

Does Zakat and Non-Zakat Empowerment Affect Mustahiq Welfare Based on Maqashid Shariah?

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Abstract: *This study explores the effect of zakat and non-zakat empowerment programs on the beneficiaries' welfare (mustahiq). This study focuses on the influence of the intervening variable, namely the mustahiq businesses' growth on mustahiq welfare. This study also examines the role of demographic characteristics, such as age, gender, and years of education on mustahiq business growth. This study employs the Partial Least Square-Structural Equation Model (PLS-SEM) using data from 100 respondents who received empowerment assistance from three different zakat institutions. The sample of mustahiq was selected from three zakat institutions to provide a diversity of respondents. The results indicate that zakat and non-zakat programs' empowerment through business growth has significantly affected mustahiq welfare. With these results, both zakat and non-zakat productive programs should be more developed to assist the community businesses' growth optimally. Previous studies measure the welfare of mustahiq with material aspects. In this study, the indicator of welfare is based on maqashid sharia, which includes the protection of Ad-Din (religion), An-Nafs (Soul), Al-Aql (intellect), Al-Nasl (descendant), and Al-Maal (wealth). Examining the impact of two variables, namely productive empowerment programs through zakat and non-zakat, on mustahiq business growth and welfare is the novelty of this study.*

Keywords: Empowerment; Zakat fund; non-zakat; Business growth; Welfare; Maqashid shariah

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Abstrak: Penelitian ini menganalisis pengaruh program pemberdayaan zakat dan non-zakat terhadap kesejahteraan penerima manfaat (*mustahiq*). Penelitian ini berfokus pada pengaruh variabel *intervening* yaitu pertumbuhan usaha *mustahiq* terhadap kesejahteraan *mustahiq*. Studi ini juga mengkaji peran karakteristik demografis seperti usia, jenis kelamin, dan tahun pendidikan terhadap pertumbuhan bisnis *mustahiq*. Penelitian ini menggunakan *Partial Least Square-Structural Equation Model (PLS-SEM)* dengan data dari 100 responden yang menerima bantuan pemberdayaan dari tiga lembaga zakat yang berbeda. Sampel *mustahiq* dipilih dari tiga lembaga zakat untuk memberikan keragaman responden. Hasil penelitian menunjukkan bahwa program pemberdayaan zakat dan non zakat melalui pertumbuhan bisnis berpengaruh signifikan terhadap kesejahteraan *mustahiq*. Dengan hasil ini, program produktif baik zakat maupun non zakat harus lebih dikembangkan untuk membantu pertumbuhan usaha *mustahiq* secara optimal. Penelitian sebelumnya mengukur kesejahteraan *mustahiq* dengan aspek materi, sedangkan dalam penelitian ini indikator kesejahteraan didasarkan pada *maqashid syariah*, yang meliputi perlindungan *Ad-Din* (agama), *An-Nafs* (jiwa), *Al-Aql* (akal), *Al-Nasl* (keturunan), dan *Al-Maal* (kekayaan). Analisis pengaruh dua variabel yaitu program pemberdayaan produktif melalui zakat dan non zakat terhadap pertumbuhan dan kesejahteraan usaha *mustahiq* menjadi keterbaharuan dalam penelitian ini.

Kata Kunci: Pemberdayaan; Zakat Produktif; Pemberdayaan Non-Zakat; Pertumbuhan Usaha; Kesejahteraan; *Maqashid syariah*

INTRODUCTION

Zakat is an Islamic economic instrument to guarantee equal distribution of wealth, improve the quality of life for *mustahiq*, and reduce income inequality. Zakat's dimension is not only a personal and social spiritual dimension, but there is an economic dimension whose primary purpose is to improve the welfare of *mustahiq* and to fulfill both the short- and long-term basic needs. On the other hand, Zakat encourages the realization of equal distribution of economic justice and a strategic source of public finance to build the *ummah* (Huda, 2012). Zakat can be considered as one of the mechanisms in overcoming socio-economic problems through zakat empowerment. The role and contribution of zakat institutions are needed to support a sustainable empowerment program to realize poverty alleviation.

Productive zakat is a type of zakat fund provided to *mustahiq*, which is not spent directly for the consumption of specific needs but is developed and used to support *mustahiq* business. As the business grows, it is expected that they will be able to fulfill their necessities continuously. Productive Zakat is an effort to increase *mustahiq* income to transform to become *muzakki* in the long term. Productive Zakat is implemented by providing trading tools as work equipment for those with healthy bodies, business capital for those with business skills, training and skill acquisition, and other support that is considered relevant to the recipient's physical condition and ability (Abdullah et al., 2015; Ahmed & Wahab, 2015).

