembaga Pengelola Zakat, LPZ) in Daerah Istimewa Yogyakarta (DIY). The study focused on the practices, challenges, and impacts of zakat distribution models implemented by BAZNAS, Rumah Zakat, LAZISMU, and LAZISNU. The results provide insights into the effectiveness of productive zakat, highlighting the factors that contribute to its success and the barriers that hinder its potential in transforming mustahiqqun into muzzakikin.

Characteristics of the Participants

The research involved 55 mustahiqqun (zakat recipients) from various zakat institutions in Yogyakarta. These participants were selected based on their involvement in productive zakat programs, which include receiving financial assistance, training, and support for entrepreneurship. The characteristics of the mustahiqqun, including their educational background, age, gender, and previous experience in business, were analyzed to understand how these factors influenced the effectiveness of zakat distribution programs.

Among the mustahiqqun, the majority had a basic to intermediate level of education, with 45.4% having completed only up to junior high school (SMP), 29.1% holding a high school diploma (SMA), and 7.3% having an associate's degree or higher. The education level of the participants plays a significant role in determining the type of assistance they receive and the training they require. Those with lower educational qualifications often need more basic skills training to manage their businesses effectively. In contrast, participants with higher educational backgrounds, such as those with an associate's degree (D3), showed a greater capacity to manage and expand their businesses independently after receiving zakat.

In terms of age, the largest group of mustahiqqun (43.6%) was between 41 and 50 years old, indicating that zakat programs predominantly target individuals in their



prime working years. This group is typically more financially dependent on their businesses, which further emphasizes the need for long-term empowerment through productive zakat. Furthermore, 65.5% of the participants were women, reflecting their substantial presence among zakat beneficiaries in this context. Interview data indicate that many female participants particularly widows or primary household breadwinners were engaged in small-scale economic activities and sought zakat assistance to support their livelihoods.

Productive Zakat Distribution Practices

The study examined the various methods of zakat distribution employed by the selected zakat institutions. These institutions utilize different approaches to ensure that zakat funds are used for productive purposes, aiming to enhance the economic capabilities of mustahiqqun. The findings reveal significant differences in the practices of the institutions, which can be categorized based on their focus on economic empowerment, monitoring, and support for mustahiqqun.

BAZNAS Yogyakarta

BAZNAS Yogyakarta focuses on providing financial capital to mustahiqqun through various initiatives such as "DIY Sejahtera." The program offers business development support, which includes training in entrepreneurship, access to working capital, and capacity building for mustahiqqun. BAZNAS also emphasizes the need for consistent monitoring and regular reporting to ensure the proper use of zakat funds. According to interviews with BAZNAS staff, mustahiqqun are selected based on thorough assessments that evaluate their business potential, commitment, and readiness to manage the assistance provided. Zakat institutions have the authority to select *mustahiq* or *mustahiqqun* as long as the selection remains within the Qur'an-defined *asnaf* categories (Chambers, 1997). This selection is based on institutional *ijtihad* to ensure effective and sustainable distribution and functions as a prioritization mechanism rather than a redefinition of Qur'anic eligibility. However, the study found that despite these efforts, BAZNAS faces challenges in ensuring consistent follow-up with mustahiqqun after the initial distribution of funds, which may affect the sustainability of the businesses.

Rumah Zakat

Rumah Zakat focuses on a more holistic approach to zakat distribution, integrating spiritual and economic empowerment. The "Desa Berdaya" program exemplifies this model, where mustahiqqun receive not only financial assistance but also training in skills and business management, along with continuous mentoring. Rumah Zakat emphasizes the role of community development and works closely with local leaders to ensure that zakat funds are effectively distributed. Interviews with mustahiqqun who participated in the program revealed that they felt supported through regular check-ins and business guidance. However, some mustahiqqun also reported that the intensity of monitoring and support decreased after the first year, limiting the long-term sustainability of their businesses.

LAZISMU

LAZISMU, associated with the Muhammadiyah organization, implements zakat distribution through community-based projects. The focus of LAZISMU in Sleman, Gunung Kidul, and Kulon Progo is on empowering small businesses and providing assistance for agricultural ventures. Mustahiqqun who receive zakat are trained in business skills and financial management, while also being provided with access to markets for their products. However, the study revealed that while LAZISMU's programs had a strong focus on community collaboration, the resources available for follow-up support and monitoring were limited. As a result, some mustahiqqun struggled to sustain their businesses after receiving initial zakat assistance.

