

# **Productive Zakat Management and Economic Empowerment: Integrating Legal Compliance within Indonesia's Islamic Social Finance Framework**

**Muhammad Aziz**

**Universitas Al-Hikmah Indonesia, Indonesia**

Email: muhammadaziztuban@gmail.com

## **Abstract**

This study examines the implementation of productive zakat management within Indonesia's Islamic social finance framework by integrating legal compliance, institutional governance, and economic empowerment perspectives. Despite the significant potential of zakat as a tool for poverty alleviation, its utilization often remains consumptive, limiting its long-term developmental impact. This research aims to analyze how productive zakat is implemented, to evaluate its compliance with Law No. 23 of 2011, and to assess its contribution to the economic empowerment of beneficiaries. A qualitative case study approach was employed, focusing on a local zakat institution in Indonesia. Data were collected through semi-structured interviews, field observations, and document analysis, and were analyzed using thematic analysis combined with a legal compliance framework. The study adopts an integrated theoretical approach, drawing on Islamic social finance, empowerment theory, *maqāsid al-sharī'ah*, and institutional governance perspectives. The findings reveal that productive zakat management has shifted toward empowerment-oriented practices through business capital support, training, and mentoring programs. However, the sustainability of these initiatives depends on the strength of institutional support systems and beneficiary capacity. While the institution demonstrates substantial formal compliance with regulatory requirements, a gap persists between normative compliance and substantive implementation. Furthermore, productive zakat contributes positively to economic empowerment, as evidenced by increased income and business activity among beneficiaries, although long-term resilience remains uneven. This study contributes to the literature by proposing a multi-layered analytical framework that integrates legal compliance with governance and empowerment outcomes in zakat management. It highlights that effective productive zakat requires not only regulatory adherence but also strong institutional capacity and continuous empowerment strategies. The findings offer practical insights for policymakers and zakat institutions to enhance governance mechanisms and optimize the role of zakat as a sustainable development instrument within Islamic social finance.

**Keywords:** *Productive Zakat; Islamic Social Finance; Economic Empowerment; Legal Compliance; Institutional Governance; Maqāsid al-Sharī'ah.*

### Abstrak

Penelitian ini mengkaji implementasi pengelolaan zakat produktif dalam kerangka keuangan sosial Islam di Indonesia dengan mengintegrasikan perspektif kepatuhan hukum, tata kelola kelembagaan, dan pemberdayaan ekonomi. Meskipun zakat memiliki potensi besar sebagai instrumen pengentasan kemiskinan, pemanfaatannya sering kali masih bersifat konsumtif sehingga membatasi dampak pembangunan jangka panjang. Penelitian ini bertujuan untuk menganalisis bagaimana zakat produktif diimplementasikan, mengevaluasi tingkat kepatuhannya terhadap Undang-Undang Nomor 23 Tahun 2011, serta menilai kontribusinya terhadap pemberdayaan ekonomi mustahiq. Penelitian ini menggunakan pendekatan kualitatif dengan metode studi kasus pada salah satu lembaga amil zakat di Indonesia. Data dikumpulkan melalui wawancara semi-terstruktur, observasi lapangan, dan analisis dokumen, kemudian dianalisis menggunakan analisis tematik yang dipadukan dengan kerangka kepatuhan hukum. Penelitian ini juga mengadopsi pendekatan teoritis terintegrasi yang mencakup keuangan sosial Islam, teori pemberdayaan, maqāsid al-syarī'ah, dan tata kelola kelembagaan. Hasil penelitian menunjukkan bahwa pengelolaan zakat produktif telah mengalami pergeseran menuju praktik yang berorientasi pada pemberdayaan melalui pemberian modal usaha, pelatihan, dan pendampingan. Namun, keberlanjutan program tersebut sangat bergantung pada kekuatan sistem pendukung kelembagaan dan kapasitas penerima manfaat. Meskipun lembaga menunjukkan tingkat kepatuhan formal yang cukup baik terhadap regulasi, masih terdapat kesenjangan antara kepatuhan normatif dan implementasi substantif. Selain itu, zakat produktif terbukti memberikan kontribusi positif terhadap pemberdayaan ekonomi, yang ditunjukkan melalui peningkatan pendapatan dan aktivitas usaha mustahiq, meskipun tingkat ketahanan jangka panjang masih bervariasi. Penelitian ini berkontribusi pada pengembangan literatur dengan menawarkan kerangka analisis multi-layer yang mengintegrasikan kepatuhan hukum dengan tata kelola dan hasil pemberdayaan dalam pengelolaan zakat. Studi ini menegaskan bahwa efektivitas zakat produktif tidak hanya bergantung pada kepatuhan terhadap regulasi, tetapi juga pada kapasitas kelembagaan yang kuat dan strategi pemberdayaan yang berkelanjutan. Temuan ini memberikan implikasi praktis bagi pembuat kebijakan dan lembaga zakat dalam memperkuat tata kelola serta mengoptimalkan peran zakat sebagai instrumen pembangunan berkelanjutan dalam sistem keuangan sosial Islam.

