

## Critical Review of the Proposed Model for Productive Zakat Distribution

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### ABSTRACT

*This study explores a model of productive zakat distribution in Indonesia, with particular emphasis on oversight and effectiveness. The model highlights a collaborative framework between Zakat Management Organizations (OPZ) and Islamic banks, in which zakat funds are utilized as collateral to help non-bankable mustahiq access business capital. The approach aims to empower mustahiq toward economic self-reliance, with the long-term vision of transforming them into future muzakki (zakat payers). However, the study identifies several critical shortcomings, including the absence of clearly defined selection criteria for mustahiq, inadequate supervision across the various stages of zakat distribution, and inefficiencies in fund allocation—particularly the use of zakat to cover insurance premiums. In response, the research offers targeted recommendations: strengthening monitoring mechanisms, enhancing the entrepreneurial capacity of mustahiq, and optimizing the allocation of productive zakat funds to maximize economic impact. This study aspires to serve as a valuable reference for OPZ and other stakeholders in the development of zakat distribution models that are more efficient, transparent, and genuinely focused on sustainable economic empowerment for mustahiq.*

**Keywords:** Zakat, Productive, Model

### INTRODUCTION

Productive zakat has long been recognized as an alternative approach to zakat distribution that emphasizes the empowerment of mustahik (eligible zakat recipients) through sustainable economic development. Unlike the consumptive model, which offers only short-term relief, the productive approach seeks to foster economic independence by facilitating microbusiness financing, entrepreneurship training, and community-based mentoring. This concept has garnered significant attention in the Islamic social finance literature as a redistributive instrument that is not only philanthropic in nature but also transformative in intent (Obaidullah, 2018; Shah Shirazi et al., 2009). Within the Indonesian context, productive zakat is considered highly relevant to address the structural complexities of poverty, particularly in light of the nation's zakat potential, which is estimated to exceed IDR 327 trillion annually (BAZNAS, 2023). However, this immense potential remains largely untapped due to weaknesses in distribution systems, institutional fragmentation, and the absence of standardized performance indicators that enable objective program evaluation (Ascarya & Yumna, 2020).

As interest in the productive zakat paradigm continues to grow, numerous distribution models have been proposed by both academics and practitioners. Several studies advocate for the integration of zakat with Islamic microfinance mechanisms to create inclusive, affordable, and risk-resilient financing schemes for micro-entrepreneurs (Ahmed & Salleh, 2016; Wajdi Dusuki, 2008). These collaborative models position zakat funds as risk-absorbing capital, while Islamic financial institutions offer technical support and capacity-building services. In parallel, community-based and digital-inclusive approaches have been adopted by institutions such as Dompot Dhuafa and Rumah Zakat, featuring business cluster development, digitalized

transactions, and training platforms (Hasan & Abdullah, 2021). This diversity of strategies reflects the institutional innovation needed to localize zakat interventions, yet it also reveals challenges related to governance standardization and equitable impact across different program contexts.

Despite the proliferation of such models, few scholarly works have attempted to rigorously compare or evaluate their effectiveness. The extant literature on productive zakat remains predominantly descriptive and prescriptive, focusing more on model design than on the sustainability or empirical validation of outcomes (Abdullah Aab, 2013; Abdullah & Suhaib, 2011). Studies rarely engage in strategic evaluation of program performance, such as business longevity, socioeconomic transformation, or institutional capacity strengthening. Consequently, the literature grows in a fragmented manner, with models standing in isolation and lacking theoretical generalization or a coherent evaluative framework (Ismail & Possumah, 2015).

Yet, a critical review of the various models of productive zakat distribution is urgently needed not only to assess their conceptual and technical components, but also to unpack the social and institutional contexts that shape their operational realities. Several scholars have highlighted the necessity of adapting zakat programs to local characteristics, including socio-cultural systems, levels of education, and economic infrastructure, in order to ensure contextual relevance and long-term impact (Ab Rahman et al., 2021; Raimi et al., 2014). A mismatch between theoretical models and on-the-ground realities often results in program failure—not due to flaws in the concept of zakat itself, but rather to the misalignment between intervention design and contextual needs. Hence, literature syntheses that go beyond descriptive cataloging to engage in reflective, evidence-based critique are critically important.

