

## THE IMPACT OF LAZISMU DIY'S PRODUCTIVE ZAKAT ON POVERTY REDUCTION IN YOGYAKARTA

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### **Abstract**

*This study examines the implementation of the productive zakat program by the LAZISMU DIY zakat institution in Yogyakarta, as well as the impacts and obstacles encountered in its implementation. A qualitative approach was used by interviewing three zakat administrators and five zakat recipients to support the community through programs that include food carts, capital provision, and economic empowerment of grocery stores and traditional snacks. LAZISMU Yogyakarta has created a poverty alleviation program and sustainable assistance through several economic empowerment programs. The results of the study concluded that the programs implemented by LAZISMU have a positive impact on improving the welfare of poor recipients of productive zakat assistance with four main poverty alleviation programs. In general, the average increase in income after receiving productive zakat funds from LAZISMU DIY. There are challenges faced by mustahik, namely limited resources in managing their businesses. This study recommends the need for increased guidance for mustahik in business management by involving experienced professionals and collaborating with new muzakki to optimize funding for sustainable poverty alleviation programs.*

**Keywords:** productive zakat; economic empowerment; mustahik welfare; poverty alleviation; LAZISMU yogyakarta

### **A. INTRODUCTION**

Zakat has long been a strategic instrument for wealth distribution in the Islamic economic system. In addition to serving as an obligatory act of worship, zakat also plays a significant socio-economic role in reducing inequality and improving the welfare of underprivileged communities (Hafidhuddin, 2002). The productive use of zakat is now growing, as it is considered capable of providing a sustainable impact for those entitled to receive it. Beyond meeting consumptive needs, productive zakat

is designed to improve the entrepreneurial capabilities of those entitled to receive it, enabling them to escape the cycle of poverty (Beik & Arsyanti, 2016). The phenomenon of poverty in the Special Region of Yogyakarta (DIY) remains a concern, despite the province's high human development index. Data trends over the past few years indicate that some people in Yogyakarta remain trapped in vulnerable economic conditions, particularly in the informal sector, where incomes are unstable (BPS DIY, 2023). Therefore, a more systematic and sustainable economic empowerment strategy is needed through the utilization of productive zakat by zakat institutions.

LAZISMU DIY, a zakat institution operating in Yogyakarta, plays a crucial role in poverty alleviation efforts through various empowerment programs. This institution has developed a productive zakat model focused on increasing the business capacity of mustahik (beneficiaries), such as the angkringan (food cart) program, business capital provision, grocery store empowerment, and market snack vendor empowerment programs (LAZISMU DIY, 2023). These programs aim to promote economic independence and transform mustahik into productive and competitive entrepreneurs. The implementation of productive zakat involves not only the distribution of funds but also mentoring and business monitoring. Mentoring is crucial because many mustahik still have limitations in business management, financial record-keeping, and long-term development orientation (Rachman & Kusuma, 2019). Effective mentoring is believed to strengthen the ability of recipients of zakat (mustahik) to manage zakat capital to generate stable income. This is why zakat institutions are required to provide comprehensive and sustainable interventions. In practice, economic empowerment programs often face various challenges. Mustahik generally have limited human resources, such as business skills, access to marketing networks, and limited financial literacy (Furqon, 2021). These challenges have the potential to hinder the development of businesses funded through productive zakat. Therefore, a comprehensive evaluation of program implementation and impact is essential for zakat institutions to improve the effectiveness of their interventions.

Several previous studies have confirmed that productive zakat has a significant impact on increasing the income of recipients of zakat and promoting economic independence when managed properly (Beik & Pratama, 2017). However, its success rate is strongly influenced by program design, distribution mechanisms, and the intensity of mentoring. This indicates that poverty alleviation efforts through productive zakat require a participatory approach that is adaptive to the characteristics of recipients. Based on this context, this study is important to conduct an in-depth examination of how the LAZISMU DIY productive zakat program is implemented and its impact on the welfare of recipients of zakat in Yogyakarta. A qualitative approach was chosen to understand the experiences, perceptions, and dynamics that occur from both the zakat institution managers and the beneficiaries. This aligns with the need to explore in-depth perspectives regarding the program's successes and challenges.