The Covid-19 outbreak occurs in almost all countries in the world. Starting from Wuhan China around December 2019, this pandemic has caused several social and economic issues such as the increased unemployment rate, economic crisis, and

food scarcity (Miao et al., 2020; Gross et al., 2020; Goutte et al., 2020; Sheldon, 2020). A study by the CORE Indonesia institute, Indonesia's poor population increased to 14.35% due to Covid-19 (Dardak, 2020). Meanwhile, according to Indonesian Statistics data (2020), poverty has increased to more than 20 million people. Prevention of the spread of the Covid-19 virus conducted by implementing social distancing and work from home affects the country's economy. Many companies are forced to lay off workers and employees, consequently increasing unemployment and poverty rates. As the pre-employment card, family assistance (*Program Keluarga Harapan/PKH*), cash assistance, etc., have helped to some extent to reduce the employment rate. Zakat, as an Islamic economic instrument, can complement government programs to solve these problems.

Zakiyah (2011) states that productive assistance is expected to contribute to the welfare improvement of *mustahiq*. Empowerment is mediated by business growth, which indicates the existence of productive activities carried out by *mustahiq*. By providing the appropriate capital assistance, it is expected that the economic activities can be established, hence improve the quality of life of *mustahiq* (Ali et al., 2013; Nurzaman, 2016; Bakar & Ghani, 2011).

Business growth can be influenced by characteristics such as age, gender, and years of education. The age factor influences business growth as older age makes the creativity and motivation in entrepreneurship decreases. Gender determines the productivity of the business; usually, men are more productive than women. While the length of education is one of the positive factors that affect business income, this is following Mursalina & Syarifah (2015).

This study explores the effect of zakat and non-zakat empowerment programs on the beneficiaries' welfare (*mustahiq*). This study introduces the intervening variable, namely the growth of *mustahiq* businesses on *mustahiq* welfare. This study also examines the role of demographic characteristics, such as age, gender, and years of education on *mustahiq*'s business growth. This study employs the Partial Least Square-Structural Equation Model (PLS-SEM) using data from 100 respondents who received empowerment assistance from three different zakat institutions. The data collection was carried out through structured interviews and questionnaires.

The results show that the zakat empowerment program had a significant effect on the *mustahiq* business's growth. This indicates that when *mustahiq* business growth increases, *mustahiq* can fulfill their needs better; thus, the welfare of *mustahiq* will improve (Sukmana et al., 2020; Anwar et al. 2020). The non-zakat empowerment program is an additional variable tested for its effect on welfare by using business growth as an intervening variable. Business stimulus during the Covid-19 pandemic is very much needed, and capital assistance to carry out community entrepreneurial activities is highly expected (Noorbhai, 2020; Hudaefi, 2020; Herianingrum et al., 2019). Providing capital from non-zakat funds can develop micro and small businesses to improve recipients' welfare (Kiyabo et al., 2020).

This study complements previous literature by Widiastuti et al. (2015), Bonandar (2018), Andriati dan Huda (2015), which show that zakat assistance has an essential role in promoting the welfare of *mustahiq*. Tanjung (2019) and Cahyadi

(2016) show a positive relationship between business development and *mustahiq* welfare. The results shed light on the vital role of zakat empowerment programs in improving the quality of life of *mustahiq*. Consequently, zakat institutions need to consider distributing the zakat for productive purposes, not consumptive ones. Besides, this study provides a novel measurement of welfare that can be applied for further studies. The welfare is measured by considering the *maqashid sharia* principles. This study's novelty also comes from the analysis of productive empowerment through zakat and non-zakat on business growth and welfare in one model and framework. This is important because *mustahiq* mostly run micro and small businesses that usually have trouble accessing business capitals; thus, capital assistance is needed to develop their businesses. These capitals come from the collection of zakat and others distributed to *mustahiq* through various business development programs. It is expected that the empowerment programs' implementation develops the standard of living and welfare of the *mustahiq*. This research is expected to provide input to zakat institutions and other relevant stakeholders on the importance of productive zakat in improving *Mustahiq's welfare*.

Welfare in Islamic Perspective

Welfare is a condition in which society can guarantee basic needs, including food, clothing, and shelter. In the Islamic perspective, welfare includes material, non-material (psychic), and spiritual aspects (Dahlan, 2008); Aedy, 2011). Adiba et al. (2015) point out that according to Al Ghazali, the purpose of welfare is to maintain religion (*deen*), soul (*nafs*), intellect (*aql*), descent (*nasl*), and property (*maal*). The maintenance of these five primary goals is a basic human need; that is, the five goals must be maintained to live happily in this world and the hereafter (Asy-Syatibi, 1982; Ar-Raisuni, 1992). Karim (2014) explains that Asy-Syatibi classifies *maqashid sharia* into three categories, namely *dharuriyat* (primary), *hajiyyat* (secondary), and *tahsiniyyat* (tertiary).

The Impact of Productive Zakat on Mustahiq's Welfare

The social importance of zakat is to eliminate poverty in Muslim societies (Aziz et al., 2020; Bouanani & Belhadj, 2020; Owoyemi, 2020). Zakat occupies a central role in Islamic fiscal policy and operations. An effective zakat distribution system can organize and develop society (Muhd Adnan et al., 2020). Simultaneously, it does not preclude modern tools and techniques in raising the state revenues and support the transfer system and promote the unique tax system (Abdul Razak, 2020; Kuran, 2019).