More importantly, the gap between the normative vision of productive zakat and its actual implementation outcomes remains a persistent and complex issue. Evaluative studies reveal that many productive zakat programs fall short of their intended impact due to fragmented design and inadequate support mechanisms. Furthermore, the “one-size-fits-all” approach commonly used by some zakat institutions neglects the socioeconomic diversity of mustahik, resulting in poor alignment between business models and recipients’ capabilities (Rohim & Adnan, 2020). These realities suggest that the effectiveness of productive zakat cannot be divorced from an evidence-based policy framework and a deep contextual understanding of local economic dynamics. Without these foundations, productive zakat risks becoming a mere extension of conventional charity, masked in new terminology.

Given the multifaceted challenges discussed above, this article holds critical significance not merely as an academic contribution, but as a reflective intervention into the stagnating discourse on productive zakat that has too often advanced without rigorous evaluative grounding. Most existing literature halts at the conceptual level, failing to interrogate foundational assumptions, contextual limitations, or long-term viability (Mohd Noor et al., 2021). This study aims to address that gap by offering a comparative and argumentative synthesis of productive zakat models developed over the past decade. It seeks not only to document model diversity but also to develop a conceptual reflection that could inform a new, more adaptive and evidence-based direction for zakat governance. In doing so, this article aspires to move beyond rhetorical affirmations of empowerment toward a more rational,

empirically grounded agenda for institutional reform and strategic advancement.

## METHODS

This study employs a critical literature review approach, focusing primarily on the conceptual and empirical evaluation of productive zakat distribution models that have emerged over the past decade. This methodology is particularly suited for revisiting theoretical frameworks and practical applications within the field of Islamic philanthropy, especially when analyzed through the lens of contemporary socio-economic contexts and evolving institutional dynamics (Snyder, 2019). Rather than attempting to design a new model, the study aims to identify, analyze, and critique the conceptual flaws, implementation challenges, and the gap between theoretical ideals and actual outcomes evident in previously proposed models of productive zakat. The analysis centers on two existing empirical studies Arifin & Anwar and Putri et al. (Arifin & Anwar, 2021; Putri et al., 2019), both of which offer comprehensive frameworks for ZIS (Zakat, Infaq, and Sadaqah) distribution and have been published in reputable academic journals.

## RESULTS AND DISCUSSION

The study conducted by Syah Amelia Manggala Putri and colleagues, titled *"The Mustahiq Empowerment Model: A Collaboration Between Sharia Bank and OPZ in Optimizing Zakat Funds"* (Putri et al., 2019), introduces a novel concept in the distribution of productive zakat. This research proposes the involvement of a third-party institution—namely, an Islamic bank—as a strategic partner in the zakat disbursement process. In this model, the Islamic bank functions as a lender, providing capital to mustahiq (eligible zakat recipients) to support the growth of their microenterprises. This deposit subsequently serves as collateral for loans disbursed by the bank to mustahiq, particularly those who lack the conventional guarantees typically required for financing. At the final stage, the OPZ plays a role in offering spiritual and psychological mentoring to the recipients, while the Islamic bank is responsible for providing business training and technical guidance. The model proposed in Putri's research is illustrated in Figure 1 below.

