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THE ROLE OF ZAKAT MANAGEMENT UNITS IN ENHANCING PRODUCTIVE ZAKAT GOVERNANCE

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ABSTRACT

Objective: This study aims to analyze the management of zakat by the Zakat Collection Unit (UPZ) of the Ministry of Religious Affairs in Jepara, focusing on the dual distribution model—consumptive and productive—and its implications for the empowerment of mustahik.

Research Design & Methods: The research uses a qualitative field approach through interviews with mustahik, observation of zakat programs, and analysis of relevant regulations. The data is validated with the latest international literature on zakat governance, Islamic social finance, and poverty alleviation to provide a comprehensive picture.

Findings: The results show that consumptive zakat meets immediate needs, but its long-term impact is limited. Conversely, productive zakat through revolving livestock and business capital schemes can improve the socio-economic resilience of mustahik when accompanied by training and mentoring. The shift from revolving livestock to business capital demonstrates institutional adaptability due to technical constraints and external shocks, such as the COVID-19 pandemic. Hybrid governance—centralized supervision by BAZNAS with local innovation by UPZ—can strengthen accountability and contextual relevance.

Implications & Recommendations: This study emphasizes the importance of integrating zakat into the Islamic social finance framework, with sustainability supported by capacity building, formal agreements, and continuous monitoring. Policymakers are encouraged to promote hybrid governance, diversify productive zakat models, and strengthen partnerships with microfinance institutions (BMT) to maximize the impact of empowerment.

Contribution & Value Added: This study enriches the literature on zakat by providing empirical evidence on how institutional adaptation and hybrid governance can strengthen its transformative role. These findings show that productive zakat is not a uniform model but must be adapted to local socio-economic realities, thus serving as a lesson for Muslim-majority countries institutionalizing zakat.

Keywords: Zakat management, mustahik empowerment, Islamic social finance.

JEL codes: G23, I38, O15, Z12.

Article type: research paper

INTRODUCTION

Zakat is one of the pillars of Islam that has a fundamental position in the lives of Muslims. Since the early days of Islam, zakat has not only been positioned as a spiritual act of worship but also as a socio-economic instrument capable of promoting the welfare of society. In the Qur'an, the obligation of zakat is emphasized repeatedly, although the determination of its limits and

implementation mechanisms was only detailed after the Madinah period. One of these details is found in QS. At-Taubah verse 103 emphasizes the command to take zakat from the wealth of Muslims to purify the soul and strengthen social solidarity (Nuradi et al., 2025). This verse shows that zakat has two dimensions: a spiritual dimension for the muzakki and a social dimension for the mustahik (Herianingrum et al., 2024; Sari, 2013). As a mahdhah teaching, zakat has clear rules regarding the amount, nisab, and distribution provisions. However, on the other hand, zakat also contains ghairu mahdhah aspects that broadly impact the ummah's social, economic, and political life. At the social level, zakat protects vulnerable groups and provides space for creating social justice. Meanwhile, in economic terms, zakat can be an effective instrument of wealth redistribution (Nayak & Hegde, 2023). Zakat is relevant in personal worship and as part of the Islamic social finance system that can contribute to sustainable development.

Awareness of the importance of zakat has encouraged many Muslim countries to establish formal regulations for its management (Mukhlishin et al., 2024). Indonesia, as the country with the largest Muslim population in the world, has only recently established official regulations on zakat through Law No. 38 of 1999 concerning Zakat Management (RI, 1999). This regulation was later updated with Law No. 23 of 2011, which more comprehensively regulates the mechanisms for planning, implementing, and utilizing zakat. The law stipulates that zakat can be used not only for consumptive needs but also for productive activities that can increase the economic independence of the mustahik. This regulation is reinforced by Government Regulation No. 14 of 2014 and Presidential Instruction No. 3 of 2014, which emphasize the important role of zakat management institutions in ensuring distribution effectiveness. In line with this regulatory framework, the National Zakat Agency (BAZNAS) and the Zakat Collection Unit (UPZ) have a strategic role as institutions responsible for collecting and distributing zakat. BAZNAS can establish partnerships with various institutions, ranging from banks, state-owned enterprises, and regional-owned enterprises to private companies. At the same time, UPZ is an extension of BAZNAS in reaching work units and government agencies. With this model, zakat can be collected more efficiently, including through a mechanism of deducting the salaries of civil servants (ASN) managed by UPZ in various ministries.

One example of this implementation can be seen in the Ministry of Religious Affairs' Zakat Collection Unit (UPZ). Based on Minister of Religious Affairs Regulation No. 19 of 2019, the Zakat and Waqf Administration Section at the regency/city level provides services, technical guidance, coaching, and managing data and information related to zakat. In addition, the UPZ also acts as the ex officio representative of the Indonesian Waqf Board (BWI) in the region. With this authority, the UPZ plays an important role in managing the professional zakat of ASN within the Ministry of Religious Affairs, which is deducted at 2.5% from gross income each month. The management of zakat by the Ministry of Religious Affairs' UPZ is not only consumptive, such as providing direct cash assistance, but is also directed towards productive forms. One of the productive zakat programs implemented is the provision of revolving cattle to mustahik. This program allows Mustahik to receive disposable funds and obtain assets that can grow and generate sustainable profits. In addition, UPZ also distributes productive zakat funds in the form of small business capital, for example, to help traders and micro-businesses expand their economic activities. However, the implementation of productive zakat is not without challenges. For example, the rolling livestock program implemented in Jepara during the 2018-2020 period had to be stopped due to managerial obstacles and the impact of the COVID-19 pandemic.

