

-RESEARCH ARTICLE-

OPTIMISING PRODUCTIVE ZAKAT FINANCING: A STRATEGIC FRAMEWORK FOR STRENGTHENING MICROENTERPRISES IN INDONESIA

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—Abstract—

This research aimed to formulate an optimal strategy for utilising zakat financing productively to empower microenterprises within the Indonesian context. To achieve this objective, the Analytic Network Process (ANP) was applied, allowing for the comprehensive and simultaneous analysis of interrelated factors. Data were obtained through focus group discussions involving subject-matter experts. The analysis revealed that insufficient business capital represents a major internal constraint, while limited government support, low literacy levels, and institutional inefficiencies constitute key external challenges. Based on these findings, several strategic solutions were proposed, including the enhancement of human resource capacity, improvement of marketing performance, advancement of public literacy, facilitation of access to financial capital, and strengthening of policy support. These outcomes hold significant potential for refining the zakat management and implementation framework in

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INTRODUCTION

In contemporary economies, micro, small, and medium enterprises (MSMEs) represent a crucial pillar of Indonesia's economic structure. Reports indicate that MSMEs contribute approximately 60.5% to the national Gross Domestic Product (GDP) (Syarifuddin & Setiawan, 2022) and employ around 97% of the country's workforce (Putri et al., 2022). Across both rural and urban regions, MSMEs not only generate employment but also enhance community welfare. Additionally, these enterprises play a vital role in boosting Indonesia's export capacity by promoting locally produced goods. Despite these contributions, MSMEs continue to face persistent challenges such as restricted access to finance, limited government policy support, and inadequate employee training opportunities.

Although zakat plays a significant role in Islamic economic systems, it has received relatively limited attention within Indonesia's economic development discourse, despite its potential to promote sustainable economic activity. Scholars have argued that zakat should extend beyond direct monetary or food distribution, encompassing productive uses such as vocational training to foster self-sufficiency and economic independence (Amilahaq et al., 2020). Several researchers contend that productive zakat can enhance community income levels and create employment opportunities (Mohammed et al., 2021). However, others argue that most zakat programmes remain consumptive, focusing on short-term relief rather than business development and sustainable economic empowerment (Mutamimah et al., 2021). Data suggest that only half of zakat recipients utilise their funds productively, with limited subsequent business growth, reflecting systemic weaknesses in zakat implementation. In many cases, funds are consumed rather than reinvested to generate further income (Santoso et al., 2023).

Alim (2015) proposes two potential approaches to address this concern: first, zakat institutions may manage zakat funds as revolving capital; second, zakat may operate as productive savings held in trust for eligible beneficiaries. These discussions highlight the necessity for a structured, sharia-compliant, and empirically validated productive zakat framework. From a developmental standpoint, this perspective aligns with the theory of (Haq & Zia, 2013), who describe development as a multidimensional process aimed at improving quality of life through enhanced income, education, health, and social inclusion. Within Islamic economic thought, Mahomed (2022) asserts that economic activity should embody justice, compassion, and moral accountability to achieve both worldly success and spiritual fulfilment.

Similarly, [Nazeri and Nor \(2023\)](#) emphasise the critical role of human capital development in maximising the effectiveness of zakat, as financial capital alone cannot ensure sustainable impact without adequate skills and knowledge. Research by [Arif et al. \(2024\)](#) identified four major zakat implementation models: one centred on MSME development, another on agricultural financing for the poor, a third focused on livestock financing, and a fourth on entrepreneurship education ([Murad et al., 2024](#)).

Although the MSME-oriented model has received greater scholarly attention, the other models remain underexplored, creating notable research gaps. Furthermore, the high failure rate of zakat-funded microenterprises and the presence of structural and institutional constraints within Indonesia's MSME sector underscore the need for improvement. To address these deficiencies, the present study aims to develop an optimal strategy for the productive management of zakat to sustainably support MSME growth. The research focuses on identifying the key barriers to implementing productive zakat and employs the ANP to formulate strategic solutions that enhance the efficiency and impact of zakat utilisation. Accordingly, this study seeks not only to contribute to theoretical advancement but also to provide practical insights for improving the real-world application of zakat in empowering MSMEs across Indonesia.

