



# Analysis of the impact of zakat fund distribution on mustahik productivity in Indonesia

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## Article Info

### Article History

Received : 2025-07-09

Revised : 2025-10-01

Accepted : 2025-10-02

Published : 2025-10-10

### Keywords:

Distribution of zakat, financial literacy, productive behavior, consumer behavior

### DOI:

<https://doi.org/10.20885/RISFE.vol4.iss2.art7>

### JEL Classification:

I38, D14, G53, Z12

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### Paper type:

Research paper



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## Abstract

**Purpose** – This study examines the influence of zakat fund distribution on the productive behavior patterns of mustahiks in Indonesia, involving the moderating role of financial literacy. This study additionally examines the alterations in the behavior patterns of mustahiks following the receipt of zakat fund assistance.

**Methodology** – This study employed a sequential explanatory mixed-methods design to examine the behavioral impacts of zakat distribution. In the quantitative phase, survey data were collected from 109 purposively selected mustahiks, using Likert-type items. The data were analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM) to estimate the effects of Zakat distribution on both productive and consumptive behavior, while also testing the moderating role of financial literacy.

**Findings** – The results show that the variable of zakat fund distribution has a positive and significant effect on the productive and consumptive behavior of mustahik. The interplay of Sharia financial literacy as a moderating component can affect the connection between zakat fund distribution.

**Implications** – The results of this research can be used as a reference for zakat institutions to monitor the impact of zakat fund distribution on beneficiaries and understand the factors influencing it.

**Originality** – This research contributes to the existing literature by providing concrete evidence regarding the impact of zakat fund distribution on the behavior patterns of mustahiks, whether they receive productive or consumptive zakat. Additionally, there is an examination of the role of financial literacy, which acts as a factor that can strengthen or weaken that relationship.

Asya'bani, N., Afifa, U. N., Widiastuti, T., Mawardi, I., Soleh, M. (2025). Analysis of the impact of zakat fund distribution on mustahik productivity in Indonesia. *Review of Islamic Social Finance and Entrepreneurship*, 4(2), 177-195. <https://doi.org/10.20885/RISFE.vol4.iss2.art7>

## Introduction

Zakat is one of the pillars of Islam and an instrument in Islamic economics that can help create an equitable distribution of wealth and reduce income inequality (Akmar binti Ismail & Nasri bin Hussain, 2017; Widiastuti et al., 2021; Ahmed et al., 2017). In Indonesia, the potential of zakat serves as a significant component that positively impacts the economy by facilitating equitable and sustainable wealth distribution (Badan Amil Zakat Nasional, 2024). According to the Zakat Outlook 2024, the national zakat potential in 2023 was IDR327.6 trillion, while the actual collection amounted to only IDR31.02 trillion, representing around 9.5% of the entire potential. Moreover, the allocation amounted to approximately IDR4.71 trillion (Badan Amil Zakat Nasional, 2024).

The predominant recipients of zakat funds are the asnaf of the impoverished and destitute, although productive zakat significantly contributes to enhancing the income of the mustahik, hence fostering economic progress (Razak, 2020). To actualize the role of zakat as a facilitator of social welfare, zakat institutions must advocate constructive zakat initiatives (Ryandono & Nanda, 2020). Beik and Arsyianti (2015) indicate that the allocation of zakat via empowerment programs is anticipated to be sustainable over the long term, particularly through financial assistance to MSME participants.

According to figures from the Ministry of MSMEs as of December 2024, Indonesia has 65.5 million micro and small firms or 99.9% of all businesses. The number of large firms is approximately 5,550, constituting 0.01% of the total. Small and Medium Enterprises (SMEs) account for roughly 61% of the national GDP, amounting to IDR9,300 trillion. Moreover, SMEs account for 15% of non-oil and gas exports, predominantly originating from the food, handicraft, and textile industries. The MSME industry employs 97% of workers in Indonesia. The statistics clearly indicate that distributing zakat to productive sectors significantly benefits a country's economy, as evidenced by the increase in mustahik income and overall economic growth.

Prior research supporting this was undertaken by Nafiah (2015) and Afriansyah (2020), revealing that the application of productive zakat monies can enhance the welfare of mustahiks in Gresik City and East Java. The study by Yutegi, (2024) indicates that productive zakat plays a substantial role in enhancing the status of mustahik both before and after the receipt of productive zakat. While studies on productive zakat predominantly emphasize impact assessments, the actual allocation of zakat funding frequently encounters numerous challenges, including business failures stemming from deficiencies in production and marketing dimensions (Saedi et al., 2024). Conversely, Putra et al. (2020) indicate the necessity of transforming the allocation of zakat from a consumptive to a productive nature, as it can produce a cascading effect on the mustahik economy. Consequently, the mustahik's recognition of the necessity to transition from consumptive to productive conduct presents a compelling topic for discussion. Research has indicated that financial literacy can enhance an individual's level of living, leading to prosperity. Increased financial literacy is correlated with an individual's ability to make prudent financial management decisions. A poor level of financial literacy signifies inadequate utilization of Sharia finance, resulting in unfulfilled welfare outcomes (Sholika & Zaki, 2024).

Based on practical observations, specifically the coexistence of both productive and consumptive uses of zakat transfers and the unresolved question of how financial literacy influences these uses, this study formulates the research question as follows: To what extent does the distribution of zakat funds (X1) shape beneficiaries' behavioral responses, and to what extent is this relationship moderated by financial literacy (Z)? Accordingly, this study evaluates whether zakat distribution is positively associated with productive behavior (Y1) and negatively associated with consumptive behavior (Y2) in mustahik. It further investigates whether financial literacy strengthens the positive association between X1 and Y1, and strengthens the negative association between X1 and Y2.

This study analyzes the impact of zakat fund distribution on the behavioral patterns of mustahik, with financial literacy as a moderating variable. Its significance lies in its potential to provide actionable insights for zakat institutions, helping them assess not only the effectiveness of distribution mechanisms but also the extent to which disbursed funds are actually used for productive purposes. Field data indicate that many mustahiks still do not use productive zakat allocations as intended, underscoring the need for a deeper understanding of the behavioral factors influencing fund utilization.

