



# Productive zakat, business growth, and *mustabiq* welfare: Evidence from BAZNAS Malang

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## Abstract

**Purpose** – This study examines the effects of productive zakat and business assistance on *mustabiq* welfare, with business growth as a mediating variable.

**Methodology** – This study adopts a quantitative explanatory approach using Partial Least Squares Structural Equation Modeling (SEM-PLS). Data were collected from 100 beneficiaries of the productive zakat program administered by BAZNAS Malang City via structured questionnaires, supplemented by in-depth interviews to provide deeper analytical insights.

**Findings** – The results indicate that business assistance positively and significantly affects business growth, whereas productive zakat does not. However, productive zakat has a significant indirect effect on *mustabiq* welfare through the growth of businesses. In contrast, business assistance does not have a significant indirect effect on welfare via business growth. These findings underscore the pivotal role of business growth as a mediating mechanism linking productive zakat to improved *mustabiq* welfare.

**Implications** – This study suggests that the effectiveness of *mustabiq* empowerment programs largely depends on the quality and sustainability of business mentoring, as well as the alignment of zakat-based support with beneficiaries' actual needs. Accordingly, Zakat Management Institutions are encouraged to strengthen continuous guidance, monitoring, and evaluation mechanisms to ensure sustainable welfare outcomes.

**Originality** – This study contributes to the zakat literature by empirically integrating productive zakat, business assistance, and business growth within a mediation framework, providing new insights into how zakat-based empowerment programs can effectively enhance *mustabiq* welfare.

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## Introduction

Zakat is one of the fundamental pillars of the Islamic economic system and serves as an important instrument for wealth redistribution aimed at promoting social justice and reducing economic

inequality between affluent and underprivileged communities (Qasim, 2020). In countries with a large Muslim population, such as Indonesia, zakat is expected to play a significant role in alleviating poverty and improving the welfare of *mustabiq* (zakat recipients). Empirical studies have demonstrated that zakat can contribute to socio-economic development and poverty reduction when managed effectively (Altaf et al., 2022). However, despite the large potential of zakat funds, many zakat programs still focus on short-term consumptive assistance, which often fails to generate sustainable economic improvements for beneficiaries (Meerangani, 2019). Consequently, ensuring that zakat distribution leads to long-term welfare improvement remains a major challenge in Islamic social finance.

In response to this challenge, Zakat Management Institutions have increasingly adopted a productive zakat approach that emphasizes economic empowerment rather than temporary charity. Productive zakat programs generally provide business capital, entrepreneurship training, and mentoring support to *mustabiq* to encourage economic self-reliance. In Indonesia, institutions such as BAZNAS (Badan Amil Zakat Nasional) play a strategic role in implementing these empowerment-oriented programs and optimizing zakat management at the national and regional levels (Ardani & Pujiyono, 2021; Hasan, 2021; Aziz, 2024; Afandi et al., 2022). Previous studies have shown that productive zakat can improve the income and economic resilience of *mustabiq*, thereby contributing to their welfare (Zein et al., 2020; Syarifah, 2022; Firmansyah et al., 2024). Furthermore, international empirical research indicates that zakat-based empowerment programs can significantly enhance household income, consumption capacity, and socio-economic mobility among beneficiaries (Abdullah & SuhaiB, 2011; Widiastuti et al., 2021).

Despite these promising findings, the existing literature reveals several important limitations. First, many studies on productive zakat primarily examine the direct impact of zakat assistance on *mustabiq* welfare while paying limited attention to the supporting mechanisms that may strengthen this impact. One such mechanism is business assistance, including entrepreneurial training, market access facilitation, and managerial guidance, which can help *mustabiq* manage and expand their businesses more effectively (Latief & Niu, 2020). Without adequate assistance, the provision of business capital alone may not guarantee sustainable development. Second, empirical research exploring business growth as a mediating variable linking zakat-based empowerment programs and *mustabiq* welfare is limited. Understanding this mediating process is important because improvements in welfare often occur gradually through business development and income expansion, rather than through direct financial transfers.

In addition to these conceptual gaps, methodological limitations are evident in previous studies. Many studies examining productive zakat and *mustabiq* welfare rely primarily on qualitative approaches (Herianingrum et al., 2024). Although these studies provide valuable contextual insights, they often lack rigorous quantitative testing of the causal relationships between key variables. Quantitative studies that do exist frequently employ simple regression techniques, which may not adequately capture complex relationships involving mediating variables (Wibowo & Restuningsih, 2019; Riyaldi & Salma, 2022). Therefore, a more robust analytical approach is required to examine the multidimensional relationships among productive zakat, business assistance, business growth and *mustabiq* welfare. Structural Equation Modeling with Partial Least Squares (SEM-PLS) offers an appropriate methodological framework because it allows the simultaneous analysis of direct and indirect relationships among latent variables within complex models (Hair, 2014; Sholihin & Ratmono, 2021).

The relevance of this research is particularly evident in the context of BAZNAS Malang City, which has implemented various productive zakat programs, including microbusiness support and entrepreneurship training for *mustabiq*. According to recent institutional data, BAZNAS Malang has registered approximately 522 program members and has benefited over 1,100 individuals over the last three years (Siti, 2025). Although these initiatives demonstrate the growing role of zakat-based empowerment programs, empirical studies examining the combined influence of productive zakat and business assistance on *mustabiq* welfare through the mediating role of business growth remain scarce, particularly in the Indonesian context.

Based on the identified research gaps, this study aims to develop and empirically test an integrative model linking productive zakat, business assistance, business growth and *mustabiq* welfare. This study contributes to the literature in several ways. Theoretically, this study enriches the Islamic social finance literature by highlighting business growth as a mediating mechanism through which zakat empowerment programs can improve *mustabiq* welfare. Methodologically, it advances the application of SEM-PLS in zakat research to capture complex multivariate relationships among the latent constructs. Practically, the findings provide strategic insights for zakat management institutions, particularly BAZNAS, in designing more effective empowerment programs that foster sustainable economic development among *mustabiq*.

