

Poverty Alleviation Through Zakat Impact: MSMEs and The National Zakat Collection Agency (BAZNAS) Studies

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Abstract

This study aims to examine zakat as an Islamic philanthropic funding mechanism for poverty alleviation through an integrated Micro, Small, and Medium Enterprises (MSMEs) model in Indonesia. Using a quantitative approach, the study analyzes secondary data from national MSMEs statistics and zakat program impact reports issued by the National Zakat Collection Agency (BAZNAS) during 2019–2024. Data were processed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software to assess the relationships between zakat distribution, poverty alleviation, and MSMEs development indicators. The results indicate that all proposed hypotheses are statistically significant, demonstrating strong mutual relationships among zakat programs, poverty alleviation outcomes, and MSMEs performance, particularly in digital ecosystem adoption, production growth, and value-added creation. However, the persistent poverty gap reported in 2024 highlights the need for a more collaborative zakat–MSMEs framework. The study implies that aligning zakat distribution systems with MSMEs empowerment strategies can enhance the effectiveness, sustainability, and scalability of poverty reduction initiatives within an Islamic social finance framework.

Keywords:

Food Security; MSMEs; Poverty; Zakah

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JEL: Q1, L2, I30, Z12



1. Introduction

Zakat constitutes a core Islamic philanthropic instrument grounded in normative Islamic teachings and social ethics (Sukarti & Asyari, 2020). In the Indonesian context, zakat governance is formally regulated through Law No. 23 of 2011 on Zakat Management, which provides a comprehensive framework for the collection, distribution, and utilisation of zakat funds. This legal foundation reinforces Indonesia's long-standing tradition of institutionalised zakat and aligns it with national development objectives under the coordination of the National Zakat Agency (Badan Amil Zakat Nasional/BAZNAS RI). As the state-authorised institution, BAZNAS is mandated to manage zakat, infaq, sadaqah, and other religious social funds (ZIS-DSKL) with the strategic goals of enhancing public welfare and reducing social and economic disparities. To achieve these aims, BAZNAS places emphasis on strengthening zakat literacy, optimising the mobilisation of ZIS-DSKL resources, and ensuring the effective and productive distribution of funds, particularly for poverty alleviation and sustainable community empowerment.

These objectives resonate strongly with the strategic role of Micro, Small, and Medium Enterprises (MSMEs) as the backbone of Indonesia's inclusive economic development. Pursuant to Law No. 20 of 2008, MSMEs are intended to foster entrepreneurial growth and build a national economy grounded in principles of equitable economic democracy. More specifically, MSMEs function as instruments for strengthening community economic capacity, expanding employment opportunities, and alleviating poverty. Their resilience and contribution to economic stability underscore Indonesia's potential trajectory toward a more advanced and inclusive economy. In this regard, the integration of zakat-based empowerment programs with MSME development represents a synergistic approach to advancing socio-economic welfare, as reflected in the sustained growth of MSMEs over recent years, as reported by national economic institutions (see table 1).

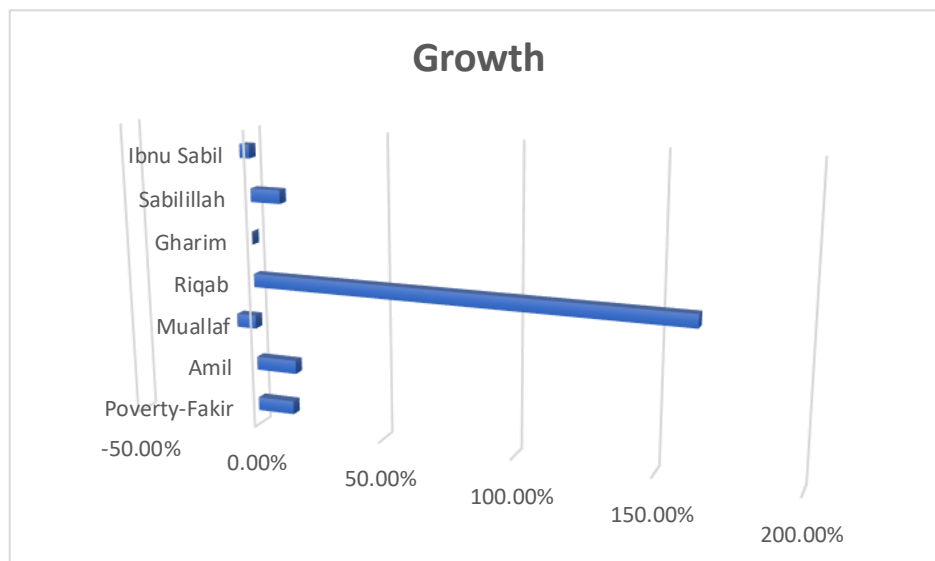
Table 1: MSMEs Growths, 2025

Years	2018	2019	2020	2021	2022	2023
Number of MSMEs (Million)	64.19	65.47	64	65.46	65	66
Growths (%)		1.98%	-2.24%	2.28%	-0.70%	1.52%

Source: Chamber of Commerce and Industry, 2025.

