

Optimising Zakat for Empowering Micro Enterprises in Pangkajene Kepulauan Regency, Indonesia: A Pathway to Economic Development

Muhammad Anwar¹, M. Mahsyar², Syahrian Semaun³

^{1,2,3} Department of Shariah Economics, Faculty of Islamic Economics and Business, IAIN Parepare, Parepare. Indonesia.
Email: muhanwarsyam@gmail.com¹, mahsyar@iainpare.ac.id², syahriyahsemaun@iainpare.ac.id³

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ABSTRACT

This study examines the role of zakat in empowering micro-enterprises in Pangkep Regency, focusing on effective management strategies to optimize its impact on economic development. The study aims to address two key questions: (1) How does Baznas Pangkep Regency, Indonesia, implement zakat management to support micro-enterprise empowerment? (2) How effective are the empowerment programs in enhancing the capacity and independence of the *mustahik*? This research employs a phenomenological approach using qualitative methods. The analytical framework is based on Henry Fayol's management theory and Marc A. Zimmerman's empowerment theory. Data was collected through in-depth interviews with Baznas administrators and beneficiaries (*mustahik*), direct observation of program implementation, and document analysis of policies and activity reports from Baznas. The findings reveal that Baznas Pangkep Regency applies five management functions in zakat management: planning, organizing, directing, coordinating, and supervising. Planning is conducted through socialization and zakat fund mobilization strategies. Organizing involves implementing micro-enterprise empowerment programs through skills training and business capital distribution. Directing is done by assigning personnel according to their expertise to ensure program effectiveness. Coordination occurs through a transparent and participatory administrative system, while supervision includes internal and external audits to ensure compliance with Sharia principles and zakat fund accountability. The impact of the empowerment programs shows an increase in the income and business scale of the *mustahik*, contributing to their overall well-being. However, key challenges identified include the lack of continuous training and limited business mentoring. Based on Zimmerman's empowerment theory, the program has enhanced the *mustahik's* capacity to manage their businesses more independently. This study recommends that Baznas enhance program effectiveness by strengthening continuous training, business mentoring, and developing innovative zakat fund mobilization and distribution strategies to support the sustainability of micro-enterprise empowerment programs.

Keywords: Zakat Management, Empowerment, SME.

I. Introduction

Zakat is one of the primary sources of social funds in the Islamic economic system, aimed at helping the poor and needy. As part of the third pillar of Islam, zakat holds a crucial position in upholding Islamic law.



Therefore, zakat is obligatory for Muslims who meet specific requirements, as affirmed in the Qur'an and Hadith. (Fajrina et al., 2020). The diverse socio-economic conditions highlight significant disparities in social and economic status. Many individuals enjoy high status and wealth, while others struggle with low status and poverty. Zakat, the third pillar of Islam, is a key instrument for redistributing wealth from the affluent to those in need. It aims to promote equity and improve living standards in society. (Nur et al., 2025). Zakat also serves as a key instrument in forming social funds that can enhance the well-being of the Muslim community while achieving economic stability and prosperity. The Qur'an establishes clear criteria for those eligible to receive zakat, which must not be violated. Thus, the management and utilization of zakat must be optimized to maximize its recipients' benefit. (Mas 'Amah & Panggiarti, 2023). As a country with a Muslim-majority population, Indonesia has significant zakat potential. According to data from the Indonesia Zakat Outlook (ISO), Indonesia's zakat potential in 2010 was estimated at approximately 217 trillion rupiahs, increasing to 233.84 trillion rupiahs in 2019 and 2020. With such substantial potential, zakat has an excellent opportunity to become one of Indonesia's main pillars of the Islamic economic system (Martini et al., 2023). However, despite its vast potential, zakat in Indonesia has not been fully optimized. One of the main issues is the ineffective and misdirected distribution of zakat. If not appropriately managed, zakat may fail to effectively meet the needs of its rightful recipients, particularly in empowering Micro, Small, and Medium Enterprises (SME). In contrast, with effective distribution, zakat can serve as a vital fund contributing to economic growth. (Octaviani, 2023)

One way to manage zakat effectively is by implementing well-structured programs as a follow-up to zakat distribution. The Indonesian government must optimize zakat management and human resources for sound economic development. Since effective economic development must align with the characteristics and capabilities of the community to function correctly, this aspect requires careful consideration. Additionally, as the majority of Indonesia's population, the Muslim community has enormous potential that can be harnessed for optimal development. Islamic teachings, derived from the Qur'an and Hadith, highlight significant potential for fostering economic progress among Muslims. Both sources emphasize economic welfare, as evident in Islam's encouragement to assist the less fortunate, such as providing aid to people experiencing poverty, people in need, orphans, and others. This demonstrates that Muslims have great potential in applying economic development principles that consider social conditions. (Nurlaela & Zulkarnain, 2019).