LITERATURE REVIEW

Zakat, derived from the Arabic term signifying purity, growth, and blessing, serves as a vital mechanism for equitable wealth distribution within the Islamic economic framework ([Mutamimah et al., 2021](#)). Its normative foundation rests on the principles of justice, balance between material and spiritual wellbeing, and social compassion ([Mahomed, 2022](#)). Within Islamic societies, zakat plays a substantial role in sustaining economic activity and supporting the underprivileged to lead more stable and sustainable lives ([Beik et al., 2021](#)) highlight the necessity of effective state-led management of zakat to promote sustainable development. This view aligns with Indonesia's Law No. 23 of 2011 on Zakat Management, which permits the use of zakat funds for productive initiatives once the essential needs of the beneficiaries have been fulfilled.

This issue is compounded by limited understanding of interest-free loans, resulting in repayment difficulties and high default rates across productive zakat programmes ([Amilahaq et al., 2020](#)). To overcome these limitations, zakat funds should be utilised productively, with beneficiaries receiving appropriate training to ensure effective use of the resources for meaningful socio-economic development. Microenterprises in Indonesia encounter numerous barriers, particularly in relation to capital access, human resources, marketing, and technology ([Timur et al., 2025](#)). Under Government Regulation No. 7 of 2022, microenterprises are defined as businesses with capital not exceeding one billion Rupiah and annual revenue below two billion Rupiah. This

classification provides a useful framework for designing empowerment strategies through productive zakat initiatives. Research by [Kholidah et al. \(2024\)](#) indicates that many entrepreneurs lack fundamental business knowledge and skills, highlighting the need for comprehensive, contextual training and capacity-building programmes.

Internal factors such as knowledge and managerial capability are vital to business performance, while external challenges including structural constraints and governance weaknesses also pose significant obstacles ([Sunoko et al., 2022](#)). [Alimusa et al. \(2025\)](#) argue that business productivity improves when both managerial and workforce competencies are strengthened and effectively implemented. Therefore, strategic interventions are required to build these capacities within enterprises. The integration of digitalisation has also become essential for strengthening business performance. [Lee et al. \(2025\)](#) found that digital engagement and social networking foster collaboration and enhance marketing strategies. Similarly, [Trinugroho et al. \(2022\)](#) demonstrated that participation in online business networks positively influences sales growth and innovation among small and medium-sized enterprises (SMEs) in England and Wales. Market orientation significantly affects SME success ([Auwalin, 2021](#)), while entrepreneurial attributes such as innovation and customer focus are particularly crucial in Indonesia's business landscape.

Nevertheless, limited technological adoption remains a persistent constraint. [Muflih \(2022\)](#) observed that perceived convenience and religiosity promote the use of digital zakat platforms; however, trust and perceived usefulness are insufficiently strong to ensure widespread adoption. Zakat institutions therefore hold a central role in fund management and the formulation of effective, high-impact programmes ([Sawmar & Mohammed, 2021](#)). [Cokrohadisumarto et al. \(2019\)](#) emphasised that institutional capacity acts as a mediating factor linking zakat regulation, leadership quality, and entrepreneurial competence to institutional performance. Entrepreneurial skills have emerged as critical determinants of zakat compliance, alongside religiosity and community trust. In this regard.

As one of the five pillars of Islam, zakat is a fundamental religious obligation designed to provide financial assistance to those unable to maintain a standard living condition ([Mohammed et al., 2021](#)). However, in modern contexts, zakat should extend beyond meeting immediate subsistence needs, serving instead as a developmental mechanism that fosters entrepreneurship and long-term economic resilience. This approach enables individuals to build small-scale enterprises and achieve financial self-sufficiency ([Mushtaq, 2025](#); [Sunoko et al., 2022](#)). Through zakat, individuals can enhance their internal capabilities and acquire the skills required to establish and manage sustainable businesses. The establishment of community-based networks further supports business development and financial stability ([Santoso et al., 2023](#)). Consequently, cooperation between government agencies and zakat institutions is essential in facilitating financial and capacity-

building support. Public welfare through zakat can only be achieved when equitable opportunities are provided for individuals to develop entrepreneurial ventures and participate actively in economic life (Abdullah et al., 2023). Therefore, a comprehensive, well-structured framework for the allocation and utilisation of zakat funds is imperative to ensure its long-term societal impact.

