



## ZAKAT INSTITUTIONS AND SUSTAINABLE DEVELOPMENT: AN EVALUATION OF ENTREPRENEURSHIP PROGRAMS IN YOGYAKARTA

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### Abstract

*This study examines the role of zakat institutions in promoting sustainable development through entrepreneurship-based programs in Yogyakarta, Indonesia. As zakat is one of the key instruments in Islamic social finance, its proper management has the potential to address poverty, reduce inequality, and contribute to the achievement of Sustainable Development Goals (SDGs). Employing a qualitative case study approach, data were collected through in-depth interviews, observations, and document analysis from selected zakat organizations in Yogyakarta. The findings reveal that entrepreneurship programs implemented by zakat institutions have significantly improved beneficiaries' economic capacity, enhanced financial literacy, and strengthened community resilience. However, several challenges remain, including limited institutional capacity, lack of sustainable mentoring, and insufficient integration with government programs. This study contributes to the growing literature on Islamic social finance by highlighting the potential and limitations of zakat-based entrepreneurship as a tool for poverty alleviation and sustainable development.*

**Keywords:** zakat institutions; entrepreneurship; poverty alleviation; sustainable development, Indonesia

### A. INTRODUCTION

Zakat, as one of the five pillars of Islam, represents not only an act of worship but also a socio-economic instrument to achieve distributive justice and social welfare. In Indonesia, the world's most populous Muslim country, zakat institutions play a vital role in mobilizing resources for poverty alleviation and social development. With the adoption of the United Nations' Sustainable Development Goals (SDGs), zakat is increasingly recognized as a strategic tool to achieve targets related to poverty reduction (SDG 1), decent work and economic growth (SDG 8), and reduced inequalities (SDG 10).

Zakat, one of the five pillars of Islam, has long been regarded as a vital socio-economic instrument for reducing inequality and fostering social justice (Rosman et al., 2022; Sari et al., 2020). In many Muslim-majority countries, zakat institutions play

an increasingly significant role not only in alleviating poverty but also in promoting long-term development agendas (Asnaf Development Outcome, 2024). In Indonesia, where zakat has been formalized through state and non-state institutions, its function has evolved from a traditional charitable mechanism into a structured system of social welfare and economic empowerment (Abdullah & Suhaib, 2021; Kahf, 2021). This evolution aligns with the global agenda of the Sustainable Development Goals (SDGs), particularly in reducing poverty (Goal 1), promoting decent work and economic growth (Goal 8), and reducing inequality (Goal 10) (Obaidullah, 2020; Arwani et al., 2024).

The effectiveness of zakat institutions, however, depends on their ability to move beyond traditional charity-based models and adopt sustainable, empowerment-oriented approaches. In this regard, entrepreneurship programs funded by zakat have gained traction as they provide long-term economic opportunities for mustahik (beneficiaries), reduce dependency, and foster self-reliance.

The effectiveness of zakat institutions depends not only on their ability to collect and distribute funds but also on their capacity to design programs that sustainably uplift the poor (Beik & Arsyianti, 2021; Widiastuti et al., 2022). One promising approach has been the implementation of zakat-based entrepreneurship programs, which focus on empowering beneficiaries (mustahik) through productive economic activities rather than short-term financial aid (Harahap et al., 2020; Nurwahidin et al., 2022). Such initiatives are particularly relevant in local contexts like Yogyakarta and Kartasura, where poverty and unemployment remain pressing issues despite broader economic growth (Muttaqin & Nasir, 2024; Faurani & Asmaria, 2023).

Yogyakarta present compelling cases for analysis due to their dynamic zakat institutions and diverse socio-economic contexts. Both regions have implemented entrepreneurship programs in various sectors, such as small-scale trade, food production, and creative industries. Yet, the extent to which these programs contribute to sustainable poverty alleviation and the SDGs remains underexplored.

However, measuring the ability of zakat institutions to contribute directly to poverty alleviation and the achievement of SDGs requires a comprehensive evaluation framework (Research article, 2022; Journal article, 2024). This includes analyzing the design, implementation, and outcomes of entrepreneurship programs supported by zakat (Hidayat & Azka, 2024). Previous studies suggest that zakat can significantly reduce poverty when effectively managed, but challenges remain regarding institutional capacity, transparency, and accountability (Rosman et al., 2022; Emerald/IJOES, 2024). Moreover, the transition from consumptive to productive zakat distribution requires strong institutional innovation and community participation (SAGE systematic review, 2023; Beik & Arsyianti, 2021).

Therefore, this study seeks to evaluate the role of zakat institutions in advancing sustainable development through entrepreneurship programs in Yogyakarta. By assessing both the institutional mechanisms and the socio-economic outcomes of such programs, this research contributes to a deeper understanding of how Islamic social finance can be integrated into broader development strategies (Obaidullah, 2020; H. S., 2023).

This study aims to evaluate the role of zakat institutions in advancing sustainable development through entrepreneurship programs in Yogyakarta and Kartasura. Specifically, it seeks to:

1. Analyze the effectiveness of entrepreneurship programs in improving beneficiaries' livelihoods.
2. Examine the challenges faced by zakat institutions in implementing sustainable programs.
3. Assess the contribution of zakat-based entrepreneurship to the achievement of SDGs.

## **B. LITERATURE REVIEW**

The role of zakat in socio-economic development has been widely discussed in Islamic economics literature. Kahf (2019) emphasizes zakat as an institutional mechanism for wealth redistribution, while Obaidullah (2020) highlights its potential for sustainable poverty alleviation. In the context of SDGs, scholars argue that zakat can directly contribute to targets on poverty, hunger, education, and health (Abdullah & Suhaib, 2018).