**Kata kunci:** Zakat Produktif; Keuangan Sosial Islam; Pemberdayaan Ekonomi; Kepatuhan Hukum; Tata Kelola Kelembagaan; Maqāsid al-Sharī'ah.

### Introduction

Zakat has long been recognized as a fundamental pillar of Islamic economic and social systems, serving not only as a religious obligation but also as

a redistributive mechanism aimed at reducing poverty and socio-economic inequality. In contemporary discourse, zakat is increasingly positioned within the broader framework of Islamic social finance, which encompasses various instruments such as waqf, sadaqah, and qard al-hasan to promote inclusive and sustainable development (Minarni, Slamet, & Munir, 2025). Within this framework, zakat is expected to function not merely as a charitable transfer but as a strategic tool for socio-economic transformation.

The growing relevance of Islamic social finance has been further amplified by global concerns over persistent poverty, inequality, and economic vulnerability, particularly in developing countries. Empirical evidence suggests that Islamic social finance instruments, including zakat, possess significant potential to support economic resilience, financial inclusion, and sustainable development initiatives aligned with global agendas such as the Sustainable Development Goals (SDGs) (Siswantoro & Ikhwan, 2023). However, the realization of this potential remains uneven across different institutional and national contexts.

Indonesia, as the country with the largest Muslim population in the world, holds enormous potential in the collection and utilization of zakat funds. Despite this potential, a substantial gap persists between the estimated zakat potential and its actual realization. This discrepancy indicates underlying challenges in institutional governance, public trust, and management efficiency within zakat institutions (Karimah, Akbariani Ahmad, & Athallah Akbar, 2025; Khan, 2022; Yusoff, Kassim, & Hassan, 2024). Consequently, the effectiveness of zakat as a tool for poverty alleviation and economic empowerment remains a critical issue that requires further scholarly investigation.

One of the central challenges in zakat management lies in the predominance of consumptive distribution patterns. Many zakat institutions continue to allocate funds primarily for short-term assistance rather than long-term productive initiatives. This consumptive approach, while addressing immediate needs, often fails to create sustainable economic transformation among beneficiaries (*mustahiq*), thereby limiting the broader developmental impact of zakat (Sinaga & Pambudi, 2026).

In response to these challenges, the concept of productive zakat has emerged as a transformative approach aimed at enhancing the economic capacity of beneficiaries through income-generating activities, entrepreneurship support, and capacity-building programs. Productive zakat seeks to shift the paradigm from charity-based distribution to empowerment-oriented interventions, enabling *mustahiq* to transition from dependency to self-reliance (Diallo & Gundogdu, 2021; Hamzah, Khaeriyah, & Sudirman, 2019; Ismail, Gea, Shabri Abd. Majid, Marliyah, & Handayani, 2022; Khaeriyah & Sudirman, 2019).

Previous studies have demonstrated that productive zakat programs can significantly contribute to economic empowerment and social transformation. For

instance, research on zakat-based empowerment initiatives highlights the role of training, capital assistance, and mentoring in improving beneficiaries' economic independence (Hamid, Arifin, & Ahmed, 2024; Rahmad Ridho Zeen & Nurhayati Nurhayati, 2023). Similarly, studies on zakat-based development models, such as urban farming and social entrepreneurship, reveal that zakat can be effectively utilized to generate sustainable livelihoods and enhance community resilience (Indah, Amir, & Khasan, 2020; Salim, Abdul Hamid, Mahomed, & Hassan, 2024).