The observed growth patterns indicate that Indonesia's entrepreneurial capacity, as measured by the Global Entrepreneurship Index, remains below optimal levels. Current data reveals: Advanced economies maintain a minimum entrepreneurship ratio of 4% and Indonesia's current ratio stands significantly below this threshold.

Consequently, the shortfall in entrepreneurial development within the MSMEs sector requires strategic intervention to achieve the minimum 4% threshold. One viable approach involves leveraging zakat distribution as a catalytic mechanism to reach this target (Abdullahi, 2019). National zakat statistics reveal the following insights:



Source: Ashnaf growth by Baznas RI, 2024.

Figure 1: Growth, 2025.

The statistical evidence demonstrates that poverty alleviation remains the primary focus of national zakat distribution.

The statistical data demonstrates that poverty alleviation remains the primary focus of national zakat distribution, particularly targeting: The poor (fuqara), The destitute (masakin), Those in bonded labour (riqab) regarding indicators: MSMEs are measured by: digital ecosystem adoption, production growth, and value-added share, Zakat programmes are measured through implementations like ZMart, ZChicken, BZM, Santripreneur, ZAuto, and Zakat Community Development. MSMEs represent an industry with many economically vulnerable entrepreneurs (Faisal et al. 2024; Shofiyuddin et al. 2024). Their development requires enhancement through: Digital transformation, Production growth, Distribution network improvements. BPS (2025) data on MSMEs digital ecosystem adoption shows annual increases: 2020: 7%, 2021: 16.4%, 2022: 20.76%, 2023: 24%, 2024: 30%. Syuhada & Muslim (2024) found that digital innovation significantly boosted Jambi's batik industry competitiveness through e-commerce, improving both visibility and export potential. This research recommends digital innovation adoption for MSMEs, particularly in Jambi, to leverage the rapidly growing digital ecosystem while preserving traditional values. Furthermore, stakeholders widely acknowledge zakat's substantial role in poverty alleviation (Abdullahi 2019; Sukarti et al. 2020).

The 2023 National Zakat Report demonstrates that BAZNAS RI successfully: Lifted 22.97% of recipients (21,140 individuals) out of extreme poverty, enabled 23.0% (21,166 individuals) to cross the poverty line (Moving out of Poverty), Helped 5.10% (4,695 individuals) achieve the had al-kifayah sufficiency standard, Facilitated 0.03% (278 individuals) to transition from zakat recipients (mustahik) to zakat payers (muzaki). Overall, BAZNAS RI achieved: 51.37% poverty alleviation success rate and 48.63% showed improved welfare though not fully lifted from poverty. Comparative Analysis: Miah (2021) found that conventional microfinance in Bangladesh often created debt cycles. In contrast, zakat-based capital schemes offer an alternative model, demonstrating success in: Poverty reduction, Human capital development, Religious-based economic literacy, Health and sanitation improvements, Enhanced religious awareness.

This paper investigates zakat—an Islamic philanthropic instrument—as an alternative and complementary funding modality for strengthening poverty alleviation efforts in Indonesia. It proposes a zakat distribution model oriented toward Micro, Small, and Medium Enterprises (MSMEs) as a strategic recommendation for key stakeholders, particularly zakat institutions and MSME actors. From a theoretical perspective, this study builds upon historical analyses demonstrating the central role of MSMEs in Indonesia's economic resilience. As noted by Tambunan (2022), MSMEs have consistently sustained the national economy through multiple economic crises, exhibited strong sectoral resilience over more than three decades, and functioned as inclusive business platforms accessible to diverse socioeconomic groups. While prior studies have acknowledged the contribution of MSMEs to economic stability, limited attention has been paid to the systematic integration of zakat or other social funds as productive capital for MSME development. This gap underscores the novelty of the present study.

From an empirical standpoint, existing research has largely focused on measuring the welfare impacts of zakat recipients (*mustahik*) through institutional evaluation tools. Since 2016, BAZNAS has implemented the Zakat Impact Assessment as part of the National Zakat Index, in line with the 2020–2025 BAZNAS Strategic Plan, to evaluate zakat performance at the national level. However, empirical evidence examining the circulation of zakat funds through MSMEs as a structured poverty alleviation mechanism remains limited. Addressing this gap, the present study specifically concentrates on the role of MSME-based zakat utilisation in reducing poverty, thereby shifting the analytical focus from beneficiary welfare measurement toward productive economic circulation.

