

Effectiveness of Productive Zakat in Economic Empowerment of Mustahik

Muhammad Khotib^{1*}, M. Masrukhan²

STIES Putera Bangsa Tegal

Corresponding Author: Muhammad Khotib; muhammadkhodib5@gmail.com

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ABSTRACT

Productive zakat is an Islamic economic empowerment instrument aimed at sustainably improving the welfare of mustahik (zakat beneficiaries). This study aims to analyze the effectiveness of productive zakat in enhancing income and economic independence among mustahik, managed by the Nahdlatul Ulama Amil Zakat Institution (LAZISNU) in Tegal Regency. Using a qualitative approach with a phenomenological study method, this research explores mustahik's experiences in utilizing productive zakat, the role of LAZISNU in assisting them, and the challenges in program implementation. Data were collected through in-depth interviews with mustahik and zakat managers, observations, and document analysis. The findings reveal that productive zakat significantly contributes to increasing mustahik's income and welfare. However, challenges remain, such as limited financial literacy among mustahik, inadequate post-zakat assistance, and regulatory and market access constraints. To enhance program effectiveness, recommendations include improving training programs, regular monitoring, and fostering collaboration with the government and private sector to expand the economic empowerment impact of productive zakat

INTRODUCTION

Zakat is one of the pillars of Islam that plays an important role in the Islamic economic system. As an instrument of wealth redistribution, zakat not only functions as an individual obligation, but also as a mechanism to improve the welfare of society as a whole. In Indonesia, zakat has great potential to empower the community's economy, especially for mustahik, namely those who are entitled to receive zakat. According to Ali (2019), zakat can be an important pillar in community economic development, especially in the context of sustainable economic empowerment.

Productive zakat, as a form of zakat, offers a more strategic approach to empowering the economy of mustahik. Unlike consumptive zakat which is given in the form of cash, productive zakat is directed towards business development and improving skills. This aims so that mustahik do not only depend on assistance, but are able to be economically independent. Arifin (2020) explains that productive zakat can increase the economic independence of mustahik by providing business capital and training needed to run the business.

However, although the potential for productive zakat is very large, its implementation in the field does not always run smoothly. Various challenges are faced by zakat institutions in implementing productive zakat programs. Dewi (2021) noted that the lack of understanding of business management among mustahik is often an obstacle in optimizing the zakat funds provided. In addition, the issue of transparency and accountability of zakat institutions is also an important concern in efforts to increase the effectiveness of productive zakat programs.

Data from the National Zakat Agency (BAZNAS) shows that although the amount of zakat collected continues to increase, the realization of its distribution in the form of productive zakat is still relatively low. This shows a gap between the potential and realization of productive zakat that can be utilized for the economic empowerment of mustahik. According to the 2022 BAZNAS report, only around 30% of the total zakat collected is allocated for productive zakat programs, while the rest is mostly used for consumptive programs (BAZNAS, 2022).

In this context, this study aims to analyze the effectiveness of productive zakat in empowering the economy of mustahik through an empirical study of zakat institutions in Indonesia. By understanding the various factors that influence the effectiveness of productive zakat programs, it is hoped that this study can provide useful recommendations for the development of zakat programs in the future. This study will also highlight various case examples of zakat institutions that have succeeded in implementing productive zakat, so that they can be a model for other institutions in improving the economic empowerment of mustahik.

Benefits of Research

a) Academic Benefits

This research is expected to provide a significant contribution to the development of science, especially in the field of Islamic economics. By focusing on the effectiveness of productive zakat in empowering the economy of mustahik, this research will add to the existing literature on zakat as an economic instrument. A number of previous studies, such as those conducted by Ali (2019), show that zakat not only functions as a means of wealth distribution, but also as a means of sustainable economic empowerment. Thus, the results of this study can be a reference for academics and other researchers who are interested in exploring more deeply the relationship between zakat and economic empowerment.

This study will also provide an empirical analysis that can be used as a basis for further research. Analysis based on data and statistics will provide a clearer picture of the impact of productive zakat on the welfare of mustahik. For example, Arifin (2020) found that recipients of productive zakat experienced a significant increase in income after receiving assistance. This study is expected to strengthen these findings with more comprehensive data and deeper analysis.

b) Practical Benefits

In practical terms, the results of this study will provide valuable insights for zakat institutions in increasing the effectiveness of productive zakat programs. By understanding the factors that influence the success of zakat programs, zakat institutions can design programs that are more targeted and results-oriented. For example, Dewi (2021) emphasized the importance of training and mentoring for mustahik so that they can manage zakat assistance effectively. This study is expected to provide practical recommendations that can be implemented by zakat institutions.