Moreover, empirical research has shown that zakat institutions play a crucial role in fostering economic empowerment through structured and professional management systems. Programs implemented by various zakat organizations have successfully improved beneficiaries' income levels, entrepreneurial skills, and overall well-being ("Islamic Philanthropy Institutions and Economic Empowerment of the People," 2022; Moh Arifin & Abu Sari, 2023; Sabila & Saptutyningsih, 2020; Saripudin, 2016). These findings reinforce the argument that zakat, when managed effectively, can serve as a powerful instrument for socio-economic development.

Despite these advancements, existing literature reveals several critical limitations. First, many studies tend to focus on the outcomes of empowerment programs without adequately examining the underlying governance structures and regulatory frameworks that shape zakat management practices. Second, the relationship between legal compliance and the effectiveness of productive zakat programs remains underexplored, particularly in the context of developing countries such as Indonesia.

Furthermore, while some studies have emphasized institutional accountability and governance within Islamic social finance, they often overlook the practical challenges faced by zakat institutions at the local level. For example, variations in transparency, reporting mechanisms, and sharia compliance indicate inconsistencies in institutional practices that may affect the overall effectiveness of zakat management (Apriyanti, 2017; Prasetyo, Roudlotul Janah, Nisak, & Kiai Ageng Muhammad Besari Ponorogo, 2025).

Another notable gap in the literature is the limited integration of normative Islamic frameworks, such as *maqāṣid al-sharī'ah*, with empirical analyses of zakat management. Although *maqāṣid* principles emphasize the preservation of wealth, life, and social welfare, their application in evaluating the impact of productive zakat programs remains insufficiently explored in contemporary research.

In addition, most existing studies adopt either a macro-level approach focusing on national zakat systems or a purely conceptual perspective without in-depth empirical investigation. Consequently, there is a lack of micro-level case studies that provide a comprehensive understanding of how zakat management practices operate within specific institutional contexts and how they align with regulatory frameworks.

To address these limitations, this study focuses on the implementation of productive zakat management within a local zakat institution in Indonesia, namely Nurul Hayat Tuban. By adopting a qualitative case study approach, this research aims to provide an in-depth analysis of how productive zakat programs are designed, implemented, and evaluated in practice.

This study is particularly significant as it integrates legal compliance analysis with empirical investigation, thereby bridging the gap between normative regulatory frameworks and practical implementation. In Indonesia, zakat management is governed by Law Number 23 of 2011, which emphasizes efficiency, accountability, and the productive utilization of zakat funds. However, the extent to which these legal provisions are implemented at the institutional level remains an open question that warrants further exploration.

The state of the art of this study lies in its multi-dimensional analytical framework, which combines Islamic social finance theory, empowerment theory, *maqāṣid al-sharī'ah*, and institutional governance perspectives. By integrating these theoretical approaches, this research offers a more comprehensive understanding of productive zakat management and its role in promoting economic empowerment.

The novelty of this study is reflected in its attempt to conceptualize productive zakat management as an integrated system that connects legal compliance, institutional governance, and empowerment outcomes. Unlike previous studies that examine these aspects separately, this research proposes a holistic perspective that highlights the interdependence between regulatory frameworks and practical implementation.

Furthermore, this study contributes to the existing literature by providing empirical evidence from a local zakat institution, thereby enriching the discourse on Islamic social finance with context-specific insights. It also offers practical implications for policymakers and zakat practitioners in improving governance structures and optimizing the utilization of zakat funds for sustainable development.

Based on the above considerations, this study aims to achieve three main objectives. First, it seeks to analyze how productive zakat management is implemented within the institutional context of Nurul Hayat Tuban. Second, it aims to evaluate the extent to which the implementation of productive zakat aligns with the regulatory framework of Law Number 23 of 2011. Third, it examines the contribution of productive zakat management to the economic empowerment of beneficiaries, particularly in terms of income generation, capacity building, and socio-economic transformation.

## Literature Review

Islamic social finance has emerged as a critical framework in contemporary discussions on sustainable development, particularly in Muslim-majority countries. It encompasses a range of instruments, including zakat, waqf, sadaqah, and Islamic microfinance, all of which aim to promote social justice, financial inclusion, and equitable wealth distribution. Within this framework, zakat occupies a central position as both a religious obligation and a socio-economic instrument designed to alleviate poverty and reduce inequality (Islamic Financial Services Board, 2015).

