

# Strategic Interventions of Zakat Institution in Empowering MSEs: The Case of BAZNAS in Regency Bone

**Ahmad Faidh Annur Ramli\***

Universitas Islam Negeri Sunan Gunung Djati, West Java, Indonesia

**Jaenuddin**

Universitas Islam Negeri Sunan Gunung Djati, West Java, Indonesia

**Vinna Sri Yuniarti**

Universitas Islam Negeri Sunan Gunung Djati, West Java, Indonesia

**Syena Idfilandu**

Vrije Universiteit Amsterdam, North Holland, Netherland

**Agi Attaubah Hidayat**

Universitas Islam Negeri Sunan Gunung Djati, West Java, Indonesia

## ABSTRACT

Productive zakat is an important part of Islamic social finance that aims to help reduce poverty by supporting micro and small businesses. Unlike traditional charity, productive zakat gives business capital to help zakat recipients (*Mustahik*) become independent. In Indonesia, especially in rural areas, this type of support plays a key role in improving people's economic conditions. This study focuses on how a zakat institution attempts to help micro and small businesses through its productive zakat programmes. The research used a qualitative method with the case study approach taking place in BAZNAS in Bone Regency, Indonesia. Data were collected through interviews and field observation involving BAZNAS staff, *Mustahik*, and leaders of local MSEs, and related document review. The results show that the mentoring provided is mostly limited to short verbal guidance when the funds are first given. There are no structured trainings and regular follow-up. These issues are compounded by a lack of staff, long distances between locations, and no clear way to measure progress. However, we find that there are also chances to improve the programme, such as the use of digital tools, building partnerships, and strengthening local MSE organisations. This study demonstrates that mentoring needs to be more measurable to make sure productive zakat truly helps people become economically independent. We also offer insights from this study for improving zakat programmes in other rural areas.

**Keywords:** BAZNAS, MSEs, *Mustahik*, Zakat

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## INTRODUCTION

Poverty and unemployment continue to be persistent problems in many developing countries, including Indonesia. Although the government has launched various programmes to address socio-economic disparities, issues such as income inequality and joblessness remain significant challenges, particularly in rural and underdeveloped regions. These issues are major contributors to the poverty gap and its intensity across Indonesia's provinces (Hutabarat, 2023). Such structural barriers not only inhibit inclusive economic growth but also threaten long-term social cohesion and development sustainability.

Zakat, one of the five pillars of Islam, plays an important role in both spiritual and socio-economic purposes. Traditionally, zakat is distributed in a way that directly meets the immediate needs of *Mustahik*. More recently, however, there has been a shift to using zakat as a tool for sustainable economic empowerment (Bahri & Oktaviani, 2018). In Indonesia, this effort is primarily overseen by the National Zakat Board (BAZNAS), a non-structural government body authorised to coordinate, implement, and supervise the collection and distribution of zakat. BAZNAS actively promotes productive zakat by distributing funds into micro-enterprise support, business capital, and entrepreneurship training (Mutmainah, 2023). Such programmes have increased the income and self-reliance of *Mustahik* in the context of national economy (Rukiah et al. 2024). Arifqi et al. (2024) state that the potential of productive zakat can be a sustainable model of sustainable economic empowerment, especially in the context of recovery after COVID-19.

Related literatures explain how the implementation of zakat in the context of Islamic jurisprudence and integrated into zakat community development programmes (Ahyani et al., 2025; Desvianti et al., 2024; Judijianto, 2024; Kamaruddin et al., 2024; Khoiri et al., 2022). They have provided literatures that position zakat as more than just wealth redistribution, emphasising its transformative power for sustainable growth and poverty alleviation among marginalised groups. Beyond its religious role, zakat directly addresses economic and social disparities, and empowers communities through sustainable economic development. Good zakat management is required to promote accountability and fair resource allocation, thereby accelerating poverty alleviation efforts (Zami & Hurhaida, 2025). However, the specific implementation of productive zakat programs by institutions remains unexplored. This includes the programs of zakat distribution, the forms of mentoring provided, and the challenges and opportunities encountered. In particular, rigorous analyses are still lacking on how zakat institutions implement such initiatives in practice-including their distribution mechanism, the design and effectiveness of embedded mentoring frameworks, and systemic challenges.

While there are some encouraging outcomes, the implementation of productive zakat still faces a number of challenges, especially when it comes to sustainability. A lot of programmes primarily concentrate on distributing business capital but often lack the necessary follow-up, such as in the form of mentoring or support for building skills. Tenriwaru et al. (2022) emphasise that just giving capital is not sufficient for ensuring long-term empowerment. In initial observation with BAZNAS Bone officials, it was confirmed that several *Mustahik* in Bone Regency struggled to keep their businesses, even after receiving financial assistance. These issues highlight a significant practical gap, as much of the current literature tends to focus on financial outcomes, such as income growth, while overlooking the essential role of mentoring and structured guidance in ensuring that businesses undertaken by MSEs can thrive over time (Basit & Rosidayanti, 2020; Umuri, 2023; Wafia, 2021).