Based on this framework, this study aims to: (1) examine the effect of productive zakat on *Mustabiq* business growth; (2) examine the effect of business assistance on *mustabiq* business growth; (3) analyze the effect of business growth on *mustabiq* welfare; and (4 and 5) examine the indirect effects of productive zakat and business assistance on *Mustabiq* welfare through business growth as a mediating variable.

## Literature Review

### Theoretical framework

This study is grounded in several theoretical perspectives that explain how economic empowerment interventions can improve welfare outcomes in disadvantaged communities. One of the primary theoretical foundations is empowerment theory, which emphasizes the process through which individuals gain the capacity, resources, and confidence to improve their socioeconomic conditions. According to [Murphy and Alexander, \(2000\)](#), empowerment involves enabling individuals to access resources and develop the capabilities necessary to control their economic activities and enhance their quality of life. In the context of Islamic social finance, productive zakat programs are designed to empower *mustabiq* by providing capital, mentoring, and access to economic opportunities that support sustainable livelihood development.

Another relevant theoretical perspective is the Human Capital Theory, which posits that investments in knowledge, skills, and competencies can significantly improve individuals' productivity and economic outcomes ([Becker, 1993](#)). Within productive zakat programs, business assistance, such as entrepreneurial training, mentoring, and managerial guidance, represents a form of human capital investment that strengthens the capacity of *mustabiq* to manage their microenterprises effectively. Empirical evidence in development economics has consistently shown that capacity-building initiatives can substantially enhance the performance and sustainability of small businesses ([Banerjee & Duflo, 2011](#)).

This study also draws on the Sustainable Livelihood Framework, which explains how access to financial, human, and social capital contributes to long-term economic resilience ([Chambers & Conway, 1992](#)). In this context, productive zakat and business assistance can be understood as mechanisms that provide both financial support and capacity development for *mustabiq*. These mechanisms enable beneficiaries to strengthen their livelihood strategies and gradually improve their household welfare. Within this framework, business growth serves as a key pathway through which economic empowerment interventions translate into sustainable welfare improvement.

### Productive zakat as an instrument for economic empowerment

Productive zakat represents a shift from consumptive zakat toward a more sustainable approach aimed at promoting the economic empowerment of *mustabiq* (zakat recipients) ([Alim, 2015](#)). It refers to the distribution of zakat funds designed to enable beneficiaries to generate a continuous income by utilizing the resources provided ([Amsari & Nasution, 2019](#)). From the perspective of empowerment theory, productive zakat functions as an intervention that strengthens the economic capacity of disadvantaged groups by providing financial resources and opportunities for productive activities to improve their welfare.

In practice, productive zakat is commonly allocated to support the development of businesses owned by *mustabiq*, allowing beneficiaries to meet their basic needs more independently,

rather than relying solely on short-term assistance. Such support may include business capital, production equipment, skills training, or market facilitation, all of which contribute to improving the productive capacity of *mustabiq* households. The long-term objective of productive zakat programs is to break the cycle of poverty and gradually enable *mustabiq* to transition into *muzakki* (zakat payers).

Empirical studies have confirmed the positive impact of productive zakat on microenterprise development in Indonesia. Zein et al., (2020) found that productive zakat significantly increases the income and sustainability of businesses managed by *mustabiq*. Similarly, Hamidi et al., (2019) reported that zakat capital, business duration, and training significantly influence income growth among *mustabiq* in Palembang. More recently, Firmansyah et al., (2024) highlighted that productive zakat programs improve entrepreneurial skills and contribute to sustainable economic development among beneficiaries. These findings suggest that productive zakat can be an effective instrument for grassroots economic empowerment.

### **Business assistance and capacity building for *mustabiq***

Business assistance plays a crucial role in strengthening the economic capacity of *mustabiq*, particularly when it includes financial support, managerial training, and mentoring. From the perspective of Human Capital Theory, such assistance represents an investment in the knowledge and skills required for business development. Alaro and Alalubosa, (2019) emphasized that continuous mentoring and monitoring can significantly improve microenterprises' performance.

Empirical evidence also indicates that capital assistance combined with business mentoring can enhance the sustainability of enterprises managed by *mustabiq*. Sinaga et al. (2020) reported that zakat institutions' provision of business capital contributed to increased income among *mustabiq*. This improvement was closely associated with the mentoring programs implemented by Rumah Zakat, which helped the beneficiaries manage their businesses more effectively. These findings suggest that business assistance tailored to the specific needs of *mustabiq* can accelerate economic empowerment.

In practice, business assistance is often integrated into productive zakat programs implemented by zakat management institutions, such as BAZNAS (Wahyuni & Hidayah, 2018). However, several studies have indicated that financial assistance alone is insufficient to ensure business success. Santoso et al. (2024) emphasized that effective zakat utilization requires proactive support from policymakers, financial institutions, and zakat administrators to develop Muslim-owned small and medium enterprises (SMEs). Therefore, examining the role of business assistance is essential to understand the effectiveness of productive zakat programs in promoting sustainable business growth.

### **Business growth as a mediating variable**

Business growth refers to the expansion of business performance indicators, such as revenue, assets, production capacity, customer base, and organizational resilience (Wiklund et al., 2009). In the context of economic empowerment programs, business growth is an important mechanism through which economic interventions translate into improved welfare outcomes. As microenterprises expand their operations and market reach, they are more likely to generate stable income streams. This process strengthens the economic independence of beneficiaries and reduces their vulnerability to financial crises. Therefore, business growth is widely considered a key indicator of the success of empowerment-based economic programs.

Previous studies have documented a positive relationship between business development and *mustabiq* welfare of *mustabiq*. Cahyadi (2016) found that the development of *mustabiq*-owned businesses significantly improved their welfare. Similarly, Tanjung (2015) identified a positive association between business development and improvements in the living standards of *mustabiq*. Widiastuti et al. (2021) further emphasized that business growth is a critical indicator linking empowerment programs with welfare outcomes. These findings suggest that strengthening microenterprise performance can directly improve the socioeconomic conditions of beneficiaries.