METHODOLOGY

This study sought to examine the complexity of decision-making processes and the interrelationships among various factors to develop a strategic framework for zakat financing. To achieve this, a mixed-methods approach was adopted, integrating both qualitative and quantitative data. The ANP was employed as the principal analytical tool, as it is well-suited for formulating strategic frameworks in contexts involving intricate decision-making and multiple stakeholder participation.

Model Construction

In applying the ANP, it was first necessary to construct a conceptual model. To achieve this, the study conducted a focused group discussion (FGD) involving four participants, comprising two heads and one staff member each from the Indonesian Zakat Initiative (IZI) and Dompot Dhuafa Waspada (DDW). The FGD was held on 15 April 2025 in North Sumatra, Indonesia. Prior to participation, all individuals were evaluated and selected based on their expertise in managing and distributing zakat productively. The ANP framework developed in this study focused on identifying critical factors influencing zakat financing. Both internal and external dimensions were examined, with related strategies and potential solutions discussed comprehensively. Through this structured and systematic approach, the study identified key obstacles to optimising productive zakat implementation while proposing strategic policy directions for future enhancement.

Several foundational assumptions guided the application of ANP in this research. Firstly, it was assumed that relationships among elements within the system are interdependent, forming a complex feedback network rather than a linear, one-directional structure. Secondly, it was assumed that respondents' judgements and preferences regarding these elements could be consistently represented through pairwise comparisons. Thirdly, the ANP model presumes that the resulting decisions more accurately represent real-world complexities, as they incorporate interdependencies between criteria and sub-criteria. Lastly, it assumes that the relative weights or priorities of each alternative can be quantitatively determined through a normalised and convergent super matrix process.

Internally, the identified challenges were categorised into four primary clusters. The first, the Microenterprise Performance Cluster, encompassed financial indicators such as monthly profit levels, loan repayment consistency, and the recipients' ability to

contribute back through charitable giving. These indicators are essential in assessing how effectively supported microenterprises perform. The second cluster, the Human Resources Character Cluster, focused on personal and professional attributes, including communication abilities, religious understanding, work ethics, and strategic competence. These traits directly influence how zakat recipients utilise the support to operate and sustain their businesses effectively. The third internal cluster, Marketing, concentrated on the recipients' capacity to promote their products innovatively and establish strong networks. These factors are vital for ensuring business growth and long-term market sustainability. The fourth internal cluster, Business Financing, examined the amount and nature of the financial support received, offering insights into the capital structure and financial management of small businesses. From an external perspective, three major clusters were identified.

The first, the Zakat Institution Cluster, comprised factors such as internal control, transparency, accountability, and the provision of guidance frameworks for zakat recipients. These elements are central to assessing the efficiency and credibility of institutional zakat management. The second, the Community Cluster, reflected public interest and trust in zakat institutions, as well as the general lack of understanding regarding the concept and benefits of productive zakat. Public trust and awareness were found to be critical in enhancing participation and engagement. The third, the Government Cluster, focused on the effectiveness of zakat-related regulations and the presence of supportive policies, including tax incentives, that facilitate the successful implementation of productive zakat programmes.

Model Quantification

The second stage of the ANP process involves model quantification, in which the relationships within the ANP network are measured through a pairwise comparison questionnaire. This questionnaire was developed based on a previously validated framework and subsequently processed using Super Decisions software. To ensure data reliability, a pilot test was conducted to verify the consistency of responses to questionnaire items. In cases where inconsistencies exceeded acceptable levels, revisions were made to the questionnaire to improve clarity and coherence. From a theoretical standpoint, the ANP method enables the calculation of eigenvector values through the use of matrices and a supermatrix, all within a framework of reciprocal evaluation. In this study, the pairwise comparison questionnaire was completed by fifteen participants, comprising eight representatives from DDW and seven microenterprise practitioners affiliated with the IZI.