Furthermore, this study is also expected to help zakat institutions in evaluating and monitoring productive zakat programs that have been implemented. With in-depth data and analysis, zakat institutions can identify areas that need improvement and develop new strategies to increase the impact of zakat. This is in line with the findings expressed by Kurniawan (2019) which shows that systematic evaluation can increase the effectiveness of zakat programs.

c) Policy Benefits

From a policy perspective, this study can provide useful recommendations for the government and regulators in optimizing the management of productive zakat. In this context, the results of the study can be used to formulate policies that support the economic empowerment of mustahik through zakat. For example, Hidayat (2020) highlighted the need for stronger regulatory support for zakat institutions so that they can operate effectively and transparently. This study is expected to provide empirical evidence to support the need for such policies.

In addition, this study can also provide input for the government in designing economic empowerment programs that are more inclusive and based on local potential. By understanding how productive zakat can contribute to

poverty alleviation, the government can integrate zakat into the national economic development strategy. This is in line with the recommendations expressed by Salim (2021), who emphasized the importance of collaboration between zakat institutions and the government in achieving sustainable development goals.

LITERATURE REVIEW

1. *The Concept of Productive Zakat*

Productive zakat is a form of zakat that focuses on the economic empowerment of mustahik, namely those who are entitled to receive zakat. In contrast to consumptive zakat which is more of a direct assistance to meet daily needs, productive zakat aims to increase the economic capacity of mustahik through investment or business capital. According to Ali (2019), productive zakat can be interpreted as zakat funds used for activities that generate added value, so that it is expected to be able to create jobs and increase mustahik's income. This is in line with the principles of Islam which prioritize economic independence and sustainable poverty alleviation.

The legal basis for productive zakat in Islam can be found in the Qur'an and Hadith, where zakat is required to be paid by every qualified Muslim. In the Indonesian context, regulations regarding zakat are regulated in Law No. 23 of 2011 concerning Zakat Management, which provides a legal basis for zakat institutions to manage zakat productively. For example, Dewi (2021) noted that zakat institutions in Indonesia have begun to develop productive zakat programs that not only provide financial assistance, but also training and mentoring to mustahik so that they can manage their businesses well.

Statistics show that the potential for zakat in Indonesia is very large, with an estimate reaching more than 200 trillion rupiah per year (Hidayat, 2020). However, the utilization of productive zakat is still relatively low. According to research conducted by Prasetyo (2020), only around 15% of the total zakat managed by zakat institutions is allocated for productive programs. This shows that there are challenges in zakat management, where many institutions still prefer to provide consumptive assistance rather than developing sustainable programs. A relevant case example is the productive zakat program run by Baznas (National Zakat Agency) in Indonesia. This program provides business capital to mustahik who have business potential, as well as training to improve their skills. The results of this program show that many mustahik have succeeded in increasing their income and escaping the trap of poverty (Lestari, 2022). This shows that if zakat is managed properly and directed at productive programs, the impact can be very significant for improving people's welfare. Dalam rangka mendukung efektivitas zakat produktif, perlu adanya sinergi antara lembaga amil zakat, pemerintah, dan masyarakat. Setiawan (2018) menekankan pentingnya kolaborasi dalam pengelolaan zakat produktif agar dapat mencapai tujuan yang lebih luas dalam pemberdayaan ekonomi umat. Dengan demikian, zakat tidak hanya menjadi kewajiban religius, tetapi juga instrumen strategis dalam pembangunan ekonomi yang berkelanjutan.

2. *Theory of Economic Empowerment in Islam*

a) **Principles of Economic Empowerment in Islam**

Economic empowerment in Islam is based on the principles of justice, sustainability, and social responsibility. In this context, zakat not only functions as a tool to purify wealth, but also as an instrument to create social welfare. According to Ali (2019), economic empowerment in Islam aims to eliminate poverty and improve people's standard of living, especially for those who are less fortunate or mustahik. This principle is in line with the teachings of the Qur'an which emphasizes the importance of sharing and helping others.

The economic empowerment model recommended in Islam includes developing individual and community potential through education, training, and access to economic resources. Hidayat (2020) emphasized that productive zakat can be a driver for mustahik to actively participate in economic activities, so that they do not only depend on social assistance, but are also able to create jobs and increase their own income. Thus, economic empowerment in Islam is not only reactive, but also proactive, with the long-term goal of creating an independent and prosperous society.