From the perspective of the Sustainable Livelihood Framework, business growth reflects the process through which financial and human capital interventions generate sustainable income streams for households. Access to productive assets, entrepreneurial skills, and supportive institutions enables households to develop more resilient livelihood strategies that can withstand shocks. In empowerment programs, such resources allow beneficiaries to expand their businesses and improve their economic stability. Within this framework, business growth is a key pathway connecting empowerment initiatives with welfare improvements. Accordingly, this study conceptualizes business growth as a mediating variable linking productive zakat and business assistance to *mustabiq* welfare.

However, several studies suggest that business growth does not always translate to improved welfare outcomes. Budi et al. (2023) found that business expansion may fail to improve household welfare when entrepreneurs lack adequate financial management skills. Similarly, Insan and Nuzil (2023) reported that limited market access and low adaptability weaken the impact of business growth on household income. These findings indicate that structural and managerial factors may influence the effectiveness of empowerment programs in the health sector. Therefore, examining the mediating role of business growth is essential to understand how productive zakat and business assistance influence *mustabiq* welfare of *mustabiq*.

### The welfare of the beneficiaries as the ultimate goal

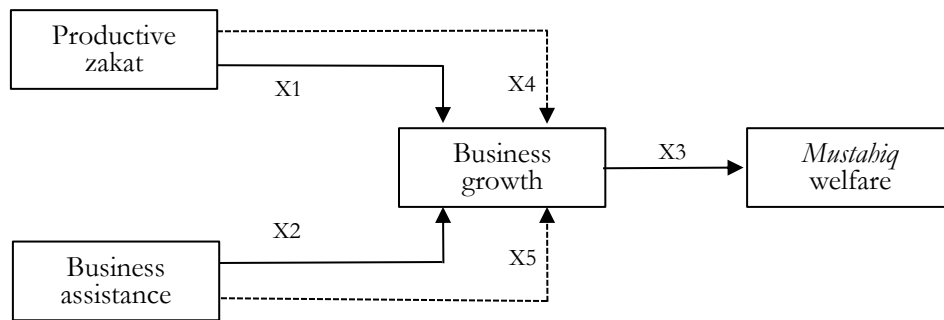
The ultimate objective of productive zakat programs is to improve *mustabiq* welfare of *mustabiq*. Welfare encompasses multidimensional aspects, including economic, social, and spiritual well-being (Bahri et al., 2021). In empirical studies, welfare is measured not only through increases in income but also through objective indicators such as ownership of productive assets, access to education, and improved economic capacity. These indicators reflect households' ability to sustain their livelihoods over time. Therefore, welfare assessment requires a comprehensive perspective that goes beyond short-term income change.

Subjective indicators also play an important role in assessing welfare. Abang Abai et al., (2020) emphasized that life satisfaction, financial security, and perceived quality of life are essential components of welfare evaluation. These dimensions capture how individuals experience improvements in their living conditions. In Islamic economics, welfare is often analyzed using the *maqasid al-Shariah* framework. This framework emphasizes the protection of religion, life, intellect, lineage, and wealth as fundamental dimensions of human well-being (Za et al., 2025).

Several studies have demonstrated that well-designed productive zakat programs can significantly improve the welfare of beneficiaries. Mawardi et al. (2023) and Mawardi et al. (2022) found that productive zakat programs have strong potential to enhance *mustabiq* welfare when implemented in a targeted and sustainable manner. These findings highlight the importance of effective program design and its implementation. Adaptive planning that aligns with the socioeconomic characteristics of the beneficiaries is essential. Consequently, welfare measurements should reflect broader improvements in economic stability, savings capacity, and *mustabiq* households' ability to independently meet their basic needs.

### Research gaps and hypothesis foundation

Many previous studies have primarily focused on the direct effects of productive zakat or business assistance on the welfare of *mustabiq*, without incorporating mediating variables such as business growth (Mawardi et al., 2022; Mawardi et al., 2023; Za et al., 2025). Moreover, most of these studies still rely on linear regression or simple correlation approaches, which are considered insufficient to capture the complex causal relationships among latent variables (Wibowo & Restuningsih, 2019; Riyaldi & Salma, 2022). This indicates a research gap that needs to be addressed through more robust analytical methods, such as the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. Based on the conceptual framework and previous empirical findings, the following research model and hypotheses are proposed:



**Figure 1.** Research hypothesis model  
Source: Author's own elaboration, (2026)

## Hypotheses development

### *Productive zakat and mustabiq business growth*

Productive zakat functions not only as a form of charitable assistance but also as an instrument of economic empowerment that enables *mustabiq* to develop sustainable livelihoods. Through productive zakat programs, beneficiaries receive financial capital that can be used to start or expand microenterprises (Najmudin et al., 2021). Access to capital is widely recognized as a key determinant of micro-business development, particularly for low-income communities that often face barriers in accessing formal financial institutions. Previous studies indicate that zakat distribution in productive forms can stimulate entrepreneurial activities and enhance *mustabiq's* ability of *mustabiq* to generate income (Sari & Chairani, 2026). By providing business capital and encouraging productive economic activities, productive zakat has the potential to improve the scale and performance of *mustabiq* enterprises. As business activities expand, *mustabiq* may experience increases in sales, production capacity, and overall business sustainability. Therefore, productive zakat is expected to positively contribute to *mustabiq* businesses' growth.

H<sub>1</sub>: Productive zakat has a positive effect on *mustabiq* business growth.

### *Business assistance and mustabiq business growth*

In addition to financial support, business development programs often emphasize the importance of non-financial assistance such as mentoring, training, and business consultation. Business assistance plays an important role in improving entrepreneurial skills, managerial capabilities, and market access for microentrepreneurs. For *mustabiq*, who generally have limited experience in business management, continuous guidance can help them utilize resources more effectively and address operational challenges (Muqorobin et al., 2025). Previous studies have indicated that mentoring and training programs significantly contribute to the development of micro and small enterprises by enhancing productivity, innovation, and market competitiveness (Junaidi et al., 2026). Through structured assistance, *mustabiq* entrepreneurs can develop more effective business strategies, improve financial management practices, and strengthen their marketing capabilities. Therefore, business assistance is expected to contribute positively to the growth of *mustabiq* enterprises.