The findings generate several evidence-based implications. First, zakat-based poverty alleviation in Indonesia requires significant scaling, as existing programmes have not yet reached the estimated 2.6 million poverty reduction targets projected for 2024. Accordingly, this study recommends stronger integration between zakat distribution mechanisms and MSME development frameworks. Second, MSME indicators provide a robust rationale for serving as an operational model for zakat implementation, given their intrinsic linkage to poverty reduction through measurable dimensions such as the number of active business units, employment creation, productivity levels, output contribution, and export value (Tambunan, 2012). In line with this framework, the study focuses on three key analytical dimensions: adoption of digital ecosystems, rates of production growth, and the contribution of MSMEs to value-added creation.

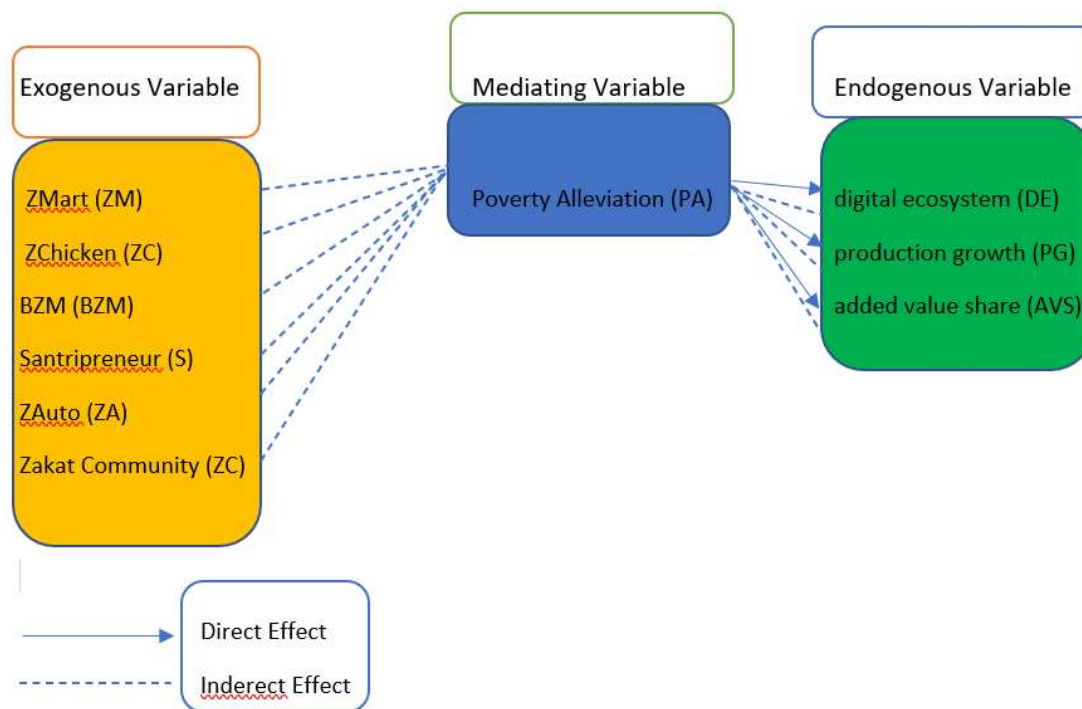
2. Method

This study employs quantitative analysis of secondary data using a probability sampling approach, ensuring all components or samples have an equal likelihood of inclusion. The research focuses on MSMEs in Indonesia (2019–2024) that Data Source: Ministry of Cooperative and SMEs, Indonesia. The Key Indicators are Digital ecosystem adoption, Production growth, and Value-added share. Then, National Zakat Agency Programmes (2020–2024) have data Source: Impact assessment reports of zakat-based poverty alleviation initiatives that have Programme Indicators: ZMart (retail empowerment), ZChicken (poultry farming), BZM (*Baznas Zakat Movement*), Santripreneur (Islamic boarding school entrepreneurship), ZAuto (automotive sector training), and Zakat Community Development. Geographical Scope are MSMEs Data: Nationwide coverage and Zakat Programme Data: Prioritised major provinces for granular analysis.