Recent scholarship has emphasized that Islamic social finance offers a distinctive paradigm that integrates ethical, spiritual, and economic dimensions of development. Unlike conventional financial systems that prioritize profit maximization, Islamic social finance is grounded in principles of justice (*'adl*), social solidarity (*ta'āwun*), and public welfare (*maṣlahah*) (Chapra, 2008). These principles provide a normative foundation for designing development interventions that are not only economically viable but also socially inclusive and morally grounded.

Within this broader framework, zakat has undergone a significant conceptual transformation from a purely charitable practice to a strategic instrument for socio-economic empowerment. Contemporary scholars argue that zakat should be viewed as a form of redistributive justice capable of addressing structural inequalities and enhancing the productive capacity of marginalized communities (Aziz, Ghofur, & Hidayati, 2021; Aziz, Mazidah, Marpuah, & Albar, 2025; Aziz, Sholikah, Ghazali, Soofian Lee, & Zakiyah, 2015; Irfan Syauqi Beik & Laily Dwi Arsyanti, 2016). This shift reflects a growing recognition that sustainable poverty alleviation requires more than temporary relief; it necessitates long-term empowerment and capacity-building.

The concept of productive zakat emerges from this paradigm shift, emphasizing the use of zakat funds for income-generating activities, entrepreneurship development, and human capital enhancement. Productive zakat programs typically involve the provision of business capital, vocational training, and mentoring support, enabling beneficiaries to engage in sustainable economic activities (Afief El Ashfahany, Awalul Dini Nur Hidayah, Lukmanul Hakim, & Mohd Shahid Bin Mohd Noh, 2023; Ashfahany, Hidayah, Hakim, & Noh, 2023; Salma Al Azizah & Choirin, 2019). This approach aligns with broader development theories that highlight the importance of empowering individuals to become economically self-reliant.

Empowerment theory provides a useful analytical lens for understanding the transformative potential of productive zakat. According to this perspective, empowerment involves enhancing individuals' capabilities, access to resources, and decision-making power, thereby enabling them to improve their socio-economic conditions (Amartya Sen, 1999; Sen, 2009, 2017; Visser & Sen, 2013).

In the context of zakat, empowerment is reflected in the transition of beneficiaries from passive recipients of aid to active economic agents capable of generating income and contributing to their communities.

Empirical studies have demonstrated that productive zakat programs can significantly enhance economic empowerment among beneficiaries. For instance, research on zakat-based microfinance initiatives indicates improvements in income levels, business sustainability, and financial independence among participants (Hisan, Farchatunnisa, & Zaenal, 2022a). Similarly, studies on community-based zakat programs reveal that integrated approaches combining financial support with capacity-building interventions yield more sustainable outcomes compared to purely consumptive distributions (Aziz & Sholikah, 2024; Herianingrum et al., 2024; Jaya, Muin, Haanurat, & Khaliq, 2023; Mujrimin & Aziz, 2025; Shirazi, 2014a, 2014b; Sumai, Mutmainnah, Nurhamdah, & Arsyad, 2019; Widyatama, Baso, & Haq, 2020).

Despite these positive findings, the effectiveness of productive zakat programs is highly dependent on the institutional capacity and governance of zakat organizations. Institutional theory suggests that organizations operate within a set of formal and informal rules that shape their behavior, decision-making processes, and performance outcomes (Scott, 2008; SCOTT, 2014). In the context of zakat management, these rules include legal regulations, organizational structures, and normative expectations derived from Islamic principles.

Governance plays a crucial role in ensuring the accountability, transparency, and efficiency of zakat institutions. Effective governance mechanisms, such as clear organizational structures, robust monitoring systems, and stakeholder engagement, are essential for optimizing the collection and distribution of zakat funds (Abdullah & Suhaib, 2011b, 2011a; Muhammad Abdullah & Abdul Quddus Shaib, 2011). Weak governance, on the other hand, can lead to inefficiencies, misallocation of resources, and erosion of public trust.

