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Transformation of *Mustahik* towards Economic Independence: The Impact of BAZNAS Zakat Fund Distribution on Socio-Economic Welfare

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Abstract

Background: Productive zakat represents a shift from consumptive charity toward empowerment-based development; however, its effectiveness in fostering sustainable *mustahik* economic independence remains debated. This study develops a multidimensional *mustahik* transformation framework that integrates the capability approach and *maqāṣid al-sharīʿah*, moving beyond income-based evaluations of productive zakat programs.
Objective: This study aims to analyze the transformation of *mustahik* toward economic independence through the distribution of productive zakat by the National Amil Zakat Agency (BAZNAS) during the 2020–2025 period from the perspective of Islamic socio-economic development.
Methods: This research employs a qualitative approach using an interpretivist-constructivist paradigm and a case study design focused on a productive zakat program based on microenterprise empowerment. Data were obtained through the analysis of institutional reports, program evaluations, and a synthesis of empirical literature related to productive zakat, economic assistance, and multidimensional welfare. Primary data were collected through in-depth interviews with 21 informants, including *mustahik*, program facilitators, and BAZNAS managers.
Results: The findings indicate that the transformation of *mustahik* occurs gradually and non-linearly and is strongly influenced by the quality of institutional assistance. Productive zakat has been shown to significantly increase *mustahik*income; however, this improvement has not yet fully translated into sustainable structural economic independence. The findings further confirm that mentoring intensity, financial literacy, and business adaptive capacity are key determinants of successful *mustahik* transformation.
Conclusion: This study recommends strengthening an ecosystem-based zakat model, standardizing mentoring mechanisms, and implementing outcome-based program evaluations to enhance the effectiveness and sustainability of *mustahik* transformation.

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INTRODUCTION

Poverty remains one of the most complex structural challenges in global socio-economic development, especially amid increasing income distribution inequality, economic vulnerability, and limited access to productive resources (Umar et al., 2022). Although the post-pandemic economic recovery shows a positive trend in various countries, the World Bank emphasizes that vulnerable groups still face systemic barriers in accessing education, health services, business capital, and inclusive economic opportunities.

This condition causes poverty to no longer be understood solely as a problem of low income, but as a form of multidimensional deprivation related to the limited social, economic, and institutional capacity of the community (World Bank, 2023). In the context of developing countries, including Indonesia, the problem of structural poverty also has implications for the increasing dependence of vulnerable groups on long-term social assistance, thereby hampering the transformation process towards sustainable economic independence. The World Bank (2024) reports that nearly 700 million people, or around 8.5 percent of the global population, still live in extreme poverty, reaffirming the urgency of empowerment-oriented redistribution instruments.

In contemporary development discourse, the empowerment-based welfare approach is gaining attention as an alternative to the consumptive social assistance model which is considered less effective in breaking the chain of structural poverty. This perspective emphasizes the importance of strengthening the capacity of individuals and communities through access to economic capital, skills development, and expansion of socio-economic participation. In line with this paradigm, Islamic social finance has emerged as an alternative instrument that has significant potential in supporting inclusive development and achieving the Sustainable Development Goals (SDGs), especially in the aspects of poverty alleviation, inequality reduction, and social welfare improvement. In this regard, zakat-based empowerment directly supports the achievement of SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities) within the Islamic social finance ecosystem (Tahiri Jouti, 2019; Umar et al., 2022). Among the various Islamic social financial instruments, zakat occupies a strategic position because it not only has spiritual and moral dimensions, but also a redistributive and transformational function in the Islamic economic system (Ascarya, 2022; Tahiri Jouti, 2019).

In the perspective of Islamic Economics, zakat is seen as a mechanism for wealth distribution that aims to create social justice and economic balance through the transfer of resources from *muzakki* to *mustahik*. However, the development of modern zakat governance shows a paradigm shift from a charity-based approach to an empowerment-based approach that is more oriented towards strengthening the capacity of the *mustahik* economy in a sustainable manner. The concept of productive zakat was developed not only to meet basic consumption needs, but also to encourage the transformation of *mustahik* into independent and productive economic actors (Ali & Hatta, 2014; Al-Qaradawi, 1999). This approach is in line with the principles of *maqāṣid al-sharī'ah*, especially *hifẓ al-māl* (protection of property), *hifẓ al-nafs* (protection of soul), and *taḥqīq al-maṣlaḥah* (achievement of benefits), which place human welfare as the main goal of Islamic economic development.

Globally, increasing attention to Islamic social finance has prompted various international institutions such as the Islamic Development Bank and the United Nations Development Programme to integrate zakat into the sustainable development agenda and economic resilience of communities. However, the academic debate regarding the effectiveness of productive zakat is still ongoing. Some studies show that the distribution of productive zakat contributes to increasing income, strengthening micro businesses, and reducing the economic vulnerability of *mustahik* households (Begum et al., 2019; Herianingrum et al., 2024; Widiastuti et al., 2021). On the other hand, a few other studies highlight that the impact of zakat is often temporary due to weak business assistance, low financial literacy, limited institutional capacity, and lack of sustainability of empowerment programs (Ali & Hatta, 2014). The inconsistency of these findings shows that the effectiveness of productive zakat cannot be explained solely through short-term income increases, but needs to be analyzed through a multidimensional approach that considers social, institutional, and economic empowerment factors more comprehensively.