This study utilises secondary data, defined as information obtained from third-party sources or documentation (Church, 2002). Primary sources include: Ministry of Cooperatives and SMEs, Indonesia (official reports, 2019–2024), Indonesian Chamber of Commerce and Industry (sectoral datasets), and National Zakat Agency (BAZNAS) (programme impact evaluations, 2020–2024). The Analytical Approach are Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to: Estimate path relationships between latent constructs (Wold et al., 2001). Besides, It Addresses multicollinearity among independent variables (where traditional regression proves inadequate). The justification for PLS-SEM are Accommodates indirect measurement via multiple indicators and Robust to small sample sizes and non-normal data distributions. The Methodological Rationale As Lawton (2019) underscores, even descriptive analyses—when grounded in rigorous source evaluation—can yield actionable insights for policymakers. This study combines Descriptive benchmarking (trends in MSMES/zakat indicators) and Inferential modelling (PLS-SEM to test theoretical relationships).

This study employs *applied research methodology*, focusing on the practical implementation of zakat-MSMES frameworks. The analysis will: Utilise actual programme outcomes from Indonesia's National Zakat Agency (2020-2024) as key indicators, Develop an updated analytical framework based on empirical evidence, and Emphasise actionable solutions for poverty alleviation. Then, Research Problem Formulation Two core research problems are identified: *Primary Research Problem*: "The development of an integrated zakat distribution model structured around MSMES ecosystems". *Secondary Research Problem*: "The urgent need to enhance zakat-based poverty alleviation programmes in Indonesia, particularly to address the remaining 2.6 million individuals below the poverty line (2024 target)". Additionally, Contextual Significance in The 2.6 million gap represents approximately 18% of Indonesia's current poverty population. MSMES-focused zakat models show particular promise due to: Existing sectoral infrastructure, Proven employment generation capacity, and Alignment with Islamic economic principles.

This study employs Partial Least Squares Structural Equation Modelling (PLS-SEM) using SmartPLS software, originally developed at the University of Hamburg, Germany. The software has evolved through several versions: SmartPLS 1.01 (initial release), SmartPLS 2.0 (enhanced functionality), SmartPLS 2.0 M3 (2006 final release, featuring: Improved user interface, Moderator effect analysis, and Additional output metrics (communality, redundancy, Cronbach's α) (Firdaus, Gayatri, & Rofianto, 2023). The Model Specification The PLS-SEM framework examines: *Latent/Exogenous Variable*: Poverty Alleviation (PA) → Evaluates impact on zakat programmes: ZMart (ZM), ZChicken (ZC), Baitul Mal Zakat Movement (BZM), Santripreneur (S), ZAuto (ZA), Zakat Community (ZC). *Latent/Endogenous Variable*: Poverty Alleviation (PA) → Assesses influence on MSMES outcomes: Digital Ecosystem (DE), Production Growth (PG), and Added Value Share (AVS). Theoretical Foundation Builds upon established research on Zakat modelling (Abdullahi, 2019; Sukarti et al., 2020; Machdum et al., 2015) and MSMES frameworks (Faisal et al., 2024; Mawardi et al., 2020; Shofiyuddin et al., 2024). This research on Conceptual Framework for Hypothesis Testing for Path relationships between constructs, Directional hypotheses, and Measurement model specifications. For Methodological Advantages, it Handles non-normal data distributions, Accommodates small-to-medium sample sizes, Manages multicollinearity among predictors, Supports complex latent variable structures. Here the research conceptual:



Source: Figured by Authors.

Figure 2: Research framework, 2025.

The hypothesis can be described as the follows:

- H_{1a} Zakah has a significant positive effect on Endogenous transformation (changes in digital ecosystem)
- H_{2a} Zakah has a significant positive effect on Endogenous transformation (changes in production growth)
- H_{3a} Zakah has a significant positive effect on Endogenous transformation (changes in added value share)
- H_{1b} Zakah has a significant positive effect on Endogenous transformation (changes in production growth)
- H_{2b} Zakah has a significant positive effect on Endogenous transformation (changes in digital ecosystem)
- H_{3b} Zakah has a significant positive effect on Endogenous transformation (changes in added value share)
- H_{1c} Zakah has a significant positive effect on Endogenous transformation (changes in added value share)
- H_{2c} Zakah has a significant positive effect on Endogenous transformation (changes in digital ecosystem)
- H_{3c} Zakah has a significant positive effect on Endogenous transformation (changes in production growth)
- H₄ Zakah has a significant positive effect on PA

3. Result and Discussion

Result

Descriptive Statistic

As a preliminary step, this study presents descriptive statistics to summaries the distributional characteristics of the main variables. Table 2 reports the mean, standard deviation, kurtosis, skewness, and significance values for MSMEs, poverty alleviation, and zakah. The results of the descriptive statistics output in this study are as follows:

Table 2: Results of statistic descriptive.