To achieve its objectives, this study employed a mixed-method approach. The quantitative analysis utilized Partial Least Squares Structural Equation Modeling (PLS-SEM), while the qualitative component involved comprehensive data collection from 109 mustahik respondents who were recipients of both productive and consumptive zakat. These respondents were zakat beneficiaries from various zakat management organizations in Indonesia, including the National Amil Zakat Agency (Badan Amil Zakat Nasional, BAZNAS) and other Amil Zakat Institutions (Lembaga Amil Zakat, LAZ).

## Literature Review

### The principle of zakat

Zakat is a religious duty for Muslims who fulfill specific criteria to allocate a percentage of their money to those eligible to receive it (mustahik) (Khairi et al., 2024). According to Mustafa (2022), the obligation of zakat is closely tied to the clear criteria that define when a Muslim's wealth renders them a zakat payer (muzaki). These criteria reaffirm classical jurisprudence, while addressing contemporary socioeconomic realities. First, wealth must exceed an individual's basic needs and be free from liabilities, ensuring that zakat does not burden those still struggling to meet their essential expenses. Second, assets should be predominantly productive rather than consumptive, emphasizing the role of zakat in circulating idle wealth to foster economic growth. Third, the total value of a property must reach at least the nisab threshold, traditionally measured as the equivalent of 20 million of gold. Together, these conditions establish a fair and practical framework for determining zakat liability and aligning religious obligations with the principles of justice and financial capability in Islamic law.

In linguistic terms, zakat signifies growth, development, cleanliness and purity. Zakat refers to the allocation of a share of wealth under precise conditions to designated groups (mustahiks) that meet particular criteria (Urif et al., 2018). The primary objective of zakat is to cleanse the wealth of illicit components and improve the social and economic well-being of Muslims via wealth redistribution (Suriani et al., 2021). Mubtadi and Susilowati (2018) asserted that zakat serves as a mechanism for income transfer, promoting equilibrium between affluent and disadvantaged groups, thereby advancing social and economic fairness within society. Zakat is categorized into two types based on its intended use: productive and consumptive.

Productive zakat refers to zakat designated as business capital or investment for the mustahik, enabling it to enhance economic production and attain financial independence. This zakat is intended for mustahik to evolve into muzakki (zakat contributors) in the future (Ismail et al., 2022). Productive zakat significantly alleviates poverty rates and sustainably enhances economic welfare, as evidenced by a study conducted in Bantul (Zaenal et al., 2018). The effective Zakat program has demonstrated its ability to diminish the poverty rate by 5.34 percent, bridge the poverty gap, and enhance the income of recipients.

Consumptive zakat refers to zakat allocated directly to fulfill the essential consumption requirements of mustahik, including sustenance, apparel, housing, and healthcare. Lutfi et al. (2023) asserted that consumptive zakat is typically allocated to mustahik groups classified as impoverished, specifically those unable to fulfill their fundamental daily needs. The allocation of consumptive zakat yields a restricted and transient effect in contrast to productive zakat. The help rendered via consumptive zakat primarily addresses immediate needs, lacking any initiatives to foster economic independence for the beneficiaries (Azizah & Muhari, 2023). Both productive and consumptive zakat significantly contribute to the social and economic prosperity of Muslims. Nonetheless, productive zakat generally exerts a more substantial long-term effect than consumptive zakat in mitigating poverty and fostering economic independence in the mustahik.

Behavioral patterns refer to the manner in which an individual or a group responds to diverse stimuli or environmental situations. This behavioral pattern includes activities that consistently reveal an individual's propensity for resource utilization or decision-making, reflecting personal traits, adhering beliefs, and socioeconomic circumstances (Urif et al., 2018). Urif et al. (2018) define the behavior patterns of mustahiks in utilizing zakat funds into two types: consumptive and constructive. Both illustrate how zakat receivers (mustahiks) administer and employ the resources acquired within the framework of Islamic economics. Productive behavior refers to the utilization of zakat funds for constructive objectives such as business capital, savings, investments, and the advancement of other enterprises. The objective of this pattern is to ensure that the money acquired is not simply expended, but rather cultivated to provide sustainable income (Urif et al., 2018; Mawardi & Widiastuti, 2023). Mawardi and Widiastuti (2023) demonstrate that productive zakat positively influences the growth of mustahik enterprises, thereby enhancing their welfare. This occurs because productive zakat is allocated for business capital, entrepreneurship

training, and business mentoring, enabling the mustahik to attain financial independence. An effective zakat program has demonstrated its ability to diminish poverty rates and foster sustainable economic welfare. (Ismail et al., 2022).

Consumptive conduct refers to the utilization of zakat monies for fundamental consumption necessities including food, clothing, shelter, and other vital requirements that are promptly exhausted (Lutfi et al., 2023). This tendency is prevalent among mustahiks with significantly poor economic conditions, or those lacking the capacity to independently create supplementary money. Lutfi et al. (2023) elucidated that consumptive zakat is explicitly designated for the mustahik demographic classified as impoverished, who are economically precarious and reliant on direct aid to fulfill their daily needs. While consumptive zakat is significant in addressing the fundamental necessities of mustahiks, its effect is merely transient and lacks the capacity to foster enduring economic autonomy. The primary distinction between productive and consumptive behavioral patterns resides in their orientation towards usage. Productive behavior patterns seek to establish lasting revenue and improve the economic autonomy of recipients, whereas consumptive behavior patterns focus on directly addressing immediate basic requirements. Consequently, productive zakat is deemed more efficacious in the long term for elevating the mustahik from precarious economic circumstances to improve welfare.

### **Administration of zakat fund allocation**

Governance of zakat is a crucial element in enhancing the social and economic well-being of society through proficient and efficient zakat administration. Law No. 23 of 2011 on Zakat Management delineates that zakat management encompasses the planning, execution, coordination of collection, distribution, and utilization of zakat, conducted by official entities such as BAZNAS and LAZ. The administration of zakat in Indonesia is founded on Islamic jurisprudence, trust, utility, justice, legal certainty, integration, and responsibility, as stipulated by Law No. 23 of 2011. The Outlook Zakat Indonesia 2024 report released by BAZNAS indicates that zakat management aims to improve the effectiveness and efficiency of zakat services while augmenting their role in poverty alleviation (Badan Amil Zakat Nasional, 2024).