However, previous studies have focused more on national regulatory aspects and the role of BAZNAS as the central institution, while studies on zakat management practices at the Zakat Collection Unit (UPZ) level remain relatively limited. This research gap is important to fill, as the dynamics of zakat implementation at the local level often exhibit complexities that differ from those at the national level, both in terms of distribution, institutional challenges, and the capacity of mustahik (recipients of wealth) (Mukhlishin et al., 2024). In this context, the case study of the Jepara UPZ is significant because it not only carries out consumptive distribution at specific times but also develops a productive model through revolving livestock and business capital (Yusup et al., 2021). The transformation from a revolving livestock scheme to business capital during the pandemic

demonstrates an interesting institutional adaptation worthy of further study. Therefore, this study aims to analyze zakat management practices at the Jepara UPZ, emphasizing the socio-economic importance and the urgency of implementing productive zakat as an instrument for empowering mustahik.

LITERATURE REVIEW

Zakat is one of the main instruments in Islamic teachings that plays a fundamental spiritual and social role. Regarding worship, zakat is established as a sharia obligation with clear rules regarding nisab, rates, and conditions for every Muslim who has met certain criteria. However, zakat does not stop at the ritual aspect, but also has a significant socio-economic function, especially as an instrument of wealth redistribution, poverty alleviation, and strengthening social solidarity (Zauro et al., 2020). Therefore, from the perspective of Islamic social finance, zakat is positioned as the main pillar of Islamic social finance that contributes to equitable development, community welfare, and the strengthening of an economic system based on Islamic values (Kuanova et al., 2021; Shahid et al., 2024).

In Indonesia, zakat management has been regulated through regulations that have become increasingly robust over time. After the enactment of Law No. 38 of 1999, the government updated it with Law No. 23 of 2011, which provides stronger legitimacy to the position of zakat as part of religious public services that are the state's responsibility. This law regulates the management of zakat in a structured manner, from collection and distribution to utilization. The presence of derivative regulations, such as Government Regulation No. 14 of 2014 and Presidential Instruction No. 3 of 2014, strengthens the institutional system for managing zakat while opening up opportunities for optimizing productive zakat so that zakat is not merely consumptive in nature, but can become an instrument for community economic empowerment (Mukhlishin et al., 2024). Conceptually, zakat can be distributed in two forms, namely consumptive and productive (Sarif et al., 2024). Consumptive zakat is generally given for the basic needs of mustahik, such as food or health assistance, which is short-term in nature. In contrast, productive zakat is directed towards long-term activities, such as providing business capital, production facilities, productive asset investments, or training programs to improve the economic capacity of mustahik. The productive approach is considered more sustainable because it encourages mustahik to be independent and empowered, and can potentially reduce dependence on assistance (Mawardi et al., 2023).

Within the empowerment framework, productive zakat is designed so that zakat recipients can transform from passive recipients to active economic actors (Mawardi et al., 2023). Productive zakat programs typically include providing microbusiness capital, assistance with production tools such as sewing machines or livestock, and skills training that improves the capacity of mustahik to manage their businesses independently (Wahab & Rahman, 2011). The main orientation of this approach is to create economic independence for mustahik so that they are not only helped in the short term, but also have the opportunity to break out of the cycle of poverty, and even potentially change their status to muzakki in the future (Herianingrum et al., 2024).

In supporting professional zakat management, the government established the National Zakat Agency (BAZNAS) as an official state institution. BAZNAS formed Zakat Collection Units (UPZ) in various agencies, including government, state-owned enterprises, regional-owned enterprises, and the private sector to expand its reach. The Zakat Collection Unit (UPZ) is an extension of BAZNAS to collect zakat from muzakki in its environment, especially professional zakat, and then distribute it according to official mechanisms. The existence of UPZ under the Ministry of Religious Affairs is very strategic because, in addition to managing ASN zakat, the Zakat Collection Unit (UPZ) also has great potential in the utilization of productive zakat, considering that the Ministry of Religious Affairs has an extensive network in the community (Lubis & Azizah, 2018). The Ministry of Religious Affairs plays a key role in managing zakat in Indonesia. Through Minister of Religious Affairs Regulation No. 19 of 2019, a section for administering zakat and waqf was established at the district/city level, tasked with providing guidance, services, and managing zakat data. The involvement of the Ministry of Religious Affairs not only increases institutional legitimacy but also strengthens the accountability of zakat management, given that this institution has administrative

capacity and direct access to the community. With the support of a strong institutional structure, the Ministry of Religious Affairs plays an important role in ensuring that zakat truly functions as an instrument of socio-economic empowerment (Owoyemi, 2020).

However, behind the great potential of productive zakat, several challenges still need to be addressed. The limited managerial capacity of zakat institutions is a major obstacle, particularly regarding the quality of human resources, administrative systems, and transparency of governance (Mawardi et al., 2023; Zakiy et al., 2025). In addition, the lack of sustainable assistance for mustahik businesses often causes productive zakat programs to be short-lived (Khatimah et al., 2024). Other challenges come from external factors, such as the global economic crisis and the impact of the Covid-19 pandemic, which have hampered the implementation of productive zakat programs in various regions. Therefore, the success of productive zakat in empowering the community depends heavily on the synergy between strong regulations, professional institutions, adaptive program innovation, and continuous supervision. From this description, it can be concluded that zakat in Islam has a much broader role than just a ritual obligation (Kailani & Slama, 2020). Zakat is a socio-economic instrument that has great potential in poverty alleviation and community development (Herianingrum et al., 2024). In Indonesia, regulatory and institutional systems are in place to support zakat management, including through the important role of UPZ and the Ministry of Religious Affairs. However, challenges in the implementation of productive zakat still need to be overcome so that zakat can truly become a main pillar of equitable and sustainable economic development for the community (Sarif et al., 2024).

