

Breaking the Dependency Cycle: A Value Chain Framework for Sustainable Mustahik Empowerment in Islamic Social Finance

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ABSTRACT

This study addresses the critical challenge of dependency in traditional zakat distribution by proposing a transformative framework based on value chain analysis. The research aims to design a sustainable empowerment model for mustahik (zakat recipients) within Islamic social finance. Utilizing a qualitative case study methodology, data were collected through in-depth interviews and focus group discussions with zakat institution managers and successful beneficiaries in Indonesia. The findings culminate in a five-stage Mustahik Transformation Value Chain (MTVC) framework, comprising Screening, Building, Linking, Marketing, and Sustaining. This model shifts the paradigm from consumptive aid to strategic investment in human capital and market integration. The study concludes that systematically applying a value chain approach is essential to breaking the cycle of dependency, enabling mustahik to achieve economic self-sufficiency and potentially transition to muzakki status (zakat payers). This framework offers a practical blueprint for enhancing the long-term socio-economic impact of zakat funds

Keywords:

Islamic Social Finance; Mustahik Empowerment; Value Chain Analysis; Sustainable Livelihood; Dependency Reduction

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INTRODUCTION

Zakat, one of the five fundamental pillars of Islam, is a mandatory mechanism for purifying and redistributing wealth with a profound socio-economic mandate. Its theological objective extends beyond mere charity; it is designed to eradicate poverty, circulate wealth, and foster social equity by empowering the eight beneficiary categories (*mustahik*) to achieve economic self-reliance. (Nur & Kassim, 2024) The ultimate success metric of zakat is the transformation of a *mustahik* into a *muzakki*, a giver, creating a virtuous cycle of sustainable wealth within the community. However, a persistent and critical gap exists between this transformative ideal and the on-ground reality of zakat implementation. A significant portion of contemporary zakat distribution remains predominantly consumptive, providing immediate, short-term relief for basic needs like food, clothing, and shelter. (Huda dkk., 2021) While essential for survival, this approach often leads to a cyclical dependency, fails to address the root causes of poverty, and leaves the *mustahik* vulnerable once the temporary aid ends. (Khan & Mohammed, 2024) This reality presents a fundamental challenge for Zakat Management Organizations (ZMOs), such as the National Zakat Board (BAZNAS) and various Zakat Institutions (LAZ), underscoring an urgent need to shift the paradigm from welfare-based assistance to empowerment-based investment. (Firdaus & Beik, 2023)

Academic and practical discourse has long recognized this need, leading to extensive research on *models of mustahik empowerment*. Previous studies have proposed and evaluated various interventions, including seed capital (*qard al-hasan*), technical skills training, entrepreneurship workshops, and spiritual mentorship. (Rahman & Hassan, 2021) These approaches have contributed valuable insights and demonstrated positive outcomes,

albeit sometimes localized and temporary. The best of this research highlights the importance of a holistic strategy that combines financial support with capacity building. However, a critical review reveals a common limitation: many existing models operate in a fragmented or siloed manner.(Harun & Shafiai, 2024b) They often focus on a single intervention point—such as capital injection or a specific training module—without a coherent, integrated framework that systematically guides a *mustahik* through the complete journey from dependency to sustainable economic agency. There is often a missing link between developing a skilled individual with a business idea and successfully integrating them into a competitive market where their product or service generates stable, surplus income.(Wibowo & Abdullah, 2025b) This disconnects leads to high rates of business failure after the intervention and hampers the scalability and long-term impact of empowerment programs. The core problem, therefore, is the absence of a standardized, end-to-end operational model that strategically connects all critical value-creating activities into a cohesive and replicable system.(Shafiai & Harun, 2025a)

This study aims to address this significant limitation by designing a comprehensive *mustahik* empowerment model anchored in the value chain framework. Originating in business management, the value chain concept dissects the series of interconnected activities through which an organization or entrepreneur creates value, from sourcing inputs to delivering the final product to the consumer. Applying this lens to *mustahik* empowerment offers a powerful, systematic structure.(Hassan & Rahman, 2023) It moves the focus from isolated aid to a strategic, stage-based process of building a sustainable livelihood. This research seeks to develop a model that meticulously maps and supports each critical stage: the identification and assessment of viable *mustahik* potentials, targeted human capital and technical capacity building, efficient linkage to necessary resources and supply chains, strategic access to markets and customers, and finally, essential aftercare and spiritual mentoring for resilience. The primary objective is to create a structured blueprint that enables ZMOs to engineer a clear pathway for transforming recipients into economically independent producers and entrepreneurs.(Santoso & Rini, 2023)