Today, Islamic charity is no longer primarily associated with social welfare and social justice but increasingly economic gain. Productive Zakat in the form of capital assistance aimed at improving the quality of goods production to meet the needs of the wider community, so the beneficiaries can compete with a market share of capitalists who deify interest (usury) (Hariyanto et al., 2020; Kailani & Slama, 2019).

Zakat is a mechanism for distributing wealth from those who have to to the poor (Ali, 2010). Hoque, Khan, and Mohammad (2015) show that a lack of participation and entrepreneurship causes the causes of poverty in Muslim countries. The development programs through zakat institutions can be used as a means to boost economic growth. Azam (2014) carries out an empirical study in Pakistan and finds that zakat significantly increases household welfare.

Productive zakat is zakat that is managed productively and is distributed by providing business capital for *mustahiq* to increase their business capitals to meet future needs (Asnainu, 2008; Ana, 2018). The business capital is provided to support economic activities that improve social and economic conditions and enhance the potential productivity of *mustahiq* (Qadir, 2001). *Mustahiq*, who receive productive zakat in business capital and training, must have value-added activities. Zakat is intended to improve the welfare of *mustahiq* so that the chain of poverty is cut off. El-Din (cited in Beik, 2016) encouraged the existence of productive zakat, who tries to analyze the allocative and stabilization functions of zakat in the economy, as zakat is considered a tool or instrument to fight poverty. In the distribution pattern, zakat is given in the form of consumption purposes and the form of productive purposes. This is conducted when the *mustahiq* has the capacity and ability to process and carry out production activities. In this regard, the balanced distribution of productive and consumptive zakat is expected to have a wider impact on economic conditions. Productive zakat will impact the realization of social justice, poverty alleviation, and economic growth.

According to Law no. 23 of 2011, article 27 explains that zakat can be used for productive efforts to help the poor and avoid *mustahiq* from usury debts and economic empowerment (Anwar, 2014); Rakhma (2014) argues that the utilization of productive zakat empowerment programs in the form of entrepreneurship training, working capital, and providing facilities for business development by the Amil Zakat institutions theoretically belongs to the types of creative, productive zakat.

According to the regulation of the Minister of Religion Article 32 paragraph (1) of Law Number 52 of 2014 concerning zakat, productive efforts can be utilized to handle the poor and improve society's quality. The types of zakat utilization activities consist of two components: (1) social-based empowerment and (2) economic-based empowerment. Economic based empowerment is then divided into two types: (1) traditional productive zakat and (2) creative, productive zakat. The traditional productive zakat is given in the form of cattle such as cows, goats, etc. Zakat, in this form of activities, creates employment opportunities. The creative, productive zakat is manifested in the form of capital to increase micro-business capital and provide social impacts (Mufraini, 2006:88). Previous studies by Irma (2017) finds that zakat productivity affects the growth of micro-businesses and the welfare of *mustahiq*. These findings are also indicated in a study by Abdul (2018) who shows that capital, income, and consumption influence social welfare. The capital is seen to have a greater influence than the income and consumption variables.

Several studies examine the impact of the zakat empowerment on *mustahiq*' welfare. Sharofiddin, Othman, & Alhabshi (2019) find that zakat distribution

contributes significantly to social welfare through education at a significance level of 5%. [Beik & Arsyianti \(2016\)](#) analyze the role of productive-based zakat in DKI Jakarta and Bogor District using the CIBEST model, which comprises four indices, including the welfare material poverty index, spiritual poverty index, and absolute poverty index. The study finds that the zakat utilization program increases the welfare index of the *mustahiq* by 96.8 percent. The material poverty index and absolute poverty index can also be reduced by 30.15 percent and 91.30 percent through Zakat programs. There is an unexpected result on the spiritual poverty index in which there is an increase of two households living under spiritual poverty. These two zakat recipient households suffer weakening spiritual values despite materially better-off due to the zakat program presence. [Hamidi, Suhel, & Latif \(2019\)](#) examine the empowerment program that distributes productive zakat funding from BAZNAS of South Sumatra. The study finds that productive zakat capital, age of business, and training significantly affect zakat recipients' income in Palembang. [Nafiah \(2015\)](#) shows that the utilization of productive zakat on livestock business at Gresik city positively affects *mustahiq's* welfare. *Mustahiq* experienced an increase in income and better fulfillment of their needs after participating in productive zakat empowerment. [Effendi & Wirawan \(2013\)](#) also find that using productive zakat by giving capital assistance increases the average income of the *mustahiq*. Other findings from [Andriati & Huda \(2015\)](#) and [Wulansari & Hendra Setiawan \(2014\)](#) highlight the importance of the zakat empowerment on improving the *mustahiq's* welfare.

[Lessy, Adamek, & Khaja \(2020\)](#) studied the success of productive empowerment zakat in Indonesia and found that Zakat. Significant findings showed that economic empowerment recipients were the poor affected by the earthquake and the monetary crisis. Zakat helped the recipient, the poor affected by the earthquake and the monetary crisis, re-open their businesses. Zakat also supports the development and growth of the business and employed jobless individuals.