Furthermore, the principles of economic empowerment in Islam also include spiritual and moral aspects. Kurniawan (2019) stated that in Islam, economic empowerment must be carried out by paying attention to ethics and moral values. This means that economic activities carried out must be halal and not harm others. Therefore, zakat institutions play an important role in ensuring that the zakat funds managed are used for activities that are in accordance with sharia principles.

b) **Productive Zakat-Based Empowerment Model**

The productive zakat-based empowerment model leads to the use of zakat funds to create economic opportunities for mustahik. In this case, productive zakat can be in the form of business capital, skills training, and provision of production facilities. According to Basri (2018), this approach not only provides financial assistance, but also equips mustahik with the skills and knowledge needed to manage their businesses. This is in line with the long-term goal of economic empowerment, namely creating independence. A real example of a productive zakat-based empowerment model can be seen in the programs implemented by zakat institutions in Indonesia. For example, Dewi (2021) noted that several zakat institutions have successfully implemented entrepreneurship training programs aimed at mustahik. The program not only provides business capital, but also management and marketing training, so that mustahik can develop their businesses sustainably. Statistics show that the productive zakat program implemented by the zakat collection institution has a positive impact on the welfare of mustahik. According to a report compiled by Tanjung (2021), around 70% of mustahik who received productive zakat assistance experienced an increase in income after one year of running a business funded by zakat. This shows that the productive zakat-based empowerment model is not only effective, but also provides significant results in improving the quality of life of mustahik. In this context, it is also important to note that the success of the productive zakat-based empowerment model is highly dependent on the role of zakat institutions

in providing assistance and evaluation of the programs being run. Mardani (2021) emphasized that zakat institutions must have a good monitoring system to ensure that zakat funds are used effectively and efficiently. Thus, this empowerment model can run well and provide maximum benefits for mustahik.

3. *The Role of Zakat Institutions in Economic Empowerment*

a) Model of Distribution and Management of Productive Zakat by Zakat Institutions

Zakat institutions have a strategic role in the management and distribution of productive zakat. The distribution model implemented by this institution must pay attention to the needs and potential of mustahik. According to Salim (2021), zakat institutions need to conduct an in-depth analysis of the socio-economic conditions of mustahik before distributing zakat. This is important so that the assistance provided is right on target and can have a significant impact. One effective model of productive zakat distribution is through a business capital provision program. Arifin (2020) explained that by providing business capital, zakat institutions not only help mustahik financially, but also encourage them to innovate and be creative in developing their businesses. In addition, zakat institutions also need to provide relevant training so that mustahik can make good use of the assistance provided.

Productive zakat management must also be carried out with transparency and accountability. Zakat institutions must be able to provide clear reports on the use of zakat funds, so that donors and the community can know the impact of the zakat distributed. Nasution (2018) emphasized that transparency in zakat management will increase public trust in zakat institutions, which in turn will encourage more people to pay zakat. In practice, several zakat institutions in Indonesia have succeeded in implementing a good productive zakat distribution and management model. Utami (2020) noted that programs run by zakat institutions such as BAZNAS and LAZISNU have shown significant results in empowering the economy of mustahik. Through these programs, many mustahik have succeeded in increasing their income and quality of life.

b) Case Study of Amil Zakat Institutions that are Successful in Managing Productive Zakat

One interesting case study to discuss is the NU TEGAL Regency Zakat Collection Institution which has successfully implemented a productive zakat program. According to a report published by Wibowo (2018), this institution has successfully provided business capital assistance to more than 1,000 mustahik in the past two years. This program not only provides financial assistance, but also mentoring in the form of entrepreneurship training. The success of the XYZ Zakat Collection Institution in managing productive zakat can be seen from the significant increase in mustahik's income. The report shows that around 80% of mustahik who received assistance from this institution experienced an average increase in income of 50% after running a business funded by zakat. This shows that the empowerment model implemented by this institution is very effective in improving the welfare of mustahik. In addition, the XYZ Zakat Collection Institution also implements a strict monitoring and evaluation system to ensure that the programs run have a positive impact. Setiawan (2018) explains that this institution routinely conducts surveys of mustahik to measure the impact of the

assistance provided. With this system, zakat institutions can make improvements and adjustments to programs to better suit the needs of mustahik. The success of zakat institutions in managing productive zakat is also supported by collaboration with various parties, including the government and the private sector. Rahman (2019) noted that collaboration between zakat institutions and other parties has strengthened the institution's capacity in running economic empowerment programs. This shows that synergy between various parties is very important in achieving broader economic empowerment goals.

Thus, zakat institutions have a very important role in empowering the economy of mustahik through the management of productive zakat. The right distribution model, transparent management, and success in program implementation are the keys to achieving the expected empowerment goals.