In the Indonesian context, the National Amil Zakat Agency plays an important role as an official institution for national zakat management that develops various productive zakat programs based on economic empowerment. These programs include micro business capital assistance, entrepreneurship training, business capacity building, and sustainable economic assistance for *mustahik*. According to the official BAZNAS report (2023), the orientation of zakat distribution in Indonesia has undergone a significant transformation from a consumptive assistance pattern to an economic empowerment model that places *mustahik* as the subject of development. The latest Indonesia Zakat Outlook further records sustained growth in national zakat collection and a widening coverage of economic empowerment programs, reinforcing the urgency of evaluating their transformative effectiveness (Badan Amil Zakat Nasional, 2025). Nevertheless, the effectiveness of the productive zakat model in creating economic self-reliance is still a debated issue in the empirical literature.

Most previous studies on productive zakat still use short-term economic indicators, especially income increases, as the main measure of program success (Bilo & Machado, 2020; Umar et al., 2022; Widiastuti et al., 2021). This approach tends to ignore the broader dimensions of structural transformation, such as increasing entrepreneurial capacity, household economic resilience, strengthening social capital, and access to social services and sustainable economic opportunities. For instance, Widiastuti et al. (2021) demonstrated that zakat empowerment programs improve *mustahik* welfare primarily through business growth as a mediating mechanism, while Herianingrum et al. (2024) confirmed the significant role of zakat in reducing poverty across Indonesian provinces. In a cross-country context, Umar et al. (2022) highlighted the potential of Islamic social finance to alleviate poverty during crises, and Bilo & Machado (2020) showed that the institutional design of zakat strongly determines its social protection outcomes. Similarly, Ascarya (2022) emphasized the role of integrated Islamic social finance in supporting inclusive economic recovery. As a result, the success of zakat is often reduced to a temporary increase in consumption, not a sustainable change towards *mustahik* economic independence. Moreover, most studies have not integrated the perspective of *maqāṣid al-sharī'ah* as an analytical framework in evaluating the socio-economic well-being of *mustahik*. In fact, in the perspective of Islamic economics, well-being is not only measured through material aspects, but also includes the spiritual, social, economic security, and human dignity dimensions holistically.

Table 1. Comparative Synthesis of Previous Studies on Productive Zakat

Study	Focus	Method	Key Findings	Gap Addressed by This Study
Begum et al. (2019)	Zakat and macro-level poverty reduction	Quantitative (macro data)	Zakat contributes to poverty alleviation at the aggregate level	Micro-level institutional mechanisms of *mustahik* transformation
Bilo & Machado (2020)	Zakat as social protection	Comparative institutional analysis (eight countries)	Institutional design determines the social protection role of zakat	Program-level empowerment processes within BAZNAS Indonesia
Widiastuti et al. (2021)	Zakat empowerment and *mustahik* welfare	Quantitative (SEM)	Business growth mediates the effect of empowerment programs on welfare	Qualitative depth on how mentoring builds capability
Umar et al. (2022)	Islamic social finance and poverty in crises	Cross-country empirical review	Islamic social finance cushions poverty shocks	Longitudinal evidence of sustained independence (2020–2025)
Herianingrum et al. (2024)	Zakat and provincial poverty reduction	Panel data regression	Zakat significantly reduces poverty across Indonesian provinces	Multidimensional welfare beyond income indicators
This study	*Mustahik* transformation towards economic independence	Qualitative single case study (BAZNAS, 21 informants)	Mentoring intensity, financial literacy, and adaptive capacity drive sustainable transformation	Integrates the capability approach and *maqāṣid al-sharī'ah* into one framework

These limitations show that this study specifically addresses an empirical gap related to the limited empirical evidence regarding the institutional mechanisms that allow productive zakat programs to encourage *mustahik* transformation towards economic self-reliance in a sustainable manner, especially in the national zakat institutional model managed by BAZNAS (National Amil Zakat Agency, 2021).

Research Novelty

The novelty of this study lies in the development of a multidimensional *mustahik* transformation framework that integrates the theory of productive zakat, the capability approach, and *maqāṣid al-sharī'ah* within a single analytical model. Unlike previous studies that assess productive zakat mainly through short-term income indicators, this study traces the institutional mechanisms (mentoring intensity, financial literacy, and business adaptive capacity) through which zakat distribution is transformed into sustainable economic independence. Furthermore, by using longitudinal evidence from BAZNAS programs during 2020–2025, this study offers one of the few empirically grounded models of *mustahik* transformation trajectories (sustainable upward mobility, vulnerable transition, and stagnant dependency), thereby positioning productive zakat within the broader Islamic social finance and Sustainable Development Goals discourse.