SME constitute the largest business sector in Indonesia and have demonstrated resilience in the face of various economic crises. According to the Central Bureau of Statistics (BPS), SME are categorized into micro businesses (1–4 workers), small businesses (5–19 workers), and medium enterprises (20–99 workers). SME play a crucial role in job creation, increasing household income, and strengthening the national business structure. (Dewintara et al., 2024). Micro, Small, and Medium Enterprises (SMEs) are important in the Indonesian economy. SMEs are the backbone of the economy, contributing significantly to Gross Domestic Product (GDP), employment, and equitable development. According to data from the Ministry of Cooperatives and SMEs, SMEs contribute around 60% of GDP and absorb more than 90% of the workforce in Indonesia. The success and sustainability of SMEs are therefore critical to national economic stability. (Hulu et al., 2025). Following the enactment of Law No. 9 of 1995 concerning Small Enterprises, small businesses have been officially recognized as part of Indonesia's business sector. This law underscores the vital role of small enterprises in the national economy. As a form of people's economic activity, small businesses hold strategic importance in establishing a more balanced national economic order based on economic democracy. Therefore, small businesses must become more efficient in leveraging business opportunities and overcoming future economic challenges, as they have yet to maximize their capacity and role in the national economy fully. This is due to various obstacles, both internal and external, including capital constraints, human resources, technology, production, marketing, and an unfavorable business environment. (Lathifah Hanim dan MS. Noorman, 2018).

Support for micro-enterprise empowerment in Pangkep Regency must be accompanied by effective and efficient zakat fund management. From the perspective of Islamic economics, the distribution of zakat funds is a crucial factor influencing economic growth. Zakat funds can be allocated to SMEs by providing Mustahik with business capital, enabling them to develop their businesses. When utilized effectively, zakat

funds can enhance MSME development and growth while offering social and economic benefits to eligible communities. (Maulidiyah et al., 2022).

Pangkajene Kepulauan Regency possesses vast natural and human resources, offering great potential for economic development through micro-enterprise empowerment. Various micro-enterprises have flourished in the region, including those in the culinary, fashion, and service industries. However, despite the significant zakat potential, the economic condition of the Pangkep community remains relatively low. The primary challenge lies in optimizing zakat management so that it can effectively contribute to micro-enterprise empowerment. Therefore, this study analyzes zakat management and micro-enterprise empowerment in Pangkajene Kepulauan Regency. This optimization involves zakat collection, distribution, and monitoring to ensure proper targeting and sustainability. With improved management, zakat can serve as a strategic solution in supporting micro-enterprise development, enhancing the regional economy, and alleviating poverty in the area.

II. Research Method

In this study, the author employs a qualitative research approach. Qualitative research is based on post-positivist philosophy, which examines objects in their natural conditions (as opposed to experimental research). In this approach, the researcher serves as the key instrument, while data sources are selected using purposive sampling and snowball sampling techniques. Data collection is conducted through triangulation, data analysis is inductive, and the results of qualitative research emphasize meaning rather than generalization. (Sugiyono, 2014).

2.1. Data Collection Methods

The data collection methods in this study include observation, documentation, and interviews. The observation method investigates human behavior, work processes, and natural phenomena. (Fuazi, 2022). Documentation consists of written records found in books, personal letters, autobiographies, and photographic archives. (Nasution, 2023). Interviews are conducted to gather information relevant to the study. They are essential for identifying individuals, events, and organizations. (Abubakar, 2021). The study's location, population, and time frame are crucial to obtain the necessary data. This research is conducted at Baznas Pangkep Regency, an independent, non-structural government institution. The primary targets of this study are zakat administrators and zakat recipients (*mustahik*). The research period spans four months, from September 2024 to December 2024.

2.2. Data Analysis

The data analysis in this study follows three main techniques: data reduction, data presentation, and data verification. Data reduction is the process of simplifying data into a more concise form that is easier to understand and use (Salim dan Syahrums, 2012). Data presentation involves organizing the reduced data into a structured format that facilitates comprehension, analysis, and conclusion drawing. (Sugiyono, 2018). The final stage is data verification, which entails drawing conclusions and ensuring the accuracy and validity of the information by comparing it with sources or reliable databases. (Choiri, 2019).

III. Results and Discussion

3.1. Zakat Management Mechanism at Baznas Pangkep Regency

The Zakat Management Mechanism at Baznas Pangkep Regency is not merely an administrative activity but a strategic process integrated with social, economic, and spiritual values. The applied zakat

management mechanism involves five key aspects: planning, organizing, directing, coordinating, and controlling. The first planning stage begins with socialization efforts to increase public awareness of the obligation to pay zakat, infaq, and sadaqah. The second stage, organizing, involves a systematic organizational structure reflecting Baznas' capability to manage available resources effectively.