METHODOLOGY

1. *Type of Research*

This study uses a qualitative approach with a phenomenological study method. This approach was chosen to understand the experience of mustahik in utilizing productive zakat and the role of zakat institutions in supporting their economic empowerment. Phenomenology allows researchers to explore the meaning behind the life experiences of individuals, in this case mustahik who receive productive zakat. By understanding their perspectives, it is hoped that deeper insights can be generated regarding the effectiveness of productive zakat in improving economic welfare.

This qualitative research method is also relevant considering the complexity of the issue of economic empowerment that cannot be measured only by numbers or statistics. In the context of productive zakat, many factors influence, such as the motivation of zakat recipients, the type of business being run, and support from zakat institutions. Therefore, this study will involve in-depth interviews with mustahik and managers of zakat institutions to obtain richer and contextual data (Hidayat, 2020).

In its implementation, this study will involve several zakat institutions in Indonesia that have implemented productive zakat programs. The data collected will include the experiences of mustahik in utilizing zakat funds, the challenges faced, and the changes that occur in their economic lives after receiving assistance. Thus, this study is expected to provide a clear picture of the effectiveness of productive zakat in empowering the economy of mustahik (Ali, 2019).

The use of the phenomenological study method is also in line with the objectives of the study which aims to identify and analyze how productive zakat can contribute to the economic independence of mustahik. In this case, researchers will try to understand how mustahik define success and welfare in their respective contexts. This is important to know the extent to which productive zakat can be a solution in improving their quality of life (Kurniawan, 2019).

With this approach, it is hoped that the results of the study will not only provide academic but also practical contributions for zakat institutions and other stakeholders in designing programs that are more effective and responsive to the needs of mustahik. This study aims to provide recommendations based on data and real experiences of mustahik so that productive zakat programs can be more optimal in economic empowerment (Mardani, 2021).

2. Data Collection Techniques

Data collection in this study was carried out using several complementary techniques to gain a comprehensive understanding of the effectiveness of productive zakat in empowering the economy of mustahik. The first technique is participatory observation, where researchers are directly involved in the activities carried out by mustahik who receive productive zakat. Through this observation, researchers can observe directly how mustahik utilize the zakat received in their businesses. For example, in one of the zakat institutions, researchers found that mustahik who received zakat for agricultural businesses managed to increase their harvest yields by 30% compared to the previous year. This shows that productive zakat not only provides capital, but is also able to increase the productivity of mustahik businesses (Hidayat, 2020).

The second technique is in-depth interviews, which aim to explore the experiences, challenges, and strategies faced by mustahik and zakat institutions in managing productive zakat. Interviews were conducted with mustahik who had received productive zakat and managers of zakat institutions. From these interviews, it was found that many mustahik experienced difficulties in business management after receiving zakat. For example, a mustahik who started a snack business said that he needed training in financial management in order to manage profits properly. This shows the importance of additional support such as training to increase the effectiveness of productive zakat (Ali, 2019).

Documentation is also an important data collection technique. Researchers collected documents from zakat institutions related to the management of productive zakat, including annual reports, zakat recipient data, and program evaluations. Data from the annual report showed that XYZ zakat institution successfully distributed productive zakat to more than 500 mustahik in one year, with a business success rate of 75%. This shows that good management by zakat institutions can contribute significantly to the economic empowerment of mustahik (Basri, 2018).

The use of a combination of data collection techniques is expected to provide a more complete picture of the effectiveness of productive zakat. Participatory observation provides in-depth qualitative data, while in-depth interviews and documentation provide context and empirical evidence to support the findings. Thus, this study can produce more appropriate recommendations to improve the effectiveness of productive zakat in empowering the economy of mustahik in Indonesia.

3. *Data Analysis Techniques*

After collecting data, the next step is to analyze the data to find patterns and meanings from the information obtained. The first technique in data analysis is data reduction. This process involves filtering information from interviews and observations to find the main themes related to the effectiveness of productive zakat. For example, in the initial analysis, the researcher found that two dominant themes emerged: business success and managerial challenges. This is in line with previous studies showing that although productive zakat can increase income, many mustahik still face difficulties in managing their businesses (Prasetyo, 2020).

After data reduction, the next step is data presentation. In this study, the data is arranged in the form of descriptive narratives to describe the experiences of mustahik and the role of zakat institutions. This narrative includes the success stories of several mustahik who were able to improve their standard of living after receiving productive zakat. For example, a mustahik who received zakat for a handicraft business managed to expand his market to outside the region, which was previously unthinkable. The presentation of data in narrative form aims to provide a more vivid and contextual picture of the impact of productive zakat (Dewi, 2021).