METHODS

This study uses a qualitative approach with a case study method. A qualitative approach was chosen because it is capable of describing and analyzing social phenomena, behavior, and community views in a natural context. At the same time, case studies allow researchers to comprehensively and deeply examine the practice of productive zakat management in a particular institution and social environment. The research data sources consist of primary and secondary data. Primary data was obtained through in-depth interviews and direct observation of parties involved in zakat management, particularly officials at the Zakat and Waqf Administration Section of the Jepara District Ministry of Religious Affairs and mustahik zakat recipients. Meanwhile, secondary data was collected from institutional documents, official regulations, books, scientific journals, and other relevant sources that support the understanding of productive zakat management. The object of this study is the role of the Zakat Collection Unit (UPZ) of the Ministry of Religious Affairs of Jepara Regency in productive zakat management. This location was chosen because it is considered strategic in zakat management, especially in the era of industry 5.0, which demands more sustainable, accountable, and efficient management.

Data collection techniques were carried out in three ways, namely: (1) in-depth interviews to obtain detailed information from UPZ managers and mustahik regarding their experiences, challenges, and zakat management strategies; (2) direct observation to ascertain the actual conditions in the field; and (3) documentation studies through analysis of official reports, institutional archives, and relevant data. The data analysis process was carried out in three stages, namely: data reduction by selecting and summarizing information according to the research theme; data coding by labeling and grouping interview results or field notes to find patterns; and data classification by compiling categories that facilitate interpretation. To ensure data validity, this study used triangulation techniques, specifically source triangulation, by comparing data obtained from interviews, observations, and documentation so that the research results were more credible and consistent.

RESULT

Analysis of interviews with administrators of the Ministry of Religious Affairs' Zakat Collection Unit (UPZ) in Jepara revealed that the establishment of the UPZ was explicitly based on formal regulations –Law No. 23 of 2011, Government Regulation No. 14 of 2014, and the MOU on

the transfer of authority from BAZNAS—which mandates the establishment of UPZ in every government agency to collect and distribute zakat. Statements from H. Bin H. M. Burhan and H. Suirsono confirmed the operational legitimacy of the Jepara UPZ based on its legal mandate and formal duties as a professional zakat collection agency among civil servants (not only collecting, but also distributing productive zakat). This is in line with the decentralized approach to zakat management that emphasizes the independence of institutions at the local level, as discussed in the literature on zakat productivity and local zakat governance (Arif et al., 2024; Najiyah & Febriandika, 2019). In terms of productive zakat utilization programs, the Jepara UPZ had implemented a revolving cow breeding model (female cows were distributed to mustahik, and the calves became the property of the recipients) since 2018, before it was finally discontinued in 2020 due to the low capacity of some mustahik to develop livestock businesses and the impact of the Covid-19 pandemic. The program was then shifted to a revolving business capital program in Karimunjawa to achieve economic empowerment for groups of fishermen and muallaf. This program transformation reflects the institutional response to the challenges of implementing productive zakat, namely that livestock-based models require high capacity in terms of maintenance, land, assistance, and business continuity—something that is emphasized in the literature on productive zakat regarding the importance of business assistance and long-term monitoring (Anwar, 2021; Widiastuti et al., 2021).

Findings from mustahik who received productive zakat indicate a process of socialization and agreement (MOU) between UPZ Jepara and recipients that requires training or socialization on livestock care, capital management, and asset rotation procedures. Some mustahik stated that the calves from the revolving cows successfully grew to adulthood and were then sold, although often with various challenges—including feed availability, livestock health, and optimal business management. Part of the sales proceeds were reallocated (e.g., 20%) for madrasah education or school facilities, which can be seen as a form of social responsibility of the mustahik recipients. This experience shows that the revolving livestock program does not merely provide long-term assets, but also opens up opportunities for beneficiaries to independently manage the results of their business (Wijayanti & Priyatna, 2023). This phenomenon supports literature showing that productive zakat can create an empowering effect, not just short-term consumption, as long as it is accompanied by agreements, assistance, and business capacity (Mawardi et al., 2023; Widiastuti et al., 2021). The zakat distribution allocation model in Jepara shows a relatively complex mechanism of responsibility sharing. The Jepara Ministry of Religious Affairs UPZ distributes consumptive zakat at certain times—Eid al-Fitr and the Ministry of Religious Affairs Charity Day—while productive zakat is managed through a mechanism of mustahik proposals, asset revolving, and revolving business capital. In addition, the UPZ directly deducts 2.5% of the gross income of Jepara Ministry of Religious Affairs civil servants as professional zakat and deposits all funds to BAZNAS Jepara. Although the UPZ has the right to manage up to 50% of the budgeted productive funds, the internal decision to use this percentage as a source for productive zakat activities demonstrates local autonomy in zakat management. This strategy highlights how the Jepara Ministry of Religious Affairs UPZ has taken on the role of an agent of change—designing a local model for zakat management in line with the regional context—in line with literature that emphasizes the importance of institutional innovation in managing productive zakat at the local level (Najiyah & Febriandika, 2019).