This study aims to fill a crucial gap by examining the importance of mentoring in the productive zakat programme implemented by BAZNAS Bone Regency. Since its establishment in 2017, BAZNAS in Bone regency has launched various empowerment initiatives aimed at MSEs, primarily by distributing business capital to *Mustahik*. However, Hamidah et al. (2021) and Saedi et al. (2024) state that productive zakat initiatives go beyond financial assistance but should also include training, monitoring, and mentoring. They emphasise on the mentoring component, which has been relatively underexplored in existing research, especially in localised contexts.

By conducting a field-based evaluation of mentoring practices, challenges, and opportunities in Bone Regency, this study contributes in two important ways. Theoretically, the study enriches the literature by showing how structured mentoring can support sustainable economic empowerment. Practically, it also provides policy insights for BAZNAS and similar institutions to improve programme design. Since this focus on mentoring is particularly necessary (Alwi et al., 2019; Mutmainah, 2023; and Sahman et al., 2023), sustainable economic empowerment requires more than just distributing capital. It depends not only on capital distribution but also on equipping *Mustahik* with the knowledge, skills, and motivation needed to grow and sustain their businesses. Therefore, this study seeks to emphasise the importance of integrating effective mentoring into productive zakat programmes. This integration is significant to ensure long-term impact and reduce the risk of falling back into poverty.

## METHOD

### Research Approach and Data

This study employed a qualitative method with a case study approach to explore the strategic role of BAZNAS in supporting MSE development through productive zakat programmes. The case study method was chosen to enable an in-depth and contextual understanding of the program implementation in Bone Regency. This study was conducted from September 2024 to April 2025 and took place at the BAZNAS office in Bone Regency, South Sulawesi. The study involved seven respondents consisting of three BAZNAS administrators and staff, three *Mustahik*, who are eligible under Islamic law, particularly those classified as poor and needy, with different business sectors (food, clothing, and daily needs), and one representative from the local MSME association. Respondents were selected purposively based on their direct involvement in the productive zakat programme, their willingness to participate, and the diversity of their experiences to ensure relevance and depth of the data.

**Table 1** Respondents' Profile

| Respondent | Position                                    |
|------------|---------------------------------------------|
| B1         | BAZNAS Administrator for Zakat Distribution |
| B2         | BAZNAS Administrator for Zakat Collection   |
| B3         | BAZNAS Staff for Distribution               |
| M          | Chairperson of MSME Association             |
| Z1         | <i>Mustahik</i>                             |
| Z2         | <i>Mustahik</i>                             |
| Z3         | <i>Mustahik</i>                             |

**Source:** Processed by authors

Data collection was conducted through semi-structured interviews, direct observation of *Mustahik* business activities, and analysis of supporting documents. The interviews explored several key themes, including the type of assistance provided, mentoring and monitoring practices, how beneficiaries were selected, stakeholder engagement, challenges faced, and the program's perceived impact on MSE actors. Data were analysed using the Miles and Huberman (2014) model, which involves data reduction, data display, and conclusion drawing with thematic categorisation based on the framework of Naeem et al. (2023). This way allows this study to present a comprehensive picture of how BAZNAS plays the role in empowering MSEs through its productive zakat initiatives.

## RESULTS AND DISCUSSION

### Theme and Dimension in Productive Zakat Implementation: Strategy, Mentoring, and Challenges

We present three main themes, showing how BAZNAS Bone Regency implements its productive zakat program, along with the main factors that support and hinder these efforts. As shown in Table 2, the first theme demonstrates how BAZNAS does more than just distribute funds. It plays a role in helping *Mustahik* grow into independent entrepreneurs. This includes selecting *Mustahik* based on real data, working with different institutions and communities, and offering follow-up support after the funds are given. It also includes monitoring recipient activities to see how their businesses are progressing over time.

The second theme examines how assistance is provided in the field. Assistance is usually only provided at the beginning, along with the disbursement of funds, and is usually given verbally. BAZNAS does not provide regular or structured training to assist beneficiaries in managing their businesses. As a result, some *Mustahik* use the grant for daily expenses rather than for business investment. In addition, follow-up of the assistance is limited to annual evaluations, lacking clear metrics to track business success. The third theme outlines the difficulties faced and potential for improvement. The main challenges include insufficient staffing, large geographical areas that are difficult for beneficiaries to reach, limited funding, and a generally low level of financial literacy among *Mustahik*. However, there are also positive developments: local SMEs are becoming more organised, BAZNAS is open to collaborating with other sectors, and digital technology is starting to facilitate outreach to remote beneficiaries.