The administration of productive zakat has emerged as a critical area of research, particularly for enhancing the economic empowerment of the underprivileged. This comprehensive approach aims to not only alleviate poverty but also create self-sufficiency among beneficiaries by providing them with the necessary resources to empower their economic capabilities (Ashari et al., 2023; Najmudin et al., 2022). A substantial body of the literature emphasizes the significance of institutional frameworks in the effective administration of zakat. Zakat institutions, particularly in Indonesia, have been pivotal in the professional management of zakat through the LAZ, such as Rumah Zakat and Dompot Dhu'afa, which aim to enhance trust and transparency in zakat management.

Moreover, studies have pointed out that productive zakat can play a vital role in economic recovery, particularly in times of crisis, such as the Covid-19 pandemic, where zakat funds can alleviate the economic impact on vulnerable communities (Hernawati et al., 2022). Zakat institutions need to engage in robust risk management practices to adequately address the operational challenges they encounter, ensuring that zakat funds are efficiently utilized and allocated toward sustainable economic activities that benefit recipients in the long term (Hernawati et al., 2022). The effectiveness of productive zakat initiatives can also be underpinned by implementing good governance principles within zakat organizations. This includes adherence to laws and regulations and establishing a transparent operational framework that promotes accountability and community involvement (Amalia et al., 2018; Nasution et al., 2023). Good governance practices are important for enhancing the performance of zakat institutions, ultimately increasing the confidence of both donors (muzaki) and recipients (mustahik) (Amalia et al., 2018).

Lastly, various studies underscore the need for continuous evaluation and reform in the zakat administration system to adapt to changing socioeconomic landscapes and community needs. Research highlights that empowering mustahiks through productive zakat requires not only financial support but also capacity-building and mentoring to ensure that they can sustainably



manage their enterprises (Ashari et al., 2023; Nashir & Nurzaman, 2019). The continuous development of zakat programs, along with the support of effective policies and educational initiatives, holds promise for maximizing the socioeconomic impact of zakat on communities (Najmudin et al., 2022; Nashir & Nurzaman, 2019). Optimal zakat governance is reflected in productive distribution, namely, the provision of business capital, in-kind tools, and structured mentoring. Empirical evaluations report shifts toward productive behavior and stronger business performance among recipients (Amsari & Nasution, 2019; Hidayat, 2023; Akmar binti Ismail & Nasri bin Hussain, 2017; Kholis & Mugiyati, 2021).

Optimal methods for zakat governance are evident in the execution of the productive distribution. Research conducted by Kholis and Mugiyati (2021) indicates that BAZNAS East Java executes productive zakat distribution by supplying work equipment and revolving capital loans to mustahiks (zakat recipients) to bolster micro-, small-, and medium-sized enterprises (MSMEs). This model seeks to establish economic autonomy for the mustahik and to diminish reliance on consumptive zakat, which merely addresses fundamental necessities on a transient basis. Effective zakat governance improves openness and accountability, while amplifying the beneficial effects of zakat on the community's social and economic well-being through flexible, innovative, and sustainable methods. The hypothesis can be articulated as follows, based on the explanation provided:

H<sub>1</sub>: The distribution of zakat funds has a positive effect on the productive behavior of the mustahik.

H<sub>2</sub>: The distribution of zakat funds has a negative effect on the consumptive behavior of the mustahik.

### Financial literacy for mustahik

Financial literacy is a crucial component in empowering zakat recipients. This idea involves fundamental personal finance management, capacity to make prudent financial judgments, long-term financial planning, and comprehension of financial products that adhere to Sharia standards. Within the Islamic community, financial literacy includes proficient handling of zakat funds. Uyuni and Adnan (2023) assert that members of majelis taklim possessing elevated financial literacy exhibit the capacity to differentiate between needs and wants, formulate comprehensive financial plans, and preferentially select investment instruments that conform to Sharia principles. This indicates that enhancing financial literacy among mustahiks can facilitate the more effective management of zakat monies, emphasizing long-term economic autonomy.

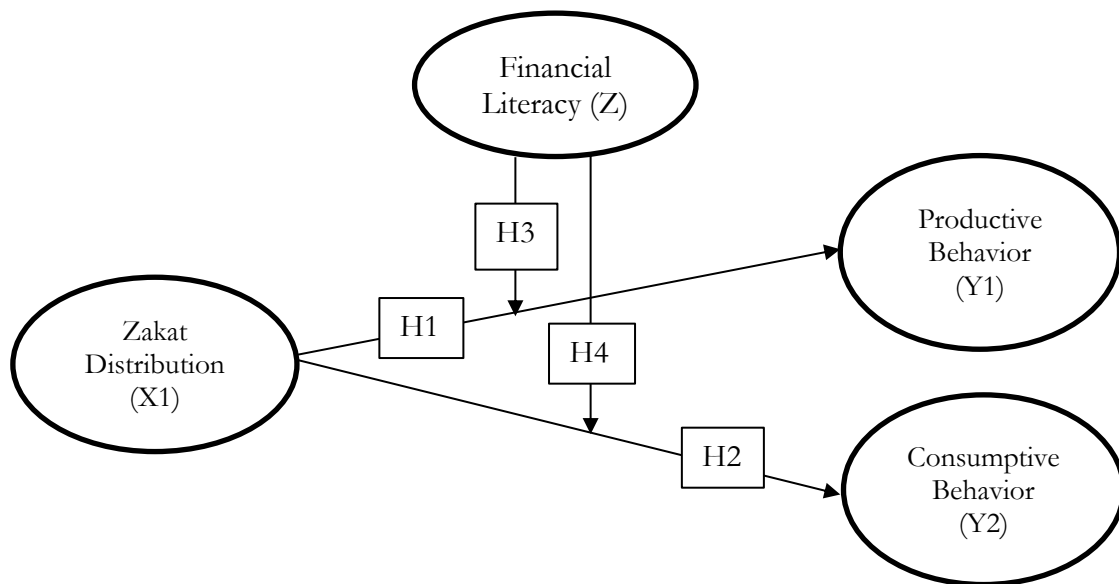
A comprehensive understanding of Islamic financial concepts, including profit-sharing in mudharabah and musyarakah contracts, allows mustahiks to obtain sharia-compliant financial services that are more congruent with their religious views. This study underscores that financial literacy enhances the participation of mustahik in productive economic endeavors and broadens Islamic financial inclusion. In this framework, productive zakat can be enhanced as business capital rather than merely consumptive assistance.