The legal dimension of zakat management is particularly significant in Indonesia, where the state has established a formal regulatory framework through Law Number 23 of 2011 on Zakat Management. This law provides guidelines for the collection, distribution, and utilization of zakat, emphasizing principles of efficiency, transparency, and accountability (Rasyad Al Fajar & Jannah, 2021; Undang-Undang No. 23 Tahun 2011 Tentang Pengelolaan Zakat, 2011). It also encourages the productive use of zakat funds to enhance community welfare and economic development.

Legal compliance theory offers a valuable perspective for analyzing how zakat institutions adhere to regulatory frameworks. Compliance is not merely a matter of formal adherence to rules but involves the internalization of legal norms within organizational practices (Tyler, 2006, 2021). In this regard, the effectiveness of zakat management depends on the extent to which institutions integrate legal requirements into their operational strategies and decision-making

processes.

However, existing literature reveals a gap in the integration of legal compliance analysis with empirical studies on productive zakat. While some studies examine regulatory frameworks and others focus on empowerment outcomes, few attempt to bridge these dimensions within a unified analytical framework. This fragmentation limits our understanding of how legal structures influence the effectiveness of zakat programs in practice.

In addition to legal and institutional perspectives, the normative framework of *maqāṣid al-sharī'ah* provides a critical foundation for evaluating the objectives and outcomes of zakat management. *Maqāṣid al-sharī'ah* emphasizes the preservation and promotion of essential human interests, including wealth (*hifz al-māl*), life (*hifz al-nafs*), and social welfare (AUDA, 2019; KAMALI, 2019; Mohamed & El-Sefy, 2021). From this perspective, productive zakat can be seen as a mechanism for achieving these objectives by enhancing economic stability and reducing vulnerability among disadvantaged groups.

The integration of *maqāṣid* principles into zakat management analysis enables a more holistic evaluation of program effectiveness. Rather than focusing solely on economic indicators, this approach considers broader dimensions of human well-being, including social inclusion, dignity, and long-term sustainability (Dusuki, Asraf; Abdullah, 2017; Dusuki & Abdullah, 2024). This aligns with contemporary development paradigms that emphasize human-centered approaches to poverty alleviation.

Furthermore, the intersection of Islamic social finance, empowerment theory, governance, and legal compliance creates a multi-dimensional analytical framework for understanding productive zakat management. This integrated perspective allows for a more comprehensive examination of how zakat institutions operate, how they comply with regulatory frameworks, and how they contribute to socio-economic transformation.

Despite the growing body of literature on Islamic social finance and zakat management, there remains a need for empirical studies that apply this integrated framework in specific institutional contexts. In particular, local-level case studies can provide valuable insights into the practical challenges and opportunities associated with implementing productive zakat programs.

Therefore, this study seeks to contribute to the literature by applying a multi-layered theoretical framework to analyze productive zakat management within a specific institutional setting. By integrating perspectives from Islamic social finance, empowerment theory, *maqāṣid al-sharī'ah*, governance, and legal compliance, this research aims to provide a more nuanced understanding of how zakat can function as an effective tool for economic empowerment and sustainable development.

## Research Methodology

This study adopts a qualitative research design employing a case study approach to explore the implementation of productive zakat management within a specific institutional context. The case study method is particularly suitable for this research as it allows for an in-depth, contextualized understanding of complex social phenomena, especially those embedded within organizational and regulatory environments (Yin, 2018). In this study, the selected case is a local zakat institution, namely Nurul Hayat Tuban, which represents a relevant and information-rich setting for examining the intersection between productive zakat practices, legal compliance, and economic empowerment outcomes within Indonesia's Islamic social finance framework.

The data utilized in this research consist of both primary and secondary sources. Primary data were collected through semi-structured interviews with key stakeholders, including institutional managers, zakat administrators (*amil*), and beneficiaries (*mustahiq*) involved in productive zakat programs. These informants were selected using purposive sampling to ensure that participants possessed relevant knowledge and experience related to zakat management practices (Patton, 2015). In addition, direct field observations were conducted to capture the operational dynamics of program implementation, including the distribution mechanisms, mentoring processes, and beneficiary activities. Secondary data were obtained from institutional documents, program reports, financial records, and regulatory texts, particularly Law Number 23 of 2011 on Zakat Management, which serves as the primary legal framework guiding zakat governance in Indonesia.