H<sub>2</sub>: Business assistance has a positive effect on *mustabiq* business growth.

### *Business growth and mustabiq welfare*

Business growth is an important pathway for improving the economic welfare of microentrepreneurs. When a business grows, it typically leads to higher income, greater financial stability and improved household consumption. For *mustabiq* households, the expansion of business activities can enhance their ability to meet basic needs, access education and healthcare, and achieve more stable economic conditions. Empirical evidence suggests that the development of microenterprises contributes to poverty reduction and improved welfare among low-income communities (Vial & Hanoteau, 2015). As business performance improves, the resulting increase in income can directly enhance the welfare level of *mustabiq*. Therefore, business growth is expected to positively influence zakat beneficiaries' welfare.

H<sub>3</sub>: Business growth has a positive effect on *mustabiq* welfare.

### *Productive zakat, business growth, and mustabiq welfare*

Beyond providing financial resources, productive zakat may also indirectly influence welfare through improvements in economic performance. When zakat funds are used as business capital, they can stimulate business development, which, in turn, generates income and strengthens the economic resilience of *mustabiq* households. In this context, business growth serves as an important mechanism through which productive zakat contributes to welfare improvements. Therefore, the effect of productive zakat on welfare may not always be direct but may operate through the expansion of business activities (Widiastuti et al., 2021). This mediating role of business growth highlights the importance of productive economic engagement in transforming Zakat assistance into sustainable welfare outcomes.

H<sub>4</sub>: Productive zakat has an indirect effect on *mustabiq* welfare through business growth.

### *Business assistance, business growth, and mustabiq welfare*

Business assistance programs may also contribute to welfare improvement indirectly through their influence on the performance of enterprises. By strengthening managerial capabilities and entrepreneurial knowledge, these programs can help *mustabiq* entrepreneurs improve their business productivity and profitability (Khatimah et al., 2024). Such improvements may subsequently increase household income and enhance the overall welfare. Therefore, business assistance is expected to contribute to welfare primarily by promoting business growth. When mentoring and training effectively improve business performance, the resulting economic gains can translate into better living conditions for *mustabiq* households (Muqorobin & Usshohihah, 2025).

H<sub>5</sub>: Business assistance has an indirect effect on *mustabiq* welfare through business growth.

## Research Methods

This study adopts a quantitative approach using Structural Equation Modeling (SEM), specifically Partial Least Squares Structural Equation Modeling (PLS-SEM), to analyze the relationships among variables and examine a theoretical model related to productive zakat that is still developing. PLS-SEM was selected because it is suitable for exploratory research and theory development, particularly when the research model involves complex relationships and prediction-oriented objectives (Hair et al., 2019). Compared with covariance-based SEM (CB-SEM), PLS-SEM is more flexible regarding data distribution assumptions and can be effectively applied to relatively small-sample sizes.

The analysis was conducted in two stages: the measurement model (outer model) and structural model (inner model). The measurement model was evaluated through tests of convergent validity, discriminant validity, and composite reliability to ensure the constructs' validity and reliability. The structural model was assessed by examining the path coefficients, coefficient of determination ( $R^2$ ), and significance levels obtained through bootstrapping procedures. All analyses were performed using SmartPLS 3.

The study involved 100 respondents, which is considered adequate for the PLS-SEM analysis. According to Roscoe's rule of thumb, a sample size between 30 and 500 is appropriate for most behavioral research studies (Roscoe, 1975). In addition, Hair et al. (2019) recommend that the minimum sample size in PLS-SEM should follow the 10-times rule, which suggests that the sample should be at least ten times the maximum number of structural paths directed at any construct in the model. The sample size in this study satisfied this requirement and was therefore statistically sufficient.

Primary data were collected through structured questionnaires administered to *mustabiq* in BAZNAS Malang City's empowerment programs, following a preliminary phase of Focus Group Discussions (FGDs), in-depth interviews, and literature reviews used to identify and validate key welfare indicators. This study specifically examines the Z Qardh and Z Coffee programs, utilizing both primary survey results and secondary data from official reports and academic publications to provide a comprehensive analytical context. To ensure data relevance, a purposive sampling technique was employed to select respondents who had participated in these programs for at least one year, actively managed their businesses, and maintained their financial records.

The research process consisted of several stages: The first stage involved reviewing conceptual and normative sources related to productive zakat, including verses from the Qur'an, the Hadith of the Prophet Muhammad (PBUH), and historical practices during the era of the Companions, as well as relevant academic books and journal articles. The second stage involved conducting Focus Group Discussions (FGDs) with scholars, academics, and zakat practitioners to identify key challenges in productive zakat management, explore potential solutions, and formulate strategies for improving the implementation of empowerment programs at BAZNAS Malang City. The third stage consisted of in-depth interviews with zakat experts and BAZNAS officials to validate the findings obtained from the FGDs and literature review. The interviews followed a semi-structured format with open-ended questions designed to capture expert insights on productive zakat implementation and its impact on *mustabiq* welfare.

### Interview protocol

Table 1 presents the interview protocol used in the study, consisting of six core open-ended questions that guided the in-depth interviews with stakeholders, designed to comprehensively explore the implementation and impact of productive zakat programs. The questions address the contribution of productive zakat to improving the economic capacity of *mustabiq*, the main challenges faced by BAZNAS in its implementation, the key factors determining the success of *mustabiq* empowerment, the role of business assistance in supporting the sustainability of *mustabiq* enterprises, the appropriate indicators for measuring improvements in *mustabiq* welfare, and potential strategies to enhance the effectiveness of productive zakat programs, thereby serving as a systematic framework to capture both practical and strategic insights on economic empowerment through zakat.