The three main themes provide a comprehensive understanding of the strategic functions of BAZNAS in Bone Regency, the mentoring modalities applied, and the challenges and opportunities inherent in the Productive Zakat Programme. This thematic framework builds a strong conceptual foundation to critically examine sustainable pathways towards recipient economic empowerment.

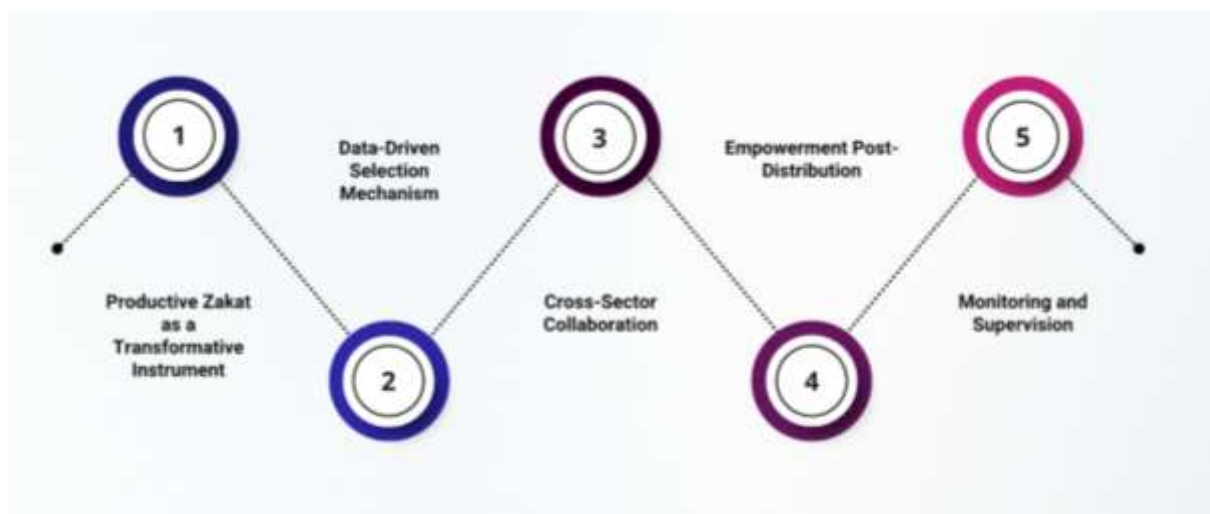
**Table 2** Thematic and Dimension

| No. | Theme                                                              | Dimension                                                                                                                                                                                                                                                                                                                         |
|-----|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | The Strategic Role of BAZNAS in supporting the Development of MSEs | a) Productive Zakat as a Transformative Instrument<br>b) Data-Driven Selection Mechanism<br>c) Cross-Sector Collaboration<br>d) Empowerment post-distribution<br>e) Monitoring and Supervision                                                                                                                                    |
| 2   | Forms of Mentoring                                                 | a) Initial Instruction<br>b) Absence of Structured Technical Training<br>c) Misuse of Business Capital<br>d) Annual Evaluation                                                                                                                                                                                                    |
| 3   | Challenges and Opportunities in Program Implementation             | <i>Challenges</i><br>a) Limitations of Human Resources<br>b) Geographic Obstacles<br>c) Insufficient Funding<br>d) Economic Resilience and Low Financial Literacy of <i>Mustahik</i><br><i>Opportunities</i><br>a) Organizational Restructuring of MSMEs<br>b) Cross-Sector Collaboration<br>c) Utilization of Digital Technology |

Source: Developed by author (2025)

### The Strategic Role of BAZNAS in Supporting the Development of MSEs

The multidimensional roles of BAZNAS Bone Regency in empowering MSEs through productive zakat are characterised by three key themes, as shown in Figure 1. These themes serve as foundational to understanding how BAZNAS strategically enables MSE development.



**Figure 1.** Integrated Mechanisms for Optimising Productive Zakat in MSE Development

Source: Developed by author (2025)

#### 1. Productive Zakat as A Transformative Instrument

To empower MSEs, BAZNAS uses business capital assistance as the main strategy. Each *Mustahik* receives IDR 3,000,000, with funds restricted to business development. This strategy specifically aims to transform zakat from a consumptive aid to a productive driver of the local economy, ultimately building the independence of the recipient. As the result of interview with Z1, the fund must be used for developing the business.

“The funds we received must be used for business purposes, not for daily needs.”— Z1

The funding is only for business capital. Misuses, such as for personal or household purposes, are absolutely not allowed. This is also stated by BAZNAS.

“We have noticed them since the beginning that the funds are for business capital, not for consumption.”— B1

This focus on fund management reflects the efforts made by institutions to ensure that zakat actually makes a difference economically. This can be related to the principles of *maqāṣid al-sharia*, particularly *ḥifẓ al-māl* (protection of wealth), which aims to preserve and grow assets instead of just using them for immediate needs.