This study is expected to not only provide an empirical overview of the impact of productive zakat on poverty alleviation, but also provide recommendations that

can be used to strengthen the zakat-based economic empowerment model. Furthermore, the results of this study have the potential to contribute academically to the development of literature on Islamic economics, particularly regarding the effectiveness of zakat instruments in socio-economic development (Qardhawi, 2011). Thus, this research is crucial for strengthening the role of productive zakat as a sustainable solution to poverty reduction in Yogyakarta.

## B. LITERATURE REVIEW

Productive zakat is a form of zakat utilization directed towards economic activities so that it can generate income and increase the independence of mustahik. In Islamic economic literature, productive zakat is defined as the distribution of zakat in the form of business capital, training, or facilities that mustahik can use for long-term economic activities (Hafidhuddin, 2002). Qardhawi (2011) emphasized that productive zakat has great potential as an instrument of economic empowerment because it provides a multiplier effect on mustahik's income. Conceptually, productive zakat is considered more effective than consumptive zakat because it can move beyond the pattern of short-term assistance to sustainable socio-economic transformation. Furthermore, related to poverty alleviation, zakat institutions have a strategic role. The results of various studies show that zakat plays a significant role in reducing poverty levels when managed professionally. According to Beik and Arsyianti (2016), productively distributed zakat has been shown to increase beneficiaries' income by 30–50% by providing opportunities for business development. Another empirical study by Beik and Pratama (2017) found that productive zakat can gradually transform the status of mustahik into muzakki if mentoring is provided continuously. Thus, zakat, as an instrument of social justice, contributes directly to the achievement of development goals, particularly in terms of increasing income and economic independence.

On the other hand, mentoring is an essential component in ensuring the effective use of productive zakat. Without mentoring, business capital from zakat often cannot be sustained due to the limited managerial capabilities of the recipients (Furqon, 2021). Common mentoring models include business mentoring, skills training, entrepreneurship development, and monitoring business development. According to Nurhayati (2020), the success of productive zakat programs increases significantly when mentoring is carried out in a structured and scheduled manner, especially for recipients with no business experience. Despite its positive impact, productive zakat programs face a number of challenges. One of the biggest obstacles is limited human resources, both for zakat recipients and managers. Mustahik often face challenges in business skills, lack of discipline in financial management, and limited market access (Furqon, 2021). Furthermore, zakat institutions face challenges in ensuring consistent mentoring due to the limited number of professional amil (collective donors) and the large number of mustahik. Research by Karim (2021) confirms that collaboration between zakat institutions, academics, and professional business actors is necessary to strengthen the zakat-based economic empowerment model.

The transformation of mustahik into muzakki is an indicator of the success of

the productive zakat program. Research by Suryanto and Adnan (2022) shows that productive zakat contributes significantly to increasing the entrepreneurial capacity of mustahik and can transform the status of zakat recipients into zakat givers/muzakki in the long term. This transformation occurs when mustahik achieve economic stability, have a growing business, and are able to contribute back through zakat. This transformation model is considered a long-term effect and impact that demonstrates the effectiveness of zakat-based empowerment. Furthermore, the study of productive zakat is highly relevant in the context of Yogyakarta, which still has a relatively high poverty rate, especially in the informal sector. Empowerment programs implemented by LAZISMU DIY, such as food carts and small business capital, are crucial for increasing the income of communities with limited economic resources. Literature shows that productive zakat programs combined with intensive mentoring have significant potential to reduce poverty in urban and semi-urban areas like Yogyakarta (LAZISMU, 2023; Rachman & Kusuma, 2019). Therefore, this study strengthens empirical evidence regarding the effectiveness of productive zakat in poverty alleviation.