Nonetheless, an inadequate degree of financial literacy remains a challenge. Research Hambali et al. (2022) indicates that societies exhibiting low financial literacy often have high consumer behavior, resulting in the allocation of incoming income primarily towards immediate needs rather than investment. The findings of Miranda et al. (2024) substantiate that enhancing financial literacy can mitigate consumer behavior and elevate awareness of prudent financial management, particularly among youth. Consequently, financial literacy is essential not only for economic considerations, but also for cultivating sensible and responsible financial conduct. Based on the preceding explanation, the following hypothesis is proposed:

H<sub>3</sub>: Financial Literacy strengthens the positive influence of zakat fund distribution on the productive behavior of mustahiks.

H<sub>4</sub>: Financial Literacy strengthens the negative impact of zakat fund distribution on the consumption behavior of mustahik.

Figure 1 presents the conceptual research framework, illustrating the hypothesized relationships between zakat distribution, financial literacy, and mustahik behavior, with an emphasis on the distinction between productive and consumptive behavioral outcomes.



**Figure 1.** Research framework  
Source: Author's own, 2025

## Research Methods

The population comprised productive zakat recipients (institution/region). Purposive sampling was performed using predefined inclusion criteria. The surveys used 5-point Likert items, and semi-structured interviews were conducted until saturation (Creswell & Plano Clark, 2018). Indicator reliability was assessed based on outer loadings (target  $\geq 0.70$ ). Construct reliability was assessed using Cronbach's  $\alpha$ , rho\_A, and Composite Reliability (CR) (acceptable 0.70–0.95). Convergent validity was defined as AVE  $\geq 0.50$ . Discriminant validity was assessed using the Fornell–Larcker criterion and the HTMT ( $< 0.85$ – $0.90$ ) (Fornell & Larcker, 1981; Hair et al., 2022; Henseler et al., 2015). Bootstrapping (e.g., 5,000 resamples) provided standard errors and confidence intervals (Hair et al., 2022). Diagnostics included collinearity (VIF),  $R^2$ , effect sizes ( $f^2 = 0.02/0.15/0.35$ ), and predictive relevance ( $Q^2$ ). Path significance and 95% CIs were obtained via bootstrapping. Global fit was reported using SRMR, NFI,  $\chi^2$  (from the PLS algorithm), and d\_ULS/d\_G with HI95 (from bootstrapping) (Hair et al., 2022; Kline, 2016).

This study used a mixed method that combines qualitative and quantitative techniques. The research employed a sequential explanatory mixed technique, first with a quantitative approach utilizing SEM-PLS analysis, followed by a qualitative method derived from questionnaires and interviews with the recipients. This method was executed in phases, commencing with the gathering and analysis of quantitative data, followed by the collection and analysis of qualitative data. The acquired quantitative data will be analyzed comprehensively using a qualitative method to obtain more nuanced interpretations or clarifications concerning the issue under investigation. Consequently, the qualitative findings elucidate, enhance, and augment the comprehension of previously acquired outcomes of quantitative data analysis. Purposive sampling was employed, which is a method of selection based on specified criteria pertinent to the research aims. In the context of this research, the selected sample consists of mustahiks in Indonesia who meet specific characteristics determined by the researcher according to the research needs, with a total sample size of 109 mustahiks. specific characteristics determined by the researcher

Sampling in this study was determined using the guidelines proposed by, Hair et al. (2010) which suggest that the minimum sample size can be estimated by multiplying the highest number of items in an indicator by the total number of variables analyzed. In this study, the indicator with the highest number of items contained 10 questions, and there were four variables under investigation, resulting in a minimum required sample of 40 respondents. The actual number of respondents in this study exceeded that threshold, ensuring that the sample size was sufficient for statistical analysis. Data were collected between February and May 2025 across the major regions of Java Island, including the cities of Surabaya, Bandung, and Subang.

Respondent selection employed purposive sampling, consistent with mixed-methods program evaluation (Creswell & Plano Clark, 2018). The target population comprised mustahiks who received productive zakats in Indonesia between 2022 and 2024. Eligible participants were identified from beneficiary rosters of participating zakat institutions. Inclusion required documented receipt of productive zakat (capital, tools, and/or mentoring) within 2022–2024, residence in Indonesia at the time of participation, and capacity to provide informed consent and complete the survey and interview. Individuals were excluded if they had only received consumptive zakat, assistance fell outside the specified period, or responses were duplicate or substantially incomplete (>20% missing items). In total, 109 mustahiks met these criteria and were included in the analysis.

## Results and Discussion

This section explains the findings of the hypothesis testing as well as the examination of respondent characteristics. However, before explaining the results of the statistical data processing, a descriptive analysis of the respondents is explained as follows:

### Descriptive statistical analysis

This section presents a descriptive analysis of respondents based on the variables of gender, age, and highest level of education of the beneficiaries.

**Table 1.** Characteristics of respondents

|        |                    | N  | Percentage (%) |
|--------|--------------------|----|----------------|
| Gender | Male               | 60 | 55%            |
|        | Female             | 49 | 45%            |
| Age    | <40                | 25 | 23%            |
|        | 41-50              | 37 | 34%            |
|        | 51-60              | 21 | 19%            |
|        | >60                | 26 | 24%            |
|        |                    |    |                |
| Status | No School          | 2  | 2%             |
|        | Elementary School  | 56 | 51%            |
|        | Junior High School | 23 | 21%            |
|        | High School        | 27 | 25%            |
|        | Bachelor/D4        | 1  | 1%             |

Source: Processed data (2025).