Although the productive livestock zakat model offers potential for empowerment and social transformation for mustahik, its management has several serious weaknesses. The termination of the rolling cattle program in Jepara indicates that this model is prone to failure when the independence of mustahik businesses, assistance, and management capacity are not carefully considered. Some of the main challenges are: the beneficiaries' lack of technical readiness for animal husbandry, the scarcity of land or supporting resources, limited capital for feed and animal treatment, and the risk of selling business products that then fail to guarantee the return of the parent assets. Similar findings have been reported in productive zakat cases in other regions, where program failures are often caused by weak long-term mentoring systems and a lack of evaluation of beneficiaries' businesses (Anwar, 2021; Widiastuti et al., 2021). Further analysis shows that the success of productive zakat in Jepara is highly dependent on the quality of the socialization process, contracts, business assistance, and monitoring systems. Mustahik who successfully developed

businesses from productive zakat were those who understood the contract, participated in training and socialization, and were able to manage the results of their businesses—while mustahik who failed experienced obstacles in technical aspects, business management, and external risks (such as livestock disease or drought). This condition reflects findings in the literature that emphasize that productive zakat will only generate long-term benefits if it is accompanied by entrepreneurship training, monitoring, and business capacity building (Arif et al., 2024; Mawardi et al., 2023; Widiastuti et al., 2021).

In the context of Jepara, the pattern of rotating livestock assets and revolving business capital appears to be an innovative strategy to bridge the gap between the distribution of productive assets and the social responsibility of mustahik—the capital is expected to continue to circulate and empower new mustahik groups in turn. However, the sustainability of this strategy requires a systematic monitoring framework, continuous business assistance, and a fair capital return system. Without these components, productive zakat can turn into a covert consumptive program that fails to produce a true empowerment effect—a risk recognized in the literature on the failure of zakat-based empowerment programs (Anwar, 2021; Najiyah & Febriandika, 2019). The results of this study illustrate that the role of the Jepara Ministry of Religious Affairs UPZ in productive zakat is as a local facilitator and innovator, which designs and implements programs that combine zakat collection through salary deductions, distribution of productive assets in the form of breeding cows or business capital, and revolving and monitoring mechanisms. Although this model has the potential to empower the mustahik economically, its success is highly dependent on technical management, the readiness of the mustahik's business, and the support of continuous assistance and monitoring. These findings also underline the importance of an adaptive and innovative local institutional framework in ensuring that productive zakat truly creates an empowering impact, rather than merely meeting short-term consumptive needs.

DISCUSSION

Findings from field research in Jepara provide a deeper insight into the complexity of zakat management carried out by the Zakat Collection Unit (UPZ) under the auspices of the Ministry of Religious Affairs. This complexity arises mainly from the dual nature of zakat distribution, namely consumptive distribution and productive distribution. Consumptive distribution is usually carried out during major religious events, such as Eid al-Fitr and Ministry anniversaries, in the form of food packages or direct cash assistance to mustahik. This distribution model has the main objectives of meeting the basic needs of the community in the short term, reducing the cost of living, and strengthening social solidarity and *ukhuwah Islamiyah* (Islamic brotherhood). However, on the other hand, UPZ Jepara also carries out productive zakat distribution, which is more strategic and long-term in nature, where zakat is channeled through economic empowerment programs for mustahik, such as revolving livestock and revolving business capital schemes. This scheme is oriented towards creating economic independence, with the hope that mustahik will not only be passive recipients of aid, but will also be able to develop their potential, earn a sustainable income, and ultimately transform into muzakki in the future. Thus, the dual distribution pattern implemented by UPZ Jepara reflects a balance between meeting urgent needs and achieving long-term goals in the form of economic empowerment. This also demonstrates the role of zakat not only as a religious instrument, but also as an integrated socio-economic development instrument (Daud & Wahid, 2025; Zauro et al., 2020).

The complexity of zakat management by UPZ Jepara is in line with various academic literature that emphasizes that zakat institutions have a strategic role in creating social justice, poverty alleviation, and increasing financial inclusion, especially when zakat is managed within a structured and accountable formal institutional framework (Zauro et al., 2020). The institutionalization of zakat through official institutions contributes significantly to optimizing the potential of zakat as a source of economic resources for the community (Haque et al., 2016). The experience of the Jepara UPZ shows how zakat institutions are able to combine short-term interests in the form of consumptive distribution with a long-term vision in the form of productive distribution. On the one hand, consumptive distribution serves as an instrument to support the

livelihoods of mustahik, so that they do not fall into extreme poverty (Nurhaliza et al., 2025). On the other hand, productive distribution through economic empowerment schemes offers a structural solution to reduce mustahik's dependence on aid (Zein et al., 2020). However, the successful implementation of productive schemes is not without challenges, such as limited managerial capacity of institutions, mustahik skills, and the availability of supporting resources. Nevertheless, the fact that UPZ Jepara was able to design and implement these two patterns of zakat distribution reflects flexibility and innovation in zakat management. This proves that zakat, when managed with the right institutional approach, can be an effective instrument of socio-economic transformation, while strengthening social solidarity and distributive justice in society.