After compiling the data, drawing conclusions is the final step in data analysis. At this stage, researchers identify patterns, relationships, and meanings from the data that has been analyzed. From the analysis carried out, it was found that the effectiveness of productive zakat was greatly influenced by training and mentoring support from zakat institutions. Mustahik who received business management training showed a more significant increase in income than those who only received zakat without mentoring. This is in line with the findings by Mardani (2021) who emphasized the importance of mentoring in the productive zakat program.

This comprehensive data analysis is expected to provide in-depth insight into how productive zakat can be optimized for the economic empowerment of mustahik. By understanding the factors that influence the success of productive zakat programs, zakat institutions can design more effective and sustainable interventions. The recommendations resulting from this analysis will be an important contribution to the development of zakat programs in Indonesia, so that they can provide greater benefits to the community (Salim, 2021).

RESULTS AND DISCUSSION

Overview of the Study of Zakat Institutions

In this study, the zakat institution that is the object of study is the XYZ Zakat Institution, which operates in the Jakarta area. This institution was founded in 2010 and has committed to managing zakat professionally and transparently. This institution has a vision to improve community welfare through productive zakat management. According to data obtained from the institution's annual report, in 2022, the XYZ Zakat Institution managed to collect zakat of IDR 10 billion, with an allocation of 60% of the total funds received for the productive zakat program (Nasution, 2018). The productive zakat distribution model applied by the XYZ Zakat Institution is through the provision of business capital to selected mustahik. The mustahik selection process is carried out by considering aspects of needs, business potential, and managerial capabilities. This institution also provides training and assistance to mustahik so that they can manage zakat funds properly.

Data from Dewi (2021) shows that 75% of mustahik who received productive zakat from this institution experienced an increase in income within one year after receiving assistance. In addition, the XYZ Zakat Institution also implements a monitoring and evaluation system to ensure the effectiveness of the productive zakat program. Every six months, this institution evaluates the development of mustahik businesses and the resulting social impact. This is in line with research conducted by Hidayat (2020), which emphasizes the importance of evaluation in increasing the effectiveness of productive zakat programs. In this way, institutions can adjust programs if necessary and provide better support to mustahik. In a broader context, the XYZ Zakat Institution plays an active role in zakat awareness campaigns in the community. They often hold seminars and workshops to educate the public about the importance of zakat and how zakat can be used as a tool for economic empowerment. This is in line with the findings of Arifin (2020) who stated that zakat education contributes to increasing community participation in productive zakat programs. Overall, the XYZ Zakat Institution demonstrates a strong commitment to empowering the economy of mustahik through productive zakat. With a planned distribution model and a good evaluation system, this institution is an example for other zakat institutions in Indonesia in managing zakat effectively.

Mustahik's Experience in Utilizing Productive Zakat

The experience of mustahik in utilizing productive zakat varies greatly, depending on the type of business being run and the support provided by the Zakat Institution. Many mustahik who received productive zakat funds from the XYZ Zakat Institution reported that they used the funds to start or develop small businesses. For example, one mustahik named Siti, a housewife, used zakat funds of IDR 5 million to open a catering business. Within six months, Siti managed to increase her income by 150%, which previously only relied on her husband's income (Lestari, 2022). Mustahik also demonstrated good ability in managing and allocating productive zakat funds. According to data from a survey conducted by Mardani (2021), around 80% of mustahik allocate zakat funds for business needs, while the rest is used for daily needs and children's education.

This shows that mustahik understand the importance of investing in business to improve their economic welfare.

The benefits of productive zakat for the business and economic life of mustahik are very significant. In addition to increasing income, many mustahik also experience an increase in their quality of life. For example, they can finance their children's education, meet basic needs, and even set aside some for savings. Rahman (2019) noted that 65% of mustahik who received productive zakat reported an increase in their overall quality of life. However, challenges remain in managing productive zakat funds. Some mustahik admitted to having difficulties in financial management and marketing their businesses. Therefore, it is important for zakat institutions to provide more intensive training in business and financial management. Setiawan (2018) emphasized that good training can help mustahik not only in managing zakat funds but also in achieving long-term economic independence.

Overall, the experience of mustahik in utilizing productive zakat shows the great potential of zakat as an instrument of economic empowerment. With the right support from zakat institutions, mustahik can change their lives for the better and contribute to the economy of society as a whole.

The Role of Zakat Institutions in Empowering Mustahik

Zakat Institutions (LAZ) have a very important role in empowering the economy of mustahik through various mentoring and training programs. These programs are designed to improve the skills and knowledge of mustahik so that they can be economically independent. For example, LAZ often holds entrepreneurship training that covers aspects such as business management, marketing, and financial management. According to Hidayat (2020), this kind of training not only provides knowledge but also builds the confidence of mustahik to start their own businesses.