**Table 1.** Interview protocol

No.	Core interview questions
1.	How do productive zakat programs contribute to improving the economic capacity of <i>mustabiq</i> ?
2.	What are the main challenges faced by BAZNAS in implementing productive zakat programs?
3.	In your opinion, what factors determine the success of <i>mustabiq</i> empowerment programs?
4.	How does business assistance provided by BAZNAS influence the sustainability of <i>mustabiq</i> businesses?
5.	What indicators should be used to measure improvements in <i>mustabiq</i> welfare?
6.	What strategies can be implemented to improve the effectiveness of productive zakat programs?

Source: Data processed by researchers, 2026

The final stage involved designing a structured questionnaire based on the variables and indicators identified in previous stages. The questionnaire was distributed to selected respondents who met the predefined sampling criteria of this study. The collected data were analyzed using the PLS-SEM approach. The use of PLS-SEM in this study is also supported by prior research in the field of Islamic social finance, where similar approaches have been successfully applied to analyze the impact of zakat and Islamic philanthropy on economic empowerment and welfare outcomes (Al Haq et al., 2021; Cahyani et al., 2022). These studies demonstrate that PLS-SEM is a robust and widely accepted analytical method for examining complex relationships in Islamic social finance research.

## Results and Discussion

### Descriptive statistics of respondents

Table 2 presents the respondents' characteristics, where the descriptive results indicate that the majority of respondents are male microentrepreneurs (64%) within the productive age group of 30–40 years (38%). Most respondents operate small-scale businesses with relatively low monthly expenditures, predominantly between IDR 1,500,000 and IDR 3,000,000, which reflects the typical socioeconomic profile of *mustabiq* beneficiaries targeted by productive zakat programs. This profile confirms that productive zakat initiatives primarily aim to empower economically vulnerable

groups engaged in microenterprises, a sector widely recognized as a key pillar for poverty alleviation within Islamic social finance systems.

**Table 2.** Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	64	64%
	Female	36	36%
Age	< 30 years	21	21%
	30–40 years	38	38%
	41–50 years	27	27%
	> 50 years	14	14%
	Micro trader	44	44%
Occupation	Home industry	26	26%
	Service business	18	18%
	Others	12	12%
	< IDR 1,500,000	29	39%
Monthly expenditure	IDR 1,500,000–3,000,000	48	48%
	> IDR 3,000,000	23	23%

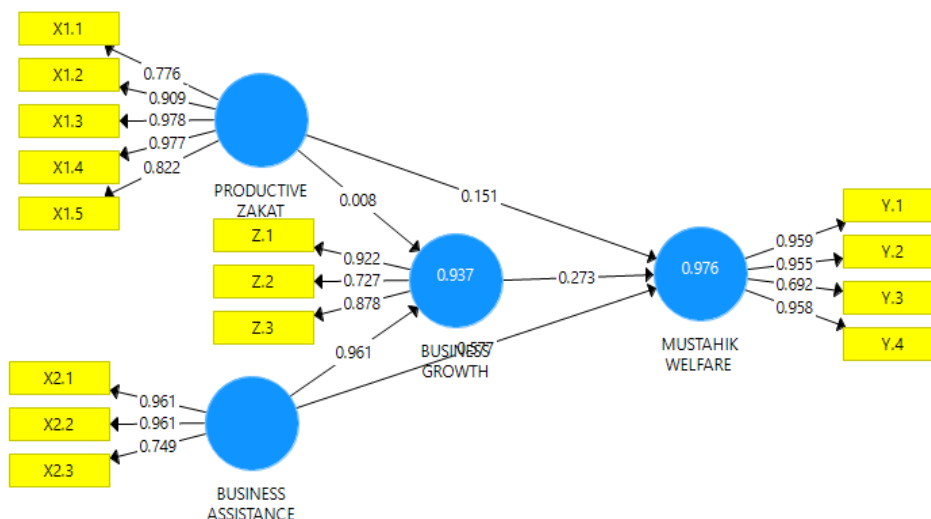
Source: Processed data, 2026

### Measurement model evaluation

An outer model evaluation was conducted to assess the validity and reliability of the measurement instruments used in this study. Each latent variable was measured using questionnaire items adapted from previous studies on Islamic social finance and microenterprise development. The indicators used to measure each construct are as follows.

- Productive zakat (X1): distribution of productive capital, utilization of zakat funds, adequacy of business capital, and sustainability of zakat support.
- Business assistance (X2): business mentoring, entrepreneurship training, technical guidance, and provision of production facilities.
- Business growth (Z): increased production capacity, expanded market access, and growth in business income.
- Mustahiq* welfare (Y): improvement in household income, ability to meet basic needs, access to education, and economic security.

All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The following figure presents the visualization of the measurement model based on the output generated through Partial Least Squares (PLS) analysis:



**Figure 2.** PLS results  
Source: Processed data, 2026

### Convergent validity and reliability

The convergent validity results presented in Table 3 demonstrate that all indicators exhibit strong factor loadings, with the vast majority exceeding the 0.70 threshold value. Indicator X1.3 recorded the highest loading at 0.978, while indicator Y.3 (0.692), although slightly below the ideal 0.70 mark, was retained in the model as it remained within the acceptable range according to Hair et al. (2019) and did not compromise overall reliability. Convergent validity is further supported by the average variance extracted (AVE) for all constructs, productive zakat, business assistance, business growth, and *mustabiq* welfare, which significantly surpass the minimum requirement of 0.50, with the lowest AVE value being 0.846 for business assistance. These results confirm that each latent variable explains more than half of the variance of its respective indicator.

**Table 3.** Convergent validity and reliability

Variable	Indicator	Loading	AVE	CR	Alpha
Productive zakat	X1.1	0.776	0.896	0.953	0.936
	X1.2	0.909			
	X1.3	0.978			
	X1.4	0.977			
	X1.5	0.822			
Business assistance	X2.1	0.961	0.846	0.924	0.872
	X2.2	0.961			
	X2.3	0.749			
Business growth	Z.1	0.922	0.898	0.882	0.797
	Z.2	0.727			
	Z.3	0.878			
<i>Mustabiq</i> welfare	Y.1	0.959	0.896	0.943	0.914
	Y.2	0.955			
	Y.3	0.692			
	Y.4	0.958			

Note: AVE=Average variance extracted, CR= composite reliability, CA=Cronbach's alpha.