Legal Legitimacy and Governance of Zakat Collection Units

The establishment of the Zakat Collection Unit (UPZ) of the Ministry of Religious Affairs in Jepara is an institutional response to the increasingly established national zakat regulatory framework, particularly Law No. 23 of 2011 and Government Regulation No. 14 of 2014. Law No. 23/2011 emphasizes the obligation of Muslims to collect zakat and stipulates that official zakat institutions must manage the collection, distribution, and utilization of zakat based on the principles of sharia, trust, and justice. Meanwhile, PP No. 14/2014 contains technical provisions for implementation, including the establishment of BAZNAS, Zakat Institutions (LAZ), and UPZ, as well as mechanisms for auditing and reporting zakat finances. This legal basis not only provides operational legitimacy for the Jepara UPZ, but also marks the state's commitment to formalizing zakat governance as an Islamic social finance instrument in a modern context. International empirical studies show that a strong legal framework and clear regulatory system can increase the level of compliance among muzakki and the accountability of zakat institutions, while also improving the transparency and efficiency of zakat fund management (Arif et al., 2024; Daud & Wahid, 2025; Napitupulu et al., 2024). Thus, national regulations governing the obligations of UPZ not only support technical operations, but also strengthen the moral and social legitimacy of structurally managed zakat—this is important in increasing public trust and creating sustainable zakat governance.

Although the Jepara UPZ is required to deposit all collected zakat funds to BAZNAS, this institution still has significant operational autonomy in designing and implementing local strategies, especially in the distribution of productive zakat. This hybrid governance model—characterized by centralized national oversight and decentralized local implementation—enables the Jepara UPZ to respond to the specific needs of the Jepara community, while remaining within the framework of national accountability. This approach emphasizes that zakat distribution should not be treated merely as an administrative activity, but rather framed as a socio-economic intervention designed based on the local context. Several international studies, including research in Southeast Asia and the Middle East, have found that decentralization in zakat management allows zakat institutions to tailor distribution and utilization mechanisms to local conditions, thereby increasing the relevance of programs and the efficiency of their benefits (Daud & Wahid, 2025; Najiyah & Febriandika, 2019; Napitupulu et al., 2024). However, this type of model also poses challenges, particularly the risk of inconsistency in implementation, variations in the quality of assistance provided to mustahik, and the potential for irregularities if monitoring and reporting standards are not applied consistently (Mukhlisin et al., 2024). The experience of UPZ Jepara shows that local innovations such as revolving livestock programs and revolving business capital have successfully emerged as a response to the local context, but must always be balanced with national standards and audit procedures so that productive zakat programs do not lose their empowerment objectives.

Zakat Distribution Model: Consumptive vs Productive

The zakat distribution model implemented by UPZ Jepara reflects two basic approaches: consumptive and productive, each of which has different objectives and socio-economic implications. Consumptive distribution, such as food packages during Eid al-Fitr and the Ministry of Religious Affairs' Charity Day, aims to meet the basic needs of mustahik and strengthen religious and social solidarity. This approach tends to be direct and temporary—although effective in reducing

short-term economic pressure, its impact on structural change and long-term empowerment is relatively limited. In contrast, productive distribution through revolving livestock or business capital schemes is designed to create sustainable sources of income and encourage mustahik to break out of the cycle of dependency (Sarif et al., 2024). International literature shows that productive zakat can play a significant role in promoting entrepreneurship and microenterprise development when complemented by appropriate mentoring, training, and capital repayment mechanisms (Triyowati & Masnita, 2018). Studies in various global and regional contexts, such as research in Yogyakarta and Sleman, found that the utilization of productive zakat has been proven to encourage the development of micro-enterprises and improve the welfare of mustahik in a more sustainable manner than consumptive distribution alone (Faisal & Yuliani, 2018; Hidayat & Azka, 2024). However, the success of this approach is highly dependent on the recipients' readiness to manage capital, their willingness and ability to develop their businesses, and ongoing institutional support.

A comparison between consumptive and productive distribution models in zakat practices in Jepara reveals the dilemma faced by many zakat institutions: between urgent needs and long-term goals. While consumptive distribution is responsive to crises and acute needs, the productive model provides the potential for economic empowerment and social mobility, but at the same time requires technical readiness, supporting capital, and a strong monitoring system. Several international studies emphasize that failed productive schemes are usually caused by a lack of business assistance, minimal evaluation of mustahik business progress, and external challenges such as market fluctuations and environmental conditions (Nurrachmi et al., 2025; Widiastuti et al., 2021). Studies on productive zakat in Maros and Yogyakarta show that without entrepreneurship training and a good capital return system, business capital is often depleted or sold prematurely by mustahik, thereby hindering the strategic movement of recipients to become independent economic actors. In the context of Jepara, the distribution strategy through rolling livestock and business capital programs reflects institutional adaptation efforts to local conditions, but at the same time requires sustainable governance so that the risk of capital failure and business unsustainability can be minimized. Thus, the success of productive zakat as a form of socio-economic empowerment requires a balance between long-term asset distribution, mentoring and monitoring systems, and the readiness of mustahik to manage businesses so that economic and social change can truly occur.

Rolling Livestock and Business Capital Dynamics

The rolling livestock scheme implemented by UPZ Jepara since 2018 is a form of productive zakat distribution innovation that aims to create long-term livelihoods for mustahik. This pattern allows mustahik to obtain calves as economic assets, while the mother cows continue to be rolled over so that the benefits of zakat can be felt alternately by other recipient groups. This model is in line with the redistributive approach in Islamic social finance, which not only provides immediate benefits but also creates a sustainable economic value chain. However, implementation in the field faces a number of serious obstacles, such as the mustahik's limited technical skills in animal husbandry, the availability of land and feed, and the high risk of animal disease. External factors such as fluctuations in feed prices and disease outbreaks add to the complexity of this scheme, resulting in many programs failing to achieve their economic independence targets. This condition is consistent with findings in international literature which emphasize that livestock-based projects require technical assistance, long-term monitoring, and infrastructure readiness to ensure their success (Nurrachmi et al., 2025; Widiastuti et al., 2021). The Covid-19 pandemic that hit in 2020 further exacerbated these challenges, causing many mustahik to fail to maintain their cattle due to limited access to feed and markets, so that UPZ finally stopped the rolling cattle program. This phenomenon shows that although rolling livestock has symbolic value and great potential, it is highly vulnerable to failure without strong ecosystem support and careful risk planning (Anis & Kassim, 2016; Lakhani et al., 2023).