RESULTS ANALYSIS

During the analysis phase, when employing the ANP approach, the collected data were processed using Microsoft Excel. The geometric mean of the paired comparison responses was calculated to represent collective judgements. To evaluate the level of

agreement among respondents, Kendall's Coefficient of Agreement (Kendall's W) and Asymptotic Significance (Asymp. Sig.) were applied. These statistical measures were instrumental in assessing both individual and group consistency. The results of these analyses provided a foundation for drawing meaningful conclusions and formulating policy recommendations based on both individual responses and aggregated averages.

Kendall's W ranges between $0 < W \leq 1$, where:

- $W = 1$ signifies complete agreement among respondents,
- $W = 0$ represents total disagreement, indicating that responses are random or lack informative value,
- Values between 0 and 1 indicate varying levels of consensus, with higher values reflecting stronger agreement.

According to (Legendre, 2005) Kendall's W can be computed under the assumption that object i is ranked as $r_{i,j}$ by judge j , where n represents the number of objects and m the number of judges. The total rank assigned to object i is then derived based on this principle, followed by the application of the relevant formula as required in the analysis. To calculate W, each response is first ranked, and the ranks are then aggregated accordingly.

$$R_i = \sum_{j=1}^m r_{i,j}$$

The average value of the total ranking is:

$$R = 1/2 m (n+1)$$

The sum of the squares of deviations (S) is calculated using the following formula:

$$S = \sum_{i=1}^n (R_i - \check{R})^2$$

Thus, Kendall's W is calculated as follows:

$$W = \frac{12S}{m^2(n^3-n)}$$

To determine whether the obtained W value is statistically significant or occurred by chance, a hypothesis test was conducted using the chi-square (χ^2) method. The Asymp. Sig. p-value for this test is:

- Null Hypothesis (H_0): There is no significant agreement among experts ($W = 0$).
- Alternative Hypothesis (H_1): There is significant agreement among experts ($W > 0$). If:
- Asymp. Sig. $< 0.05 \rightarrow H_0$ is rejected, meaning the agreement between experts is statistically significant, and the data can be used in ANP.

- Asymp. Sig. $\geq 0.05 \rightarrow H_0$ fails to be rejected, meaning there is no significant agreement, and further clarification or discussion is required.

A high Kendall's W value combined with a significant Asymp. Sig. confirms the reliability and validity of the expert input data employed in developing the pairwise comparison matrices within the ANP model.

Research Findings

Based on the study's findings, a statistical consensus was identified among practitioners and experts regarding the key issues, proposed solutions, and strategic framework for the MSMEs model and productive zakat financing. Additionally, the study examined both external and internal factors that act as barriers to the zakat model within the Indonesian context.

Synthesis of Priority Internal and External Issues

Internal Problems Analysis

The synthesis of findings within the internal issues group aims to identify the key priority factors influencing the performance of microenterprises supported by productive zakat financing in Indonesia. Based on the ANP analysis, internal issues were ranked using geometric mean (geomean) values derived from expert assessments. The analysis revealed that capital was the most significant internal factor, with a geomean score of 0.274, followed by marketing (0.246), human resource characteristics (0.241), and microenterprise performance (0.231). Although all these factors were interrelated, the results indicated that access to capital and marketing should be prioritised. The analysis of responses from 15 participants produced a Kendall's W value of 0.182, reflecting relatively low agreement among respondents. However, the result was statistically significant (Asymp. Sig. = 0.042), indicating that the observed pattern was meaningful rather than random.

The identification of capital as the most critical internal issue is consistent with prior studies. [Mahomed \(2022\)](#) emphasised that access to adequate business funding is fundamental to achieving productive zakat objectives. [Santoso et al. \(2023\)](#) further highlighted the importance of capital availability for the sustainability of zakat-based empowerment programmes, asserting that without sufficient financial input, such initiatives cannot achieve significant results. These findings collectively affirm the significance of business financing (0.572), which ranked highest within the capital cluster.