Description	Mean	Standard Deviation	Kurtosis	Skewness	P Value
MSMEs	0.000	1.000	-1.075	0.796	0.000
PA	-0.000	1.000	-0.784	0.097	0.000
ZAKAH	0.000	1.000	0.167	1.280	0.000

Source: Described by authors, 2025

MSMEs Sector Overview (2023) are Total business units: 66 million and Economic contribution. Those are 61% of Indonesia's GDP (Rp9,580 trillion) with Employs 117 million workers (97% of national workforce). Besides, MSMEs Classification by Capital Investment are:

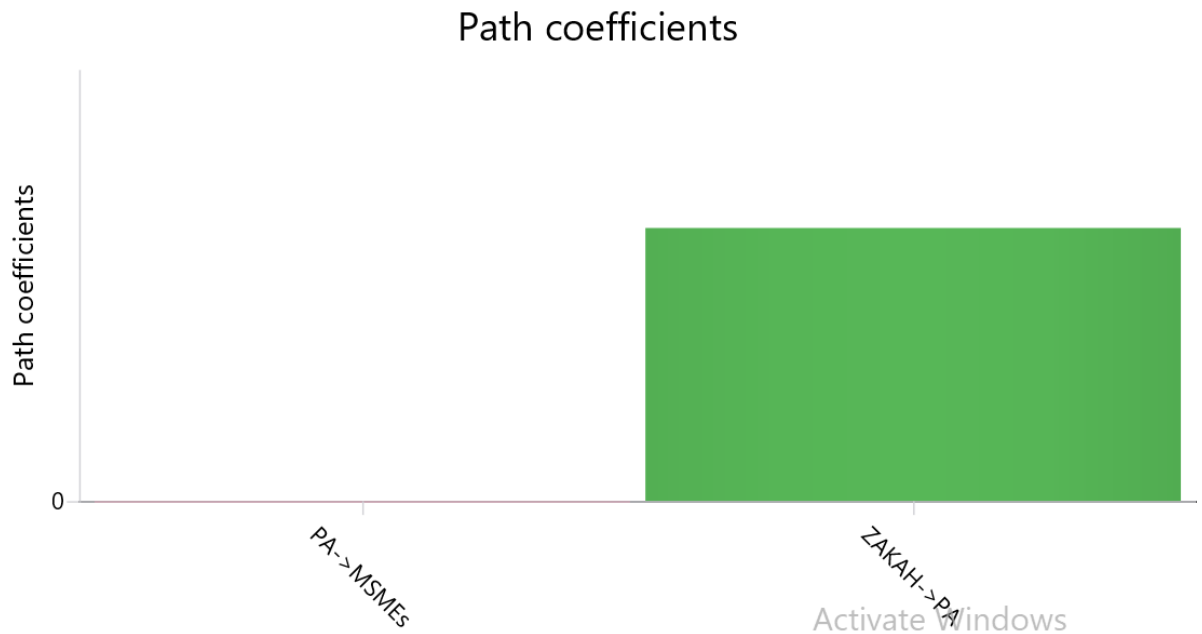
Table 3: MSMEs Size.

Category	Capital Range (IDR)	Notes
Micro Enterprise	≤1 billion	Excludes land and building assets
Small Enterprise	>1 billion to ≤5 billion	
Medium Enterprise	>5 billion to ≤10 billion	
Large Enterprise	>10 billion	

Source: MSMEs Ministry of Indonesia, 2025

Besides, Poverty Alleviation (PA) Outcomes from BAZNAS RI Programmes are: 2020: 313,922 individuals, 2021: 852,734 individuals, 2022: 116,861 individuals, 2023: 47,279 individuals, 2024: 577,138 individuals.

Path coefficients and exogenous variable with endogenous have the different relations. Here the illustrations:



Source: Described by authors, 2025.

Figure 3: Path Coefficients

Poverty Alleviation (PA) exhibits a weaker direct association with MSME development compared to the stronger influence of zakat on PA outcomes. Nevertheless, PA demonstrates statistical robustness in its role as a moderating variable. As emphasised by Fritz and Arthur (2017), the functional application of analytical methods must be guided by clear methodological boundaries and contextual relevance. In this regard, the stabilisation of invariance factors through moderation analysis renders Structural Equation Modelling (SEM) methodologically appropriate. Accordingly, this study positions PA as a moderating variable between zakat as the independent variable and MSME development as the dependent variable. The findings indicate that Indonesia's zakat potential constitutes a statistically significant instrument for poverty alleviation ($p < 0.05$), while simultaneously representing an underutilised resource for broader economic empowerment and sustainable welfare creation.