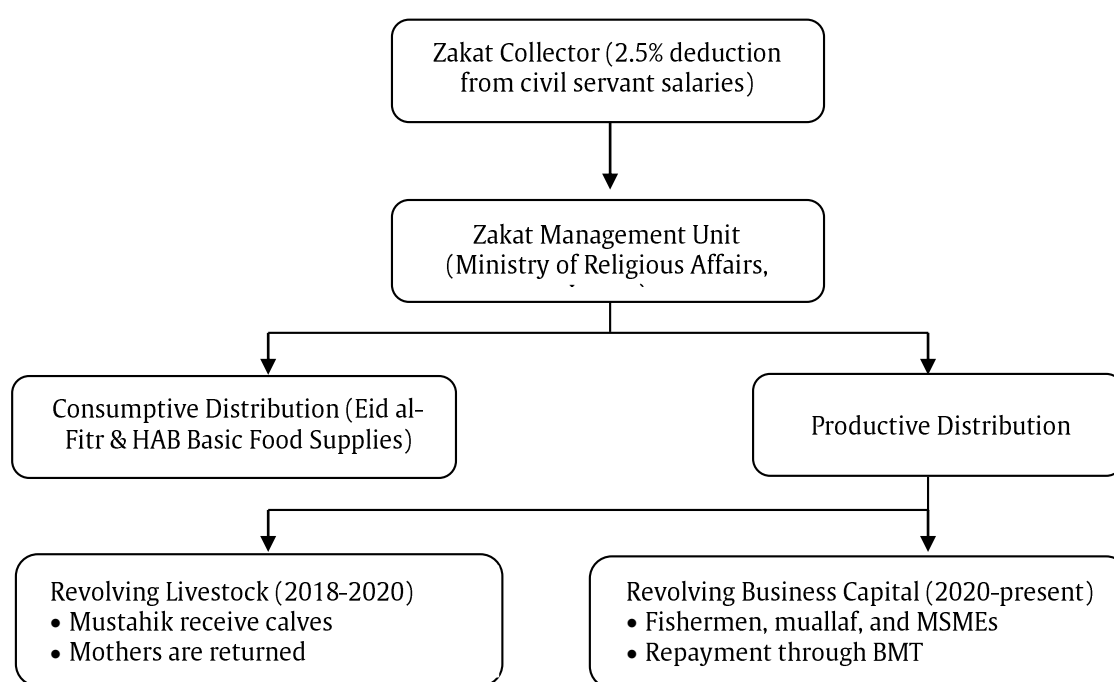


Figure 1 Zakat Management Flow

Figure 1 shows the flow of zakat management at UPZ Jepara, which indicates that zakat is collected through a 2.5% deduction from civil servant salaries, then managed and allocated into two main channels: consumptive and productive. Consumptive distribution takes the form of food packages during Eid al-Fitr and the Ministry of Religious Affairs' Charity Day, which serve to quickly meet the basic needs of mustahik. Meanwhile, productive distribution is divided into two models, namely revolving livestock (2018–2020) and revolving business capital (2020–present). The revolving livestock scheme provides assets in the form of female cows with a return system, while revolving business capital is focused on fishermen, converts, and MSME actors with a return system through BMT. This pattern shows a balance between short-term distribution for basic needs and long-term distribution for the economic empowerment of beneficiaries.

In response to the failure of the revolving livestock scheme, UPZ Jepara transformed its strategy by shifting its focus to a revolving business capital program that is more adaptive to the socio-economic conditions of the mustahik. This program is primarily aimed at the Karimunjawa fisherfolk and converts, with a capital repayment mechanism through Baitul Maal wat Tamwil (BMT). This pattern is considered more practical because the capital provided can be used for more flexible business activities, such as small-scale trading, fishing, or MSME development (Anwar et al., 2019). In addition, high maintenance costs, such as those associated with livestock, are no longer a major obstacle, while risks can be more easily managed through financial agreements and monitoring systems. Recent literature confirms that productive zakat based on business capital tends to be more successful in increasing the income of mustahik compared to fixed asset-based schemes, especially when combined with entrepreneurship training, business assistance, and the involvement of Islamic microfinance institutions (Arif et al., 2024; Nurrachmi et al., 2025). Global research even highlights that the integration of zakat with microfinance and Islamic cooperative models can expand financial inclusion and strengthen the economic competitiveness of marginalized communities (Daud & Wahid, 2025; Napitupulu et al., 2024). Thus, the transformation of the Jepara UPZ towards a revolving business capital scheme reflects a pragmatic adaptation that is more in line with local socio-economic realities, while emphasizing that the sustainability of productive zakat can only be achieved if accompanied by institutional innovation, program flexibility, and an effective monitoring system. Therefore, this shift is not merely a replacement of

the distribution model, but a manifestation of an adaptive strategy in delivering productive zakat that is truly empowering and has a long-term impact (Makhrus et al., 2023).