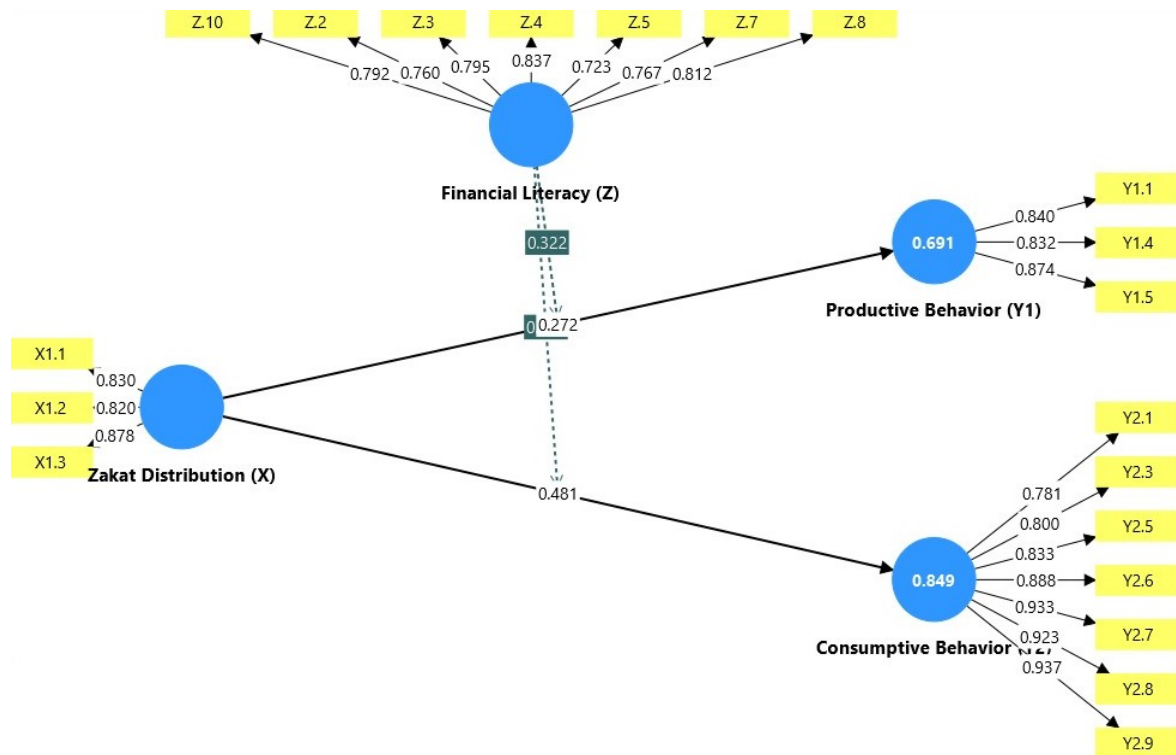
This research successfully collected questionnaire responses from 109 amils from various LAZ in Indonesia. As shown in Table 1, there were 60 male respondents (58%) and 43 female respondents (42%). Respondents between the ages of 41 and 50 comprised the highest percentage of the age group (37, or 34%), followed by those under 40 years and those over 60 years (25 and 26 respondents, respectively). Regarding the respondents' educational backgrounds, 56 respondents (51% of the total) had completed only elementary school.

## Analysis of Results

### Measurement model analysis

Figure 2 presents the outcomes of the outer model assessment, delineating the outer values for each indication across the variables, including Zakat fund distribution, productive conduct, consumptive behavior, and financial literacy. This assessment evaluates the validity and reliability of indicators for each variable.

Figure 2 shows the result of path analysis using Structural Equation Modeling Partial Least Squares (SEM-PLS), showing a significant relationship between zakat distribution, financial literacy, and the consumptive and productive behavior of mustahik. This study confirms that the distribution of zakat (X) plays an important role in shaping the financial behavior of beneficiaries, both directly and through the mediation of financial literacy (Z).



**Figure 2.** Measurement model

Source: Author's own, 2025

The distribution of zakat is proven to have a positive effect on financial literacy, with a path coefficient of 0.481. This value indicates that the increased access or intensity of zakat distribution encourages the improvement of the mustahik's financial understanding and knowledge. This can be interpreted to mean that zakat serves not only as an economic aid instrument but also as an educational medium capable of enhancing the financial awareness of its recipients.

Furthermore, financial literacy contributes to productive behavior, with a path coefficient of 0.322. This indicates that the higher the financial literacy of beneficiaries, the greater the likelihood that they will allocate financial resources to productive activities, such as business investments or skill enhancement. However, financial literacy also influences consumptive behavior (Y2), with a coefficient of 0.272, although its value is lower. This indicates that financial knowledge does not necessarily lead individuals to entirely productive behavior; in certain contexts, an increase in financial understanding can also boost consumption, especially for needs that were previously postponed.

The direct influence of zakat distribution on productive and consumptive behavior also showed significant results. The distribution of zakat has a strong influence on consumption behavior, with a coefficient of 0.849. This value indicates that the receipt of zakat tends to be used directly for consumption, both in the form of basic needs and the fulfillment of other needs. On the other hand, the distribution of zakat also influenced productive behavior, with a coefficient of 0.691. Although this value is lower than the influence on consumptive behavior, it is still considered strong, indicating that zakat can encourage productive economic behavior, especially when accompanied by mentoring mechanisms or financial literacy.

Overall, this model shows that financial literacy plays the role of a partial mediator that strengthens the influence of zakat on productive behavior but does not fully replace the direct effects of zakat itself. The implications of these findings highlight the importance of zakat distribution strategies that are not only charitable but also transformative through the enhancement of the mustahik's financial literacy capacity. Thus, zakat can become an instrument of sustainable empowerment, not only in the short term for consumption but also in the long term, to increase the economic productivity of the mustahik.