Result Measurement Model

The analytical framework of this study applies a two-stage approach consisting of the outer model and the inner model. The outer model is used to assess the validity and reliability of the measurement indicators, while the inner model evaluates the structural relationships among constructs, with particular emphasis on hypothesis testing through p-values and the magnitude of both direct and indirect effects.

Convergent validity is assessed following the criteria proposed by Black and Babin (2019), whereby Composite Reliability (CR) values exceeding 0.70 and Cronbach's Alpha (CA) values above 0.70 indicate satisfactory internal consistency. Indicator validity is further examined through factor loadings, with minimum thresholds of ≥ 0.30 and preferably above 0.50, all of which must be statistically significant at $p < 0.05$ (Brown, 2015). Multicollinearity is evaluated using the Variance Inflation Factor (VIF), with values below 10 and tolerance levels above 0.01 indicating the absence of multicollinearity (Alquaydheb et al., 2024); the results

confirm that no multicollinearity issues are present. Finally, predictive relevance is interpreted based on the coefficient of determination (R^2), where values of 0.67 indicate substantial explanatory power, 0.33 reflect moderate explanatory capacity, and 0.19 denote weak explanatory value, as outlined by Chin (1998).

Table 4: Result of Outer and Inner Model

Constructs PA	Years	VIF Outer	Inner	R_2
MSMEs	2020-2024	0.967	0.331	0.040
Zakah		0.998	0.331	0.040

Source: Discribed by authors, 2025.

That test illustrated that this research is probable prediction.

Here the 3 models:

Table 5: Hypotheses test

Hypotheses test	β (model 1)	β (model 2)
Indirect effects		
H _{1a} Zakah (changes in digital ecosystem)	0.000***	
H _{2a} Zakah (changes in production growth)	0.182**	
H _{3a} Zakah (changes in added value share)	-0.419**	
H _{1b} Zakah (changes in production growth)	0.000***	
H _{2b} Zakah (changes in digital ecosystem)		
H _{3b} PA (changes in added value share)	0.484**	
H _{1c} Zakah (changes in added value share)	0.075**	
H _{2c} Zakah (changes in digital ecosystem)	0.000***	
H _{3c} Zakah (changes in production growth)	0.000***	
Direct Effect		
H ₄ Zakah has a significant positive effect on PA		0.109**

Notes: *significant at $p \leq 0.01$, ** significant at $p \leq 0.05$; parentheses () are the f square value (effect size) with a significance level: *weak effect (< 0.02); **moderate effect (0.02–0.15); ***strong effect (> 0.35)**

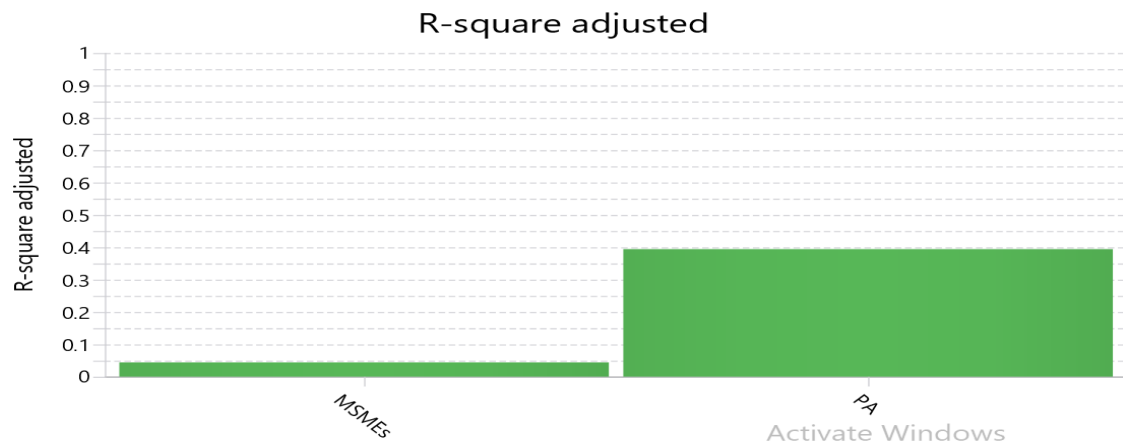
Source: Discribed by authors, 2025.

