

Management of Productive Zakat by BAZNAS in the Economic Empowerment of Mustahiq: An Analysis of Effectiveness and Sharia Compliance

Jimmy Malintang^{1*}, Nailil Maziyati², Lutfiyah³

¹²³Universitas Islam Negeri Walisongo Semarang | Indonesia

¹jimmymalintang81@gmail.com | ²naililmaziati@gmail.com | ³lutfiyah@walisongo.ac.id

*Correspondence: jimmymalintang81@gmail.com

Abstract

The National Zakat Management Body (Badan Amil Zakat Nasional/BAZNAS) has been mandated by Indonesian law to optimize zakat collection and distribution for the welfare of eligible recipients (mustahiq), with productive zakat — the distribution of zakat funds as productive capital rather than consumptive transfers — emerging as a key strategy for sustained economic empowerment. This study evaluates the effectiveness of BAZNAS productive zakat programs in improving the economic welfare of mustahiq and assesses the degree of sharia compliance in program design, fund management, and distribution mechanisms. Employing a mixed-methods research design that combines quantitative economic impact analysis with qualitative sharia compliance assessment across four BAZNAS provincial offices in Java, the study analyzes data from 384 mustahiq beneficiaries who received productive zakat assistance between 2019 and 2022. The findings reveal that productive zakat programs have generated measurable improvements in mustahiq income levels (average increase of 34.7%), business development, and financial independence, though the magnitude of impact varies significantly across program types and implementation modalities. Sharia compliance assessment identified strong adherence to the asnaf (eligible recipient) categorization requirements and collection procedures, while revealing areas requiring improvement in accountability, beneficiary selection transparency, and mustahiq capacity development. The study concludes with recommendations for strengthening both the effectiveness and the sharia compliance of BAZNAS productive zakat programs.

Keywords: productive zakat, BAZNAS, mustahiq empowerment, sharia compliance, economic effectiveness

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INTRODUCTION

Zakat, as the third pillar of Islam, represents an obligatory annual financial transfer from Muslims possessing wealth above the nisab (minimum threshold) to designated categories of eligible recipients (asnaf), enumerated in Surah al-Tawbah (9:60) of the Holy Quran. In Indonesia, zakat management has been formally institutionalized through Law Number 38 of 1999 on Zakat Management (subsequently updated by Law Number 23 of 2011), which established BAZNAS as



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the national body responsible for the coordination and oversight of zakat collection, management, and distribution. The Indonesian Zakat Outlook published by BAZNAS estimated that national zakat collection reached IDR 14.2 trillion (approximately USD 960 million) in 2022, representing significant growth over the previous decade but still a small fraction of the estimated potential of IDR 327 trillion per annum (BAZNAS, 2023).

The traditional mode of zakat distribution — the direct provision of consumptive assistance to eligible recipients in the form of food, cash, or basic goods — has been increasingly supplemented in recent years by productive zakat programs, which channel zakat funds as capital for income-generating activities. The conceptual foundation of productive zakat rests on the principle that sustainable poverty alleviation requires not merely the alleviation of immediate material needs but the development of recipients' productive capacities and economic independence, transforming *mustahiq* (zakat recipients) into *muzakki* (zakat payers) through capital formation and enterprise development (Beik & Arsyanti, 2016; Canggih et al., 2017).

The productive zakat model is explicitly endorsed in the Compilation of Islamic Law (KHI) and has been promoted by the MUI through relevant fatwas, as well as by Islamic economic scholars who situate it within the broader *maqasid al-shari'ah* framework of preserving and developing wealth (*hifzh al-mal*). The empirical evidence on the effectiveness of productive zakat in improving *mustahiq* welfare, however, remains mixed and methodologically contested. Several studies conducted in specific regional contexts have documented significant income improvements among productive zakat recipients, while others have identified implementation challenges — including inadequate beneficiary selection, insufficient capital amounts, absence of sustained mentoring, and weak accountability mechanisms — that limit program impact (Canggih et al., 2017; Firdaus et al., 2012; Beik et al., 2019).

Simultaneously, questions of sharia compliance in productive zakat management have attracted growing scholarly attention, particularly with respect to the permissibility of various investment and fund management modalities, the adequacy of beneficiary selection mechanisms, and the accountability standards applicable to productive zakat fund management. Classical Islamic jurisprudence traditionally required the immediate distribution of collected zakat to eligible recipients, and some scholars have raised doctrinal concerns about the use of zakat funds for capital investment programs that defer or condition distribution (Qardawi, 2000). Contemporary Islamic legal institutions, including MUI and international bodies such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), have developed frameworks addressing these concerns, but their implementation in practice has not been systematically evaluated.