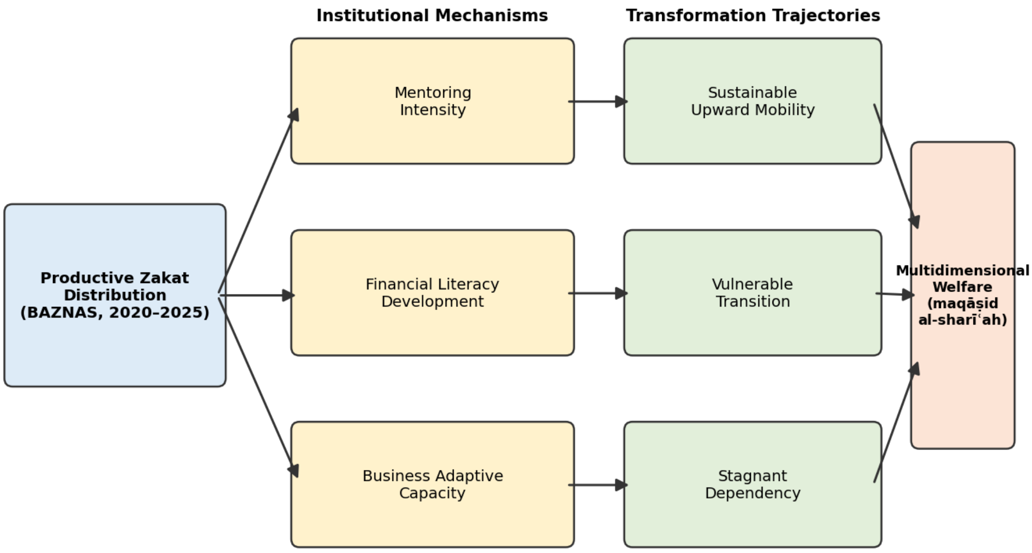

Figure 1. Conceptual Framework of *Mustahik* Transformation towards Economic Independence

Based on this background, this study aims to critically analyze the impact of the distribution of BAZNAS zakat funds on the transformation of *mustahik* towards economic independence and improvement of socio-economic welfare. This research specifically identifies institutional mechanisms that mediate the effectiveness of productive zakat, including the role of business assistance, financial literacy, strengthening entrepreneurial capacity, and sustainability of economic interventions. This research also develops a multidimensional analysis framework that integrates economic empowerment indicators with welfare dimensions based on *maqāṣid al-sharī'ah* to evaluate the impact of zakat more comprehensively.

Theoretically, this research contributes to the development of Islamic social finance literature by strengthening the empowerment model-based zakat approach that is integrated with the *maqāṣid al-sharī'ah* paradigm and inclusive development. This research also expands the discourse on the relationship between Islamic social finance, socio-economic development, and the transformation of the welfare of vulnerable communities. Practically, the research findings are expected to provide policy recommendations for the National Amil Zakat Agency and other zakat management institutions in designing a zakat distribution strategy that is more effective, adaptive, and oriented towards the sustainability of *mustahik* economic empowerment. Thus, zakat is not only positioned as an instrument of religious philanthropy, but also as a strategic mechanism in reducing structural poverty, strengthening economic inclusion, and encouraging equitable socio-economic development.

METHOD

This study used a qualitative approach with an interpretivist-constructivist paradigm to understand the transformation of *mustahik* toward economic independence as a complex, dynamic, and contextual social process. The interpretivist paradigm views social reality not as an objective fact that exists independently of social actors, but rather as a construction of meaning formed through subjective experiences, social interactions, and individual interpretations of the realities they encounter (Denzin & Lincoln, 2005). In the context of this study, the transformation of *mustahik* was not understood linearly as a direct consequence of zakat fund distribution, but rather as the result of multidimensional interactions among institutional support, individual capacity, social environment, and *mustahik* life experiences in conducting productive economic activities.

This approach was selected because previous studies on productive zakat have been predominantly dominated by quantitative approaches based on monodimensional income indicators. Most previous studies have assessed the success of productive zakat through increases in household income or consumption levels, without adequately exploring how *mustahik* interpret their economic changes, how social relationships are established throughout the empowerment process, and how institutional factors influence the sustainability of economic transformation. Consequently, claims regarding the transformative effectiveness of productive zakat have often failed to capture the social, psychological, and institutional dimensions that constitute essential components of the economic independence process.

Within the theoretical framework, this study integrated the capability approach developed by Amartya Sen with the perspective of *maqāṣid al-sharīʿah* in Islamic economics. The capability approach emphasizes that development is not solely concerned with improving economic resources but also with expanding individuals' substantive capabilities to live lives they have reason to value (Sen, 1999). In the context of productive zakat, this approach enabled an analysis of *mustahik*'s capabilities to establish productive businesses, access economic opportunities, maintain income stability, and participate independently in socio-economic networks.

The capability perspective was further expanded through the *maqāṣid al-sharīʿah* approach, which positions human welfare as the primary objective of Islamic economic development. Within the *maqāṣid* framework, well-being is not only understood from material dimensions but also encompasses social dignity, economic security, family stability, and the enhancement of human capacity. The integration of the capability approach and *maqāṣid al-sharīʿah* provided a multidimensional analytical framework for understanding productive zakat as an instrument of structural socio-economic empowerment rather than merely a short-term income redistribution mechanism.

The research design adopted was a single case study of the productive zakat program managed by the National Amil Zakat Agency (BAZNAS). The case study approach was chosen because it enables an in-depth exploration of contemporary phenomena within real-life contexts, particularly when the boundaries between the phenomenon and its context cannot be clearly distinguished (Yin, 2018). In this study, the phenomenon examined was the transformation of *mustahik* through the productive zakat program, while the contextual elements included BAZNAS's institutional structure, business assistance mechanisms, local socio-economic conditions, and the relationship between *mustahik* and program facilitators.