The research process was conducted through several systematic and operational stages. First, the preliminary stage involved identifying the research problem, reviewing relevant literature, and developing a theoretical framework integrating Islamic social finance, empowerment theory, *maqāṣid al-sharī'ah*, and institutional governance. Second, the data collection stage was carried out through interviews, observations, and document analysis, ensuring triangulation of data sources. Third, the data organization stage involved transcription, classification, and coding of qualitative data into thematic categories aligned with the research questions, such as implementation strategies, legal compliance, and empowerment outcomes. Finally, the interpretation stage focused on synthesizing findings through iterative analysis, linking empirical evidence with theoretical constructs to generate meaningful insights (Creswell, J.W., Poth, 2018; Creswell, John.W. & Poth, 2016; John W. Creswell; Cheryl N. Poth, 2017; John W. Creswell & Cheryl N. Poth, 2019).

Data analysis in this study employs a thematic analysis approach, which involves identifying, analyzing, and interpreting patterns within qualitative data (Braun & Clarke., 2006; Braun & Clarke, 2006a, 2006b, 2008). The analysis was conducted through several steps: data familiarization, initial coding, theme

development, and interpretation. The coding process was guided by both deductive and inductive approaches, where predefined categories derived from the theoretical framework (e.g., governance, compliance, empowerment) were combined with emerging themes from the field data. This approach enables a comprehensive analysis that captures both theoretical relevance and empirical richness. Furthermore, the analysis incorporates a legal compliance perspective by comparing institutional practices with the provisions outlined in Law Number 23 of 2011, thereby assessing the extent of alignment between normative regulations and practical implementation.

To ensure the validity and trustworthiness of the findings, this study employs several qualitative validation techniques. First, data triangulation was applied by cross-verifying information obtained from interviews, observations, and documentary sources. Second, member checking was conducted by confirming key findings with selected informants to ensure accuracy and credibility. Third, peer debriefing and reflective analysis were utilized to minimize researcher bias and enhance interpretive rigor (Denzin & Lincoln, 2006, 2018). In addition, the study adopts a theoretical triangulation approach by integrating multiple analytical perspectives, including Islamic social finance, empowerment theory, *maqāsid al-sharī‘ah*, and institutional governance. This multi-layered analytical framework strengthens the robustness of the study and allows for a more comprehensive understanding of productive zakat management as both a legal and socio-economic phenomenon.

## Results and Discussion

### 1. Implementation of Productive Zakat Management: From Charity to Empowerment-Oriented Practices

The findings of this study reveal that the implementation of productive zakat management at the institutional level reflects a gradual transformation from conventional charitable distribution toward a more structured empowerment-oriented approach. This shift is primarily manifested through programs designed to support income-generating activities, including micro-enterprise assistance, vocational training, and continuous mentoring. Such initiatives indicate that zakat is no longer perceived merely as a short-term relief mechanism but as a strategic instrument aimed at fostering long-term socio-economic resilience among beneficiaries.

From an Islamic social finance perspective, this transformation aligns with the broader objective of integrating zakat into sustainable development frameworks. As argued in previous studies, zakat can function as a catalyst for economic inclusion when it is directed toward productive sectors rather than consumptive needs (Hisan, Farchatunnisa, & Zaenal, 2022b; Saputra & Sutopo, 2024). The empirical evidence from this study confirms that the institutional

strategy under investigation has attempted to operationalize this paradigm by prioritizing programs that enhance beneficiaries' productive capacities.

However, the implementation process is not without challenges. Field data indicate that while initial capital support is provided, the sustainability of beneficiary enterprises largely depends on the quality of mentoring and follow-up mechanisms. In some cases, beneficiaries face difficulties in managing business operations due to limited skills and market access. This finding highlights the importance of integrating financial assistance with capacity-building interventions, as emphasized in empowerment theory (Amartya Sen, 1999). Without such integration, productive zakat risks reverting to a quasi-consumptive model that fails to generate lasting economic impact.

Furthermore, the institutional approach demonstrates a hybrid model that combines philanthropic values with managerial practices. This hybridization reflects the influence of institutional theory, which suggests that organizations adapt their practices to align with both normative expectations and operational demands (Scott, 2008; SCOTT, 2014). In this context, the zakat institution operates within a dual framework—adhering to religious principles while simultaneously adopting modern management strategies to enhance program effectiveness.