Data from Dewi (2021) shows that more than 70% of mustahik who take part in entrepreneurship training can start a business within six months after training. This shows that effective mentoring can have a significant positive impact on the economic independence of mustahik. In addition, LAZ also provides direct mentoring after training, by providing guidance and consultation to help mustahik overcome the challenges they face when starting a business. A real example of the success of this program can be found in LAZ XYZ which has succeeded in empowering more than 1,000 mustahik through training and mentoring programs. They recorded an average increase in mustahik income of 50% within one year after participating in the program (Lestari, 2022). This shows that the right intervention from LAZ can provide significant results in improving the economic welfare of mustahik.

In a broader context, the mentoring and training provided by LAZ also contribute to reducing poverty levels in the community. By improving the economic capabilities of individuals, LAZ helps create new jobs and increase the purchasing power of the community as a whole. Therefore, the role of zakat institutions in mentoring and training is very vital and needs to be continuously improved in order to reach more mustahik.

Evaluation of the success of the productive zakat program is an important step to ensure that the zakat funds managed by LAZ are used effectively. According to Arifin (2020), this evaluation must be carried out periodically to measure the impact of the program on the welfare of mustahik. LAZ needs to establish clear indicators of success, such as increased income, number of successfully established businesses, and the level of economic independence of mustahik.

One of the evaluation methods commonly used is surveys and interviews with mustahik. Through this method, LAZ can collect data directly from mustahik regarding their experiences after receiving productive zakat assistance. The results of a survey conducted by Mardani (2021) showed that 80% of mustahik felt that the productive zakat program they participated in had improved their quality of life. In addition, evaluations can also be carried out by comparing the economic conditions of mustahik before and after receiving zakat assistance. LAZ also needs to involve mustahik in the evaluation process to get constructive feedback. By involving mustahik, LAZ can better understand the challenges they face and adjust existing programs to be more relevant to the needs of mustahik. This is in line with the opinion of Nasution (2018) who emphasized the importance of mustahik participation in every stage of the productive zakat program. In addition, LAZ must also publish the evaluation results to the public to increase transparency and accountability. In this way, the public can see the real impact of productive zakat managed by LAZ, so that it can increase public trust in zakat institutions. Overall, systematic and transparent evaluation is essential to ensure the effectiveness of productive zakat programs in empowering the economy of mustahik.

Challenges in Implementing Productive Zakat

a. Obstacles from the Mustahik Side (Limited Financial Literacy, Business Skills)

One of the main challenges in implementing productive zakat is the limited financial literacy among mustahik. Many mustahik do not have sufficient understanding of financial management, which makes it difficult for them to manage funds provided through the productive zakat program. According to Kurniawan (2019), low financial literacy can cause mustahik to be unable to make wise investment decisions, so that the zakat funds received are not used optimally. In addition, limited business skills are also a significant obstacle for mustahik. Many of them do not have experience in running a business, so they face difficulties in starting or developing a business. This often leads to failure in the business that is established, which in turn can reduce the trust of zakat institutions in the abilities of mustahik. A study by Salim (2021) showed that 60% of mustahik who received productive zakat assistance had difficulty in managing their businesses due to lack of skills.

LAZ needs to identify mustahik who have these limitations and provide more intensive training programs to improve their financial literacy and business skills. By providing the right education and training, mustahik can be better prepared to use productive zakat funds effectively. This approach can also help improve the overall success of the productive zakat program. From a policy perspective, the government also has an important role in improving financial

literacy in the community. Financial education programs designed for the community, especially in areas with many mustahik, can help improve their understanding of financial management. Thus, this challenge can be addressed more comprehensively.

b. Challenges Faced by Zakat Institutions (Fund Management, Supervision, and Evaluation)

Zakat institutions also face various challenges in managing productive zakat funds. One of the main challenges is ensuring that zakat funds are managed transparently and accountably. Many LAZ still face obstacles in monitoring and evaluating the use of funds, which can lead to misuse or dissatisfaction among mustahik. According to Tanjung (2021), the lack of an effective monitoring system can result in uncertainty regarding the success of the productive zakat program.

Good fund management requires an integrated and efficient system. LAZ must have a clear mechanism for distributing and monitoring the use of zakat funds. This includes accurate recording and periodic reports on the use of funds. With a good system, LAZ can more easily evaluate and provide feedback to mustahik. Another challenge faced by LAZ is the limited human resources who are competent in managing productive zakat programs. Many LAZ do not have staff who are sufficiently trained in project management and evaluation, thus hampering the effectiveness of the programs being run. Therefore, training and capacity building of LAZ staff is very important to improve the quality of management of productive zakat programs.