The selection of the National Amil Zakat Agency as the unit of analysis was based on several academic and empirical considerations. First, BAZNAS is the official national zakat management institution with formal legitimacy and extensive program coverage in implementing productive zakat in Indonesia. Second, BAZNAS has actively developed a zakat-based economic empowerment paradigm through various microenterprise programs, entrepreneurship training, and sustainable economic assistance initiatives. Third, this institution represents a contemporary zakat management model that integrates Islamic philanthropy with a socio-economic development approach based on community empowerment.

The study focused on BAZNAS productive zakat programs implemented during the 2020–2025 period. Informants were selected purposively and consisted of 21 participants: 14 *mustahik* who received productive zakat assistance, 4 program facilitators, and 3 BAZNAS managers. Recruitment continued until data saturation was achieved, as indicated by the absence of new themes emerging from the final interviews. Data were collected through semi-structured in-depth interviews, participatory observations of *mustahik* economic activities, and analyses of program reports, policy documents, and BAZNAS evaluation records to strengthen data triangulation.

Data analysis was conducted thematically using the interactive model proposed by Miles et al. (2014), which consists of three main stages: data reduction, data display, and conclusion drawing. During the data reduction stage, the researcher conducted coding of interview transcripts and field notes to identify key themes related to *mustahik* economic transformation, empowerment mechanisms, and institutional dynamics. The data display stage was conducted by organizing themes into narrative matrices and conceptual categories to facilitate interpretation of relationships among categories. Furthermore, conclusions were drawn iteratively by comparing emerging empirical patterns with the theoretical frameworks of the capability approach and *maqāṣid al-sharīʿah*. Coding was performed manually through two cycles: open coding followed by axial coding, to develop categories and establish relationships between empowerment mechanisms and transformation outcomes.

To enhance research validity, source triangulation, method triangulation, and member-checking techniques were employed. Source triangulation was conducted by comparing information obtained from *mustahik*, program facilitators, and BAZNAS managers. Method triangulation was conducted through the combination of interviews, observations, and document analysis. Meanwhile, member checking was performed by reconfirming the interpreted findings with several key informants to ensure alignment between the researcher's interpretation and participants' experiences. Trustworthiness was further ensured through the criteria of credibility (prolonged engagement and member checking), dependability and confirmability (a systematic audit trail of coding decisions), and transferability (a thick description of the program context).

In this study, economic independence was conceptualized multidimensionally, not merely as the absence of financial dependence but as the sustainable capacity of *mustahik* households to generate stable income, maintain productive economic activities, manage business risks, adapt to market vulnerabilities, and participate independently in socio-economic networks. This conceptualization differs from most previous studies, which tend to reduce the success of productive zakat programs to indicators of short-term income growth.

RESULTS AND DISCUSSION

Results

The results of this study show that the transformation of *mustahik* towards economic independence through the productive zakat program of the National Amil Zakat Agency during the period 2020–2025 takes place gradually, non-linear, and is greatly influenced by the local socio-economic context. Empirical findings show that productive zakat does not work as an instant economic redistribution mechanism, but as a socio-economic transformation process that is influenced by the interaction between financial capital, individual capacity, institutional support, and the quality of the empowerment ecosystem. Thus, the success of the productive zakat program is not only determined by the amount of fund distribution, but also by the intensity of mentoring, financial literacy, business sustainability, and *mustahik* adaptive ability in facing market dynamics. This finding is consistent with Widiastuti et al. (2021), who showed that welfare gains from zakat empowerment depend on the growth of *mustahik* businesses rather than on direct transfers alone.

Essential Economic Transformation: From Dependence to Gradual Independence

Longitudinal data shows that most of the *mustahik* experienced an increase in income in the initial phase after receiving productive zakat assistance in the form of micro business capital. In the 2020–2022 period, the increase in income mainly occurred in the small trade sector, home culinary, micro agriculture, and informal services. However, the increase does not automatically reflect the achievement of stable and sustainable economic independence.

Empirically, the initial phase of economic transformation represents more of an income uplift effect, which is an increase in short-term income due to additional business capital. However, in the 2023-2025 period, a clearer differentiation began to be seen between *mustahik* groups that can maintain business sustainability and groups that are again experiencing economic dependence. *Mustahik* who received intensive assistance showed more stable business development, characterized by diversification of sources of income, increase in productive assets, capital reinvestment capabilities, and expansion of local marketing networks. On the other hand, groups with limited assistance support tend to experience business stagnation and return to a vulnerable position to poverty.

These findings indicate that the economic transformation of *mustahik* is gradual and is strongly influenced by the quality of institutional support. From the perspective of the capability approach, improving welfare is not only related to access to economic resources, but also the ability of individuals to sustain and develop economic opportunities in a sustainable manner. Therefore, productive zakat is more accurately understood as a capacity building process than just the distribution of financial assistance. Similar patterns of gradual movement out of dependence have been reported in provincial-level evidence on zakat and poverty reduction (Herianingrum et al., 2024).

The Development of Mustahik Upgrading (2020–2025)

Data from the National Amil Zakat Agency report shows an increase in the number of *mustahik* who have managed to experience economic mobility during the research period (Badan Amil Zakat Nasional, 2025). This increase is reflected in the increase in the number of *mustahik* who have upgraded to become independent business actors, and a small number have begun to enter the new *muzakki* category.