Widiastuti et al. (2021) and Siregar et al. (2023) claim that when zakat is used productively and adheres to strict guidelines, it can produce better long-term benefits. Their findings support disciplined fund management, improve the sustainability of micro-enterprises significantly, and help avoid dependency. Moreover, this model aligns with the concept of transformative zakat as proposed by Mutmainah (2023), who emphasises that empowerment through zakat should be accompanied by mechanisms that hold responsibility and long-term planning.

## 2. Data-Driven Selection Mechanism

One of the key strategies for effectively implementing zakat by BAZNAS in Bone Regency is the use of a data-driven selection mechanism to determine eligible recipients. This method relies on clear and transparent criteria, including specific income thresholds, verification of identity documents, such as ID cards and family cards, and on-site economic assessments through direct surveys. The ultimate goal is to ensure that zakat assistance can reach individuals and households who are most in need and have the potential to grow their businesses. This perspective is stated by BAZNAS.

"We conduct direct field surveys to verify the economic conditions of prospective *Mustahik*."— B2

There is a commitment applied by BAZNAS in terms of accuracy and fairness in targeting the programme. Rather than relying on administrative assumptions or informal recommendations, BAZNAS takes a more structured approach, relying on concrete and observable economic indicators. Typically, beneficiaries are those whose per capita income falls below IDR 500,000 per month (considered poor) or IDR 300,000 per month (classified as very poor), which sets a clear standard of eligibility.

This data-driven strategy aligns with Noviarita et al. (2024), claiming that comprehensive need assessments are essential to improve the effectiveness and accountability of Islamic social finance initiatives. Meanwhile, Pertiwi et al. (2020) also state that the success of zakat empowerment programmes depends heavily on understanding the socio-economic context of *Mustahik*, including the challenges they face and their desire for entrepreneurship.

## 3. Cross-Sector Collaboration

One of the key elements that greatly drives the effectiveness of BAZNAS Bone Regency's productive zakat programme is cross-sector collaboration with various local organisations. BAZNAS recognises that addressing poverty and promoting business growth requires the cooperation of various parties. Therefore, BAZNAS works closely with village governments, military and security personnel, such as Babinsa and BabinKamtibmas, and Zakat Collection Units (UPZ). This cooperation helps them reach more people, improve data accuracy, and strengthen the credibility of the distribution process. Interviewee further expressed as follows.

"We involve UPZ and village governments to ensure zakat distribution is more targeted."— B3

These collaborations allow BAZNAS to leverage local insight and community relations, which are crucial to understanding the socio-economic situation of the *Mustahik* and ensuring that aid actually reaches those most in need. In many rural areas, village officials and local community groups have a better understanding of the living conditions of the population than formal data systems, making them key partners in the targeting process. This is recognised by Pertiwi et al. (2020), verification and community involvement increase transparency and trust in zakat management. In addition to improving accuracy, BAZNAS has also made significant progress in simplifying the application process. In the past, *Mustahik* submitted proposals individually, which often resulted in administrative inconsistencies and inefficiencies. Now, proposals are submitted through officially recognised MSME forums that coordinate directly with local governments. This is clearly recognised by the informant:

"Previously, applications were made individually; now, through MSME organisations, the process is more organized." — M

This idea marks a structural improvement that strengthens coordination and standardises the application process. It also reflects a move toward more institutionalised empowerment, where

beneficiary groups are organised, guided, and connected to broader support systems. Such institutional coordination is supported by [Mutmainah \(2023\)](#), who argues that zakat empowerment efforts are more sustainable when integrated into community structures and supported by local government policies. Under a governance perspective, this collaborative approach reflects a shift from fragmented aid delivery toward a more systemic and participatory model. It enhances programme legitimacy by involving trusted local figures and strengthens BAZNAS's social accountability in the eyes of the community. Moreover, this collaboration opens opportunities for future cooperation in the form of training, mentoring, and market access, especially if local governments and UPZ share a common vision for empowerment goals.

#### 4. Cross-Sector Collaboration

Although the distribution of productive zakat by BAZNAS in Bone Regency represents a promising initial step toward economic empowerment, the post-distribution phase reveals several limitations, particularly in terms of mentoring and capacity development. While *Mustahik* receive basic guidance at the time of fund disbursement, this guidance is mostly verbal and lacks a structured follow-up. As experienced by *Mustahik*, there were no formal training modules or scheduled mentoring activities to support the growth of beneficiaries' businesses.