All hypotheses were successfully accepted, demonstrating statistically significant relationships at conventional levels ($p < 0.05$). This robust outcome indicates that: Latent Variable Performance are Constructs exhibited strong mutual influence, Path coefficients showed theoretically consistent directions, and Effect sizes exceeded minimum thresholds

R-Square

The research yielded a substantially stronger R^2 value for Poverty Alleviation (PA) compared to MSMEs outcomes. This indicates zakat programmes demonstrate greater predictive power in poverty reduction than MSMEs variables alone. Zakat distribution models exhibit more significant poverty alleviation effects than current MSMEs interventions in Indonesia, suggesting that Zakat's Islamic social finance mechanism provides more direct welfare impacts and Existing MSME frameworks require structural enhancements. Requires capacity building initiatives (Sukarti et al., 2020) Should integrate MSME performance indicators for

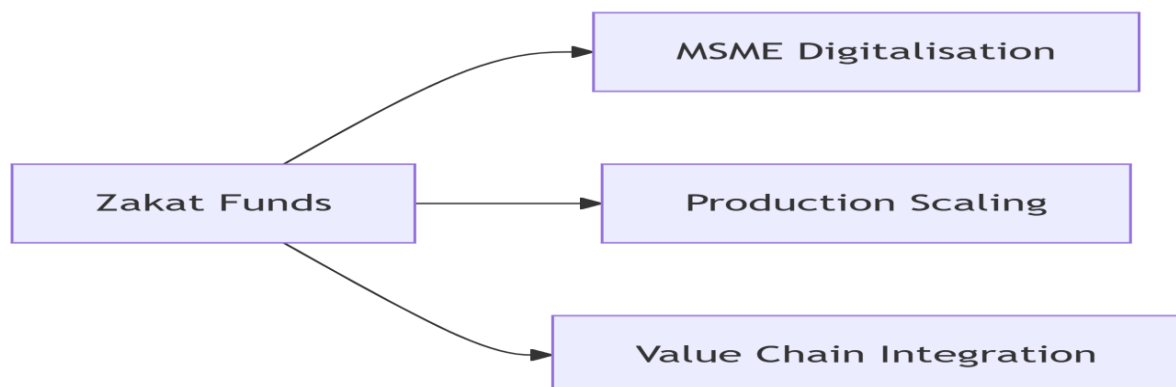
Better targeting, Improved impact measurement, and Enhanced programme coordination. Then, *Capital Access Reform: Zakat proves effective as Sharia-compliant seed capital for MSMEs* (Eko, 2019). Here the illustration:



Source: Described by authors, 2025.

Figure 4: R-Square

Recommended implementation framework as follow:



Source: Described by authors, 2025.

Figure 5: Implementation framework.

Poverty Alleviation

According to the 2023 report of Statistics Indonesia (BPS), poverty conditions in September 2022 indicated that the number of people living in absolute poverty reached 26.36 million. On an annual basis, poverty declined by 140,000 individuals (−0.53% year-on-year); however, when compared with March 2022, the number of poor increased by 200,000 persons (+0.76%). The national poverty rate stood at 9.57 percent, reflecting a decrease of 0.14 percentage points year-on-year but an increase of 0.2 percentage points relative to March 2022. Geographically, rising poverty levels were recorded in 25 provinces, highlighting the uneven spatial distribution of welfare challenges across Indonesia.

The main drivers of poverty in 2022 were closely linked to macroeconomic shocks,

particularly the energy price surge following fuel (BBM) price increases in September 2022. This shock generated an estimated 18–22 percent rise in production costs and a 9–12 percent increase in consumer prices, thereby eroding household purchasing power. These pressures were compounded by labour market contraction, marked by mass layoffs in labour-intensive sectors, with an estimated 1.2 million job losses in the third quarter of 2022 and a peak formal unemployment rate of 5.9 percent. In response, zakat-based interventions implemented by the National Zakat Agency (BAZNAS RI) in 2024 demonstrated measurable social impact, benefiting 56,316 individuals through national programmes, 208,074 individuals through provincial and district BAZNAS offices, and 312,747 individuals through accredited zakat organisations (LAZ). Conceptually, these interventions resonate with Sadeq's (1997) tripartite framework for poverty alleviation in Muslim societies, which emphasises positive measures such as income growth and equitable opportunity, preventive measures to curb economic concentration and malpractice, and corrective measures including compulsory and voluntary transfers alongside state responsibility. This framework offers a normative and theoretical alternative to conventional poverty reduction approaches within the Muslim world.

MSMEs

The Pivotal Role of MSMEs in Indonesia's 2024 Economic Growth has Comprising 99% of all business units, MSMEs form the backbone of Indonesia's economic structure. Then, Official records from the Ministry of MSMEs document 30.18 million registered units (as of 31 December 2024). Besides, Historical analysis (Tambunan, 2022) confirms MSMEs have: Sustained Indonesia through multiple economic crises, demonstrated remarkable sectoral resilience over three decades, Served as inclusive business platforms across socioeconomic strata. Zakat-Based Capital Innovation has emerging as a catalytic growth mechanism through: Sharia-compliant financing models, Government programme integration, and Poverty alleviation-economic growth synergy.