Table 2. Changes in the Status of *Mustahik* BAZNAS (2020–2025)

Year	*Mustahik* Recipient	Upgrade to Economy Class	Stay Tuned	Vulnerable Again
2020	86.000	12%	68%	20%
2021	94.500	15%	66%	19%
2022	110.200	18%	64%	18%
2023	128.700	22%	61%	17%
2024	141.300	26%	58%	16%
2025*	150.000	28–30%	55%	15%

Source: Data processed from BAZNAS Annual Report (2021–2024); Indonesia Zakat Outlook (2024)

These findings point to three important patterns. First, there has been a consistent increase in the number of *mustahik* who have experienced positive economic mobility over the past five years. Second, more than half of the *mustahik* are still in a state of economic dependence, indicating that structural transformation has not been fully achieved. Third, vulnerable groups that have experienced economic decline again remain in the range of 15-20 percent, indicating a recidivism poverty cycle or a repeated cycle of economic vulnerability. This upgrading trajectory aligns with cross-country evidence that Islamic social finance can move beneficiaries beyond crisis-coping towards productive activity (Umar et al., 2022).

These conditions show that productive zakat has the capacity to encourage upward mobility, but its effectiveness still faces structural obstacles in the form of limited market access, low business literacy, and weak sustainability of assistance in several program areas.

Image: The National Amil Zakat Agency (BAZNAS) continues to strive to encourage the improvement of the quality of fostered *mustahik* products by organizing MSME curation activities. Product-Based MSME Curation Activities for BAZNAS-Fostered *Mustahik*. Awarding Gamabar: The granting of beneficiary certificates after being trained in compiling business analysis, financial records, and financial statements is also assisted in opening access to online and offline marketing, in the Product Marketing Optimization program.

Figure 2. Implementation of the ZMart Merchant Program through Partnerships and Empowerment of Micro Business Actors

The Central Role of Mentoring in Business Sustainability

One of the most significant findings in this study is the dominant role of economic assistance in the success of *mustahik* transformation. Field analysis shows that *mustahik* who succeed in achieving business stability generally have a high intensity of interaction with program facilitators, especially in the aspects of manageria

l literacy, strengthening financial literacy, and access to local marketing networks.

Since 2022, the National Amil Zakat Agency has begun to develop a community-based mentoring system approach that is oriented towards strengthening the capacity of community-based businesses. This approach has been proven to increase the sustainability of *mustahik* micro businesses, especially in culinary business groups and household-based trade.

Table 3. Correlation of Mentoring and *Mustahik* Success

Intensity of Mentoring	**Business Success Rate**	**Remarks**
High (≥12 times/year)	72%	Highly effective
Medium (6–11 times/year)	48%	Moderate
Low (≤5 times/year)	21%	Ineffective

Source: Data processed from the BAZNAS Internal Evaluation Report (2024)

The data showed a very strong positive correlation between the intensity of mentoring and the success rate of *mustahik* businesses. *Mustahik* who received routine assistance had a better business adaptation capacity than the group that only received capital assistance. These findings strengthen the argument that productive zakat without mentoring tends to produce temporary economic impacts. The centrality of mentoring echoes findings that program design and accompaniment, rather than fund size, determine empowerment outcomes (Widiastuti et al., 2021).

Theoretically, the results of this study support the empowerment-based development approach in Islamic economics which emphasizes the importance of human capacity building as the foundation of sustainable welfare.

Figure 3: empowering the mustahik economy

Image: Efforts to empower the *mustahik* economy to strengthen businesses are carried out by the National Amil Zakat Agency (BAZNAS), through product curation programs, business development strategies. In addition to ensuring that the existence of each product has quality and feasibility standards for consumers, the purpose of today's curation includes also providing increased knowledge of legality to packaging according to market tastes and knowing the potential for product development for BAZNAS' fostered partners,

Increasing Income and Household Economic Dynamics

This study also found an increase in the average income of *mustahik* households during the 2020–2025 period. The increase occurred gradually in line with the strengthening of economic empowerment programs and business assistance.

Table 4. Average *Mustahik* Income per Month (2020–2025)

Year	Before Intervention	After the Intervention	Rise
2020	IDR 1,200,000	IDR 1,750,000	45,8%
2021	IDR 1,250,000	IDR 1,900,000	52,0%
2022	IDR 1,300,000	IDR 2,150,000	65,3%
2023	IDR 1,350,000	IDR 2,400,000	77,7%
2024	IDR 1,400,000	IDR 2,600,000	85,7%
2025	IDR 1,450,000	IDR 2,750,000	89,6%

Source: Data processed from BAZNAS source (2023); Indonesia Zakat Outlook (2024)

Despite significant revenue growth, further analysis shows that there is inequality between business sectors. Culinary and micro-farming business groups tend to have a higher level of stability than informal trade, which is highly dependent on local market fluctuations. Thus, the increase in income does not fully represent stable economic independence.

These findings suggest that income indicators alone are not enough to comprehensively explain the transformation of *mustahik*. Some *mustahik* have experienced an increase in short-term consumption, but still face structural vulnerabilities due to limited access to advanced capital and low business management capacity. Comparable income effects of integrated zakat-based empowerment have been documented in recent Indonesian and cross-country studies (Ascarya, 2022; Widiastuti et al., 2021).