"When we received the funds, we were only given verbal instructions to use them for business; there was no specific training."— Z2

This indicates that although the intention to direct zakat funds toward productive use is clear, the absence of formal mentoring reduces the likelihood that *Mustahik* can fully optimise the assistance received. From a theoretical point of view, this limitation weakens the empowerment dimension of zakat. As pointed out by [Alwi et al. \(2019\)](#) and [Mutmainah \(2023\)](#), zakat should ideally include education, training, and entrepreneurship development to create a sustainable impact. In the field, *Mustahik* have revealed a strong need for more support, especially in areas such as entrepreneurship training, product development and market access. These are crucial to help them move from mere survival to building sustainable micro-enterprises.

"We need business training and access to markets, not just funds." — M

The provision of capital alone will fundamentally not achieve the transformative goal of turning *Mustahik* into thriving, self-reliant entrepreneurs. Financial resources alone are not enough; without specialised skills upgrading and ongoing mentoring, *Mustahik* businesses face a significant risk of stagnation or failure. This lack of holistic support critically undermines the desired transformation. [Hamidah et al. \(2021\)](#) reveal that *Mustahik* who do not receive adequate mentoring often mismanage funds or operate inefficiently due to a lack of business acumen, which directly hinders their entrepreneurial journey.

The ultimate goal of productive zakat requires more than just capital. [Saedi et al. \(2024\)](#) emphasise that ongoing mentoring and training are essential to prevent *Mustahik* from falling back into poverty. When productive zakat is channelled without a strong support system for knowledge transfer and entrepreneurial skills development, its transformative purpose is effectively nullified, and its fundamental purpose is not met.

#### 5. Monitoring and Supervision

A key factor influencing the long-term success of an effective zakat programme is the existence of a strong monitoring and evaluation system. In the case of BAZNAS Bone Regency, although capital disbursement has been carried out and initial guidance provided, the monitoring mechanisms implemented remain informal and unstructured. There is still no consistent use of Key Performance Indicators (KPIs) to assess the progress or impact of recipient enterprises after receiving assistance. This has been recognised by BAZNAS.

"Some *Mustahik* still use zakat funds for daily needs because their income is insufficient."— B1

One of the significant risks faced by productive zakat initiatives is the potential misuse of business capital for consumption. In many cases, such deviations are not caused by negligence but rather by economic vulnerability. *Mustahik* often face pressure from daily necessities, and without alternative income sources or continued support, they tend to use the capital aid to meet basic needs.

Such practices undermine the goals of economic empowerment and highlight the urgent need for a structured, indicator-based evaluation system. Without measurable outcomes, such as income growth, business sustainability, or improvement in socio-economic status. It becomes



difficult to assess whether the program is truly achieving its intended objectives. As disclosed by BAZNAS that:

"We want evaluations to go beyond just checking in—to include measurable performance indicators for their businesses."— B1

There are internal awarenesses of the issue and its institutional aspiration to shift toward evidence-based program evaluation. Arifqi et al. (2024) state that the implementation of KPI-based monitoring systems is essential for tracking business development, adjusting interventions, and ensuring accountability. One common weakness in regional zakat programs is the absence of performance (Ashari et al., 2023).

### Forms of Provided Mentoring

The coaching provided by BAZNAS Bone Regency in the productive zakat programme follows a specific scheme that can be observed from the initial stage through to the post-disbursement phase. This pattern reflects the actual mentoring practices taking place in the field, as illustrated in Figure 2. A detailed explanation of each stage is presented in the following description.



**Figure 2** Empirical Mentoring Flow and Field-Based Findings

**Source:** Developed by author (2025)

#### 1. Initial Instruction

Formal mentoring in the productive zakat program by BAZNAS Bone Regency begins at the time of fund disbursement. At this initial stage, the guidance provided to *Mustahik* is limited to verbal instructions regarding the obligation to use the funds strictly as business capital. There is no evidence of written modules, technical training sessions, or structured guidelines accompanying the disbursement process. This activity resembles more an administrative notification rather than an educational process aimed at building business readiness.

"When receiving the funds, only verbal instructions were given to use it for business purposes; there was no special training"— Z3

The statement of *Mustahik* indicates that BAZNAS's initial approach emphasises one-way information transmission. There is no indication of capacity assessment or open dialogue to identify the specific needs and potential of each *Mustahik*'s business. Therefore, this process cannot yet be categorised as capacity-building mentorship but rather as an administrative obligation delivery. Within the empowerment framework, such an approach is less effective because it does not develop the psychological readiness and practical skills required by novice entrepreneurs. Moreover, this approach does not reflect the principles of the Asset-Based Community Development model (Mathie & Cunningham, 2003), which emphasises the importance of building the social and cognitive capacities of *Mustahik* as part of the economic empowerment process.

#### 2. Lack of Technical Training

After the fund disbursement stage, no systematic technical training or business mentoring mechanisms were found to be in place. *Mustahik* did not receive training on how to manage business finances, develop marketing strategies, or design simple business plans. The absence of continued mentoring represents a significant weakness in the overall productive zakat empowerment process implemented. As stated by the informant as follows.