Source: Processed data, 2026

In addition to validity, the reliability tests indicated excellent internal consistency across all constructs. The composite reliability (CR) and Cronbach's alpha (CA) values for all variables were consistently above the recommended 0.70 threshold. Specifically, the productive zakat variable showed the highest level of reliability, with a CR of 0.953 and a CA of 0.936. These findings prove that the indicators used possess a high consistency in measuring the intended concepts. Since the measurement model met all criteria for validity and reliability, the analysis proceeded to the structural model evaluation stage.

### Discriminant validity

To further ensure the adequacy of the measurement model, discriminant validity was evaluated using the Fornell–Larcker criterion, as presented in Table 4. This method requires that the square root of the average variance extracted (AVE) for each construct, displayed on the diagonal, exceeds the correlations between that construct and any others in the model. The results show that productive zakat (0.946), business assistance (0.920), business growth (0.948), and *mustabiq* welfare (0.946) all possess diagonal values significantly higher than the off-diagonal correlation coefficients.

**Table 4.** Fornell–Larcker discriminant validity

Variables	PZ	BA	BG	MW
Productive zakat (PZ)	0.946			
Business assistance (BA)	0.412	0.920		
Business growth (BG)	0.468	0.731	0.948	
<i>Mustabiq</i> welfare (MW)	0.401	0.684	0.756	0.946

Source: Processed data, 2026

These findings indicate that each latent variable shares more variance with its indicators than with other constructs, demonstrating strong distinctiveness. For instance, while business growth and *mustabiq* welfare show a relatively high correlation of 0.756, this value remains well below their respective square roots of AVE (0.948 and 0.946). Consequently, the measurement model satisfies the Fornell–Larcker criterion, confirming that the constructs represent unique conceptual phenomena without significant overlap, which allows the study to proceed with the structural model testing.

### Structural model evaluation (inner model)

Following the confirmation of the measurement model's validity and reliability, the structural model was evaluated to examine the predictive relationships and explanatory power among the constructs. The analysis reveals an  $R^2$  value of 0.937 for business growth, indicating that approximately 93.7% of its variance is explained by productive zakat and business assistance, while the  $R^2$  for *mustabiq* welfare reaches 0.976, suggesting that the independent variables account for 97.6% of the variance in welfare outcomes. These results demonstrate exceptionally strong explanatory power, further supported by an overall goodness-of-fit (GoF) index of 0.920, calculated from an average AVE of 0.884 and an average  $R^2$  of 0.956, which confirms that the proposed model provides a highly robust representation of the relationships between the studied variables.

### Direct hypothesis testing

After confirming the structural model's feasibility, hypothesis testing was conducted using the SEM-PLS approach to evaluate the direct relationships between the latent variables. As shown in Table 5, the relationship between productive zakat and business growth yielded a path coefficient of 0.008, a T-value of 0.099, and a P-value of 0.921, indicating that productive zakat does not have a significant direct impact on business growth. In contrast, business assistance demonstrates a highly significant positive effect on business growth, with a substantial path coefficient of 0.961, a T-value of 13.048, and a P-value of 0.000, suggesting that mentoring and guidance are the primary drivers of enhancing the business performance of beneficiaries.

**Table 7.** Direct effect results

Relationship	Path coefficient	T-value	P-value
Productive zakat → Business growth	0.008	0.099	0.921
Business assistance → Business growth	0.961	13.048	0.000
Business growth → <i>Mustabiq</i> welfare	0.273	2.547	0.011

Source: Processed Data, 2026

Furthermore, the results indicate that business growth significantly contributes to *mustabiq* welfare, as evidenced by a path coefficient of 0.273, a T-value of 2.547, and a P-value of 0.011. This confirms that improvements in the scale or success of a business directly translate into better living standards for *mustabiq*. Collectively, these findings imply that while zakat funds provide the necessary capital, it is the combination of professional assistance and the resulting business expansion that ultimately secures long-term welfare improvements.

### Indirect effects

Indirect hypothesis testing was conducted using the bootstrapping approach to evaluate the mediating role of business growth in the relationship between productive zakat, business assistance, and *mustabiq* welfare. As shown in Table 6, the indirect path from productive zakat to *mustabiq* welfare through business growth yielded a path coefficient of 0.262, a T-value of 2.531, and a P-value of 0.012. This significant result indicates that while productive zakat may not directly impact business growth, it effectively enhances the welfare of beneficiaries when successfully channeled through the improvement and expansion of their business activities.

**Table 6.** Indirect effect results

Relationship	Path coefficient	T-value	P-value
Productive zakat → Business growth → Welfare	0.262	2.531	0.012
Business assistance → Business growth → Welfare	0.002	0.095	0.925

Source: Processed Data, 2026

Conversely, the mediation analysis for business assistance revealed a different dynamic. The indirect effect of business assistance on *mustahiq* welfare via business growth resulted in a path coefficient of only 0.002, a t-value of 0.095, and a non-significant p-value of 0.925. These findings suggest that although business assistance is a primary driver of business growth (as established in the direct effect analysis), growth alone does not automatically translate into improved welfare through the assistance variable. This highlights the unique role of productive zakat as a catalyst for sustainable welfare improvement, when mediated by successful business development.

## Discussion

### *Productive zakat and business growth*

Statistical analysis reveals that productive zakat does not exert a significant direct effect on the business growth of *mustahiq*. These results suggest that the provision of financial capital alone is insufficient to stimulate measurable improvements in business performance. From a theoretical perspective, access to financial resources does not automatically translate into business expansion unless complemented by managerial competencies, entrepreneurial knowledge, and market access. Literature in microfinance and entrepreneurship emphasizes that financial assistance must be integrated with capacity-building interventions to yield sustainable business outcomes (Beck, 2015; Banerjee et al., 2019). Within the framework of Islamic social finance, while productive zakat is intended to serve as catalytic capital for income-generating activities, its economic impact remains constrained in the absence of adequate institutional support and professional mentoring.