### Validity and reliability

This study used Validity and reliability tests were conducted. A convergent validity test based on the measurement model can be measured by examining the loading factor and Average Variance Extracted (AVE) values. The following are the results of the convergent validity test:

**Table 2.** Validity and reliability test measurement

| Constructs                                      | Item  | Loading factor |
|---|---|----------------|
| Zakat Distribution (X)                          | Amount of business assistance (X1.1)            | 0,830          |
|   | Zakat empowerment program (X1.2)                | 0,820          |
|   | Beneficiaries' satisfaction (X1.3)              | 0,878          |
| Productive Behavior (Y1)                        | Changes in business scale (Y1.1)                | 0,840          |
|   | Economic independence (Y1.4)                    | 0,832          |
|   | Changes in income Saving behavior (Y1.5)        | 0,874          |
| Consumptive Behavior (Y2)                       | Spending level (Y2.1)                           | 0,781          |
|   | Wasteful behavior (Y2.3)                        | 0,800          |
|   | Impulsive buying behavior (Y2.5)                | 0,833          |
|   | Decision-making behavior (Y2.6)                 | 0,888          |
|   | Loss-prevention behavior (Y2.7)                 | 0,933          |
|   | Financial management level (Y2.8)               | 0,923          |
|   | Investment level (Y2.9)                         | 0,937          |
|   | Business maintenance (Z.10)                     | 0,792          |
| Financial Literacy (Z)                          | Planning behavior (Z.2)                         | 0,760          |
|   | Discipline level (Z.3)                          | 0,795          |
|   | Ability to allocate emergency funds (Z.4)       | 0,837          |
|   | Mental readiness (Z.5)                          | 0,723          |
|   | Understanding business capital management (Z.7) | 0,767          |
|   | Understanding cash flow (Z.8)                   | 0,812          |
| Financial Literacy (Z) x Zakat Distribution (X) | Financial Literacy (Z) x Zakat Distribution (X) | 1,000          |

Source: Processed data (2025).

The evaluation of the measurement model (outer model) confirmed that all indicators met the criteria for convergent validity, with outer loading values exceeding the recommended threshold of 0.70. A notable result is the interaction term (Financial Literacy  $\times$  Zakat Distribution), which shows a perfect loading of 1.000 (see Table 2). This value is a direct computational outcome of the product indicator approach in PLS-SEM, and does not indicate overfitting or measurement errors. Such perfect loadings for interaction constructs are documented and accepted in the methodological literature (Hair et al., 2022; Henseler & Chin, 2010), confirming the validity of the term for this analysis.

All latent constructs were robustly represented by their indicators. The Consumptive Behavior (Y2) construct is measured by nine indicators (loadings 0.781–0.937), demonstrating that consumption is a strong dimension of beneficiary response. The Financial Literacy (Z) construct, with seven indicators (loadings 0.723–0.837), consistently reflects beneficiaries' financial understanding. Similarly, the Productive Behavior (Y1) and Zakat Distribution (X) constructs are well represented by their respective indicators, with high loadings of 0.832–0.874 and 0.820–0.878, respectively, confirming their reliability in measuring business development activities and institutional fund distribution.

In conclusion, the high convergent validity across all constructs justifies their accurate measurement using their indicators. With the measurement model deemed satisfactory, the analysis proceeds to the next stage of testing the structural (inner) model to examine the relationships between these latent variables.

### Construct reliability and validity

The construct's reliability is tested through three main statistical indicators: Cronbach's alpha value, Composite Reliability (CR), and Average Variance Extracted (AVE). These indicators were used to assess the internal consistency and convergent validity of the latent constructs in the model. The minimum thresholds recommended in the literature are values  $>0.7$  for Cronbach's Alpha and Composite Reliability, and  $>0.5$  for AVE (Hair et al., 2010).

**Table 3.** Construct reliability and validity

|                           | CA    | rho_a | rho_c | AVE   |
|---------------------------|-------|-------|-------|-------|
| Consumptive Behavior (Y2) | 0,947 | 0,952 | 0,957 | 0,762 |
| Financial Literacy (Z)    | 0,895 | 0,897 | 0,918 | 0,615 |
| Productive Behavior (Y1)  | 0,806 | 0,809 | 0,885 | 0,721 |
| Zakat Distribution (X)    | 0,798 | 0,817 | 0,881 | 0,711 |

Note: CA = Cronbach's alpha, rho\_a = composite reliability, rho\_c = composite reliability, AVE: Average variance extracted.

Source: Processed data (2025).

Table 3 shows that all the constructs met the recommended thresholds. The Construct of Consumer Behavior (Y2) had a Cronbach's alpha value of 0.947, rho\_A of 0.952, and Composite Reliability of 0.957. These values reflect very high internal consistency in the forming indicators. The Financial Literacy construct (Z) also shows good reliability with a Cronbach's alpha of 0.895, rho\_A of 0.897, and CR of 0.918, indicating that its indicators consistently measure the beneficiaries' financial literacy aspects. Meanwhile, the constructs of Productive Behavior (Y1) and Zakat Distribution (X) obtained Composite Reliability values of 0.885 and 0.881, respectively, with Cronbach's alpha values of 0.806 and 0.798, respectively. Although the last two values are slightly lower than the other constructs, they still fall within the good reliability category ( $>0.7$ ); therefore, it can be concluded that all four constructs in this model have strong reliability.

The AVE values for each construct also met the criteria for convergent validity, with all values being above the minimum threshold of 0.5. The highest value was achieved by the Consumer Behavior construct (Y2) at 0.762, followed by Productive Behavior (Y1) at 0.721, Zakat Distribution (X) at 0.711, and Financial Literacy (Z) at 0.615. These values indicate that most of the variance of the indicators in each construct can be explained by the corresponding latent construct, which supports the convergent validity of the model.

Overall, the results of the reliability and construct validity tests indicate that all constructs in this research model met scientific standards for use in subsequent structural model analyses. This assures that the constructs used have measurement quality that can be relied upon to explain causal relationships between variables in the research.

### Coefficient of determination (R-Square and Adjusted R-Square)

The variable (endogenous) can be explained by the independent (exogenous) variable in the structural model. This value is indicated by the R-square ( $R^2$ ) and the Adjusted R-Square presented in the structural model evaluation. The coefficient of determination analysis shows that the model explains a substantial proportion of the variance in both the endogenous constructs. For consumptive behavior (Y2), the model yielded an R-square value of 0.849 and an Adjusted R-Square of 0.845. This indicates that approximately 84.9% of the variation in consumptive behavior can be accounted for by the independent variables included in the model, leaving only 15.1% to be explained by other factors outside the model. This level of explanatory power falls within the strong category, suggesting that the model has excellent predictive capability for this construct.