This study addresses the dual challenge of effectiveness and sharia compliance in BAZNAS productive zakat management by conducting a comprehensive empirical assessment across four provincial BAZNAS offices in Java — West Java, Central Java, East Java, and the Yogyakarta Special Region — representing a diverse range of program designs, institutional capacities, and socio-economic contexts. The research questions are: What are the measurable economic impacts of BAZNAS productive zakat programs on mustahiq welfare? What factors mediate the variation in program effectiveness across different contexts and program types? To what degree do current BAZNAS productive zakat management practices satisfy the requirements of sharia compliance?

METHOD

The study employed a convergent parallel mixed-methods design, collecting and analyzing quantitative economic impact data and qualitative sharia compliance data concurrently and integrating the findings at the interpretation stage. This design was selected to enable a comprehensive evaluation that addresses both the empirical effectiveness and the normative compliance dimensions of productive zakat management.

The quantitative component focused on economic impact assessment. A sample of 384 mustahiq who had received productive zakat capital from the four target BAZNAS offices between 2019 and 2022 was drawn using stratified random sampling, with strata defined by BAZNAS province, program type (micro-enterprise capital, agricultural support, skills development, and trade facilitation), and year of enrollment. Comparison data were collected from a matched control group of 192 mustahiq who were awaiting productive zakat assistance. Data collection instruments included a structured economic survey measuring income before and after productive zakat receipt, business development indicators (asset accumulation, employment generation, market access), and livelihood improvement indicators. A difference-in-differences approach was employed to estimate the average treatment effect of productive zakat receipt, controlling for relevant covariates.

The qualitative sharia compliance assessment involved documentary review of BAZNAS operational procedures, beneficiary selection criteria, fund management frameworks, and accountability mechanisms at each of the four provincial offices. This was supplemented by in-depth interviews with BAZNAS officers (n=16), Islamic legal scholars serving on BAZNAS sharia supervisory boards (n=8), and selected mustahiq beneficiaries (n=24). The sharia compliance assessment framework was developed on the basis of the Quran and Hadith provisions on zakat, relevant MUI fatwas, AAOIFI Governance Standard No. 2 on Zakat, and the academic literature on Islamic nonprofit governance and accountability. Data were analyzed thematically with reference to this normative framework. Ethical clearance was

obtained from the Research Ethics Committee of UIN Walisongo Semarang. All quantitative data were anonymized prior to analysis. Qualitative interview participants provided written informed consent.

RESULTS AND DISCUSSION

Economic Impact of Productive Zakat Programs

Quantitative impact analysis revealed that productive zakat receipt was associated with statistically significant improvements across all measured economic welfare indicators. The average monthly income of productive zakat recipients increased from IDR 1,243,500 (approximately USD 84) at baseline to IDR 1,675,800 (approximately USD 113) at the 18-month follow-up assessment, representing a mean increase of 34.7 percent (95% CI: 29.3–40.1%, $p < .001$). This increase was significantly greater than that observed in the matched comparison group (8.2%), yielding a difference-in-differences estimate of 26.5 percentage points attributable to productive zakat receipt.

Analysis by program type revealed significant variation in economic impact. Micro-enterprise capital programs — which provided recipients with seed capital of between IDR 1,500,000 and IDR 5,000,000 accompanied by basic business training — produced the largest average income increases (42.3%). Agricultural support programs (including inputs, equipment, and technical training) produced the second-largest increases (36.1%). Skills development programs (vocational training combined with tool provision) and trade facilitation programs (market linkage support and working capital) produced more modest but still statistically significant improvements (28.4% and 22.7%, respectively).

Asset accumulation — measured as the change in the estimated value of productive assets owned by the mustahiq household — showed a mean increase of IDR 3,240,000 (approximately USD 219) over the 18-month period among productive zakat recipients, compared with IDR 420,000 in the comparison group. Approximately 18.7 percent of productive zakat recipients reported employing at least one additional person in their enterprise by the 18-month assessment, suggesting a positive employment generation effect with spillover benefits for non-recipients. Business sustainability was assessed at the 18-month mark, with 73.4 percent of productive zakat recipients still operating their assisted enterprise, a figure substantially higher than the typical micro-enterprise survival rate reported in the literature for comparable capital amounts without training support.

Sharia Compliance Assessment

The sharia compliance assessment identified areas of both strength and weakness in BAZNAS productive zakat management practices. With respect to the identification and prioritization of eligible recipients, all four provincial offices demonstrated strong adherence to the eight asnaf categories specified in al-Tawbah

9:60, with productive zakat programs primarily targeting the fakir (destitute) and miskin (poor) categories, consistent with classical fiqh prioritization in contexts of multiple competing recipient needs. Beneficiary selection processes, however, exhibited significant variation across provinces, with Central Java and East Java offices maintaining more rigorous and transparently documented selection criteria than their West Java and Yogyakarta counterparts.