LAZISNU

LAZISNU, associated with Nahdlatul Ulama, adopts a similar approach to that of LAZISMU, focusing on zakat distribution within the context of community networks. The "Perempuan Hebat Pejuang Keluarga" program provides zakat to empower women, particularly in rural areas. This program offers capital for small businesses, especially in the food and retail sectors, along with training in business management. While the program has had positive impacts, such as improving the financial stability of female entrepreneurs, the study found that the effectiveness of the program varied significantly across different regions. In particular, mustahiqqun in rural areas reported difficulties in accessing markets and facing competition from larger businesses.

Challenges in Productive Zakat Implementation

Despite the efforts of zakat institutions to empower mustahiqqun through productive zakat, several challenges were identified in the study. One of the most prominent issues is the limited institutional capacity to effectively monitor and evaluate the success of zakat-funded businesses. Many zakat institutions lack a standardized system for tracking the progress of mustahiqqun, which results in gaps in follow-up and support. As noted by (Alim, 2015), this lack of effective monitoring hinders the long-term success of zakat programs, as mustahiqqun often fail to fully utilize the financial assistance or lack the skills necessary to maintain their businesses independently.

Another challenge is the insufficient training and capacity-building programs for mustahiqqun. While zakat institutions provide some form of training, the study revealed that the quality and relevance of these programs vary significantly across institutions. Mustahiqqun often expressed dissatisfaction with generic training programs that did not cater to their specific needs or the nature of their businesses. As Ramadhan & Sari (2025) emphasizes, effective capacity-building is crucial for ensuring the success of productive zakat initiatives. The findings suggest that zakat institutions must invest in more tailored training programs that focus on business skills relevant to the specific sectors that mustahiqqun are involved in.

Furthermore, the research highlighted the issue of limited access to additional financial support and resources. While zakat institutions provide initial capital, many mustahiqqun face difficulties in accessing further funds or expanding their businesses. This is particularly true for mustahiqqun in rural areas, where limited infrastructure and



market access hinder the growth of their enterprises. As previous studies (Rizal et al., 2021; Tarigan, 2004) point out, zakat institutions must collaborate with other stakeholders, such as local governments and financial institutions, to create a more robust support system for mustahiqqun.

Impact of Productive Zakat on Mustahiq's Economic Empowerment

The findings from the research reveal that productive zakat programs have had a positive impact on the economic empowerment of mustahiqqun. Among the *mustahiqqun* who participated in the programs, 40% reported significant increases in their monthly income, with some even achieving a level of financial independence that enabled them to transition into muzzakin (zakat payers). This aligns with the findings of Ramadhan & Sari (2025), who demonstrated that zakat can be a powerful tool for breaking the cycle of poverty by providing the necessary resources and training to foster entrepreneurship.

Several cases in this study indicate that *mustahiqqun* have successfully transformed their businesses and achieved improved financial stability following productive zakat support. For instance, a *mustahiqqun* supported by Rumah Zakat who operated a small catering business reported a 9.5% increase in monthly income and a 200% increase over one year after receiving zakat assistance. Similarly, a *mustahiqqun* engaged in agricultural production through BAZNAS Yogyakarta was able to expand farmland and market produce locally, leading to a significant improvement in financial conditions. These cases demonstrate the potential of productive zakat to generate sustainable economic opportunities for *mustahiqqun*.

Limitations and Areas for Improvement

While the impact of zakat programs on mustahiqqun's economic empowerment appears to be positive in several cases, the study also identifies a number of limitations that constrain the broader effectiveness of zakat distribution. One prominent challenge relates to fragmented and irregular follow-up mechanisms across zakat institutions, which result in uneven post-distribution support. Rather than stemming from a complete absence of evaluation practices, these limitations reflect variations in how program outcomes are assessed and followed up over time. Such conditions reduce the capacity of zakat initiatives to sustain mustahiqqun business development. In addition, constraints in institutional resources for ongoing training and mentoring limit many mustahiqqun's ability to scale their enterprises or maintain stable growth beyond the initial phase of zakat assistance.