The scientific merit and novelty of this paper are twofold. First, it constitutes a deliberate and structured application of the established value chain theory into the specific domain of Islamic social finance. This crossover remains underexplored systematically.(Beik & Firdaus, 2022) Second, it proposes more than a theoretical concept; it aims to deliver a practical, stage-gate operational model tailored for zakat institutions. This model is designed to be replicable, measurable, and scalable, providing a clear methodology to enhance program efficacy and impact assessment. By doing so, this research hopes to contribute a tangible tool for actualizing the core, transformative mission of zakat.(Firdaus & Ismail, 2023) It offers a pathway to convert zakat funds from a consumptive expenditure into a productive investment, thereby amplifying their socio-economic multiplier effect and moving closer to the ideal of creating a self-sustaining community where the flow of zakat continuously creates new *muzakki*.

METHOD

This study employed a qualitative research design to develop an in-depth, contextually rich understanding of the processes required for effective *mustahik* empowerment. The primary approach was a descriptive case study, focusing on the analysis and synthesis of practices from multiple zakat management organizations to construct a theoretical model. (Denzin & Lincoln, 2023)

The study's subjects were purposively selected to provide comprehensive insights from both managerial and beneficiary perspectives. The sample consisted of two key groups: (1) Five program managers and senior officers from three different Zakat Management Organizations (two national-level BAZNAS and one prominent LAZ) with a minimum of five years of experience in empowerment programs; and (2) Ten former *mustahik* who had successfully transitioned to small business owners and had been program participants for at least two years. This dual-perspective sampling ensured the model was grounded in both institutional strategy and beneficiary lived experience. (Kumar, 2021)

The research procedure was conducted in three sequential stages over six months. First, a preliminary document analysis of annual reports, program modules, and evaluation studies from the selected institutions was conducted to understand existing frameworks. Second, primary data was collected through semi-structured interviews and Focus Group Discussions (FGDs). (Creswell & Creswell, 2023) Individual interviews, lasting 45-60 minutes each, were conducted with the institutional officers to explore program design, challenges, and success factors. Separate FGDs were held with the beneficiary group to elicit narratives on their empowerment journey, the critical support they received, and the persisting barriers. All sessions were conducted in Indonesian, recorded with prior consent, and transcribed verbatim. Third, the preliminary model derived from the data was presented in a validation workshop with three academic experts in Islamic economics and two independent zakat practitioners for feedback and refinement. (Merriam & Tisdell, 2023)

Data collection relied on two main instruments: a semi-structured interview guide and an FGD protocol. The interview guide for officers contains questions about their empowerment journey, the critical support they received, and the persistent barriers they face. It opens with an open-ended question focused on program stages, value-added activities, partnership networks, and outcome measurement. (Maxwell, 2023) The FGD protocol for beneficiaries guided discussion on their pre- and post-program economic activities, the most useful forms of assistance, and their perception of the transformation process. (Patton, 2022)

For data analysis, the transcribed texts were analyzed using a thematic analysis method. The process followed the steps outlined by Braun and Clarke. (Braun & Clarke, 2022) The researchers first familiarized themselves with the data, then generated initial codes. These codes were systematically collated into potential themes, such as "stage of identification," "capacity-building gaps," "market linkage mechanisms," and "spiritual and mental aftercare." (Miles dkk., 2022) The themes were reviewed, refined, and defined to ensure they accurately represented the dataset. Finally, the themes were woven together into a coherent narrative and structured into the proposed value chain model stages. Data trustworthiness was ensured through source triangulation (officers and beneficiaries), member checking by sharing summaries with selected participants, and maintaining a detailed audit trail of the analytical decisions. (Yin, 2023)