The insignificant relationship identified in this study suggests that the effectiveness of productive zakat programs depends on the broader ecosystem in which assistance is delivered. Previous empirical studies have highlighted that micro-enterprise development among low-income groups requires a combination of financial inclusion, entrepreneurial training, and continuous monitoring (Cull et al., 2016). In the absence of such complementary mechanisms, financial aid tends to be used primarily for short-term consumption rather than productive investment, particularly among vulnerable households facing immediate economic pressure. This explanation aligns with the findings of Maulana, (2023) who argued that productive zakat programs require structured mentoring systems and appropriate beneficiary targeting to generate measurable business growth.

Field evidence obtained from interviews with *mustahiq* beneficiaries of productive zakat distributed by BAZNAS Kota Malang supports this interpretation. Several recipients reported that the assistance they received, either in the form of micro-business capital or production equipment, was relatively small and therefore insufficient to significantly expand their business. In addition, some beneficiaries redirected part of the aid toward urgent household consumption needs, reflecting the liquidity constraints commonly faced by low-income entrepreneurs. Another important factor is the limited monitoring and follow-up training provided by zakat institutions, which reduces the effectiveness of capital assistance in strengthening the entrepreneurial capacity. As noted by Ekaviana & Nur Ramadhani, (2025), both institutional governance and the individual readiness of *mustahiq* are critical determinants of whether productive zakat can successfully promote sustainable economic empowerment.

### *Business assistance and business growth*

The findings demonstrate that business assistance exerts a substantial and significant positive effect on the growth of *mustahiq* enterprises. This result suggests that non-financial support mechanisms

play a pivotal role in strengthening the entrepreneurial capacity of *mustabiq*. From a theoretical perspective, business mentoring programs enhance human capital and managerial competencies, both of which serve as essential drivers of micro-enterprise performance. In line with entrepreneurship development theory, the provision of training, mentoring, and access to business networks significantly bolsters the ability of small-scale entrepreneurs to manage resources effectively, adopt efficient production strategies, and proactively respond to market opportunities (Valerio et al., 2014; Bruce et al., 2021).

Empirical evidence from international research further supports the importance of structured business development services. Studies on micro-enterprise support programs indicate that entrepreneurs who receive continuous mentoring and training experience higher productivity growth and better financial performance than those who receive capital assistance alone (Mckenzie & Woodruff, 2012). In the context of Islamic social finance, business assistance functions as a mechanism that transforms zakat funds into productive economic empowerment tools by strengthening *mustabiq* entrepreneurs' skills, motivation, and strategic decision-making abilities. This explains why the effect of business assistance in this study is substantially stronger than that of productive zakat capital.

Field observations from *mustabiq* beneficiaries of BAZNAS Kota Malang illustrate how such assistance contributes to business development. Beneficiaries who participated in training programs and received continuous mentoring reported improved confidence in managing their businesses, including better financial planning, product innovation, and marketing strategies. Several *mustabiq* also experienced increased revenue after receiving intensive guidance from facilitators. These findings support the argument that effective business assistance can bridge the gap between financial support and sustainable entrepreneurial success. Similar conclusions were reported by Widiastuti et al. (2021) and Mawardi et al. (2023), who emphasized that technical and managerial assistance is a key determinant of successful productive zakat programs.

#### *Business growth on the welfare of mustabiq*

The results indicate that business growth exerts a positive and significant effect on *mustabiq* welfare. This finding confirms that the advancement of micro-business activities substantially contributes to enhancing the economic well-being of low-income households. From an economic perspective, business growth bolsters income stability, strengthens household financial resilience, and expands opportunities for social mobility. Within the framework of Islamic economic principles, this process aligns with the concept of *maqasid al-Sharia*, specifically *hifz al-mal* (the preservation of wealth), which underscores the necessity of economic empowerment in achieving both individual and collective social welfare.

International development literature also highlights that micro-enterprise growth can play a significant role in poverty reduction by increasing employment opportunities and household incomes (Beck et al., 2010). When small businesses expand their production capacity and market reach, they generate additional economic value that directly improves the living conditions of the entrepreneurs and their families. In the context of *mustabiq* empowerment, this mechanism explains how successful business development programs can gradually transform zakat recipients into financially independent individuals.

The field observations of this study support this mechanism. *Mustabiq* whose businesses experienced measurable growth reported greater financial independence, allowing them to meet essential household needs such as food consumption, children's education expenses and participation in community social activities. These improvements reflect a multidimensional enhancement of welfare, encompassing economic and social aspects. This finding is consistent with the studies of Susanto et al., (2023) and Perdana et al., (2024), which demonstrate that productive ZIS programs can contribute to micro-enterprise growth and improved welfare outcomes.

However, the relationship between business growth and welfare is not linear. Some studies report that increases in micro-enterprise activity do not necessarily translate into immediate welfare improvements due to factors such as market instability, limited production scale and fluctuating income streams (Putra et al., 2023). A similar observation was made by Jalaludin (2012), who found

that although productive zakat can stimulate micro-enterprise development, the resulting income increases may remain insufficient to significantly alter long-term welfare. These differences highlight the importance of program sustainability, market integration, and continuous institutional support in ensuring that business growth leads to durable improvements in *mustabiq* welfare.

#### *Productive zakat for the welfare of mustabiq through business growth*

The indirect effect analysis reveals that productive zakat significantly and positively influences *mustabiq* welfare through the mediating role of business growth. These findings confirm that business growth serves as a critical mechanism linking productive zakat to enhanced welfare outcomes. This suggests that the impact of zakat on welfare is not merely direct; rather, it operates through a process of economic empowerment, where zakat capital facilitates the development of micro-enterprises that generate sustainable income. From a development economics perspective, capital injections for micro-entrepreneurs enhance productive capacity, enabling beneficiaries to expand their business activities, increase output, and access broader markets. Consequently, the resulting improvements in income and economic stability contribute to superior household welfare outcomes.