"Most *Mustahik* do not understand how to manage business finances, let alone marketing strategies"— M

This point implies a gap between the actual needs on the ground and the type of support provided by BAZNAS. It is also supported by the statement as follows.

“Although they received capital assistance, due to lack of financial management knowledge, they ended up with losses and had to stop.”— Z3

*Mustahik* who previously lacked business experience face difficulties in maintaining capital, primarily because they are not equipped with basic business management skills. As a result, some businesses would fail to grow or even cease operations shortly after starting.

The weak financial literacy and the absence of business skills training are major causes of failure in the productive utilisation of zakat (Saedi et al., 2024; Hamidah et al., 2021). In the context of Bone, the lack of post-assistance training sessions indicates that empowerment is still not the primary focus in programme implementation. The approach taken tends to be more administrative than educational, which risks causing *Mustahik* to fall back into dependency patterns.

“There are also those who have received business capital assistance but their businesses did not grow and even stopped.”— B3

This condition implies a consistent pattern where the lack of financial literacy and skills training results in ineffective use of zakat funds. Without structured post-disbursement training, the program's empowerment goals remain unmet, increasing the risk of *Mustahik* returning to reliance on aid.

### 3. Misuse of Business Capital

Another issue found in the field is the use of productive zakat funds for daily consumption needs. Although the funds provided are intended as business capital, the economic pressures faced by some *Mustahik* lead them to allocate the funds to meet basic needs such as food, medical expenses, or household necessities. This occurs particularly among *Mustahik* who lack alternative income sources or financial reserves.

“Some still use zakat money for living expenses because their income is insufficient.”— B1

It is found that some *Mustahik* remain economically vulnerable even after receiving zakat assistance. Instead of investing in entrepreneurial activities, zakat funds often only serve as a temporary buffer to fulfil daily living needs, a pattern that is in stark contrast to the transformative purpose of productive zakat. This finding can be elaborated under the Sustainable Livelihoods Framework (Chambers & Conway, 1992). Financially vulnerable groups prioritise living needs over long-term investments during a crisis. Without structured post-distribution support, such as mentoring, supervision, or skills upgrading, *Mustahik* are forced to resort to short-term coping strategies, which perpetuates the cycle of poverty.

Most importantly, the absence of ongoing mentoring after the distribution exacerbates this issue. *Mustahik* who are supposed to transition into independent entrepreneurs instead revert to their pre-aid state, highlighting a fundamental flaw in implementation, where zakat without empowerment reinforces dependency instead of breaking it.

### 4. Annual Evaluation

The evaluation of *Mustahik* business implementation in the productive zakat programme by BAZNAS Bone Regency is conducted in a limited manner, which is only once a year. This evaluation is generally done through field visits or by calling *Mustahik* to the BAZNAS office to provide reports related to the use of funds.

“We only monitor once a year; there is no definite measure of their business progress.”— B2

The evaluation process is still conducted in a general manner, without standardised instruments capable of objectively measuring business performance. The absence of benchmarks such as revenue growth, customer numbers, production sustainability, or improvements in the economic conditions of *Mustahik* causes the evaluation to function more as a formality rather than as a tool for data-driven program decision-making.

This finding indicates that the evaluation approach has yet to distinguish between *Mustahik* who are developing and those experiencing stagnation or decline. It results in inappropriate allocation of follow-up assistance and the lack of strategy formulation based on actual field needs.



This is then supported by the view of Ashari et al. (2023), who state that the lack of a performance indicator-based evaluation system at the local level is a significant shortcoming in the governance of zakat programs. Without a reliable and regular evaluation system, it is difficult to measure and consistently achieve the economic independence of *Mustahik*. BAZNAS should initiate a well-structured micro-business training programme for *Mustahik*, covering topics such as financial management and marketing strategies. In addition, given the current digital landscape, digital marketing training is particularly relevant (Zain et al., 2025). With a comprehensive and continuous training approach, the zakat empowerment programme can become more effective in creating economically self-reliant *Mustahik*.

## Challenges and Opportunities

BAZNAS in Bone Regency faces various challenges, however some promising opportunities have also emerged from the field.