## C. METHOD

This study uses a descriptive qualitative approach to deeply understand the implementation of productive zakat from LAZISMU DIY and its impact on the welfare of mustahik. This approach was chosen because it allows researchers to explore the experiences, perceptions, and dynamics that occur in the process of economic empowerment through productive zakat (Creswell, 2014). The focus of the research is directed at how productive zakat programs are implemented and how the benefits are perceived by mustahik in the context of increasing income and economic independence. Data sources consist of primary and secondary data. Primary data were obtained through in-depth interviews with three LAZISMU DIY zakat managers and five mustahik who received program assistance such as food carts, grocery business capital, and market snack empowerment. Interviews were conducted semi-structured so that researchers could explore informants' answers flexibly (Moleong, 2017). In addition, field observations were conducted to directly observe the condition of mustahik businesses in the field.

The data obtained were secondary data from official LAZISMU documents such as program reports, mustahik profiles, and academic literature on productive zakat and economic empowerment. Documentation was used to strengthen the findings and validate information from the interviews. Data analysis techniques were carried out using the interactive analysis model of Miles and Huberman (2014), which includes: data reduction, data presentation, and drawing conclusions. Data reduction was carried out by grouping information into themes such as income increase, forms of mentoring, and business challenges. Data presentation was done in the form of descriptive narratives. Drawing conclusions was done iteratively by checking consistency between field data and literature. Furthermore, to ensure data validity, the research used source triangulation and technical triangulation. Interviews with managers and mustahik were compared with zakat institution documents and field observations. This triangulation was carried out to make the research results more

credible and accountable (Sugiyono, 2019).

## D. RESULT AND DISCUSSION

The implementation of the LAZISMU DIY Productive Zakat Program is carried out with a focus on five programs and ongoing mentoring. The five main programs implemented are economic empowerment: (1) Angkringan carts, (2) Grocery business capital, (3) Market snack empowerment, and (4) Other micro business capital programs. The program created by LAZISMU DIY is based on a direct survey conducted by empowerment staff who asked and discussed with potential zakat fund recipients regarding the needs of mustahik to open or develop their businesses. So it was concluded by zakat managers that based on the urgency of assistance for zakat recipients, it was included in the 5 main programs above. As a follow-up to the program run by LAZISMU, it not only provides assistance in the form of capital or business facilities, but also includes ongoing mentoring, namely through periodic monitoring activities, basic business training, and evaluation of mustahik income development. Zakat managers said that mentoring is an important component so that the capital provided is not used up for consumptive needs.

The impact of the program on increasing the income of beneficiaries and the challenges in implementation at the Palangan concluded that in general the program implemented had a positive impact. This is evidenced by the increase in income after receiving assistance. All mustahik interviewed reported an increase in income after receiving productive zakat assistance. On average, zakat recipients experienced an increase in income between 20–40% compared to before receiving assistance from LAZISMU DIY within the first three to six months. For example, mustahik receiving the angkringan cart program reported an increase in daily income from Rp60,000–80,000 to Rp120,000–150,000. Recipients of grocery business capital also showed an increase in turnover due to accelerated capital turnover.

In addition, several issues related to the obstacles encountered were identified in the field. Findings from the field indicate that some of the obstacles faced by mustahik include limited business skills, especially in financial recording and stock management; limited market access for traditional snack vendors; lack of discipline in managing income, especially for mustahik who are new to business; and further dependence of zakat recipients on assistance from LAZISMU DIY.

The results of the study indicate that productive zakat managed by LAZISMU DIY can have a positive impact on the welfare of mustahik, especially in terms of increasing income and the ability to run a business. This finding is also in line with the research of Beik and Pratama (2017) which stated that productive zakat can significantly increase mustahik's income when accompanied by adequate mentoring. The increase in income achieved by mustahik in this study indicates that the productive zakat model implemented by LAZISMU DIY is in accordance with the purpose of providing assistance appropriately, namely in the economic empowerment of zakat recipients. The findings of this study also strengthen the argument that productive zakat functions not only as social assistance but also as an instrument of economic empowerment when embedded in an income framework.