The Role of Non-Productive Zakat on Mustahiq's Welfare

Zakat institutions are not only managing zakat funds but also non-zakat funds. Non-zakat funds include *infaq*, *shadaqah*, Corporate Social Responsibility (CSR), and others. In Indonesia, zakat institutions distribute non-zakat funds to various sectors such as social, education, health, religious events, and social economy. In the economic sector, non-zakat distribution aims to reduce poverty through economic empowerment of *mustahiq*. Several studies are discussing the relationship between productive non-zakat funds and business growth and welfare. [Alaydrus & Widiastuti \(2017\)](#) show that *Infaq*, *Shadaqa*, and *qardhul hasan* distributed in productive zakat do not significantly positively affect the welfare of *mustahiq*. However, on the other hand, [Tahiri Jouti \(2019\)](#), [Zauro et al. \(2020\)](#), [Mariyanti & Mahfudz \(2016\)](#) show that *infaq* and *shadaqah* have a positive and significant effect on *mustahiq* welfare. The more *infaq* and *shadaqah* funds being distributed, the more the *mustahiq's* business grows. This research examines the relationship

between non-zakat empowerment and *mustahiq's* business growth, economic growth, and *mustahiq's* welfare.

The Role of Demographic Heterogeneity on *Mustahiq's* Welfare

Age, years of education, and gender are important individual factors that play essential roles in developing *mutahiq's* business. According to human capital theory, the stock of human capital diminishes with aging; thus, productivity also decreases with age (Becker, 1994). In the lifecycle model, employees maximize human capital over their lifecycle, choosing the optimum between working and training or between different jobs that offer various training and earning combinations (Roosaar, Masso, & Varblane, 2019). Thus, it is important to consider age in developing the business as the productivity of *mustahiq* will depend on age.

Besides, education level matters in deriving the potential skills and capabilities of the *mustahiq*. Education has a direct effect on individual productivity and income. The quality of life improves through a process of education, training, and human resources development. Improvement in human capital will improve work productivity. Hence it will provide sufficient income and will improve the welfare of the individuals and society. Theoretically, the higher the education of an entrepreneur, the higher their income (Baum, 1988; Nainggolan, 2016). Education is not only formal but also informal education that can improve the skills of the *mustahiq*. After obtaining capital, providing training and guidance to *mustahiq* will help them to run their business better.

Meyersoon et al. (2006) find that differences the gender causes a gap in productivity between men and women. Women have broad family obligations so that the level of business productivity is more diminutive than men. Identical women only receive wages from their husbands while men work more, so from this, men are more productive than women. According to Yana et al. (2017), mothers and non-mothers are paid less than men, with mothers (a full housewife) receiving lower wages than non-mother women. Further, women without children are thought to be as productive as men but are paid less. The segregation of pay and productivity for childless women occurs during their fertile years.

RESEARCH METHODS

This research is a quantitative study that employs a Partial Least Square- Structural Equation Modeling (PLS-SEM) analysis technique. It interprets the data, assesses the model's overall fit, and tests the combined structural model by (Latan & Gozali, 2012). This method is a multivariate regression that explains and reveals a relationship between variables. PLS-SEM is an alternative method used when the Covariance Based Structural Equation Modeling (CB-SEM) distributional assumptions cannot be met. The research objective is to predict using a less-developed theory, which is to find the empirical evidence of zakat productive impact on the wellbeing of *mustahiq*. The application of this method is divided into the analysis of outer and inner models. This model requires several reliability tests that include a construct validity test and a composite reliability test. The study will conduct a path coefficient and adjusted R² analysis. This study uses SMART PLS 3 software to perform the analysis.

This research's object is *mustahiq* who receive productive zakat and non-zakat empowerment (*infaq*, alms, and waqf) programs. Data were collected in two periods, March - June 2019 and February - April 2020. A total of 100 questionnaires are collected. The selection of respondents applies a purposive sampling method with several criteria to meet that include:

- 1) The respondent receives a productive zakat empowerment program in the last 12 months.
- 2) Respondent runs a business.
- 3) Respondent has a basic accounting record, such as monthly income and expenses.

The purposive sampling is an appropriate sampling method since some criteria need to be met for a selected respondent. As such, valuable responses could be obtained from respondents who meet these set criteria. The respondents' lists are obtained from three Zakat Institutions, namely Dompot Dhuafa, Yatim Mandiri, and Dompot Amanah Umat Sidoarjo. The respondents reside in Surabaya and Sidoarjo and are classified as targets of zakat empowerment areas by zakat institutions. The survey gathers information about the program recipients' characteristics, opinions, attitudes, and experiences using structured questions (Leedy & Ormord 2005). This study forms a conceptual framework used for the hypothesis, see Figure 1.