Within the human resources cluster, religious understanding ranked highest (0.249), followed by communication (0.230), work culture (0.223), and competence (0.203). This indicates that capacity-building initiatives should prioritise strengthening

religious literacy and communication skills. Although technical competence remains relevant, it is comparatively less urgent than the enhancement of religious understanding and interpersonal communication. The Kendall's W value for this cluster was 0.040, with a p-value of 0.616, indicating a statistically insignificant level of agreement among respondents. [Nazeri and Nor \(2023\)](#) similarly highlighted the importance of intellectual and religious capital in improving organisational performance. [Timur et al. \(2025\)](#) found that communication and religious values were stronger predictors of entrepreneurial activity than technical training alone. In addition, [Sawmar and Mohammed \(2021\)](#) noted that misconceptions surrounding zakat contracts often stem from insufficient communication or limited religious literacy, supporting the need for enhanced education and communication capacity. Likewise, [Cokrohadisumarto et al. \(2019\)](#) pointed out that productive zakat should aim to transform recipients into future zakat payers, reinforcing the importance of personal development.

In the capital cluster, business financing ranked highest (0.572), followed by the form of capital (0.392), underlining the importance of adequate funding to support or expand microenterprises. However, the Kendall's W value (0.004, $p = 0.796$) suggested minimal consensus among respondents. In terms of marketing factors, networking ranked first (0.374), followed by innovation (0.326) and proactivity (0.250). These results suggest that strengthening business networks and promoting innovation should be prioritised strategic approaches. This analysis showed moderate agreement (Kendall's W = 0.338) and statistical significance ($p = 0.006$). These findings align with recent research on entrepreneurship. [Lee et al. \(2025\)](#) emphasised that marketing capabilities are crucial for MSME growth, particularly in the early business stages. [Kholidah et al. \(2024\)](#) similarly observed that social networking and market responsiveness are key performance drivers for MSMEs in Indonesia. However, as suggested by [Trianto et al. \(2023\)](#), who identified digital social capital as a vital contributor to MSME resilience.

The external factors contributing to the success of productive zakat programmes for microenterprises in Indonesia were classified into three categories: zakat institutions, government, and community. Zakat institutions emerged as the most influential factor, with a priority score of 0.371, indicating that effective leadership, management, and implementation of productive zakat programmes are crucial to success. Government support ranked second (0.303), reflecting the importance of laws, regulations, and policy frameworks. Community support ranked third (0.293), highlighting the role of public awareness and trust. The analysis demonstrated moderate to strong agreement among respondents (Kendall's W = 0.458, $p = 0.001$), confirming the statistical significance of these findings.

[Amilahaq et al. \(2020\)](#) supported this conclusion that weak transparency in financial management hindered the success of zakat programmes. Within the zakat institution

cluster, accountability ranked highest (0.265), followed by internal control effectiveness (0.230), recipient assistance programmes (0.217), and transparency (0.212). These findings underscore the importance of internal governance and management in enhancing institutional performance. Respondents showed moderate agreement (Kendall's $W = 0.507$, $p = 0.008$), confirming statistical significance.

These results are supported by prior studies. Hanin and Purwanto (2024) stressed that accountability and transparency are fundamental to strengthening zakat institutions, while (Nawai & Ruzaiman, 2022) argued that sound governance ensures institutional efficiency. Mustari et al. (2024) further emphasised that transparency fosters public trust in zakat organisations. From a classical Islamic standpoint, Sarif et al. (2024) similarly maintained that zakat institutions must act with integrity, fairness, and social responsibility. Although (Pericoli, 2023) focused more on distribution effectiveness, this perspective complements rather than contradicts the governance emphasis, presenting an alternative but relevant dimension of zakat implementation.

In the government cluster, law enforcement ranked highest (0.485), followed by zakat tax incentives (0.451), suggesting that stronger legal mechanisms and fiscal policies are essential to improving zakat participation. The Kendall's W value (0.813) indicated high agreement, though the p -value (0.064) was marginally above the threshold for statistical significance. Mustari et al. (2024) argued that zakat regulation and enforcement need improvement in Indonesia due to weak legal structures.