Empowerment of Mustahik and Socio-Economic Capacity

Empowering mustahik through productive zakat is not only about asset transfer, but also about transforming the socio-economic capacity of recipients (Rusydiana et al., 2025). Field data in Jepara shows that productive zakat can improve the welfare of mustahik when recipients have managerial skills and access to supporting resources (Mawardi et al., 2023). Mustahik who successfully raise cattle, for example, are able to sell their calves and then invest the profits in business development or social activities such as the construction of educational facilities. This condition is in line with the theory of empowerment in Islamic social finance, which emphasizes that productive zakat will be effective if recipients are not only given assets but also knowledge, skills, and business networks (Rusydiana et al., 2025). Namun demikian, pemberdayaan tidak berjalan merata. Mustahik dengan keterbatasan lahan, kekeringan, serta minimnya keterampilan teknis menghadapi hambatan serius dalam memaksimalkan aset zakat. Hal ini menegaskan bahwa zakat produktif membutuhkan integrasi dengan program capacity building, termasuk pelatihan teknis, manajemen keuangan sederhana, dan pendampingan usaha secara berkelanjutan. However, empowerment is not evenly distributed. Mustahik with limited land, drought, and minimal technical skills face serious obstacles in maximizing zakat assets. This confirms that productive zakat requires integration with capacity building programs, including technical training, simple financial management, and sustainable business assistance (Napitupulu et al., 2024). Thus, empowerment through zakat cannot be viewed as an instant process, but rather as a long-term social investment that requires synergy between zakat institutions, communities, and other partner institutions (Nurzaman & Kurniaeny, 2019).

In addition to technical aspects, the empowerment of mustahik is also closely related to socio-economic capacity, which includes resilience, financial literacy, and the ability to adapt to environmental changes (Hamzah & Yudiawan, 2023; Rusydiana et al., 2025). Recent studies show that mustahik who receive productive zakat tend to have increased social capacity in the form of community solidarity, self-confidence, and motivation to escape poverty when the program is complemented with intensive assistance (Shahid et al., 2024). For example, in the revolving business capital scheme in Jepara, groups of fishermen and converts not only receive funds but are also directed to form joint business groups that strengthen social cohesion. This model has been proven to increase accountability, reduce moral hazard risks, and foster a community-based culture of mutual assistance (Mukhlisin et al., 2024). However, if socio-economic capacity is not strengthened, productive zakat is prone to becoming merely consumptive assistance that is quickly depleted. Therefore, formal contracts such as agreements or MOUs between zakat institutions and mustahik are important instruments for upholding commitments, ensuring monitoring, and minimizing the risk of asset misuse (Widiastuti et al., 2021). In a broader framework, productive zakat not only aims to meet basic needs, but also to uplift the dignity of mustahik so that they can transform into muzakki in the future. Thus, empowerment based on productive zakat essentially creates an inclusive economic cycle that supports sustainable development goals (SDGs), particularly in poverty eradication (SDG 1) and decent work promotion (SDG 8) (Arif et al., 2024).

Challenges, Risks, and Factors of Failure

The termination of the rolling cattle program in Jepara reflects fundamental challenges in managing livestock-based productive zakat. Livestock schemes require infrastructure prerequisites that are not easily met by mustahik, such as the availability of grazing land, access to animal feed, and animal health services. Without such support, animal mortality rates increase and productivity declines, thereby undermining the goal of economic empowerment. Additionally, the risk of asset liquidation in the form of early cattle sales by beneficiaries to meet urgent needs weakens the principle of sustainability in the rolling program. External factors also exacerbate the situation. The Covid-19 pandemic, for example, has caused mobility restrictions, increased feed prices, and a decline in people's purchasing power, which ultimately weakens the resilience of productive zakat programs (Ascarya, 2022). International literature confirms that the success of productive zakat is

highly dependent on a supporting ecosystem that includes the technical capacity of beneficiaries, resource affordability, and institutional support. Without continuous supervision and monitoring, many rolling programs fail to survive in the medium term (Arif et al., 2024; Mukhlishin et al., 2024). Therefore, structural constraints and external risks are key factors that must be anticipated when designing productive zakat-based interventions.

However, every challenge in the implementation of productive zakat also opens up opportunities for innovation and new empowerment opportunities. For example, the failure of the livestock scheme prompted the Jepara UPZ to switch to a more adaptive revolving capital scheme with lower maintenance costs. This model allows for business diversification, such as small-scale trading, fishing, and home-based businesses, which are more suited to the socio-economic capacity of the mustahik. On the other hand, the failure of the livestock scheme also highlights the importance of strategic partnerships, such as collaboration with Baitul Maal wat Tamwil (BMT) or sharia cooperatives that are able to provide a more structured system of supervision, assistance, and financial access (Asni et al., 2025). Recent literature confirms that the integration of productive zakat with Islamic microfinance institutions can increase mustahik compliance while expanding access to capital and markets (Mukhlishin et al., 2024).