Figure 4: Distribution of Zakat Funds to increase business productivity and stability of *mustahik* household income after receiving productive zakat assistance to increase the scale of micro businesses of stalls, small trades, services (Ascarya, 2022; Puskas BAZNAS, 2021).

Multidimensional Socio-Economic Well-Being

The results of the study show that the impact of productive zakat does not only occur on the material dimension, but also on social and psychological aspects. The transformation of *mustahik* welfare takes place in three main dimensions, namely economic welfare, social welfare, and psychological welfare.

Table 5. *Mustahik* Social Welfare Index (IKSM)

Dimensions	2020	2023	2025
Economy	0.45	0.60	0.70
Social	0.48	0.62	0.73
Psychological	0.50	0.66	0.78

Source: Data processed from Indonesia Zakat Outlook (2024)

The psychological dimension showed the most significant improvement, especially in the aspects of confidence, business optimism, and perception of the family's economic future. Meanwhile, the economic dimension increased more slowly because it was influenced by business stability and local market conditions.

These findings indicate that productive zakat also functions as an instrument of social empowerment, not just economic assistance. Improving psychological well-being shows that *mustahik* socio-economic transformation involves changing social identity and self-perception as productive economic actors. This multidimensional reading of welfare is consistent with the integrative role of zakat within the Islamic social finance ecosystem (Tahiri Jouti, 2019; Umar et al., 2022).

Figure 5. Distribution of Zakat Funds to increase business productivity and stability of *mustahik* household income after receiving productive zakat assistance to increase the scale of micro businesses of stalls, small trades, services (Ascarya, 2022; Puskas BAZNAS, 2021).

Dependency Patterns and Independence Transitions

Longitudinal analysis shows the existence of three main patterns of *mustahik* transformations. First, sustainable upward mobility, which is a *mustahik* group that has succeeded in maintaining productive businesses and experiencing sustainable economic mobility. Second, stagnant dependency, which is a group that remains dependent on assistance even though it has received productive zakat interventions repeatedly. Third, vulnerable transition, which is a group that has experienced a temporary economic increase but is again vulnerable due to limited market access and advanced capital.

This pattern shows that the transformation of *mustahik* is not homogeneous. Variation in achievement is influenced by a combination of internal factors such as entrepreneurial capacity and individual motivation, as well as external factors such as the quality of mentoring, community support, and local economic conditions. The persistence of partial dependency mirrors comparative evidence that the institutional design of zakat schemes strongly conditions their protective and transformative outcomes (Bilo & Machado, 2020).

The Effectiveness of Productive Zakat on Economic Independence

To measure the level of economic independence, this study uses the *Mustahik* Independence Index (IKM) developed by the National Amil Zakat Agency based on three main indicators: business stability, productive asset ownership, and income sustainability.

Table 6. *Mustahik* Independence Index (IKM) 2020–2025

Year	Average IKM	Categories
2020	0.42	Low
2021	0.46	Low
2022	0.52	Intermediate
2023	0.58	Intermediate
2024	0.63	Medium-High
2025	0.67	Medium-High

Source: Data processed from BAZNAS source (2023)

There has been a gradual increase in the level of *mustahik* independence, especially after the strengthening of the mentoring program in 2022. However, the IKM score has not reached the category of full independence (>0.75), which indicates that most of the *mustahik* are still in the transitional empowerment stage.

Overall, the results of this study strengthen the position of zakat as an instrument of socio-economic transformation that has a redistributive dimension as well as empowerment. However, the effectiveness of productive zakat is largely determined by the quality of institutional governance, the intensity of mentoring, and the sustainability of the business ecosystem. Digital and institutional strengthening of zakat management has likewise been identified as a key driver of program effectiveness (Hudaefi & Beik, 2021).

In the perspective of *maqāṣid al-sharī'ah*, the findings of the study show that productive zakat has contributed to the achievement of *hifẓ al-māl* (protection of property) and part of *hifẓ al-nafs* (protection of life welfare). However, long-term structural transformation still faces challenges in the form of inequality in business capacity, limited market access, and dependency traps that have not been fully resolved.

Discussion

Mustahik Transformation as a Structural and Non-Linear Process

The findings of this study show that the transformation of *mustahik* towards economic independence through the BAZNAS productive zakat program during the 2020–2025 period does not take place linearly or automatically. The transformation process is gradual, multidimensional, and greatly influenced by the quality of interaction between capital distribution, institutional assistance, individual capacity, and local socio-economic conditions. Thus, this study rejects deterministic assumptions in the traditional zakat approach which tends to view fund transfer as a direct mechanism for poverty alleviation.

Theoretically, the results of this study are consistent with the capability approach developed by Amartya Sen, which emphasizes that well-being is not measured through increased income, but rather through the expansion of an individual's substantive ability to live a life of value. In the context of this study, productive zakat functions as an enabling resource, while the success of transformation depends heavily on the ability of *mustahik* to convert economic resources into sustainable social and economic empowerment.