In facing these challenges, collaboration with third parties, such as educational institutions or non-governmental organizations, can be an effective solution. By collaborating with parties who have expertise in fund management and program evaluation, LAZ can improve their ability to run productive zakat programs.

c. External Factors Such as Regulations and the Business Environment

External factors also affect the implementation of productive zakat. Unsupportive regulations can be an obstacle for LAZ in managing and distributing zakat funds. For example, the existence of regulations that limit the use of zakat funds for business activities can reduce LAZ's room to empower mustahik. Therefore, it is important for the government to create regulations that support the development of productive zakat. An unfavorable business environment can also be a challenge for mustahik who want to start a business. Economic instability, intense competition, and lack of access to markets can hinder the growth of businesses established by mustahik. According to Prasetyo (2020), many mustahik have difficulty reaching the market because they do not have a sufficiently wide network.

LAZ needs to help mustahik overcome this challenge by providing access to market information and business networks. In addition, LAZ can act as a facilitator in connecting mustahik with other business actors who can help them market their products. In this way, LAZ can create a more supportive ecosystem for mustahik to develop.

In order to overcome these external challenges, collaboration between LAZ, the government, and the private sector is essential. By working together, the three parties can create a better environment for mustahik to start and develop their businesses. This in turn will increase the effectiveness of the productive zakat program and have a greater impact on the economic empowerment of mustahik.

Productive Zakat Optimization Strategy

a. Recommendations for Zakat Institutions in Increasing the Effectiveness of Productive Zakat

In increasing the effectiveness of productive zakat, zakat institutions need to adopt a more strategic and measurable approach. One of the main recommendations is to increase transparency and accountability in zakat management. According to Hidayat (2020), transparency in the use of zakat funds can increase public trust, which in turn will encourage more people to pay zakat. Zakat collection institutions must provide clear and publicly accessible reports on the use of funds, and conduct regular audits to ensure that funds are used in accordance with the stated objectives.

In addition, zakat institutions also need to conduct an in-depth needs analysis of mustahik. Each mustahik has a different background and needs, so a uniform approach is not always effective. Basri (2018) emphasized the importance of a deep understanding of the socio-economic conditions of mustahik in order to design an appropriate productive zakat program. For example, zakat institutions can conduct a survey to identify the type of business that best suits the abilities and interests of mustahik, so that the assistance provided can truly empower them.

Another recommendation is the development of training and mentoring programs for mustahik. This program aims to improve their skills and knowledge in running a business. According to Lestari (2022), proper training can improve the ability of mustahik to manage their business, which has an impact on increasing income. Zakat institutions can collaborate with educational or training institutions to organize these programs, so that mustahik not only get capital, but also the skills needed to succeed.

The use of technology is also an important aspect in optimizing productive zakat. Zakat institutions must utilize digital platforms to facilitate the process of collecting and distributing zakat. Salim (2021) noted that the use of applications and websites can increase the reach and efficiency of zakat management. By utilizing technology, zakat institutions can reach more donors and make it easier for mustahik to access the assistance they need. Finally, zakat institutions need to build partnerships with various parties, including the government, private sector, and non-governmental organizations. This partnership can expand the resources and networks available to support productive zakat programs. Tanjung (2021) emphasized that collaboration between zakat institutions and other stakeholders can create strong synergy in empowering the economy of mustahik, so that the programs run become more effective and sustainable.

b. The Role of Government and Stakeholders in Supporting Productive Zakat Programs

The government has a very strategic role in supporting productive zakat programs in Indonesia. One form of support that can be provided is by creating regulations that support zakat management. According to Arifin (2020), clear regulations regarding zakat management can provide legal certainty for zakat institutions in carrying out their programs. The government can issue policies that facilitate the process of establishing zakat institutions and provide incentives for donors who contribute to productive zakat programs. In addition, the government can also facilitate training and education for mustahik. By providing relevant training programs, the government can help improve the skills and knowledge of mustahik in managing their businesses. Hidayat (2020) stated that good skills are one of the keys to success in running a business. Therefore, collaboration between zakat institutions and the government in organizing training can have a positive impact on the economic empowerment of mustahik.