Within the community cluster, public trust in zakat institutions was the most important factor (0.443), followed by public knowledge of zakat (0.360). This indicates that trust and awareness are fundamental to the long-term success and sustainability of zakat programmes. Respondents demonstrated strong agreement (Kendall's $W = 0.816$, $p = 0.063$), reflecting a consistent view on the importance of social support. These findings are reinforced by previous research. Mawardi et al. (2022) highlighted trust as a vital component in zakat management, and found that greater public understanding of zakat encourages timely payments, whereas (Pericoli, 2023) cautioned that limited public awareness can impede compliance. Consequently, enhancing public knowledge and trust remains essential for the effective management of zakat.

Internal Solutions Analysis

Within the internal solution clusters, capital solutions were identified as the most critical (0.265), followed by human resource character solutions (0.244) and marketing solutions (0.242), while performance solutions ranked slightly lower (0.237). The Kendall's W value of 0.673 indicated moderate to strong consensus among respondents, with high statistical significance ($p = 0.0006$). This finding aligns with prior research such as (Charisma et al., 2025), who asserted that effective capital

management enhances welfare outcomes. Similarly, [Sarif et al. \(2024\)](#) emphasised that efficient zakat capital management holds greater importance than merely increasing monetary distribution.

[Beik, Zaenal, et al. \(2021\)](#) highlighted that skills, mindset, and values are essential determinants of success for zakat beneficiaries, while [\(Auwalin, 2021\)](#) demonstrated that motivation and work ethics significantly influence SME performance. Within the performance-related solutions cluster, the ability to contribute (0.348) ranked highest, followed by monthly profits (0.317) and repayment consistency (0.255). The Kendall's W value of 0.28 indicated low to moderate agreement among respondents, and the result was not statistically significant ($p = 0.405$). Marketing-related solutions followed a similar trend, with network expansion ranking highest (0.348), followed by innovation enhancement (0.328) and proactivity improvement (0.279). The moderate Kendall's W value (0.44) was statistically insignificant ($p = 0.419$). These findings are consistent with [\(Mohammed et al., 2021\)](#), who noted that innovation plays a pivotal role in the development of small enterprises. Likewise, [Charisma et al. \(2025\)](#) confirmed that networking is vital for small business growth and long-term success.

External Solutions Analysis

This section examines the external factors necessary to enhance MSMEs within the framework of zakat institutions. [Hanin and Purwanto \(2024\)](#) emphasised that institutional capacity plays a crucial role in the development of zakat organisations, enabling them to provide timely support to the public. Similarly, [Trinugroho et al. \(2022\)](#) argued that improved governance and strategic performance are essential for the growth of small businesses supported by zakat. Collectively, these studies underscore the pivotal role of zakat institutions in fostering human capacity development. Within the category of government solutions, implementing zakat tax incentives was prioritised (0.498) over strengthening law enforcement (0.457). The Kendall's W value of 0.36, accompanied by a statistically significant p-value of 0.020, indicates moderate consensus. These findings are consistent with those of Syed [\(Yusuf et al., 2022\)](#), who suggested that integrating the national tax system with zakat can enhance the efficiency of its distribution and implementation. [Kamal et al. \(2023\)](#) further asserted that collaboration between zakat institutions and government agencies is essential to improve the overall effectiveness of zakat distribution.

Regarding zakat institution solutions, increasing accountability ranked highest (0.351), followed by transparency (0.310) and internal control (0.301). A strong consensus was observed (Kendall's $W = 0.782$; $p = 0.000$). For social solutions, enhancing public trust was most emphasised (0.561), while increasing public knowledge ranked lower (0.273). The Kendall's W value of 0.912 indicated very strong agreement with high statistical significance ($p = 0.000$). These findings are supported by [\(Nawai & Ruzaiman, 2022\)](#), who stressed the need for stronger public

trust in zakat management and distribution. Correspondingly, [Beik et al. \(2021\)](#) found that limited public trust diminishes individuals' willingness to contribute zakat, underscoring the importance of maintaining transparency and credibility within zakat institutions.