Another area for improvement is the need for more targeted training programs that address the specific needs of mustahiqqun. Many participants in the study expressed dissatisfaction with the general nature of the training they received, which often did not address the unique challenges they faced in their businesses. Tailored training programs that focus on the specific skills required in different industries—such as marketing, financial management, or product development—would enhance the

effectiveness of zakat programs and provide mustahiqqun with the tools they need to succeed.

DISCUSSION

Findings of This Study

The results of this study indicate that zakat, when distributed productively, has a *notable positive effects* on the economic empowerment of mustahiqqun. A substantial number of participants in the study, especially those who received training and continuous support, reported significant increases in their income and financial independence. For instance, 40% of mustahiqqun participants experienced a rise in their monthly income, and Of the 55 mustahiqqun, 30 mustahiqqun are ready to become muzaki and they are able to develop their business to the point where they are independent and even start paying zakat from their income. This finding underscores the potential of zakat to move beyond mere welfare support, transforming it into a tool for sustainable economic development. The research also highlighted that zakat distribution practices, such as those employed by Rumah Zakat and BAZNAS, are beneficial when accompanied by tailored training, financial support, and continuous monitoring. However, challenges persist, particularly in the follow-up and evaluation processes, which are inconsistent across zakat institutions.

Comparison with Other Studies

The findings of this study align with the conclusions of several other studies that emphasize the transformative potential of productive zakat. For example, research by Ramadhan & Sari (2025) found that zakat, when used as seed capital for small businesses and paired with capacity-building programs, has a significant impact on poverty alleviation and empowerment. Similarly, (Rizal et al., 2021) demonstrated that zakat, when allocated for productive purposes, improves not only the economic status of mustahiqqun but also contributes to broader community development. However, this study also diverges from others in its emphasis on the operational challenges faced by zakat institutions. While previous studies have pointed to the positive impacts of productive zakat, such as increasing entrepreneurial activities among mustahiqqun, they often overlook the institutional barriers, such as insufficient monitoring and inconsistent support structures, that hinder the effectiveness of zakat distribution. This gap is particularly evident in studies by Alim (2015) and Ayuniyyah et al. (2017), which call for more structured monitoring systems to ensure the success of zakat programs.

Implications of the Findings

The findings of this study hold several important implications for theory, practice, and policy. From a theoretical perspective, this research contributes to the growing body of literature on zakat and Islamic economics by providing an integrated framework for the productive use of zakat. By demonstrating that zakat can empower mustahiqqun through entrepreneurial support and capacity-building, the study challenges the view of zakat as merely consumptive charity by emphasizing its role as a long-term



instrument for socio-economic development. Nevertheless, not all zakat funds can be allocated exclusively for productive purposes, as immediate consumptive assistance remains essential in urgent situations such as healthcare needs. Accordingly, productive zakat should be complemented by government support through free skills training and access to microfinance or loans to achieve sustainable poverty alleviation. Practically, the study highlights the importance of zakat institutions adopting a comprehensive approach that includes not only financial support but also training, mentoring, and continuous monitoring. The success of zakat programs depends on the capacity of zakat institutions to provide these services consistently. For policymakers, the research suggests the need for stronger regulatory frameworks that encourage zakat institutions to adopt productive zakat models and develop systems for monitoring and evaluating their effectiveness. Policies that facilitate the collaboration between zakat institutions, local governments, and financial entities will be crucial in maximizing the impact of zakat and ensuring its role in poverty reduction.

Challenges and Barriers to Productive Zakat

Despite the promising results, this study reveals that there are significant barriers to the full implementation of productive zakat programs. One of the primary challenges identified was the lack of institutional capacity among zakat management organizations. Several zakat institutions struggled with inadequate systems for monitoring the progress of mustahiqqun after they received zakat, leading to a lack of follow-up and reduced long-term effectiveness of zakat programs. As (Alim, 2015; Muqorobin & Usshohahah, 2025) noted, effective monitoring is essential to ensuring that zakat is used productively and that mustahiqqun are on track to becoming self-sufficient. Furthermore, many of the mustahiqqun in this study reported that the training provided was often too generic and did not address the specific needs of their businesses. This lack of tailored support further hindered their ability to scale their enterprises. A similar observation was made by Ayuniyyah et al. (2017), who emphasized that the success of zakat programs is contingent on the relevance and quality of training offered. Inadequate training programs are a critical barrier to the success of productive zakat, and addressing this gap is essential for maximizing the impact of zakat distribution.