With respect to the doctrinal permissibility of the productive zakat modality itself, the sharia supervisory board interviews revealed consensus around the permissibility of productive zakat distribution as a form of tamlik (transfer of ownership) to the mustahiq, consistent with the MUI fatwa and the majority scholarly view. However, two supervisory board members raised concerns about specific program modalities in which zakat funds were invested in collective enterprises managed by a third-party organization rather than directly disbursed to individual mustahiq, arguing that such arrangements created ambiguities regarding the completion of the zakat transfer obligation.

Accountability mechanisms were assessed as a significant area of weakness across all four offices. None of the provincial offices published comprehensive annual reports on productive zakat fund utilization, disbursement patterns, and program outcomes in a form accessible to the muzakki (zakat payers) and general public. BAZNAS national office publishes an annual report (BAZNAS, 2023), but provincial-level reporting was found to be inconsistent and frequently limited to aggregate collection and distribution figures without programmatic detail. The absence of robust external audit mechanisms for productive zakat programs was also noted by supervisory board members as a compliance concern, particularly given the Islamic requirement for amanah (trustworthiness) and transparency in the management of religious financial obligations.

The quantitative findings of this study provide robust empirical evidence for the economic effectiveness of BAZNAS productive zakat programs in improving mustahiq welfare, adding to a growing body of literature demonstrating the potential of productive zakat as a tool for sustainable poverty alleviation in Indonesia (Beik & Arsyianti, 2016; Canggih et al., 2017; Firdaus et al., 2012). The average income increase of 34.7 percent is substantially higher than that reported in some earlier studies, which may reflect improvements in program design — particularly the integration of business training with capital disbursement — that have been implemented by BAZNAS following a program review in 2018.

The significant variation in effectiveness across program types has important implications for program design. The superior performance of micro-enterprise capital programs, relative to trade facilitation and skills development programs, is consistent with findings from the broader microfinance and social enterprise literature suggesting that capital provision combined with business development support produces stronger and more sustainable income effects than either capital

provision or training in isolation (Bauchet et al., 2011). The relatively modest impact of trade facilitation programs may reflect the competitive constraints facing micro-enterprises in marketplaces already saturated with informal traders, suggesting the need for more systematic market analysis prior to program design.

The sharia compliance findings highlight the tension between the strong doctrinal and institutional framework for productive zakat in Indonesian Islamic law and the incomplete translation of this framework into operational accountability practices. The accountability gaps identified — particularly the absence of comprehensive public reporting and robust external audit mechanisms — represent not merely good governance concerns but sharia obligations rooted in the Islamic principles of *amanah*, *'adalah* (justice), and *mas'uliyah* (accountability) that govern the management of religious endowments (Ismail Yusoff & Densumite, 2012). Strengthening accountability mechanisms is therefore a matter of both organizational effectiveness and Islamic legal compliance.

The doctrinal concerns raised regarding collective investment modalities point to an important area of ongoing scholarly deliberation in Islamic nonprofit governance. The classical principle that zakat is discharged only upon complete transfer of ownership (*tamlik*) to the *mustahiq* creates genuine tensions with the operational requirements of collective enterprise models, which require pooling of capital across recipients. This tension has been addressed in comparative jurisdictions — notably Malaysia and Kuwait — through the development of specialized sharia standards for zakat fund investment, and similar standards could usefully be developed for the Indonesian context through a collaborative process involving BAZNAS, MUI, and Islamic finance scholars (Ahmed, 2015; Kahf, 2016).

CONCLUSION

This study has demonstrated that BAZNAS productive zakat programs generate measurable and statistically significant improvements in the economic welfare of *mustahiq* beneficiaries, with particularly strong effects from micro-enterprise capital programs that integrate capital provision with business training. The evidence supports the continued expansion and prioritization of productive zakat as a tool for sustained poverty alleviation within Indonesia's Islamic social finance ecosystem.

At the same time, the sharia compliance assessment reveals significant gaps in accountability, reporting, and the doctrinal clarity of certain program modalities that must be addressed to ensure that productive zakat management fulfils not only its developmental objectives but also the Islamic legal obligations of transparency, trustworthiness, and just distribution. The development of standardized sharia compliance frameworks for productive zakat programs, enhanced public accountability reporting requirements, and systematic program impact evaluation capacity within BAZNAS are identified as priority areas for institutional

strengthening. Addressing these dimensions will be essential to maximizing both the social impact and the Islamic legal integrity of Indonesia's rapidly growing productive zakat sector.

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