From a theoretical perspective, this mechanism is consistent with the literature on financial inclusion and microenterprise development. Studies have shown that financial assistance targeted at low-income entrepreneurs can improve welfare outcomes when capital is used to strengthen business productivity and income-generating capacity. For example, research on development finance indicates that access to productive capital can facilitate microenterprise expansion, which in turn increases household income and reduces poverty levels (Beck et al., 2010). Similarly, studies on microfinance interventions demonstrate that financial support for small-scale entrepreneurs often indirectly improves welfare by enabling beneficiaries to invest in productive activities that generate continuous income streams (Banerjee et al., 2019).

In the context of Islamic social finance, productive zakat is not merely designed as short-term charitable assistance but as a strategic instrument for economic empowerment. By providing capital for business activities, zakat institutions enable *mustabiq* to build productive assets and strengthen their economic resilience. Field observations from this study indicate that *mustabiq* who successfully expanded their businesses after receiving zakat assistance experienced improvements in income stability and household consumption capacity. These findings support previous research by Nasution and Prayogi, (2019), which emphasized that productive zakat can effectively improve *mustabiq* welfare when it is integrated with structured empowerment programs such as entrepreneurial training, monitoring, and mentoring. Therefore, the mediating role of business growth highlights the importance of designing zakat programs that focus on sustainable business development rather than solely distributing financial aid.

#### *Business assistance for the welfare of mustabiq through business growth*

The indirect effect analysis reveals that business assistance does not significantly influence *mustabiq* welfare through business growth. These findings indicate that business growth fails to act as a mediating variable in the relationship between business assistance and welfare improvement. This suggests that while assistance programs are in place, they have yet to generate the measurable improvements in business performance necessary to translate into enhanced welfare outcomes for *mustabiq*. Consequently, although support mechanisms are provided, they appear insufficient in stimulating sustainable enterprise growth within the studied context.

One explanation for this result can be understood through the entrepreneurship development framework, which emphasizes that business assistance programmes must be comprehensive, continuous, and tailored to the needs of small entrepreneurs. Training or mentoring initiatives delivered only once or without follow-up monitoring often fail to produce significant improvements in entrepreneurial capacity. Research on small business development indicates that mentoring programs can generate measurable economic impacts only when they are implemented intensively and over a sustained period (Mckenzie & Woodruff, 2012). Without consistent guidance, many microentrepreneurs struggle to apply their newly acquired knowledge in their daily business operations, thereby limiting the effectiveness of assistance programs.

In addition, the limited impact of business assistance observed in this study may be attributed to issues related to program targeting and implementation quality. Studies on microenterprise support programs highlight that poorly designed interventions, such as generalized training programs that do not match the specific needs of entrepreneurs, tend to have weak effects on business performance. Field observations in this study suggest that the business assistance provided to *mustabiq* may have been limited in duration and lacked systematic monitoring of business development progress. Consequently, assistance did not significantly enhance business productivity, which explains why the indirect effect on welfare remained insignificant.

These findings differ from those of Widiastuti et al., (2021), who reported that business growth can act as a significant mediator between mentoring programs and *mustabiq* welfare. However, these studies also emphasize that effective empowerment programs require structured mentoring systems, long-term support, and continuous evaluation mechanisms. Therefore, to enhance the welfare impact of business assistance programs, zakat institutions must adopt more integrated and sustainability-oriented empowerment strategies. Such strategies should combine financial support, entrepreneurial training, mentoring, and systematic monitoring to ensure that *mustabiq* businesses can grow and ultimately improve their long-term welfare.

## Conclusion

This study achieved its primary objective of examining the roles of productive zakat and business assistance in improving *mustabiq* welfare through business growth. The findings reveal that business assistance significantly contributes to the growth of *mustabiq* businesses, while productive zakat does not have a significant direct effect on business growth. Nevertheless, productive zakat has a positive and significant indirect effect on *mustabiq* welfare through business growth, indicating that economic performance is an important mechanism for translating zakat-based empowerment into improved welfare outcomes. In contrast, business assistance does not significantly influence welfare through business growth, suggesting that its current implementation may not be sufficiently aligned with broader welfare improvement.

These findings have important practical implications for stakeholders in Islamic social finance, particularly zakat management institutions such as BAZNAS. The results suggest that productive zakat programs should not focus solely on capital distribution; they should also integrate structured mentoring, business training, and continuous monitoring to ensure that financial assistance leads to sustainable business development. Strengthening managerial guidance and entrepreneurial capacity among *mustabiq* may enhance the effectiveness of both productive zakat and business assistance programs, ultimately supporting long-term economic empowerment and welfare improvements.

Despite its contributions, this study has some limitations. First, the analysis focuses on a limited set of variables, productive zakat, business assistance, business growth, and *mustabiq* welfare, which may not fully capture the complexity of factors influencing welfare outcomes. Second, the study relies on cross-sectional data, which limits the ability to observe the long-term impact of zakat-based empowerment programs. These limitations suggest that the findings should be interpreted within the context of the selected variables and research design.

Future research should expand the analytical framework by incorporating additional variables, such as financial literacy, entrepreneurial motivation, institutional support, and the demographic characteristics of *mustabiq*. Longitudinal studies may also provide deeper insights into the sustainability of business growth and welfare improvements resulting from productive Zakat programs. By addressing these aspects, future studies can further strengthen both the theoretical and practical understanding of how Islamic social finance instruments contribute to inclusive economic development and poverty alleviation.

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### Declaration of generative AI and AI-assisted technologies in the writing process

The author declares that artificial intelligence (AI) tools were used solely for language editing and translation during the preparation of this manuscript. Specifically, AI-based language assistance tools, including ChatGPT, were used to improve the grammar, clarity, and overall readability of the text. The author confirms that all intellectual content, including the research design, data analysis, interpretation of results, and conclusions presented in this manuscript are entirely the author's responsibility. The author has carefully reviewed and verified the final version of the manuscript and assumes full responsibility for its accuracy and integrity of the manuscript.

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