Institutional Collaboration and Stakeholder Involvement

Another significant issue identified in this study was the limited collaboration between zakat institutions and other stakeholders, such as local governments, financial institutions, and community-based organizations. Productive zakat, as highlighted by Ramadhan & Sari (2025), is most effective when it is part of a broader ecosystem of support that includes financial capital, market access, and technical assistance. The study found that many zakat institutions operate in silos, with little interaction or coordination with other relevant actors. This lack of collaboration limits the potential of zakat to create sustainable businesses and empower mustahiqqun. In contrast, successful zakat programs, such as those implemented by Rumah Zakat, have

demonstrated the benefits of integrating zakat distribution with other community development initiatives. The findings suggest that future zakat programs should focus on building stronger networks between zakat institutions, local governments, and other development agencies to ensure that mustahiqqun receive the full range of support necessary to succeed in business.

Social Capital and Community Empowerment

This study also emphasizes the importance of social capital in the success of zakat programs. Social capital, as defined by (Putnam, 1995), refers to the networks, relationships, and trust that facilitate cooperation and collective action. In the context of zakat, social capital plays a crucial role in providing mustahiqqun with access to markets, resources, and opportunities that they would otherwise lack. The study found that mustahiqqun who participated in zakat programs that incorporated community-based support structures, such as those run by LAZISMU and LAZISNU, were more likely to succeed in their businesses. These programs fostered a sense of solidarity and mutual support among mustahiqqun, which contributed to their success. The findings suggest that zakat institutions should prioritize building social capital through community networks and collaborations, as these networks provide a foundation for long-term empowerment and sustainability.

Sustainability and Long-Term Impact

One of the key objectives commonly discussed aims in contemporary Islamic social finance discourse is to create sustainable economic opportunities for mustahiqqun, ideally supporting their movement towards greater self-reliance and, in some cases, the ability to pay zakat. The study shows that zakat can significantly improve the livelihoods of mustahiqqun when it is paired with capacity-building and ongoing support. However, the research also highlighted the challenges in ensuring the long-term sustainability of zakat-funded businesses. Many mustahiqqun struggled to maintain their businesses after receiving initial capital and training due to a lack of ongoing support and limited access to additional resources. This finding is consistent with the research by Ayuniyyah et al. (2017), which found that zakat programs that provided continuous mentorship and financial support had a higher success rate. To ensure the long-term impact of zakat, it is essential that zakat institutions develop strategies for sustaining support for mustahiqqun beyond the initial stages of assistance.

Policy Recommendations for Effective Zakat Distribution

Based on the findings of this study, several policy recommendations can be made to improve the effectiveness of zakat distribution. First, zakat institutions should be encouraged to adopt more structured and comprehensive approaches to zakat distribution, which include not only financial support but also minimum national standards for training and follow-up mechanisms. Policies that require zakat institutions to establish clear monitoring and evaluation frameworks *would help ensure* that zakat funds are used effectively and that *mustahiqqun* are on track to becoming



self-sufficient. Second, greater collaboration between zakat institutions, local governments, and financial institutions is needed to create a more robust support system for *mustahiqqun*. Policy interventions that promote such collaborations would enhance the impact of zakat and contribute to the overall development of the community. Lastly, policymakers should consider integrating zakat programs with broader community development initiatives, such as access to healthcare, education, and social services, to create a more holistic approach to poverty alleviation.

CONCLUSION

This study concludes that the productive zakat distribution model serves as a powerful mechanism for transforming *mustahiqqun* (zakat recipients) into *muzzakin* (zakat payers) when implemented through a strategic management framework. The findings demonstrate that zakat distributed for entrepreneurial activities, supported by planning, mentoring, and monitoring, can lead to measurable improvements in beneficiaries' income, business performance, and self-sufficiency. Respondents consistently reported increased productivity and confidence, indicating that productive zakat has evolved from a charitable instrument into a structured model of economic empowerment within Islamic social finance.