Strategic Priority

In this study, the strategic priorities were identified through the ANP model. The findings revealed that strengthening microeconomic capital was regarded as the most critical priority (0.265), followed by productive zakat awareness initiatives (0.250), human resource development (0.229), and institutional collaboration (0.228). However, the Kendall's W value of 0.033 indicated a very low level of agreement among the 15 respondents, while the p-value of 0.687 confirmed the absence of statistical significance. This suggests considerable divergence in respondents' views regarding strategic priorities, emphasising the need for further deliberation and refinement prior to practical application. Previous studies support these findings. [Abdullah et al. \(2023\)](#) asserted that effective zakat distribution fosters behavioural development and creates opportunities for business growth, aligning with strategic objectives. Similarly, [\(Alimusa et al., 2025\)](#) emphasised that the primary strategic focus of zakat programmes should be building public trust, enhancing awareness mechanisms, and improving participation in zakat activities. [Trianto et al. \(2023\)](#) further argued that establishing mechanisms for human resource development and networking is essential for promoting zakat participation and supporting business growth through zakat funding.

CONCLUSION

To conclude, this study found that productive zakat has the potential to support and enhance the development of MSMEs in Indonesia. Nonetheless, several challenges remain in its implementation, which can be categorised as internal and external. Internally, weak marketing capacity, limited capital, inadequate human resource capabilities, and suboptimal business performance hinder enterprise growth. Externally, deficiencies in zakat institutional governance, insufficient governmental support, and low public awareness also present obstacles to the development of MSMEs through zakat. Using the ANP approach, this study identified and analysed key factors essential for strengthening zakat institutional implementation to achieve strategic advantages in zakat-based development. The proposed strategies include enhancing the productive zakat system, improving public awareness, facilitating access to business capital, developing human resources, and fostering stronger institutional integration. These findings highlight that productive zakat should not be perceived solely as a charitable activity but as a strategic economic empowerment tool. When managed professionally and collaboratively, productive zakat can promote self-sufficiency among recipients, reinforce the micro-enterprise sector, and contribute

to inclusive and sustainable economic growth. From an academic standpoint, this study contributes to the body of knowledge on productive zakat governance by offering empirical data and a systematic framework for institutional and strategic development. However, the study is limited by the relatively small number of participants.

RECOMMENDATIONS

To ensure productive zakat is both impactful and efficient, several strategic actions must be implemented. Zakat institutions should begin by expanding access to capital, providing financial guidance, and offering business coaching tailored to the practical needs of micro-entrepreneurs. Human resource capacity development is equally essential, encompassing both zakat recipients and institutional staff. This development should focus on enhancing entrepreneurial skills, work ethics, religious understanding, and mentoring capabilities. In addition, governance within zakat institutions must be strengthened by promoting transparency, accountability, and the integration of technology into zakat management and reporting systems. The government also plays a critical role by formulating supportive regulations that reinforce productive zakat initiatives and introducing fiscal incentives to encourage public participation. Moreover, public education and the promotion of multi-stakeholder collaboration are necessary to establish a sustainable zakat ecosystem. Through a deliberate and cooperative approach, productive zakat can be advanced using an integrated framework that combines financial, human resource, institutional, and policy dimensions. This comprehensive system can act as a catalyst for micro-enterprise growth and long-term community welfare.

LIMITATIONS AND FUTURE DIRECTIONS

This study provides valuable findings that contribute meaningfully to the existing body of knowledge and literature; however, it also presents certain limitations. Firstly, data were gathered through focus group discussions involving members of zakat distribution organisations. Although this approach offered important institutional perspectives, the absence of data from zakat recipients limited the understanding of how zakat funds are utilised and how they influence MSME development. Future research should therefore include zakat recipients to obtain deeper insights that could further enrich the literature. Moreover, this study relied solely on qualitative data and did not employ a Likert scale for quantitative assessment. Future studies are encouraged to incorporate Likert-scale instruments to enhance data reliability or analyse secondary data obtained from reports and other sources to strengthen the robustness of findings. Additionally, this study focused specifically on MSMEs in relation to zakat, without addressing other welfare dimensions such as education and food security. Future research should therefore explore the broader role of zakat, particularly its potential contribution to educational support, which would further advance the understanding of zakat's social and economic impact.

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