Similarly, for productive behavior (Y1), the R-square was 0.691, with an Adjusted R-Square of 0.683. This means that 69.1% of the variance in productive behavior can be explained by independent variables, such as the zakat distribution, indicating a moderately strong to strong explanatory capacity. This adequacy reflects that the model is capable of capturing the key

determinants influencing the productive behavior of mustahik. Overall, these high R-squared values confirm that the research model establishes a robust causal relationship between the exogenous and endogenous constructs and provides predictive power that is valuable for further analysis.

**Table 4.** Model fit indicators

| Criteria   | Complete model  |                 | HI95  |
|------------|-----------------|-----------------|-------|
|            | Saturated model | Estimated model |       |
| SRMR       | 0.085           | 0.087           |       |
| d_ULS      | 3.511           | 2.685           | 1.586 |
| d_G        | 3.163           | 3.302           | 1.542 |
| Chi-square | 1340.895        | 1391.959        |       |
| NFI        | 0.590           | 0.574           |       |

Source: Processed data (2025).

As reported in [Table 4](#), the estimated model yields SRMR = 0.087 (saturated = 0.085), indicating marginal but still acceptable misfit under the lenient 0.10 benchmark often used in variance-based SEM. NFI = 0.574 (saturated = 0.590) is comparatively low, commonly observed in PLS-SEM, and is presented for transparency rather than as a decisive acceptance criterion. The Chi-square = 1,391.959 (saturated = 1,340.895) should be interpreted cautiously given its sensitivity to sample size and model complexity. For the bootstrap exact-fit test, the discrepancy measures were d\_ULS = 2.685 and d\_G = 3.302, both exceeding their 95% bootstrap cut-offs (HI95(d\_ULS) = 1.586, HI95(d\_G) = 1.542); therefore, an exact overall fit was not established. Taken together, the indices suggest that global fit is acceptable on SRMR but conservative exact-fit criteria are unmet; hence, substantive inference should rest primarily on the measurement quality and explanatory/predictive performance reported in subsequent sections ([Hair et al., 2022](#); [Kline, 2016](#)).

### Structural model evaluation

According to the findings presented in [Table 5](#), the evaluation of the structural model reveals that the zakat distribution has a statistically significant effect on both productive and consumptive behaviors, as all paths show t-statistics above 1.96 and p-values below 0.05. Notably, zakat distribution positively affects productive behavior, as hypothesized, confirming its role in encouraging mustahik toward more productive economic activities.

**Table 5.** Structural model evaluation

|              | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T Statistics ( O/STDEV ) | P Values |
|--------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| ZD → PB      | 0.272               | 0.264           | 0.122                      | 2.225                    | 0.026    |
| ZD → CB      | 0.481               | 0.477           | 0.091                      | 5.269                    | 0.000    |
| FL x ZD → PB | 0.322               | 0.320           | 0.080                      | 4.027                    | 0.000    |
| FL x ZD → CB | 0.234               | 0.234           | 0.060                      | 3.876                    | 0.000    |

Source: Processed data (2025).

However, the results also show unexpected positive associations between zakat distribution and consumptive behavior as well as in the interaction effects involving financial literacy. Although the directions differ from the initial assumptions, the consistency and significance of these effects highlight that both zakat and financial literacy substantially influence mustahik behavior, indicating a robust yet complex dynamic that warrants further theoretical exploration.

### Discussion

Based on the hypothesis test results, the distribution of zakat funds has been shown to positively influence the productive behavior of mustahiks (zakat beneficiaries), leading to significant

improvements in their economic and social circumstances. A p-value of 0.026 (less than 0.05) indicated that this relationship was statistically significant. This finding aligns with various studies emphasizing the importance of productive zakat as a tool for economic empowerment, transforming the mustahik from mere aid recipients into active economic actors. For example, Mafluhah (2024) highlighted that zakat distributed as business capital has increased income, created jobs, and enhanced mustahik skills, thereby fostering independence and self-confidence. Furthermore, Juliani (2020) demonstrated that a Microfinance Institution in Aceh implementing Qardhul Hasan financing successfully empowered mustahiks to build sustainable micro-enterprises. Similar support comes from Azhar et al. (2022), who found a direct correlation between productive zakat and the development of micro-enterprises, while Karunia and Amir (2024) emphasized that the distribution of productive zakat effectively improves the welfare of mustahiks through increased income and poverty reduction. They suggested that the Sustainable Community-Based Empowerment Strategy (CIBEST) can serve as an optimal framework for distributing zakat, enabling mustahiks to engage in productive economic activities that enhance their financial stability.

The impact of zakat extends beyond income augmentation to improving welfare and social solidarity within the Muslim community. This aligns with the findings of Ramadhan et al. (2023), who argued that zakat assistance for capital development directly enhances the economic potential of mustahiks and supports continuous improvement in their living conditions. Additionally, Siregar et al. (2024) showed that the utilization of zakat significantly improves the welfare of mustahiks, especially when integrated with sustainable business practices, underscoring the necessity for long-term planning in zakat distribution. The concept of transforming mustahiks into muzakki (zakat givers) has also been echoed across multiple studies, reinforcing the idea that proper zakat allocation can create a constructive cycle of giving and receiving within the community (Mafluhah, 2024; Nisa & HS, 2023). Afifah and Permana (2024) added that productive zakat not only helps mustahiks meet immediate needs but also fosters an environment where recipients can become self-sufficient, potentially changing their status from mustahik to muzakki. Such a transformation implies a sustainable approach to economic empowerment, driven by localized investment strategies.