The research further reveals that the success of productive zakat programs depends on institutional capability, especially in the areas of forecasting, organizing, and controlling. Effective coordination between zakat management institutions (LPZ/BAZNAS) and beneficiaries enhances sustainability and accountability. Continuous monitoring ensures that zakat funds are not only well-targeted but also generate long-term benefits. These findings underscore that productive zakat should be viewed as an investment in human and social capital rather than a short-term relief mechanism. Consequently, the integration of strategic management principles into zakat governance provides a replicable model for Islamic economic development (Aeni, 2025; Terry & Franklin, 1982).

This study contributes to the growing body of literature by offering an empirical framework that connects Islamic philanthropy with sustainable development and poverty alleviation. It redefines zakat as a transformative instrument for socio-economic mobility, bridging religious ethics with modern management theory. The implications extend to policymakers, zakat institutions, and Muslim economists, who can adopt this model to enhance the efficiency and impact of zakat distribution. Beyond strengthening Islamic economic discourse, this research establishes a foundation for future institutional reforms and deeper exploration of faith-based social entrepreneurship within Muslim societies.

Limitations of the Study

Although the findings provide meaningful insights, this study faces several limitations. First, the data were collected from a specific regional sample in Yogyakarta, which limits generalizability across diverse socio-economic or cultural contexts in Indonesia. Regional differences in zakat management capacity, institutional governance, and

community engagement may produce varying outcomes that this study does not fully capture. Second, the research relied largely on self-reported interviews and qualitative perceptions, which may be influenced by social desirability or respondents’ subjective interpretations. Quantitative validation, such as income comparisons before and after zakat intervention, was limited due to inconsistent recordkeeping among participants.

Moreover, the study primarily assessed short- to medium-term impacts of productive zakat distribution, leaving long-term sustainability unexamined. The absence of longitudinal data restricts understanding of whether beneficiaries maintain economic independence over time or revert to dependency. Additionally, institutional factors, such as political influence, zakat policy variations, and differing accountability mechanisms, were not explored in depth. These constraints highlight the need for broader, multi-site research using mixed methods and comparative institutional analysis to obtain a more comprehensive understanding of productive zakat’s transformative potential.

Recommendations for Future Research

Future studies should adopt a longitudinal and comparative design to evaluate the sustainability of productive zakat programs over extended periods. Measuring income trajectories, business survival rates, and social mobility among former *mustahiqqun* can offer stronger evidence of transformation effectiveness. Researchers should also integrate mixed-method approaches, combining qualitative insights with econometric modelling, to better quantify the causal relationship between zakat management efficiency and beneficiaries’ economic outcomes. Comparative studies across different regions or zakat institutions could further reveal how governance structures and cultural contexts influence performance.

In addition, future research should explore the intersection between productive zakat and other forms of Islamic social finance, such as *waqf* and microfinance. Integrating these instruments may create a more holistic model of Islamic socio-economic development. Scholars could also investigate the role of digital zakat management platforms and data analytics in improving transparency, accountability, and impact measurement. Finally, interdisciplinary collaboration between Islamic economists, development practitioners, and management scholars would deepen the theoretical foundation of productive zakat as a sustainable empowerment model, contributing not only to academic discourse but also to policy innovations that advance inclusive Islamic welfare systems.

Author Contributions

Conceptualization	C.I., S.A., & S.M.H.	Resources	C.I., S.A., & S.M.H.
Data curation	C.I., S.A., & S.M.H.	Software	C.I., S.A., & S.M.H.
Formal analysis	C.I., S.A., & S.M.H.	Supervision	C.I., S.A., & S.M.H.
Funding acquisition	C.I., S.A., & S.M.H.	Validation	C.I., S.A., & S.M.H.
Investigation	C.I., S.A., & S.M.H.	Visualization	C.I., S.A., & S.M.H.
Methodology	C.I., S.A., & S.M.H.	Writing – original draft	C.I., S.A., & S.M.H.



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Writing – review & editing C.I., S.A., & S.M.H.

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Informed Consent Statement

Informed consent was obtained before respondents filled out the questionnaire for this study.

Data Availability Statement

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

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Conflicts of Interest

The authors declare no conflicts of interest.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

During the preparation of this work the authors used ChatGPT, DeepL, Grammarly, and PaperPal in order to translate from Bahasa Indonesia into American English, and to improve clarity of the language and readability of the article. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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