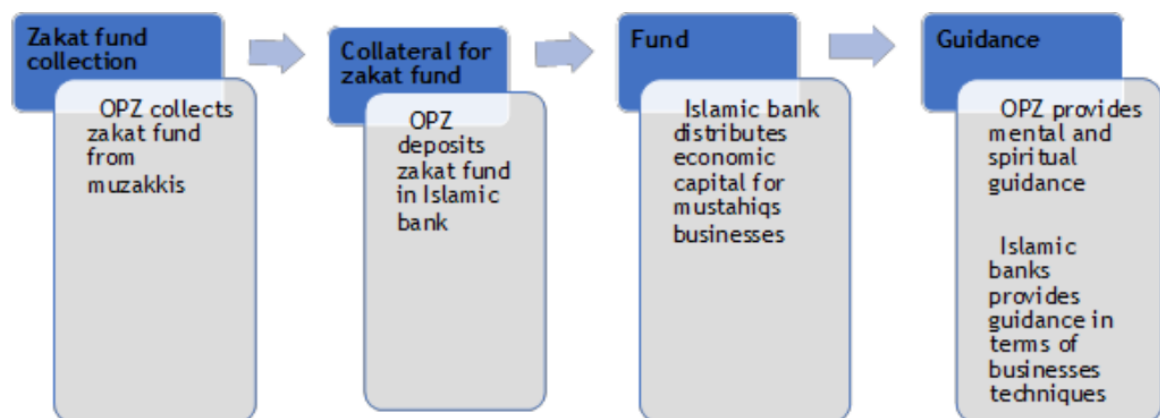


Figure 1. Collaboration Scheme between Islamic Banking and OPZs

In her research, Putri asserts that the proposed productive zakat distribution model is effective due to several key advantages: (a) zakat management organizations (OPZ) are able to focus solely on providing spiritual and psychological guidance without needing to be involved in the technical aspects of business education; (b) Islamic banks offer targeted technical assistance to mustahiq, helping them enhance product quality and production capacity to support long-term business sustainability; (c) mustahiq demonstrate greater commitment to managing their businesses, as they recognize that the funding is provided by the bank; (d) over time, mustahiq evolve into loyal banking clients as their enterprises grow; and (e) the use of zakat funds as cash collateral resolves the challenge of unbankable mustahiq, since the deposited funds—held by the OPZ in the Islamic bank—serve as collateral.

In light of this, the model should be reserved for advanced-stage mustahiq—those who have previously received financial assistance from OPZ and have undergone rigorous program monitoring. Oversight is essential, as field evidence indicates that some mustahiq recipients of productive zakat have been unable to manage their enterprises effectively, resulting in business stagnation or even bankruptcy (Arifin & Anwar, 2021; Arwani et al., 2022; Pramiswari et al., 2021; Qamaruddin et al., 2019; Ridwan et al., 2019). Only mustahiq who have demonstrated business competence and show strong entrepreneurial prospects should be selected for this model, thereby minimizing the risk of default and ensuring that the financed ventures are both feasible and promising. Prior evaluation of mustahiq performance would serve as a safeguard, reducing financial risk and improving the long-term sustainability of the program.

The next study reviewed in this research is that of Arifin and Anwar (2021), titled "A Post-Disaster Microenterprise Recovery Model Through Productive Zakat Empowerment," published in the *Journal of Governance and Regulation*. This study focuses on strategies for empowering mustahiq who are victims of natural disasters, with the goal of restoring—if not improving—their economic conditions to pre-disaster levels. Arifin and Anwar propose a comprehensive empowerment model that utilizes zakat funds productively as a means to facilitate long-term economic recovery. Notably, the model they offer is designed to be universal in nature, making it adaptable and applicable for use by various zakat institutions. The proposed framework for productive zakat distribution is illustrated in Figure 2 below.

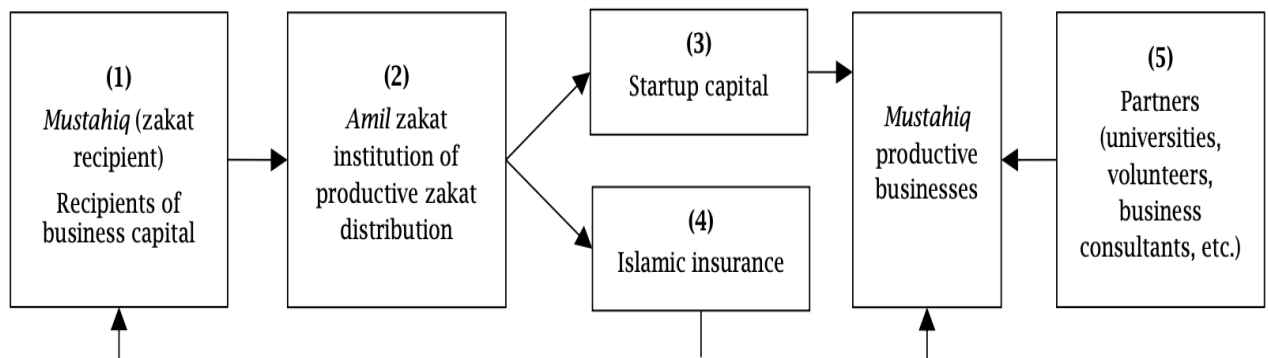


Figure 2. Proposed Model for Productive Zakat Distribution by Arifin and Anwar

The model proposed above outlines five sequential stages in the distribution of

productive zakat funds. In the first stage, mustahiq (zakat recipients) submit detailed requests for business capital—covering elements such as raw materials, equipment, and training—through arrangements made in collaboration with business partners. At this point, a two-way communication channel is established between the mustahiq and zakat donors (muzaki) to ensure that the recipient's needs are accurately understood and can serve as a reference for designing appropriate assistance programs.