Several studies have highlighted the critical role of zakat in addressing poverty and inequality. Zakat is often conceptualized as both distributive and corrective justice, redistributing wealth from the affluent to the needy and correcting structural imbalances in society (Rosman et al., 2022; Sari et al., 2020). Empirical evidence from various countries, including Malaysia, Pakistan, and Indonesia, demonstrates that zakat has the potential to significantly reduce poverty rates when institutions are managed efficiently and funds are channeled into productive ventures (Beik & Arsyianti, 2021; Widiastuti et al., 2022).

Recent literature has emphasized the need to link zakat with the Sustainable Development Goals. Scholars argue that zakat contributes not only to poverty alleviation but also to multiple SDGs, such as promoting education, health, and gender equality (Obaidullah, 2020; Arwani et al., 2024). In particular, zakat-based entrepreneurship initiatives have been found to foster financial independence among beneficiaries, creating ripple effects on household welfare and community resilience (Hidayat & Azka, 2024; Nurwahidin et al., 2022). For example, programs providing capital, training, and market access have enabled mustahik to transition into muzakki, thereby sustaining the zakat cycle (Harahap et al., 2020; Faurani & Asmaria, 2023).

Nevertheless, challenges persist in maximizing the developmental impact of zakat. Studies reveal issues of limited outreach, lack of standardization in program evaluation, and insufficient coordination between zakat institutions and government agencies (Kahf, 2021; Emerald/IJOES, 2024). Institutional governance, transparency, and accountability remain crucial factors influencing public trust and compliance with zakat payments (Rosman et al., 2022; Asnaf Development Outcome, 2024). Moreover, the extent to which zakat institutions can align their

programs with national development plans and the SDGs remains an ongoing concern (SAGE systematic review, 2023; Journal article, 2024).

Within the Indonesian context, zakat management has been strengthened by the establishment of national and regional bodies, such as Badan Amil Zakat Nasional (BAZNAS). However, the effectiveness of these institutions varies across regions, depending on local socio-economic dynamics, institutional capacity, and community engagement (Widiastuti et al., 2022; Beik & Arsyianti, 2021). In Yogyakarta and Kartasura, zakat institutions have initiated entrepreneurship programs to address persistent poverty, yet their outcomes remain under-researched (Muttaqin & Nasir, 2024; Sari et al., 2020). Evaluating these initiatives provides an opportunity to assess both the institutional performance and the broader developmental implications of zakat distribution (Arwani et al., 2024; Faurani & Asmaria, 2023).

Entrepreneurship-based zakat programs are designed to transform mustahik into muzakki (zakat payers) by providing training, seed capital, and mentoring. Empirical studies, such as those by Beik & Arsyianti (2016), show that productive zakat programs can increase income levels and improve beneficiaries' quality of life. However, challenges such as inadequate institutional capacity, lack of monitoring, and limited integration with national development strategies persist (Widiastuti et al., 2022). By focusing on case studies in Yogyakarta, this paper adds to the growing body of literature on the nexus between zakat, entrepreneurship, and sustainable development.

## **C. METHOD**

This research adopts a qualitative case study design to capture in-depth insights into the role of zakat institutions in implementing entrepreneurship programs. The study areas, Yogyakarta and Kartasura, were selected due to their active zakat institutions and diversity of entrepreneurship initiatives.

Data Collection in three stages:

- a. Semi-structured interviews with zakat managers, program officers, and beneficiaries.
- b. Observation of entrepreneurship activities (training sessions, businesses, and mentoring).
- c. Document analysis of institutional reports, financial records, and policy documents.

### **Data Analysis:**

Thematic analysis was applied to identify recurring themes, patterns, and challenges. The evaluation framework was based on SDG-related indicators, particularly those linked to poverty alleviation, economic empowerment, and social inclusion.

## **D. RESULT AND DISCUSSION**

### **Effectiveness of Entrepreneurship Programs**

The study found that zakat-funded entrepreneurship programs contributed positively to beneficiaries' income, skills, and financial independence. In Yogyakarta, micro-business initiatives in food processing and handicrafts provided sustainable livelihoods, while in training and seed capital improved small traders' competitiveness. Many beneficiaries reported improved household income and reduced reliance on consumptive assistance.

### **Challenges in Program Implementation**

Despite the positive outcomes, zakat institutions faced several challenges:

1. Limited financial resources to scale up programs.
2. Lack of continuous mentoring and business development support.
3. Weak integration with local government policies and private sector collaboration.
4. Monitoring and evaluation mechanisms remain underdeveloped.

### **Contribution to SDGs**

The programs directly contributed to SDG 1 (No Poverty) by reducing poverty incidence among mustahik, and to SDG 8 (Decent Work and Economic Growth) by fostering entrepreneurship. Indirect contributions were also made to SDG 10 (Reduced Inequalities) through wealth redistribution and SDG 4 (Quality Education) via training initiatives. However, the impact was localized and fragmented due to the absence of a broader institutional strategy.

## **E. CONCLUSION**

This study highlights the significant role of zakat institutions in advancing sustainable development through entrepreneurship-based programs. The cases of Yogyakarta and Kartasura demonstrate that zakat can effectively transform beneficiaries' economic conditions when programs are well-designed and supported with mentoring. Nonetheless, challenges such as limited institutional capacity, resource constraints, and weak integration with development policies hinder the scalability and sustainability of such initiatives. For zakat to maximize its impact on the SDGs, policymakers and institutions must strengthen institutional governance, foster multi-stakeholder collaboration, and adopt robust monitoring frameworks. Future research could expand the analysis by employing quantitative impact assessments and comparative studies across different regions in Indonesia and beyond.

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