### 1. Challenges

One of the main challenges in the implementation of the productive zakat program in Bone Regency lies in the limited number and capacity of human resources. Ideally, mentoring should be carried out in a structured and continuous manner, but in practice, it is conducted sporadically and unevenly. The same staff members are responsible for various tasks from fund distribution to administrative reporting, which affects the consistency and depth of support provided to *Mustahik*. This perspective is stated by BAZNAS alone that:

"The number of amil officers is limited, so we are unable to assist all *Mustahik*, especially those in remote areas."— B3

This statement implies how the lack of qualified staff directly impacts the effectiveness of mentoring. The current staffing arrangement, which includes core management, operational staff, and volunteers, is not yet adequate to meet the complex needs of continuous business mentoring. In addition to staffing issues, geographical challenges also play a big role. With *Mustahik* spread across vast and remote areas, maintaining regular contact and monitoring becomes quite a difficult task. Those in city centres or easily accessible locations usually get better follow-up, while those in more remote areas are often overlooked. Furthermore, the informant states that:

"If the area is far, sometimes they go unmonitored for a long time, and we also face difficulties reaching them."— B3

This leads to disparities in how programmes are delivered and how information can be accessed, resulting in unequal levels of support. It also increases the likelihood of misdirected resources and reduces trust in the organisations. Moreover, travelling and logistical challenges increase operational costs, which are difficult to manage given the already limited resources of the institution. The situation is made even more challenging by the lack of adequate productive zakat funds.

The limited budget restricts not only the number of *Mustahik* who can be supported but also the quality of support they receive. In many cases, assistance stops at the provision of capital, with no follow-up in the form of training, tools, or business network access.

"Productive zakat funds are still limited, so we cannot assist all *mustahik* according to their needs."— B3

This limitation results in a selective process that delays or excludes potential *Mustahik* from accessing the programme. Without a supporting ecosystem, zakat risks functioning as short-term relief rather than a long-term empowerment tool. These institutional challenges are closely linked to the economic conditions of the *Mustahik* themselves. In such situations, zakat funds intended for business are often redirected to cover daily living expenses. This is confirmed with the statement as follows.

"Some still use zakat funds for living expenses because their income is insufficient."— B1

The funds are used as a buffer for survival rather than as capital for business development. Moreover, most *Mustahik* lack basic financial knowledge, including the ability to separate capital from profit, plan simple business strategies, or track financial flows.

“Many of them are still unable to create business plans or separate capital from profits.”— M

This finding highlights the broader issue of low financial literacy, which contributes to unproductive decisions such as borrowing from moneylenders at high interest rates. As a result, the core goal of productive zakat—to promote economic independence—becomes difficult to achieve. Compared with Akbar & Pakanna (2023), this finding discloses that the struggle to separate business and household finances keeps *Mustahik* trapped in structural poverty, making it difficult for them to build sustainable livelihoods. In the context of mentoring micro and small enterprises (UMKM), sociocultural dynamics often pose significant challenges. In rural areas, for example, zakat is still widely perceived by the community as a form of charity rather than a means of economic empowerment. As a result, zakat funds received by *Mustahik* (zakat recipients) are frequently used for consumptive purposes instead of being invested in productive activities. This perception also reduces the willingness of *Mustahik* to engage in entrepreneurship or attend training sessions, even though integrated mentoring approaches that combine productive zakat, technical training, and ongoing coaching have been proven to significantly enhance entrepreneurial independence.

## 2. Opportunities

Besides the challenges encountered in the field, there are also several opportunities that can be considered in the mentoring process conducted by BAZNAS related to the productive zakat programme. Several promising opportunities have also emerged from the field. One such opportunity is the ongoing restructuring of MSME organisations at the local level. This process reflects a growing initiative from within the *Mustahik* community to strengthen coordination, leadership, and business capacity. Rather than relying solely on external support, local entrepreneurs have begun to develop a more organised structure to improve communication and foster mutual support among members.

“We are restructuring our leadership to be more responsive and capable of forming strategic partnerships, including with BAZNAS.”— M

This initiative provides a strategic entry point for BAZNAS to engage more actively with MSMEs and create stronger networks with local governments, universities, and external training providers. With a more coordinated organisational structure in place, joint training sessions on topics such as financial planning, marketing, and risk management can be implemented more efficiently and tailored to the actual needs of *Mustahik*.

Moreover, BAZNAS Bone has shown a positive attitude toward building partnerships across sectors. There is an openness to work collaboratively with stakeholders such as village governments, higher education institutions, and UPZ. These partnerships not only help expand the reach of mentoring and training but also enhance the credibility and social acceptance of the programme, especially at the grassroots level (Cynthiasari & M. Nawawi, 2022). Such cross-sector collaboration enables the integration of diverse knowledge and resources that BAZNAS alone may not possess. When actors from education, government, and local communities are involved, the design and implementation of empowerment programmes become more inclusive and context-sensitive. In Bone, where economic challenges are often interlinked with access and institutional barriers, collaboration opens the door for more adaptive and impactful programme delivery. BAZNAS recognises that:

“We aim to involve universities and mosques in education and economic empowerment of the ummah.”— M

Syamsuri & Adillah (2024) demonstrate that working together across sectors can significantly improve the efficiency and effectiveness of zakat programmes, especially when they collaborate with educational institutions and religious communities. This cooperation paves the way for innovative training designs, research-based monitoring, and student involvement in field mentoring. With better coordination between *Mustahik*, government, and support organisations, we can expect increased efficiency. Stronger institutions can act as platforms to share information, exchange experiences among entrepreneurs, and provide access to essential resources such as mentoring and business support. In addition, by forming strategic partnerships with various stakeholders, BAZNAS can expand the reach of its programmes and tap into technical and financial resources that may otherwise be difficult to obtain. Cross-sector collaboration, including partnerships with mosques and higher education institutions (Sobana & Wardiyah, 2018), can improve programme efficiency by facilitating wider information sharing and better training opportunities.