Further hypothesis testing results indicate that the distribution of zakat funds has a positive and statistically significant association with beneficiaries' productive behavior ( $\beta = 0.272$ ,  $p = 0.026$ ), thus supporting H1. This finding agrees with previous evaluations that show that productive zakat delivered as working capital or in-kind tools, complemented by mentoring, stimulates enterprise formation and growth, strengthens saving and reinvestment habits, and improves welfare (Mawardi et al., 2023; Amsari & Nasution, 2019; Kholisa & Mugiyati, 2021; Hidayat, 2023; Ismail & Hussain, 2017). A plausible mechanism is that capital infusion and capability building alleviate liquidity and skill constraints, whereas revolving fund discipline reinforces productive norms over time. Where previous studies observed weaker effects, differences often reflected program design, such as mentoring dosage, fund size, or monitoring intensity, underscoring the governance value of well-structured productive distribution (Ismail & Hussain, 2017). Practically, prioritizing productive modalities with standardized mentoring and reinvestment/repayment monitoring is indicated to secure durable productivity gains and institutional performance. This is reinforced by the testimony of beneficiary A. Sugandi (personal communication), who stated, "Previously, I only sold small items in front of my house, and my income was uncertain. After receiving capital from the zakat program, I was able to add more goods and sell them online. Alhamdulillah, now my income is more stable, and I can gradually help with my children's school fees."

On the other hand, the distribution of zakat funds also demonstrates a positive and significant association with the consumptive behavior of mustahik ( $\beta = 0.481$ ,  $p < .001$ ). This indicates that higher disbursement levels are linked to more consumption-oriented uses. This pattern aligns with field realities where many recipients remain at the basic-needs stage, so transfers function primarily as consumption smoothing rather than productive investment. This result also echoes the findings of Nur Kholis and Mugiyati (2021), who stated that the consumptive approach to zakat remains dominant in its distribution implementation. A mustahik, Lia (personal communication), confirmed this: "Yes, honestly, ma'am, I only use the cash flow for my daily needs. Because sales are not always stable; sometimes, last month we got a lot, now it's slow, it's seasonal."



Meanwhile, Hapsari et al. (2023) revealed that well-managed zakat distribution can increase aggregate consumption and directly benefit mustahiks by enhancing their purchasing power, enabling them to meet basic needs. Tenriwaru et al. (2022) assert that creative economic initiatives arising from zakat distribution provide mustahik with resources that can be utilized for immediate consumption needs, while Noviarita et al. (2024) add that zakat distribution in Lampung significantly impacts economic growth and contributes to reducing consumption poverty. Nauli et al. (2022) noted that the regular allocation of zakat funds for consumptive purposes helps mustahiks stabilize their financial status, and Sabila and Saptutyningsih (2020) emphasized that consumptive zakat directly benefits mustahiks by allowing them to use the funds for tangible consumption, thus providing immediate relief from financial burdens.

The interaction between financial literacy and Zakat distribution plays a crucial role. This interaction has a positive and significant influence on the productive behavior of mustahiks ( $\beta = 0.322, p < .001$ ), indicating that financial literacy optimizes the use of zakat for productive activities. Beneficiaries with a good financial understanding are better able to plan, manage, and develop zakat funds effectively, as supported by Rachmawati and Nuryana (2020), who found that financial literacy encourages more directed and rational financial behavior. An informant, Nurhayati (personal communication), stated, "...yes, I can manage finances a little, even if it's not much, I save it. My child is studying at UNAIR and, thanks God, has now been accepted for a job at Muhammadiyah." Conversely, the same interaction also positively and significantly influenced mustahik consumptive behavior ( $\beta = 0.234, p < .001$ ). This indicates that financial literacy does not necessarily reduce consumption, but can reorient it toward more planned and needs-aware spending. Studies by Situmorang (2024) and Herianingrum et al. (2023) support this, emphasizing that financial literacy leads to wider spending patterns and encourages responsible consumption. The experience of Siti Masrurah (personal communication) reflects this: "Before participating in the training from the zakat institution, whenever I got money, I would spend it all immediately, often buying unnecessary things. However, after learning how to manage money, I still shop, but now I will first note my needs. I now think more about whether I really need it

In terms of implications, these findings emphasize the importance of program design that considers the level of need among mustahiks. For recipients in the basic-needs stage, time-bound consumptive support is necessary for subsistence security. Subsequently, after basic constraints are relieved, they can "graduate" into productive capital and mentoring programs to convert short-term smoothing into sustainable productivity gains. Targeted financial literacy modules and training paired with budgeting protocols and monitoring are essential to ensure that zakat distribution not only alleviates immediate burdens but also creates a sustainable empowerment impact.

## Conclusion

The findings confirm that the distribution of zakat funds positively influences the productive behavior of mustahiks. However, not all the proposed hypotheses were supported, as the relationships between zakat distribution and consumptive behavior, as well as the moderating role of financial literacy on consumptive behavior, were rejected. From a practical standpoint, zakat institutions should prioritize productive modalities such as working capital or in-kind tools, paired with structured mentoring and targeted financial literacy training. This ensures that financial transfers translate into sustainable enterprise activities. To maximize the impact, beneficiaries should be segmented based on their needs and placed on a graduated pathway, beginning with time-bound basic needs support before becoming eligible for productive capital once their subsistence is stable. The implementation of use-of-funds protocols, conditional tranches, and close monitoring of key performance indicators (e.g., reinvestment rates, repayment schedules, and changes in business income) is crucial for discouraging passivity and encouraging reinvestment. Furthermore, strengthening governance through standardized operating procedures and public reporting will enhance transparency and build donor trust for long-term programme continuity.

The theoretical contributions of this research underscore that without adequate oversight, zakat recipients may develop reliance on aid, thereby undermining the core objective of empowerment. It is important to acknowledge the limitations of this study, primarily its narrow

focus on consumptive and productive behaviors, which do not fully capture the holistic effect of zakat on mustahik well-being. Additionally, the geographical and demographic constraints of the sample limited the generalizability of the findings across Indonesia. Therefore, future research should employ longitudinal methods and expand its geographic scope to achieve a more profound and comprehensive understanding. Conducting pre- and post-intervention analyses is also recommended to delineate the causal effects of zakat distribution on beneficiary behavior.

### Acknowledgements

We extend our deepest gratitude to BAZNAS Surabaya City, West Java Zakat Management Unit (UPZ), for their assistance and support in the success of this research. We also extend our gratitude to the mustahik, who graciously agreed to be interviewed and for their dedication and cooperation, which allowed this research to be completed smoothly.

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