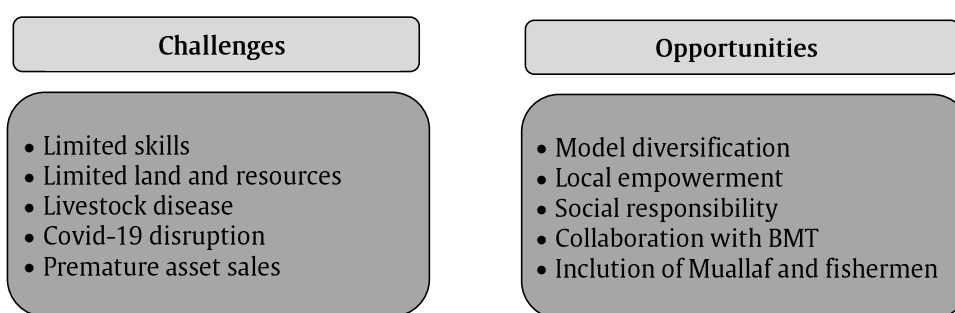


Figure 2 Opportunities and Challenges of Productive Zakat

In addition, social inclusion targeting vulnerable groups such as converts and fishermen also strengthens the legitimacy of the zakat program, because zakat distribution is not only oriented towards economic aspects but also towards social justice and community solidarity (Daud & Wahid, 2025). Thus, despite the risks and factors of failure, productive zakat still has great potential if it is designed with consideration for risk mitigation, institutional integration, and diversification of distribution models according to local needs. Figure 2 above shows that productive zakat is at a crossroads between challenges and opportunities. On the one hand, limited resources, livestock health risks, and external disruptions are obstacles to the sustainability of the program. However, on the other hand, the existence of diversified distribution models, institutional collaboration, and a focus on local empowerment paves the way for strengthening the long-term impact of productive zakat. By understanding these two sides, zakat institutions can be wiser in designing realistic and sustainable empowerment strategies, so that zakat does not only stop as an instrument of philanthropy, but also as an instrument of socio-economic development for the people.

Theoretical and Practical Implications

The case of UPZ Jepara makes a significant theoretical contribution to contemporary zakat studies, particularly in relation to the role of zakat as an instrument of Islamic social finance. Theoretically, the dual model that combines consumptive and productive distribution shows that zakat is not only a redistributive instrument, but also an economic development instrument designed to have a long-term impact. This perspective reinforces the theory of zakat as an integral part of Islamic social finance, which is in line with the Sustainable Development Goals (SDGs), especially in the aspects of poverty alleviation, food security, and economic empowerment (Arif et al., 2024; Daud & Wahid, 2025). These findings also support the conceptual framework that zakat governance should be viewed as an institutionalization process that simultaneously connects

spiritual, social, and economic dimensions (Mukhlishin et al., 2024). From a global perspective, the Jepara case confirms that productive zakat cannot be implemented uniformly (one-size-fits-all), but must be adapted to the local context, including the capacity of mustahik, natural resources, and existing institutional structures. This is in line with literature that emphasizes the importance of a context-based approach in the implementation of productive zakat, thereby strengthening the position of zakat as an instrument of modern philanthropy in Islamic finance literature (Asni et al., 2025; Mukhlishin et al., 2024). Thus, theoretically, the Jepara case enriches the understanding that zakat is a multidimensional instrument: spiritual, redistributive, and transformative.

From a practical perspective, the findings in Jepara emphasize the importance of institutional innovation in zakat management. The Jepara UPZ, with its hybrid model—centralized supervision through BAZNAS but with local autonomy in program innovation—is a concrete example that the sustainability of productive zakat requires a balance between national regulations and local adaptation. Practically, this approach enables zakat programs to address urgent consumptive needs while developing long-term empowerment programs through revolving livestock or business capital. However, the experience of the rolling cow program's failure also emphasizes that the success of productive zakat is largely determined by factors such as assistance, continuous monitoring, and collaboration with Islamic microfinance institutions (Asni et al., 2025). Practices in Jepara show that revolving business models based on BMTs or Islamic cooperatives are more adaptive in improving the accountability of mustahik and expanding access to capital. More broadly, the lessons from Jepara are relevant for developing countries with Muslim-majority populations that are institutionalizing zakat as an instrument for poverty alleviation. A hybrid model that combines centralized supervision with local innovation can be used as a reference framework in designing national zakat policies. Thus, in practical terms, zakat functions not only as charitable funds, but also as an instrument of inclusive economic development that supports the achievement of the SDGs, particularly in terms of empowering the poor and increasing financial inclusion (Napitupulu et al., 2024; Tamanni & Besar, 2019).

CONCLUSION

This study confirms that zakat has a dual dimension: as a form of worship and as a socio-economic instrument. The case of the Ministry of Religious Affairs' UPZ in Jepara shows how zakat can function in a consumptive form to meet short-term needs and in a productive form to empower mustahik (recipients) in a sustainable manner. This dual distribution model demonstrates the flexibility of zakat in responding to basic needs while promoting economic transformation. Legal legitimacy through Law No. 23 of 2011 and Government Regulation No. 14 of 2014 provides a strong foundation for zakat governance. However, the success of implementation is largely determined by local innovation. The Jepara UPZ, for example, adopted a hybrid model—centralized supervision by BAZNAS with autonomy to adjust strategies—so that zakat distribution is more suited to the socio-economic context of the region.

The dynamic shift from rolling livestock programs to rolling business capital reflects both challenges and adaptation. The livestock scheme has proven to require significant resources and be prone to failure, while business capital is simpler and more relevant to the capacity of recipients such as fishermen and converts. This change highlights the need for flexibility and continuous monitoring to maintain the sustainability of productive zakat. Field results also emphasize the importance of mustahik capacity. The success of empowerment can only be achieved if productive zakat is accompanied by training, mentoring, and formal agreements. Without such support, zakat tends to be spent on consumption and fails to create a long-term impact. Theoretically, this study reinforces the understanding of zakat as a multidimensional instrument that unites spiritual, social, and economic values. In practice, there is a need for accountable governance, context-based innovation, and consistent oversight. The case of Jepara provides an important lesson that the success of zakat in alleviating poverty and supporting the SDGs can only be achieved through synergy between national regulations and local adaptation.

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