Digitalisation is also recognised as a significant opportunity to address both geographical and human resource limitations. In areas where direct access is difficult and mentoring teams are

stretched thin. For instance, the use of digital tools becomes a practical alternative for delivering support and maintaining communication with *Mustahik*. Platforms such as WhatsApp, mobile applications, or online training modules are increasingly considered viable for extending the reach of financial education and business guidance. Therefore, the response of BAZNAS in this regard is that:

“We plan to use the media to overcome limited staf and the large area. We also plan to use technology so that mentoring can still happen even if we do not meet face to face.”— B1

To address geographical and human resource constraints, particularly in mentoring and monitoring *Mustahik*, BAZNAS must demonstrate strategic awareness and initiative in adopting digital solutions. Potential technologies include online training platforms, business monitoring applications, and remote communication tools, all of which can bridge critical gaps in service delivery. Kasri & Yuniar (2021) show that digitalisation improves administrative efficiency, transparency and *Mustahik* engagement, while Firdaus et al. (2023) show that digitalisation also democratises access to training for those hindered by geographical and socio-economic constraints.

In terms of overcoming systemic challenges, the integration of digital media such as e-training, online mentoring, and Android-based monitoring applications can help BAZNAS connect with *Mustahik* in remote areas, while reducing costs. For example, education on zakat literacy and the donation collection process can be conducted through online platforms (Firdaus et al., 2023; Zaimah & Zaman, 2024). Experiences from other zakat institutions in Indonesia reveal that embracing digitalisation not only improves training effectiveness, but also encourages greater transparency and accountability in the program (Kasri & Yuniar, 2021). In the case of BAZNAS in Bone regency, the utilisation of digital platforms can streamline business progress reporting, facilitate remote consultation, and accelerate data-driven evaluation. It is also important to implement KPI-based monitoring, improve internal capabilities through professional development, management training, and technology adoption, as well as advocate for local policies that support microenterprises. While there are challenges such as staff limitations, geographical barriers, low financial literacy, and funding constraints, there are also promising opportunities such as institutional reforms, cross-sector partnerships, and digital innovations that can improve the effectiveness and sustainability of the programme in Bone Regency.

To better serve the needs of *Mustahik*, BAZNAS needs to create a more responsive and adaptive mentoring model by categorising each recipient based on their business potential, financial literacy, and level of risk. Those who are just starting out should receive more direct support in managing their capital, while those who are more advanced could benefit from assistance with market access and networking opportunities. It is also important to implement KPI-based monitoring, improve internal capabilities through professional development, management training, and technology adoption, as well as advocate for local policies that support micro-enterprises. While there are challenges such as staff limitations, geographical barriers, low financial literacy, and funding constraints, there are also promising opportunities such as institutional reform, cross-sector partnerships, and digital innovation that can help improve the effectiveness and sustainability of the program in Bone Regency.

## CONCLUSION

The role of BAZNAS in Bone Regency in supporting MSEs is not only as a zakat distributor but also as a key agent of local economic transformation. This is evident in how zakat is used as a productive and transformative tool, with a careful and data-driven approach to selecting beneficiaries. They actively collaborate with local institutions, focus on empowering beneficiaries after distribution, and implement basic monitoring mechanisms. However, the support provided is often preliminary and verbal, with no structured training or technical guidance that can really make a difference. There are several cases of misuse of business capital, and follow-up mechanisms are weak. While annual evaluations are conducted, they are not supported by consistent efforts to build capacity. The programme's effectiveness is hindered by several challenges, including limited human resources, difficult geographical coverage, insufficient funds, and low financial literacy among beneficiaries. Nevertheless, there are promising opportunities emerging through the restructuring of MSME organisations, the strengthening of cross-sector partnerships and the growing potential of digital platforms to expand training and monitoring efforts.

This study implies that BAZNAS needs to strengthen its mentoring framework by adopting a more adaptive, needs-based and participatory approach. Improving coordination with educational institutions and utilising digital tools would increase the reach and responsiveness of the programme. A key limitation of this study is its reliance on qualitative data from only one region, which may limit its ability to capture the diversity of operational practices and outcomes across other

local BAZNAS institutions. Future studies should expand geographical coverage beyond Bone Regency and employ quantitative or mixed methods to evaluate the long-term socio-economic impact of productive zakat on *Mustahik* livelihoods and business development.

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