Mustahik transformation also shows a pattern of gradual structural transformation, where economic change occurs through non-uniform stages. Some *mustahik* experienced progressive economic mobility through business diversification and increase in productive assets, while other groups remained in a state of vulnerable dependency due to limited business capacity and weak institutional support. This phenomenon shows that productive zakat cannot be understood as an instrument of passive redistribution, but as a mechanism for socio-economic capacity building that requires an adaptive and sustainable institutional ecosystem.

In the perspective of socioeconomic development, these findings strengthen the argument that poverty is multidimensional and structural. Therefore, zakat intervention must go beyond a charity-based approach towards empowerment-based development. This paradigm shift is important because long-term dependence on aid suggests that temporary increases in income do not necessarily result in sustainable economic resilience or social mobility.

In addition, the results of the study show that the success of *mustahik* transformation is not only influenced by internal economic factors, but also by social capital, the quality of business networks, local market stability, and the level of community participation. Thus, the transformation of *mustahik* is the result of a negotiated social process that involves relationships between zakat institutions, companions, and beneficiaries in building economic capacity collectively. This collective dimension of empowerment resonates with evidence that community-embedded zakat programs generate stronger welfare effects than individualized transfers (Widiastuti et al., 2021).

The Effectiveness of Productive Zakat: Between Redistribution and Transformation

This study found that BAZNAS' productive zakat managed to increase the average income of *mustahik* by almost 90% during the 2020–2025 period. However, only about 28–30% of *mustahik* have reached the category of economic upgrade in a sustainable manner. The inequality between income increase and structural transformation shows a gap between short-term economic output and long-term transformative outcomes.

In economic development theory, this condition can be explained through the concept of poverty trap put forward by Banerjee (2025), in which poor individuals remain in a circle of vulnerability despite obtaining economic interventions. Capital assistance without strengthening adaptive capacity tends to only produce an income smoothing effect, not sustainable empowerment. Therefore, the distribution of zakat that is partial and not integrated with institutional strengthening will only create temporary economic mobility.

The results of this study also strengthen Chapra (2008) perspective on Islamic economics which places zakat as a corrective instrument against structural inequality. Within this framework, zakat does not only function as a transfer of wealth, but as part of a development system that balances economic efficiency and social justice. Therefore, the effectiveness of productive zakat must be measured not only through income growth, but also through the ability to create business stability, household economic sustainability, and reduce institutional dependence.

The study also found that the increase in *mustahik* income tends to be more stable in the basic needs-based business sector, such as household cuisine and local food production, compared to the informal trade sector which is highly dependent on market fluctuations. These findings show that the success of productive zakat is influenced by the characteristics of the economic sector that is the basis of the *mustahik* business.

On the other hand, the high percentage of *mustahik* who remain in the state of dependency indicates that productive zakat in Indonesia is still in the transitional welfare mechanism phase. The zakat program has succeeded in creating a positive socio-economic impact, but it has not been fully able to produce structural economic independence in the long term. Recent cross-country analyses similarly conclude that sustained accompaniment is a precondition for durable poverty exits under Islamic social finance schemes (Umar et al., 2022).

Mentoring as the Main Determinant of Mustahik Transformation

One of the most significant findings in this study is the dominant influence of mentoring on the success of *mustahik* economic transformation. *Mustahik* who received intensive assistance had a much higher business success rate than the group with low mentoring intensity. These findings show that financial capital without capacity-building support is not enough to produce sustainable economic transformation.

Conceptually, the results of this study support the social intermediation mechanism approach in economic empowerment programs. Mentoring functions as a medium for knowledge transfer, strengthening financial literacy, developing managerial skills, and expanding market access. In other words, mentoring is an instrument that bridges the gap between capital ownership and the ability to manage a business productively.

In the perspective of Islamic economics, the function of assistance can be attributed to the concept of hisbah developed by (Ibn, 1987). Hisbah is not only understood as a mechanism for market supervision, but also as a form of moral and socio-economic development that ensures the sustainability of people's welfare. Therefore, assistance in productive zakat is not purely administrative, but part of the institutional moral economy that strengthens the integrity and empowerment of *mustahik*.

These findings also show that the quality of mentoring is more decisive than the amount of capital assistance. *Mustahik* with relatively small capital but receiving ongoing mentoring shows a higher level of business adaptation than large capital recipients without adequate institutional support. This condition strengthens the argument that the empowerment process is more important than just resource distribution.

In addition, this study shows that the community-based mentoring system developed by BAZNAS has a significant contribution to increasing social solidarity and the sustainability of micro businesses. A community-based approach allows *mustahik* to gain social support, share business experiences, and build stronger local economic networks. Comparable community-based mechanisms have been highlighted as central to the social protection function of zakat institutions (Bilo & Machado, 2020).

Multidimensional Well-being: Material, Social, and Psychological

The findings of the study show that the impact of productive zakat is not limited to improving the material economy, but also includes social and psychological dimensions. The most significant increase occurred in the psychological dimension, especially in the form of increased self-confidence, economic optimism, and individual agency. This shows that productive zakat has a function as a social empowerment mechanism that strengthens the social dignity of *mustahik*.

In the perspective of *maqāṣid al-sharī'ah*, the improvement of multidimensional well-being is closely related to the achievement of several main objectives of sharia, namely: 1) *Hifz al-māl* through the improvement of productive assets and economic stability. 2) *Hifz al-nafs* through improving the quality of life and a sense of economic security. 3) *Hifz al-'aql* through increasing business literacy and decision-making capacity.