Overall, the findings suggest that productive zakat management has the potential to contribute significantly to economic empowerment when implemented through a structured, integrated, and sustainable approach. Nevertheless, the effectiveness of such programs is contingent upon the institution's ability to maintain continuity, provide adequate support systems, and ensure that empowerment objectives are consistently prioritized over short-term distribution goals.

## **2. Legal Compliance and Institutional Governance in Zakat Management**

The second major finding of this study relates to the extent to which productive zakat management aligns with the regulatory framework established under Law Number 23 of 2011. The analysis indicates that, at a formal level, the institution demonstrates substantial compliance with key legal provisions, particularly in terms of organizational structure, reporting mechanisms, and the categorization of zakat distribution. This suggests that the legal framework has been internalized within the institutional governance system.

From a legal compliance perspective, this alignment reflects what scholars describe as normative compliance, where organizations not only adhere to regulations but also integrate legal principles into their operational practices (Tyler, 2006, 2021). The institution's efforts to maintain transparency and accountability, such as documenting program activities and financial allocations, indicate a commitment to fulfilling regulatory requirements beyond mere formal obligation.

However, a deeper analysis reveals a partial gap between normative compliance and substantive implementation. While the legal framework encourages the productive utilization of zakat funds, the operationalization of this mandate varies across programs. Some initiatives demonstrate strong alignment with the principle of productive distribution, while others remain closer to consumptive models. This inconsistency highlights the challenges of translating legal norms into uniform practice at the institutional level.

The findings also underscore the importance of governance structures in mediating legal compliance. Effective governance mechanisms, including leadership commitment, monitoring systems, and stakeholder engagement, play a crucial role in ensuring that legal provisions are implemented consistently (Chapra, 2008). In this study, the presence of structured management processes contributes positively to compliance; however, limitations in monitoring and evaluation reduce the overall effectiveness of governance.

Moreover, the integration of legal compliance within Islamic social finance frameworks requires not only adherence to state regulations but also alignment with Islamic ethical principles. This dual accountability creates a complex governance environment in which institutions must balance legal obligations with moral and religious responsibilities. The study demonstrates that while formal compliance is largely achieved, there remains a need for deeper integration of legal and ethical dimensions to enhance institutional performance.

### **3. Economic Empowerment Outcomes: Evaluating Impact through Maqāṣid al-Sharī‘ah**

The third key finding of this study focuses on the impact of productive zakat management on the economic empowerment of beneficiaries. The analysis reveals that participation in productive zakat programs has led to measurable improvements in income generation, business sustainability, and financial independence among several beneficiaries. These outcomes indicate that productive zakat can serve as an effective tool for enhancing economic capacity when supported by appropriate institutional mechanisms.

From the perspective of empowerment theory, these findings reflect a positive shift in beneficiaries' roles from passive recipients to active economic agents. Access to capital, training, and mentoring enables individuals to develop skills, expand their businesses, and improve their livelihoods (Obaidullah & Shirazi, 2015). This transformation is central to the concept of empowerment, which emphasizes autonomy, capability, and participation in economic processes.

However, the extent of empowerment varies across beneficiaries, depending on factors such as educational background, entrepreneurial experience, and the level of institutional support received. This variation suggests that productive zakat programs must be tailored to the specific needs and capacities of beneficiaries to achieve optimal outcomes. A one-size-fits-all approach is

insufficient to address the diverse challenges faced by different groups.

The evaluation of empowerment outcomes through the lens of maqāsid al-sharī'ah provides additional insights into the broader implications of productive zakat. The observed improvements in economic stability and income levels contribute to the preservation of wealth (*hifz al-māl*) and the enhancement of human well-being (*hifz al-nafs*) (KAMALI, 2019). These findings indicate that productive zakat not only addresses material needs but also supports the realization of fundamental objectives of Islamic law.

Nevertheless, the study also identifies limitations in achieving long-term sustainability. Some beneficiaries remain vulnerable to external economic shocks, indicating that empowerment outcomes are not yet fully resilient. This highlights the need for more comprehensive support systems, including market integration, financial literacy, and continuous mentoring, to ensure that the benefits of productive zakat are sustained over time.