The third stage, directing, focuses on properly placing employees according to their expertise. This method ensures that each division or department operates efficiently without overlapping responsibilities. The coordination stage includes various administrative processes, starting from plenary meetings, decision-making, the collection of *mustahik* eligibility documents, and feasibility analysis. Proper coordination ensures a systematic approach, maximizing the impact of zakat on beneficiaries. The final stage, controlling, is crucial in ensuring that zakat management adheres to Sharia principles, financial standards, and community expectations. Key aspects of this supervision include Sharia compliance, internal and external audits, and community participation.

Based on the explanation above, it is evident that Baznas Pangkep Regency has implemented the five management elements introduced by Henry Fayol, namely planning, organizing, directing, coordinating, and controlling. This study's novelty lies in its management approach compared to previous relevant research. Prior studies have generally focused on conventional or Islamic management approaches, emphasizing values such as siddiq, amanah, tabligh, and fathanah. In contrast, this study adopts a more specific management approach based on Henry Fayol's five management elements: planning, organizing, directing, coordinating, and controlling. This research provides a more structured managerial framework than previous studies, offering a more transparent and systematic analysis of zakat management.

3.2. Zakat Collection and Distribution System for Micro Business Empowerment at Baznas Pangkep Regency

The zakat collection process at Baznas Pangkep Regency follows a systematic strategy. It begins with community outreach to raise awareness about the importance of zakat, followed by a direct approach to help the public better understand their obligations. Additionally, Baznas employs a door-to-door method, visiting companies and institutions to ensure zakat payments are made. For individuals who struggle with zakat calculations, Baznas assists in determining the exact amount to be paid. An official Baznas Pangkep bank transfer option is also available to facilitate payments. This strategy reflects Baznas' efforts to maximize zakat collection through an educational and proactive approach.

Table 1. Zakat Collection at Baznas Pangkep Regency

Year	Total Zakat Collected
2022	Rp. 3.544.143.333
2023	Rp. 5.277.766.564
2024	Rp. 4.005.362.514

The zakat distribution process at Baznas begins with field assessments and feasibility surveys to evaluate *mustahik* (zakat beneficiaries). This stage aims to understand field conditions, identify challenges, and tailor assistance based on the specific needs and potential of the *mustahik*. Micro-business support is provided based on the potential of the business to drive economic growth. Additionally, Baznas educates *mustahik* on managing their businesses independently. This approach aims to help *mustahik* transition into muzakki (zakat payers) over time. Moreover, zakat distribution is tailored to specific needs, such as business capital, healthcare expenses, religious activities, humanitarian aid, and education programs.

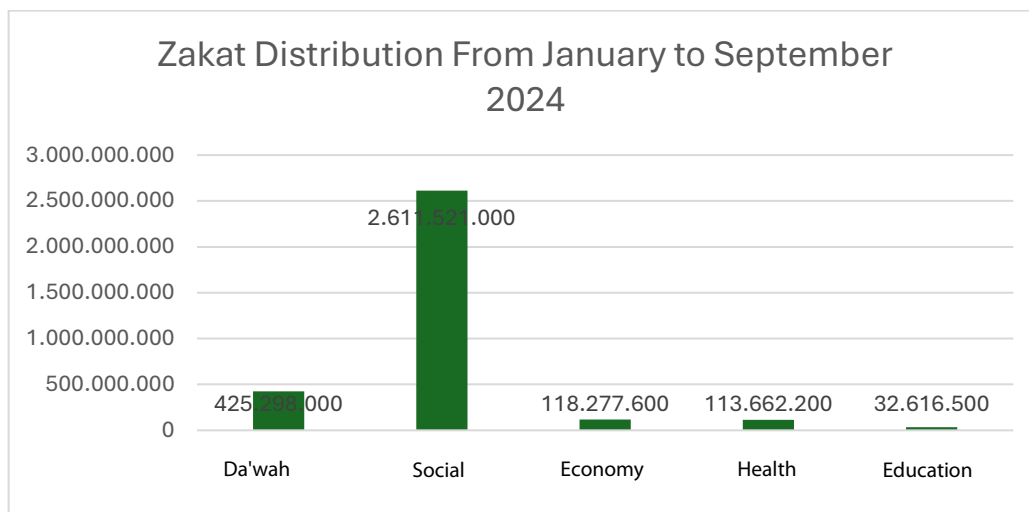


Figure 1. Zakat Distribution Chart at Baznas Pangkep Regency

The data above demonstrates the flexibility of zakat distribution in addressing the specific conditions of the *mustahik*. Micro-business support includes capital assistance, equipment, and other necessary resources to sustain the *mustahik's* income. Meanwhile, support for other programs ensures that zakat meets urgent needs and provides long-term and tangible impacts. The micro-business empowerment initiatives by Baznas have positively contributed to the development of *mustahik*-owned enterprises. The assistance, whether in the form of capital or goods, has helped beneficiaries expand their businesses. Most informants interviewed reported business growth, albeit on different scales, indicating the positive impact of Baznas' efforts. However, despite these positive outcomes, some weaknesses remain in Baznas' micro-business empowerment program. The lack of mentorship, guidance, and training has been identified as a key issue. *Mustahik* struggles to maximize their business potential without proper support and coaching.