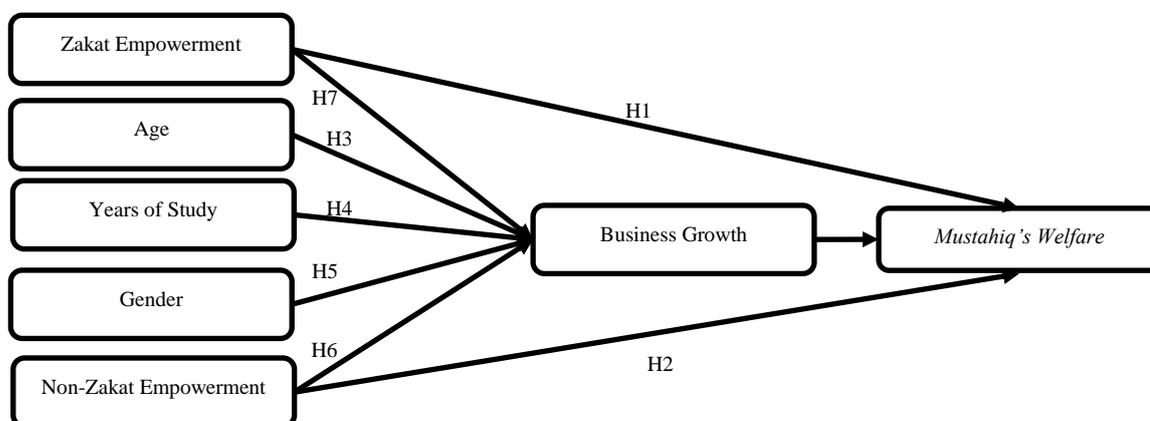


Figure 1 Conceptual Framework

In developing the structured questionnaire, many essential questions regarding *mustahiq's* wellbeing based on *maqashid syariah* are considered. Some indicators of the welfare of the *maqashid sharia*, according to Effendi (2013), are described in the following table:

Table1. The Welfare Level Indicators Based on *Maqashid Sharia*

No	<i>Maqashid Shariah</i>	Indicator
1	Religion or faith (<i>hifzhud diin</i>)	<ul style="list-style-type: none"> a. The practice of the five pillars of Islam (<i>shahada</i>, prayer, zakat, fasting, and <i>Hajj</i>). b. Believe in pillars of faith (faith in Allah SWT, His messengers, His books, the last day, <i>qadha' and qadar</i>). c. Compliance with government regulations.
2	Soul (<i>hifzhun nafs</i>)	The existence or availability of food, clothing, shelter, health, a healthy environment, etc.
3	Sense (<i>hifzhul 'aql</i>)	The existence or availability of education, training, research and development, information media, etc.
4	Descent (<i>hifzhun nasl</i>)	<ul style="list-style-type: none"> a. The existence or availability of marriage institutions. b. The existence or availability of pregnancy, childbirth, and breastfeeding benefits. c. The supporting facilities for orphans. d. The maintenance of <i>sakinah, mawaddah, and warrahmah</i> households.
5	Treasure (<i>hifzhul maal</i>)	The existence or availability of decent and fair income, business opportunities, etc.

Source: Effendi (2013)

Adopting these indicators, questions to confirm the ability to fulfill worship facilities and spend time carrying out obligatory worship and sunnah are considered (KM 1-5) are used for the aspect of maintaining the religion (*deen*). In maintaining soul (*nafs*), the ability to meet the needs of food, proper clothing, and shelter was asked (KM 6-10). In retaining the intellect (*aql*), the ability to meet primary education and religious knowledge are considered (KM11-13). In maintaining descent (*nasl*), the ability to meet the basic needs of children and meet their wives' health needs during pregnancy, childbirth, and breastfeeding is a concern (KM 14-16). While protecting the property (*maal*), the ability to earn halal income, save, and make the investment is considered (KM17-21).

The respondents were asked to give their responses based on a 5-point Likert-scale. The scale of "1" indicates a strongly disagree statement to "5," demonstrating a strongly agree statement. This was to give the respondents the opportunity for flexibility when answering the questions. To avoid bias and misinterpretation, the respondents were accompanied by the researchers during the process of filling out questionnaires.

RESULTS AND DISCUSSION

Initially, the study starts with a descriptive statistic before conducting validity and reliability tests across all variables using the survey data. The descriptive statistics are presented in table 2. Looking at the gender characteristics, 58 of the beneficiaries of empowerment programs men. The age distribution between 40 and 50 years old becomes the highest frequency, while 44% of the beneficiaries only graduated from elementary school.