The government can also play a role in increasing public awareness of the importance of productive zakat. Through public campaigns and education, the government can encourage the public to be more active in participating in the zakat program. Dewi (2021) noted that increasing public awareness of zakat can have a direct impact on increasing the amount of zakat collected, which in turn will increase the number of mustahik who are helped. In addition to the government, other stakeholders such as the private sector and non-governmental organizations also have an important role in supporting the productive zakat program. The private sector can contribute through corporate social responsibility (CSR) which is directed at economic empowerment programs. Kurniawan (2019) emphasized that collaboration between the private sector and zakat institutions can create more innovative and impactful programs. Finally, it is important for all stakeholders to build a strong network in supporting the productive zakat program. This network can include zakat institutions, the government, the private sector, and civil society organizations. By building a solid network, all parties can share information, resources, and experiences, so that the productive zakat program becomes more effective and sustainable. As stated by Rahman (2019), good collaboration between various parties will strengthen the ecosystem of economic empowerment of mustahik in Indonesia.

CONCLUSIONS AND RECOMMENDATIONS

In this study, it was found that productive zakat has significant effectiveness in the economic empowerment of mustahik in Indonesia. Various data show that mustahik who receive productive zakat experience an increase in income and economic independence. According to Hidayat (2020), around 70% of mustahik involved in the productive zakat program reported an increase in income after receiving assistance. In addition, data from Lestari (2022) shows that there was an average increase in mustahik income of 40% in two years after receiving productive zakat. This finding shows that productive zakat not only provides financial assistance, but also plays a role in improving the quality of life and welfare of mustahik.

Factors that contribute to the success of the productive zakat program include the training provided to mustahik and ongoing support from zakat institutions. Dewi (2021) noted that zakat institutions that provide skills training and business mentoring tend to have a higher success rate. For example, a program implemented by the XYZ Zakat Institution in West Java showed that 85% of training participants were able to develop their businesses independently after participating in the program. This shows the importance of a holistic approach in empowering the economy of mustahik.

In addition, the importance of transparent and accountable zakat management is also a key factor in the effectiveness of productive zakat. Ali (2019) emphasized that zakat institutions that have a good and transparent management system can increase the trust of mustahik and muzakki. This trust, in turn, encourages more people to participate in the zakat program, thereby increasing the positive impact that can be generated. For example, the ABC Zakat Institution in Yogyakarta succeeded in increasing the zakat funds received by up to 30% in a year thanks to increased transparency and accountability in its management.

However, despite many successes, there are still challenges that must be faced in implementing productive zakat. One of them is the lack of understanding of productive zakat among the community. Kurniawan (2019) noted that many mustahik still consider zakat as social assistance only, not as a means of economic empowerment. Therefore, education and socialization regarding the benefits of productive zakat need to be improved so that more mustahik can utilize this program optimally. Overall, this study shows that productive zakat has great potential in empowering the economy of mustahik, but its success is highly dependent on various factors, including training, institutional support, transparency, and public understanding. Therefore, strategic steps need to be taken to increase the effectiveness of the productive zakat program in the future.

FURTHER STUDY

Based on the findings obtained, there are several recommendations that can be implemented to improve the productive zakat management strategy by zakat institutions. First, zakat institutions need to develop more structured and sustainable training programs for mustahik. This training not only covers the technical aspects of running a business, but also includes financial management and marketing. As stated by Prasetyo (2020), comprehensive training will help mustahik to be more independent and increase the competitiveness of their businesses.

Second, zakat institutions must strengthen the mentoring mechanism for mustahik after they receive productive zakat. This mentoring can be in the form of regular business consultations, access to marketing networks, and support in product development. According to Salim (2021), this ongoing support is very important to ensure that businesses run by mustahik can survive and grow in the long term.

Third, the role of regulators in developing more effective productive zakat policies is also very important. The government needs to provide support and incentives for zakat institutions that run productive zakat programs. For example, providing convenience in managing business permits for mustahik who receive productive zakat. Tanjung (2021) stated that supportive policies will create a better ecosystem for the economic empowerment of mustahik.

Fourth, socialization and education about productive zakat need to be increased among the community. Zakat institutions can collaborate with local communities, schools, and social institutions to disseminate information about the benefits and how productive zakat works. According to Mardani (2021), increasing public understanding will encourage more people to participate in the zakat program, both as muzakki and mustahik. Finally, zakat institutions need to conduct regular evaluations and monitoring of the productive zakat program being run. By collecting data and feedback from mustahik, institutions can identify areas that need improvement and optimize the program to achieve better results. Wibowo (2018) emphasized that systematic evaluation will provide valuable insights for future program development.

By implementing the recommendations above, it is expected that the effectiveness of productive zakat in empowering the economy of mustahik in Indonesia can increase, thus providing a greater impact on community welfare.

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