In the second stage, the zakat institution allocates the necessary capital as requested by the mustahiq, including funds for business insurance premiums. The productive zakat funds are then disbursed in two forms, as illustrated in stages three and four. In stage three, the funds are delivered as a non-repayable business grant to the mustahiq. As a grant, the recipient is not obliged to return the principal amount. Stage four involves allocating a portion of the zakat funds to pay life and business insurance premiums on behalf of the mustahiq through a Sharia-compliant insurance provider. This serves as a form of economic resilience to safeguard the mustahiq's business and livelihood in the event of unforeseen circumstances. Finally, stage five involves structured and continuous monitoring and mentoring of the mustahiq's business ventures, carried out through collaborative partnerships with external institutions such as universities.

The researcher acknowledges that Arifin and Anwar rightly recognize the importance of monitoring as an integral part of the zakat distribution cycle. However, their study falls short in providing a clear explanation of who is responsible for overseeing the process, how the monitoring is to be conducted, and what outcomes are expected. The only mention is that post-disbursement supervision can be performed by third parties, such as academic institutions. The researcher contends that monitoring should not be limited to the final phase, as effective oversight is crucial throughout the entire distribution cycle. Robust monitoring not only enhances program accountability but also generates critical feedback for future planning and continuous improvement of managerial functions (insert citation). Therefore, each stage in the zakat distribution model should ideally be subject to supervision and evaluation. Nonetheless, the researcher appreciates the initiative of involving universities as strategic partners, given the shared mission between zakat institutions and academia to build civilizational progress and eradicate poverty.

Additionally, the researcher expresses disagreement with the notion of allocating zakat funds to pay insurance premiums. From a perspective of maximizing the benefit of zakat utilization, diverting productive zakat resources toward insurance payments could reduce the funds available for direct empowerment activities. The researcher argues that such funds would yield greater impact if redirected to other mustahiq in the form of business grants. It would be more appropriate for mustahiq to receive operational assistance through productive zakat grants without the additional burden or complexity of insurance schemes. Furthermore, the researcher raises critical concerns: If, over time, a mustahiq's business stagnates or declines, how long can the zakat institution continue covering the insurance premiums? From the standpoint of efficiency, how sustainable is this model in the long run? Can it be guaranteed that mustahiq will voluntarily assume the premium payments once they become financially able? Or will they instead prioritize other perceived needs?

These important questions, the researcher argues, should have been addressed in the original



study by Arifin and Anwar. While the researcher agrees with the broader value of Islamic insurance (takaful) in strengthening Muslim economic resilience and acknowledges the low awareness and literacy around Islamic insurance among Indonesian Muslims (insert citation), it would not be prudent for zakat institutions—given their limited productive funding capacity—to shoulder the cost of premiums. If Arifin and Anwar wish to integrate takaful into productive zakat distribution, a more appropriate approach would be to introduce and recommend Islamic insurance as an optional component during the mentoring and evaluation phase, rather than embedding it as a mandatory financial obligation from the outset.

## CONCLUSION

This study examines a model of productive zakat distribution in Indonesia that centers on collaboration between Zakat Management Organizations (OPZ) and Islamic banks, with the overarching goal of empowering mustahiq (zakat recipients) to attain economic independence and ultimately transition into muzakki (zakat payers). One of the model's key strengths lies in its innovative approach to addressing the needs of non-bankable mustahiq by leveraging zakat funds as collateral. Additionally, the model delineates clear institutional roles, assigning OPZ the responsibility of providing spiritual guidance, while Islamic banks deliver technical and business training.

Despite these strengths, the model also exhibits several critical weaknesses that hinder its overall effectiveness. First, the lack of systematic oversight throughout the various stages of zakat disbursement raises the risk of fund misallocation and inefficiencies in program implementation. Second, the absence of clearly defined eligibility criteria for mustahiq creates the potential for funds to be directed toward individuals who may be ill-prepared or lack the capacity to manage a productive enterprise. Third, allocating zakat funds to pay insurance premiums is viewed as suboptimal, as those resources could be more effectively utilized for initiatives with direct economic impact, such as entrepreneurship training or business mentoring. To address these challenges, the study puts forth a set of targeted recommendations. Foremost among them is the need to strengthen oversight mechanisms—both over the OPZ and the mustahiq—by implementing a comprehensive monitoring system that spans the entire distribution cycle, including selection, mentoring, and outcome evaluation.

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