Table 2 Descriptive Statistics

Gender	Frequency	Percentage
Men	58	58%
Women	42	42%
Total	100	100%
Age Distribution	Frequency	Percentage
20 - <30	7	7 %
30 - <40	13	13%
40 - <50	40	40%
50 - <60	32	32%
60 - <70	6	6%
70 -<80	2	2%
Total	100	100%
Marital Status	Frequency	Percentage
Married	3	3%
Not Married	55	55%
Widow/er	42	42%
Total	100	100%
Education	Frequency	Percentage
SD / Elementary School	44	44%
SMP / Middle School	28	28%
SMA / High School	26	26%
Bachelor	2	2%
Total	100	100%

The result of validity and reliability tests shows that the variables used in the model passed the validity and reliability test, so the indicators on these four variables can measure the model's constructs. The following is the figure showing the research model generated using Smart PLS 3.0 processing:

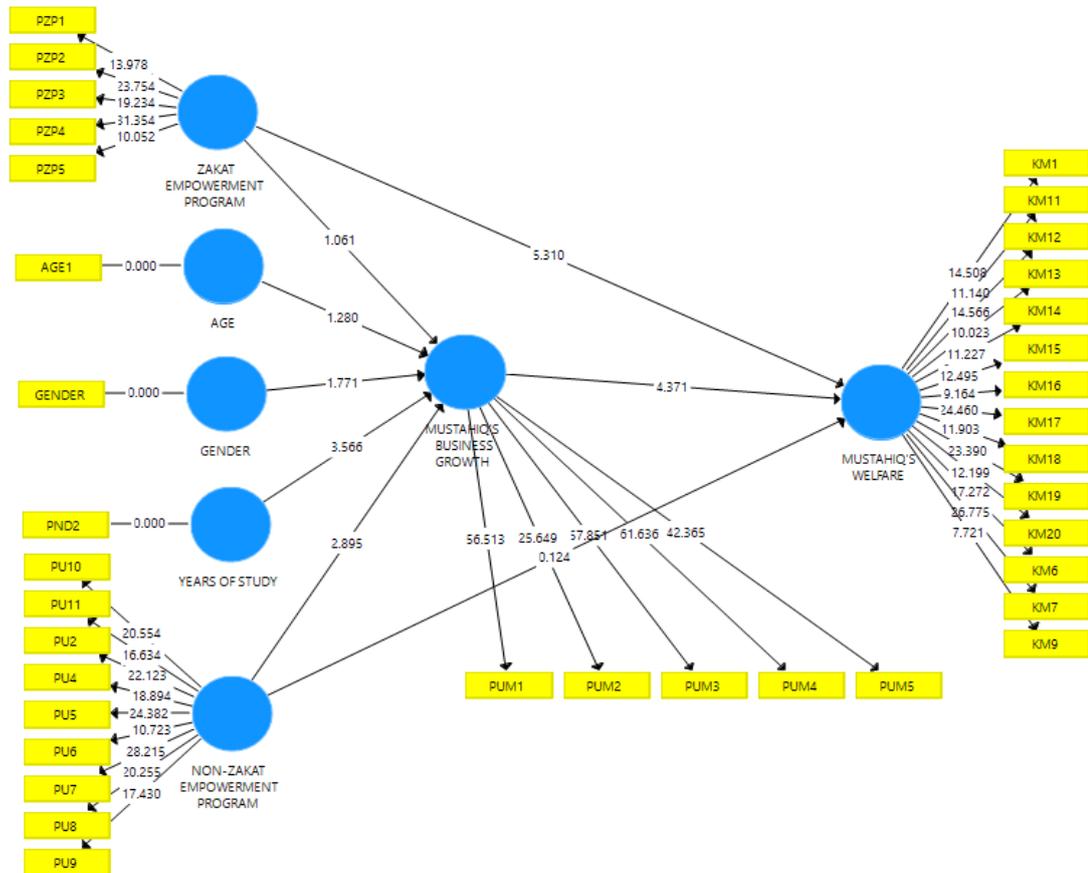


Figure 2 Data processed with PLS (2020)

Using 5% significance level, the measurement item is said to be significant if the t-statistics value is greater than 1.96 or the p-value is less than 0.05 at the Meanwhile, the parameter coefficient indicates the direction of the effect and the magnitude of the influence of exogenous variables on endogenous variables (Ghozali, 2008). The following Table 3 is the path coefficient result.

Table 3 Path Coefficients Results

Hypothesis	Original Sample	t-Statistic	P Values	Significancy
H1: Zakat Empowerment Program → <i>Mustahiq's Welfare</i>	0,494	4,963	0,000	Significant
H2: Non-Zakat Empowerment → <i>Mustahiq's Welfare</i>	-0,013	0,115	0,908	Not Significant
H3: Age → <i>Mustahiq's Business Growth</i>	-0,211	1,277	0,202	Not Significant
H4: Years of Study → <i>Mustahiq's Business Growth</i>	-0,552	3,569	0,000	Significant
H5: Gender → <i>Mustahiq's Business Growth</i>	0,135	1,704	0,089	Not Significant

Hypothesis	Original Sample	t-Statistic	P Values	Significancy
H6: Non-Zakat Empowerment → <i>Mustahiq's</i> Business Growth	0,370	2,836	0,005	Significant
H7: Zakat Empowerment Program → <i>Mustahiq's</i> Business Growth	0,142	1,052	0,293	Not Significant
H8: <i>Mustahiq's</i> Business Growth → <i>Mustahiq's</i> Welfare	0,418	4,326	0,000	Significant