3.3. Empowerment Analysis Based on Marc A. Zimmerman's Theory

According to Marc A. Zimmerman, empowerment operates on three levels: individual, organizational, and community. The findings above align with his theory, Individual Level: The program helps *mustahik* improve their businesses and boost self-confidence, leading to business transformation and personal growth. Organizational Level: Baznas, as a facilitating institution, provides capital and business resources. However, a significant weakness at this level is the lack of mentorship, training, and guidance, which needs further reinforcement. This study did not deeply explore this aspect, leaving room for future research. Community Level: While not explicitly analyzed in this study, the broader impact on the *mustahik* community remains an essential area for further exploration. This study enriches the understanding of zakat management mechanisms and offers a new perspective on micro-business empowerment through zakat by integrating classical management theory and empowerment theory. The findings can serve as a foundation for developing more effective policies in zakat management to sustainably empower the *mustahik* economically.

3.4. Inhibiting Factors in Zakat Distribution for Micro Business Empowerment at Baznas Pangkep Regency

Two main obstacles exist in the distribution of zakat for micro-business empowerment at Baznas Pangkep Regency. The first is the lack of public understanding regarding the importance of zakat and its socioeconomic impact. The second challenge is the influence of specific communities and religious figures who discourage people from paying their zakat through Baznas. Another major challenge is the need for in-depth analysis to ensure that zakat recipients are truly eligible, meaning they belong to the *asnaf* (zakat-eligible categories) and have urgent financial needs. To achieve precise and targeted zakat distribution,

Baznas must implement several key analytical elements, including recipient data verification, economic condition assessment, and micro-business potential identification. Failure in proper analysis can lead to various issues, such as misallocated aid, ineffective micro-business empowerment, and loss of public trust in Baznas. Although this study provides deep insights into the zakat management mechanisms at Baznas Pangkep Regency and their impact on micro-business empowerment, it has some limitations, including: Limited Exploration of the Organizational Level in Empowerment Theory – The study does not extensively analyze Baznas' role as an organization in supporting empowerment initiatives. Limited Exploration of Technology in Zakat Management – The research does not delve into how technology can be leveraged to enhance zakat collection and distribution. To address these limitations, future research could explore aspects such as a deeper investigation into the organizational level of empowerment and a study on technology implementation in zakat management.

IV. Conclusion

This study reveals that the zakat management mechanism at Baznas Pangkep Regency has adopted systematic management principles by Henry Fayol's theory, including planning, organizing, directing, coordinating, and supervising. The zakat collection strategy is actively implemented through socialization, direct approaches, and digital methods, contributing to increased zakat funds over the past few years. Meanwhile, zakat distribution is directed towards micro-business empowerment using a *mustahik* potential-based approach, although weaknesses remain in mentorship and training. The findings also highlight the relevance of Marc A. Zimmerman's empowerment theory, where zakat programs have positively impacted the individual level, improving the economic capacity of the *mustahik*. However, further reinforcement is needed at the organizational level, particularly in sustainable mentorship and guidance. The main obstacles in zakat distribution include a lack of public awareness, negative influence from specific figures, and challenges in verifying zakat recipients to ensure precise targeting. The implications of this study emphasize the importance of strengthening micro-business mentorship systems and optimizing technology in zakat management to enhance its long-term impact. Therefore, these findings provide practical insights for Baznas in improving zakat management effectiveness and serve as a reference for future research on zakat-based empowerment and technology integration. Based on the discussion above, the author recommends several suggestions for Baznas to maximize the potential of zakat and enhance its role in empowering micro-businesses. The following recommendations are proposed: Prioritizing Training and Mentorship – Baznas should prioritize incorporating training, mentorship, and guidance as key programs in micro-business empowerment to ensure sustainable development. Collaboration with Local Government – Baznas should collaborate with the local government to optimize zakat potential in the region, including corporate zakat, zakat from civil servants, and private sector employees. Strengthening Public Awareness Campaigns – Baznas must intensify socialization and educational efforts to raise public awareness about the importance of zakat in regional economic development. Leveraging Technology and Social Media – Baznas should utilize available technology and social media platforms to enhance zakat collection and distribution efficiency.

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