Table 1: Integrated Analysis of Productive Zakat Management

Main Findings (RQ-Based)	Empirical Results	Theoretical Lens	Analytical Interpretation	Link to Previous Studies
1. Implementation of Productive Zakat Management	Productive zakat programs are implemented through business capital assistance, training, and mentoring. However, sustainability depends on continuous support and beneficiary capacity.	- Islamic Social Finance - Empowerment Theory	The shift from consumptive to productive zakat reflects a transformation toward a development-oriented Islamic social finance model. However, incomplete integration of mentoring limits long-term empowerment outcomes.	Supports findings of Obaidullah (2015) and Beik & Arsyianti (2016) that productive zakat enhances economic inclusion, but confirms Wahid et al. (2017) that sustainability depends on institutional support systems.
2. Legal Compliance	Legal Institution demonstrates	- Legal Compliance	Indicates a gap between	Aligns with Tyler (2006)

and Governance	formal compliance with Law No. 23/2011, but implementation varies across programs; monitoring and evaluation remain limited.	Theory - Institutional / Governance Theory	- normative compliance (formal adherence) and substantive compliance (practical implementation). Governance quality mediates effectiveness of legal integration.	on normative compliance and Scott (2014) on institutional adaptation; extends prior studies by showing micro-level inconsistency in zakat governance.
3. Economic Empowerment Outcomes	Beneficiaries experience increased income, business activity, and partial independence; however, resilience and long-term sustainability remain uneven.	- Empowerment Theory - Maqāsid al-Sharī'ah	Productive zakat contributes to <i>ḥifẓ al-māl</i> (wealth protection) and <i>ḥifẓ al-nafs</i> (well-being), but empowerment remains partial and uneven, requiring stronger systemic support.	Confirms Sen (1999) on capability expansion and aligns with Alim (2015); extends maqāsid-based evaluation by linking economic outcomes with Islamic legal objectives.

### Conclusion

This study has examined the implementation of productive zakat management within the framework of Islamic social finance by focusing on three interrelated dimensions: implementation practices, legal compliance, and economic empowerment outcomes. The findings reveal that productive zakat has undergone a significant transformation from a consumptive charity model toward a more empowerment-oriented approach, as reflected in the provision of business capital, training, and mentoring programs. However, the sustainability of these initiatives remains contingent upon the quality of institutional support and the

capacity of beneficiaries. In terms of legal compliance, the study finds that while formal adherence to Law No. 23 of 2011 is largely achieved, there exists a gap between normative compliance and substantive implementation, particularly in the consistency of productive program execution. Furthermore, the impact analysis demonstrates that productive zakat contributes positively to economic empowerment, evidenced by increased income and business activity among beneficiaries, although the level of resilience and long-term independence remains uneven.

From a theoretical perspective, this study contributes to the advancement of Islamic social finance literature by proposing an integrated analytical framework that connects productive zakat management with legal compliance, institutional governance, and empowerment outcomes. Unlike previous studies that tend to examine these dimensions in isolation, this research demonstrates that the effectiveness of productive zakat is shaped by the dynamic interaction between regulatory frameworks and institutional practices. In addition, the incorporation of *maqāṣid al-sharī'ah* provides a normative-analytical lens for evaluating the broader socio-economic impact of zakat, thereby enriching existing approaches that predominantly rely on economic indicators. The novelty of this study lies in its conceptualization of productive zakat management as a multi-layered system, where legal compliance is not merely a regulatory requirement but an integral component of governance that influences empowerment outcomes. This integrated perspective offers a more holistic understanding of how zakat can function as a sustainable development instrument within Islamic social finance.

The findings of this study also carry important practical implications for policymakers and zakat institutions. Strengthening governance mechanisms, enhancing monitoring and evaluation systems, and integrating capacity-building programs are essential to maximize the impact of productive zakat. Policymakers should also consider refining regulatory frameworks to ensure clearer guidelines and stronger enforcement mechanisms that promote consistent implementation across institutions. Despite its contributions, this study is subject to certain limitations, particularly its reliance on a single case study, which may limit the generalizability of the findings. Additionally, the qualitative nature of the research may not fully capture the quantitative dimensions of empowerment outcomes. Therefore, future research is encouraged to adopt comparative and mixed-method approaches, involving multiple institutions and incorporating longitudinal data to assess the long-term sustainability of productive zakat programs. Further studies could also explore the integration of digital financial technologies within zakat management to enhance efficiency, transparency, and broader social impact.

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