Analysis of Zakat Empowerment Program on *Mustahiq's* Welfare

Based on the results in Table 3, the path coefficient has a probability value of 0.00, smaller than 0.05, with the value of the parameter coefficient (original sample) of 0.494, indicating the significant effect of *mustahiq* business growth *mustahiq's* welfare. This result supports the studies of Young & Arfan (2016), Lessy et al. (2020), Nafiah (2015), Sartika (2008), Rusli et al. (2013), which find positive relationships between the zakat empowerment program and the welfare of *mustahiq*. It is expected that productive zakat can break the poverty cycle caused by low productivity, especially to those with limited business capital access. The funds obtained by *mustahiq* can be used to develop their business so that *mustahiq* can continue to meet their basic needs, maintain their business continuity, and in the long term transform their status from a *mustahiq* to become a *muzakki*. This finding is in line with Beik (2015) and Widyaningsih (2016), who find a positive relationship between the productive zakat program and poverty alleviation and welfare, which is indicated by a decrease in the absolute poverty index, material poverty, and spiritual poverty. Haron & Sutrisno (2020) show that *mustahiq* who participate in the zakat empowerment program has shown an increase in their welfare. This shows that zakat empowerment has a positive effect on the welfare of *mustahiq* and may reduce spiritual poverty. Further, the result also goes in line with Nafiah (2019) that describes the zakat productive utilization of the rolling livestock program by BAZNAS Gresik Regency affects the welfare of *mustahiq* by 30.5%.

Analysis of Zakat Empowerment Program on *Mustahiq* Business Growth

The path coefficient obtained a probability value of 0.293, higher than 0.05, with the parameter coefficient (original sample) of 0.142. It shows that there is no significant influence of *mustahiq* business growth on *mustahiq* welfare. This result opposes the findings of Lessy, Adamek, & Khaja (2020), Irfaany et al. (2018), Ichsan (2019), who find that the productive zakat empowerment program, length of business, and training had a significant positive effect on *mustahiq* business growth. It also opposes Widiastuti et al. (2017) 's findings, who find that productive zakat, infaq, and sadaqah affect the growth of *mustahiq* businesses in Pasuruan, East Java. The application of productive zakat should provide economic gains for its beneficiaries, as Kailani & Slama (2019) stated.

Analysis of Non-Zakat Empowerments on Mustahiq Business Growth and Welfare

Based on the analysis results, the finding suggests a significant and positive effect of non-zakat empowerment programs on the growth of *mustahiq* businesses. This result goes in line with the findings of Jouti (2019), Zauro et al. (2020) and Mariyanti & Mahfudz (2016), which suggest that a non-zakat empowerment program funded by *infaq* and *shadaqah* had a positive and significant effect. The more *infaq* and *sadaqah* funds distributed, the more economic gains achieved.

This result also supports Tanjung (2018), who find that *infaq* funds and productive alms significantly affect the *mustahiq* business's growth. The substantial increase in *mustahiq*'s business is seen from the change in turnover obtained by *mustahiq* before and after the empowerment programs. This proves that the provision of non-zakat funds can increase the business growth of *mustahiq*. When they are just starting a business, *mustahiq* needs capital. Providing non-zakat funds for capital assistance can support business continuity. This is a better solution comparing the loan borrowed by *mustahiq* from financial institutions. The obligation to return the funds will become a burden for the *mustahiq* because usually, the cash flow is still low for a business starter.

In addition to capital assistance, the program to increase business skills will significantly help *mustahiq* develop their business. Tsalistia et al. (2010) show that the MiSykat (Microfinance Based on *Shariah*) program, a micro-financing empowerment program, positively affects the *mustahiq* business growth improves welfare *mustahiq* both in terms of the fulfillment of material needs and the support to achieve *mustahiq* independence. Faisal & Yuliani (2017) show that the productivity of zakat, *infaq*, and *sadaqah* has a significant positive effect on the growth of micro-businesses and the welfare of *mustahiq*.

The path coefficient of non-zakat empowerment on *mustahiq* welfare obtained a probability value of 0,908, more than 0.05. It shows that there is no significant effect of the non-zakat empowerment program on the welfare of *mustahiq*. This finding contrasts with Kassim and Wulandari's (2016) study who find that charity empowerment products (*infaq* and alms) are ideal assistance to help the poor achieve prosperity. This finding also opposes Alaydrus & Widiastuti (2017) showed that *Infaq*, *Shadaqa*, and *qardhul hasan* distributed in productive zakat failed to affect the welfare of *mustahiq* significantly.

Analysis of Mustahiq's Business Growth on Mustahiq's Welfare

Based on the analysis results in table 3, the probability value of 0.000, smaller than 0.05 with the value of the parameter coefficient (original sample) of 0.418. This indicates a significant positive effect of *mustahiq* business growth on *mustahiq*'s welfare. This result goes in line with Tanjung (2019), who finds a positive relationship between business development and welfare. The amount of increase in operating income has a positive effect on improving welfare. Cahyadi (2016) states that the *mustahiq* business's development has a significant effect on his welfare. This means that growth in business income, business turnover, and profits can positively impact the welfare of *mustahiq*. This indicates that business growth

becomes a variable that affects the welfare of *mustahiq* because business growth does not only affect the protection of *Al-Maal* but all aspects of *maqashid syariah*.