The observed empowerment model shows that zakat-based capital, when allocated strategically to micro-enterprise activities, enables mustahik to transition from consumption-oriented beneficiaries to active economic agents. This is in line with Sutrisno et al. (2022), who found that a zakat-funded entrepreneurship program implemented by BAZNAS Yogyakarta significantly improved business sustainability and income stability among mustahik (recipients of zakat). Similar evidence suggests that productive zakat strengthens independence by increasing access to productive assets rather than short-term consumption assistance (Hassan & Noor, 2020).

Furthermore, capacity building and entrepreneurship training have emerged as central mechanisms for enhancing income-generating activities. Training equips recipients of zakat (mustahik) with essential skills such as basic financial management, pricing strategies, and market identification, which are crucial for the sustainability of micro-enterprises. These findings support Sutrisno (2022), who emphasized that improved welfare among zakat recipient micro-entrepreneurs is closely linked to non-financial interventions, particularly improved business skills and literacy. Previous studies have also highlighted that without adequate entrepreneurial competencies, productive zakat is at risk of being diverted to consumptive use, thereby reducing its long-term impact (Ismail & Wahab, 2022).

Furthermore, ongoing mentoring and institutional support were identified as key factors in ensuring the effectiveness of the zakat empowerment model. Regular mentoring not only provides technical guidance but also fosters discipline, motivation, and accountability among mustahik. This supports the zakat contribution model proposed by Sutrisno and Haron (2022), which positions mentoring as a core pillar linking capital provision to sustainable entrepreneurial outcomes. Consistent with the broader Islamic social finance literature, mentoring reduces the risk of business failure and increases adaptive capacity in volatile market environments (Sulaiman et al., 2023).

Regarding the study results, which highlight the importance of institutional governance and program design in optimizing zakat-based income, effective assessment of mustahik readiness, business model suitability, and a structured monitoring system contribute significantly to program success. Sutrisno (2024) emphasized that zakat institutions with strong governance structures are better able to deliver impactful empowerment programs. This finding confirms that increasing income among mustahik is not solely the result of individual efforts but rather the result of an integrated institutional ecosystem that combines financial resources, human capital development, and quality governance. Therefore, zakat institutions must continuously refine their empowerment frameworks to align with the local economic context and beneficiary capacity.

Mentoring has proven to be a crucial factor in ensuring business sustainability. With regular monitoring and training, beneficiaries are more disciplined in business management and are able to utilize capital productively. This is consistent with the findings of Nurhayati (2020), who emphasized that intensive mentoring is directly related to the success of mustahik businesses. However, this study also found that mentoring has not been optimal due to limited human resources within zakat institutions. On the other hand, the obstacles faced by mustahik, such as low

financial literacy and business skills, support the findings of previous studies that stated that managerial weaknesses are a common problem in zakat-based economic empowerment (Furqon, 2021). Therefore, integrating capital provision with entrepreneurship training is crucial for program sustainability. Furthermore, findings regarding increased mustahik income and changes in lifestyle indicate that productive zakat has a significant contribution to poverty alleviation in Yogyakarta. Thus, productive zakat plays a role not only as an instrument for wealth distribution but also as a mechanism for community-based economic development, in line with Qardhawi's (2011) view on the role of zakat in social development.

## E. CONCLUSION

This study concludes that the LAZISMU DIY productive zakat program has proven to have a positive impact on poverty alleviation efforts in the Yogyakarta area. Programs such as providing food carts, capital for grocery businesses, and empowering traditional snack vendors significantly increased the income of beneficiaries, with an average income increase of 20–40% in the first few months. LAZISMU's mentoring proved to be a crucial factor in maintaining the sustainability of beneficiaries' businesses and encouraging improved managerial skills and economic independence. In addition to increasing income, this study also found that the productive zakat program successfully strengthened the business motivation of beneficiaries, opened access to new economic activities, and improved the quality of life of beneficiary families. Thus, productive zakat is not merely capital assistance but also a socio-economic empowerment instrument that makes a tangible contribution to community development. Overall, LAZISMU DIY's productive zakat has been effective and relevant in encouraging the transformation of beneficiaries toward economic independence.

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