Thus, welfare in the Islamic economy cannot be reduced to a mere monetary indicator. Well-being must be understood as an integration between material, social, moral, and psychological dimensions. The results of this study show that productive zakat has great potential as an instrument of human development based on *maqāṣid*.

However, this study also found an asymmetry between improving social welfare and achieving structural economic independence. *Mustahik* tends to experience increased self-confidence and social participation faster than the ability to achieve long-term business stability. This shows that social empowerment does not always automatically result in economic independence. This conclusion is reinforced by provincial evidence showing that the poverty-reducing effect of zakat depends on how funds are converted into productive capacity (Herianingrum et al., 2024).

Implementation Inequality and Institutional Capacity

This study found that there is an imbalance in the effectiveness of programs between regions and business sectors. Areas with high quality of assistance show a better level of *mustahik* transformation than areas with limited human resources and institutional infrastructure. These findings indicate that there is an institutional capacity gap that directly affects the success of the productive zakat program.

This phenomenon is consistent with the global development literature which emphasizes that poverty alleviation programs based on economic transfers will not be effective without strengthening local institutions. In this context, the institutional capacity of regional BAZNAS is an important factor in determining the quality of program implementation.

In addition, this study found that the lack of standardization of assistance between regions leads to disparities in the quality of interventions. Some regions have developed structured mentoring systems, while others still rely on administrative approaches with minimal social interaction.

Thus, the main challenge of productive zakat today is not only in the aspect of fund distribution, but in the development of an institutional ecosystem that is able to ensure the sustainability of *mustahik* transformation equally. Heterogeneous outcomes of this kind have also been reported in integrated Islamic social finance programs, underscoring the need for adaptive program design (Ascarya, 2022).

Critical Synthesis and Theoretical Contributions

Overall, this research resulted in three main synthesises. First, the transformation of *mustahik* is non-linear and is greatly influenced by the quality of institutional interventions. Second, economic assistance is the main determinant of the success of *mustahik* independence. Third, productive zakat has a significant impact on multidimensional welfare, but has not fully succeeded in creating long-term structural transformation.

These synthesises can be integrated into a conceptual model of *mustahik* transformation. In this model, the distribution of productive zakat operates through three institutional mechanisms—mentoring intensity, financial literacy development, and business adaptive capacity—which jointly determine three transformation trajectories: sustainable upward mobility, vulnerable transition, and stagnant dependency. The resulting trajectory, in turn, shapes the multidimensional welfare of *mustahik* households within the *maqāṣid al-sharī'ah* framework, encompassing material, social, and spiritual dimensions. This model explains why programs with identical funding levels can generate divergent outcomes and provides an analytical basis for designing empowerment interventions that move beyond capital distribution.

Theoretically, this study strengthens the integration between economic redistribution theory, capability approach, and *maqāṣid al-sharī'ah* in explaining the function of productive zakat as an instrument of human development and moral economy. This integration makes an important contribution in expanding the Islamic economic literature from a normative approach to an empirical-transformational approach.

Thus, BAZNAS' productive zakat for the 2020-2025 period can be categorized as a semi-transformational Islamic welfare instrument that has shown significant progress, but still needs to be strengthened in the aspects of institutionalization, ecosystem integration, and standardization of mentoring systems.

CONCLUSION

This study confirms that the transformation of *mustahik* towards economic independence through the productive zakat program of the National Amil Zakat Agency (BAZNAS) in the 2020–2025 period is a gradual, multidimensional, and non-linear process. Productive zakat can no longer be understood solely as an instrument of wealth redistribution based on consumptive assistance, but as a socio-economic empowerment mechanism that works through complex interactions between financial capital, institutional assistance, individual adaptive capacity, and support of the local economic ecosystem. Thus, the effectiveness of productive zakat is highly determined by the quality of institutional support and the sustainability of the accompanying capacity building process.

Empirically, productive zakat distribution accompanied by intensive mentoring increased *mustahik* household incomes by 80–90 percent and enabled 28–30 percent of beneficiaries to achieve sustainable business upgrading, confirming that mentoring intensity, financial literacy, and adaptive capacity, rather than the amount of capital alone, are the decisive determinants of transformation. Theoretically, this study contributes a multidimensional transformation framework that integrates the theory of productive zakat, the capability approach, and *maqāṣid al-sharī'ah*, shifting the evaluation of zakat from income-based indicators towards holistic socio-economic welfare. In terms of policy, the findings emphasize the need for an ecosystem-based zakat model that integrates capital distribution with standardized business assistance, financial literacy programs, and market access, as well as a reorientation of zakat management from charity-based distribution towards sustainable empowerment. These lessons are also relevant for international zakat institutions in Muslim-majority countries seeking to reposition zakat as an instrument of productive social protection within the broader Islamic social finance and Sustainable Development Goals agenda.

However, this study has several limitations, especially in the focus of the study which is still limited to the context of BAZNAS Indonesia and the absence of a long-term longitudinal analysis for more than five years. Therefore, further research is recommended to develop a longitudinal transformation tracking system model, integrate big data zakat analysis, and conduct comparative studies between Muslim countries to understand variations in the effectiveness of productive zakat in different institutional contexts.

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