Rullah et al. (2020) find that business growth has a positive impact on the welfare of Islamic *maqashid*. The provision of funds originating from zakat provided to assist productive business activities may have a continuous and compelling effect. This also applies to funds originating from non-zakat, such as *infaq* and alms. The difference between zakat funds and non-zakat funds is that for zakat funds, the beneficiaries are limited to the eight *ashnaf*. In contrast, for non-zakat, the beneficiaries are usually anyone who needs it, especially those who are poor. Both funds can be used in productive activities so that they have an impact on business growth managed by *mustahiq*, as stated by Usman et al. (2019), Wulandari and Kassim (2019), and Zakiyah (2011).

Analysis of Demographic characteristics of *Mustahiq's* Business Growth

A considerable number of studies have concluded that workability decreases rapidly with increasing age. The seniority in age is usually associated with more prone to failure in starting a business. The finding suggests that age difference does not have a significant effect on *Mustahiq's* business growth. This might be due to a lack of age differences within the sample, as 72% of the beneficiaries are 40 to 60. Table 3 shows the relationship between age and business growth. The p-value is 0.202 and means that age does not affect business growth. This is in line with research conducted by Nunes et al. (2013), which finds that age, especially at the senior age level, does not affect SMEs' (Small and Medium Enterprises) growth. Relating business growth due to the increase in productivity, this finding also opposes Park et al. (2021), which discover that aging is negatively associated with labor productivity and total factor productivity growth at the industrial level in South Korea. While in the Czech Republic, Hlad' o et al. (2020) found that teachers' workability decreases as a function of age and that older teachers have reduced physical or intellectual capacities.

Improving the human capital quality and educational attainment levels will lead to a higher return on economic growth in the central regions of Germany, Benelux, Scandinavia, and the southern areas of Great Britain (Cuaresma et al., 2013; Cuaresma et al., 2014). The years of education with business growth show the Path Coefficient result of -0.552 with a significance level of 5%. This means that the long years of education, the lower the business growth. This opposes the findings of Mursalina and Syarifah (2015), Haile (2015), Gina and Efendi (2015), Ali et al. (2016), where they find that education factors affect income and business growth. Higher education provides people with more job alternatives, as many people will choose to work as public workers or become employees in private companies. This may explain the adverse relation of years of education and business growth, as people with lower educational levels will choose to be entrepreneurs.

Related to gender, we code the male respondents with 1 and female respondents with 0. The relationship between gender and business growth shows an insignificant relationship. This means that gender differences do not affect the business growth of *mustahiq*. This result opposes the findings of Jinyoung Kim et

al. (2016), Khayria and Feki (2015), Meyerssoon et al. (2006), and Yana et al. (2017), which find the importance of gender classification and equality to the business or economic growth.

Further analysis

Zakat empowerment is the variable with the most significant impact. This is indicated by the highest beta coefficient (original sample = 0,494). Further, to achieve levels of validity and reliability, several statements were omitted. Statements that still survive on the *maqashid sharia* welfare are dominated by wealth/property, intellect, and descent. The most significant contribution is in the maintenance of the wealth/property aspect. This indicates that the zakat empowerment program is still oriented to maintaining assets, compared to other essential elements such as religious maintenance. In fact, only one statement (KM 1) remained in the model. The empowerment of zakat targets material and spiritual aspects. However, the most significant impact felt by *mustahiq* is on maintaining the (material) assets.

Empowerment of zakat should be oriented towards fulfilling the material aspects and developing the spiritual parts. A successful empowerment program empowers the *mustahiq* financially and makes the *mustahiq* person closer to Allah SWT. One possible reason that might explain this finding is the pandemic period. The government imposed and socialized social restrictions on a national and regional scale, making empowerment programs less optimal. Religious learning and business training, as is usually done face-to-face, cannot be implemented optimally.

CONCLUSION

This study analyzes the impact of productive and non-productive empowerment programs on business growth and *mustahiq's* welfare. The results show that the wellbeing based on *maqashid sharia* could be achieved by zakat empowerment and business growth. Age and gender do not have a significant effect on business growth. This might be due to the homogeneity of the sample. Meanwhile, the years of education significantly affecting the *mustahiq* business growth, but in a negative relationship. The business assistance in the form of business capital and training is useful for the *mustahiq* to develop their businesses. However, using the zakat and non-zakat funds, the empowerment program must be appropriately targeted and effectively distributed to achieve a sustainable impact. This study does not find a significant effect of the non-zakat empowerment on the welfare of *mustahiq*. This relationship does not pass-through business growth as a variable that connects non-zakat funds distribution with welfare. The non-zakat funds such as donations and alms are mostly for non-productive purposes. The zakat institution is only obliged to immediately distribute it to people in need so that the benefits are expected to be immediately evident. The consumptive distribution is also usually a short-term program. This is different from the distribution of productive funds that generally in the form of long-term plans. Further research can add several variables, such as monitoring and evaluation of the assistantship program, to be added as variables that influence the business growth of *mustahiq* and their welfare.

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