For Poverty Reduction Target, current gap: 2.6 million below poverty line (BAZNAS RI 2024). These data on this Empirical evidence research suggests: that Zakat shows stronger predictive power ($R^2=0.04$), MSMEs demonstrate measurable but limited impact ($R^2=0.01$), and Combined approach could yield multiplicative effects.

National Zakat Collection Agency (BAZNAS)

The National Zakat Collection Agency (BAZNAS) has several indicators and patterns for poverty alleviation in Indonesia. Zakat has an important role as an instrument for alleviating poverty in accordance with the mandate of Law no. 23 of 2011, especially Article 3. In Article 3B, it is stated that zakat management is aimed at realizing community welfare and overcoming poverty. Since 2016, BAZNAS has carried out an evaluation of zakat performance on the welfare of mustahik through the Zakat Impact Assessment instrument. The Zakat Impact Study is part of the National Zakat Index, which is a tool for measuring national zakat performance as stated in the 2020-2025 BAZNAS Strategic Plan (Renstra). This instrument consists of the BAZNAS Welfare Indicator (IKB) and the General Poverty Indicator. Apart from that, zakat has also been used in poverty alleviation (Abdullahi, 2019) and corporate charity (Sukarti, et al, 2020). These two reasons can also be used as the basis that the MSMEs model using the zakah pattern for poverty alleviation can be used as an option. This research also supports this through the results of multivariate analysis with the conclusion that zakat with MSMEs can be used as a combined variable for poverty alleviation.

Based on the PLS-SEM analysis, the findings of this study indicate that zakat exerts a significant and consistent effect on poverty alleviation and indirectly contributes to MSME development through the moderating role of Poverty Alleviation (PA). The stronger path coefficients and higher R^2 values for the PA construct suggest that zakat, as an Islamic social finance instrument, possesses greater explanatory power in addressing poverty-related issues than stand-alone MSME interventions, in line with previous studies (Abdullahi, 2019; Herianingrum et al., 2023). Nevertheless, MSMEs remain an important contributory factor, particularly in terms of digital ecosystem adoption, production growth, and value-added enhancement, albeit with relatively limited predictive capacity (Tambunan, 2012; Tambunan, 2022). The statistically significant moderating role of PA further underscores the importance of a structural approach in SEM to ensure the stability of relationships among latent variables, as emphasized by Fritz and Arthur (2017). Overall, these results reinforce the argument that integrating productive zakat with MSME development constitutes a relevant, sustainable, and empirically grounded strategy for accelerating poverty reduction efforts in Indonesia.

In summary, this study confirms that the integration of zakat and MSMEs is more effective for poverty alleviation than partial or isolated approaches. In contrast to Afif et al. (2025), who emphasize the direct relationship between zakat and MSMEs, the present findings highlight the role of poverty alleviation as a moderating variable that strengthens the impact of zakat on MSME development. These results complement Tambunan (2022), who underscores the structural resilience of MSMEs, by demonstrating that zakat-based social financing is necessary to optimize their poverty-reduction effects. Compared with conventional microfinance schemes that risk creating debt traps (Miah, 2021), zakat-based MSME models are shown to be more sustainable and contextually appropriate for Indonesia.

4. Conclusion

Based on the aim of this research to discuss the Islamic philanthropy schemes zakat as modalities or funding mechanisms to enhance poverty alleviation. The zakat scheme model with the MSMEs pattern will be the main recommendation for stakeholders, especially the zakah community and MSMEs. The formulation of these objectives can be identified through the formulation of problem one to be able to use the zakah and MSMEs models as poverty alleviation variables. The results stated that all hypotheses were well accepted with an average of "significant". This indicates that the latent variables are able to have a good effect on each other. The second problem formulation states that the poverty alleviation gap in 2024 according to Baznas RI requires implementing a collaboration scheme for the zakah program with MSMEs. MSMEs indicators include digital ecosystem, production growth, share of added value.

This research provides recommendations for the national zakah system so that it can align the MSMEs program with the zakah program scheme for poverty alleviation. Apart from that, MSMEs stakeholders also need to consider philanthropic aspects before starting a business and after being successful as an entrepreneur. As for the wider community, especially those who are classified as poor, as far as possible maintain the trust for the zakah they have received and increase the added value for MSMEs to get out of the poverty zone.

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