RESULTS AND DISCUSSION

1. Table The Mustahik Transformation Value Chain (MTVC) Model (Fernandez & Rossi, 2024)

Stage	Name	Core Action	Key Outcome	ZMO's Primary Role
1	Screening	Assess potential & commitment	Selection of viable candidates	Gatekeeper
2	Building	Provide training & seed capital	Equipped entrepreneur with a plan	Educator & Funder
3	Linking	Connect to supplies & logistics	Integrated into a supply chain	Facilitator
4	Marketing	Broker market access & sales	Guaranteed income stream	Broker
5	Sustaining	Offer mentoring & spiritual care	Resilient business & new identity	Mentor

This table summarizes the proposed five-stage model to transform zakat recipients (*mustahik*) into independent contributors (*muzakki*). Each stage represents a critical, sequential step where the Zakat Management Organization (ZMO) adds value through a specific role, moving the beneficiary from selection to sustainable self-sufficiency and a transformed social-financial identity. (Ahmed & Khan, 2024)

The central purpose of this study was to design a structured empowerment model for *mustahik* (zakat recipients) based on a value chain framework, with the explicit goal of facilitating their sustainable transformation into *muzakki* (zakat payers). (Nur & Hassan, 2024) Through qualitative analysis of institutional practices and beneficiary experiences, this research has yielded a five-stage value chain model that represents both a synthesis of best practices and a novel conceptual framework for Islamic social finance. The findings and their significance are discussed below in relation to the study's objectives, existing literature, and practical implications. (Beik & Arsyanti, 2020)

2. Summary of Scientific Findings and Relation to Research Objectives

This study began by identifying the core problem: the gap between zakat's transformative ideal and the often fragmented, consumptive reality of its distribution. The primary objective was to bridge this gap by designing a holistic, systematic model. The analysis of qualitative data from zakat officers and successful beneficiaries converged on a clear, sequential pathway. The proposed Mustahik Transformation Value Chain (MTVC) model consists of five integrated stages: (1) Potential Identification & Screening, (2) Capacity & Capital Building, (3) Resource & Supply Chain Linkage, (4) Market Access & Commercialization, and (5) Aftercare & Spiritual Integration. (Harun & Shafiai, 2024a)

This finding directly addresses the research objective. It moves beyond the isolated interventions noted in the introduction (e.g., capital-only or training-only programs) to offer a coherent, end-to-end process. The model answers the "what" by providing a concrete structure and answers the "how" by detailing the activities within each stage. (Abdullah & Wibowo, 2023) For instance, Stage 1 is not merely about selecting poor individuals; it involves a rigorous assessment of entrepreneurial potential, local market opportunities, and beneficiary commitment—a point managers emphasize as a critical, yet often underfunded, initial filter. This scientific finding—that empowerment is not an event but a managed chain of value-adding activities—is the core contribution of this paper. (Firdaus & Rini, 2023)

3. Interpretation of Findings and Comparison with Existing Literature

- a. The Stage-Gate Process as a Novelty The sequential, stage-gate nature of the MTVC model is a significant departure from many previous empowerment frameworks. Earlier works, such as those by Ahmed (2004) and Shirazi (2014), rightly emphasize the multidimensionality of poverty and the need for comprehensive programs. However, their models often present these dimensions (spiritual, human, social, financial capital) as concurrent or parallel inputs. (Sarea & Ali, 2025) Our findings suggest that effectiveness is heightened when these inputs are sequentially prioritized and structured as gates. For example, spiritual mentoring and mindset change are embedded throughout but are particularly intensive in Stages 1 (screening for readiness) and 5 (reinforcing gratitude and the duty to give). This staged approach, akin to a venture development pipeline, ensures that resources are not wasted on beneficiaries who are not prepared for the subsequent, more resource-intensive phases. This finding aligns with, and operationally refines, the concept of “tiered targeting” suggested in more recent program evaluations. (Wibowo & Abdullah, 2025a)
- b. The Centrality of Market Linkage (Stage 4) A critical and clear finding from beneficiary narratives was that the most common point of failure in past empowerment attempts was the lack of a guaranteed or facilitated market. Participants reported that skills training and capital (Stages 2 & 3) were commonly provided, but they were then left to “figure out sales” on their own. This often led to distress sales, failure to compete, and eventual demoralization. (Rahman & Kadir, 2022) The MTVC model explicitly elevates Market Access & Commercialization to a dedicated, non-negotiable stage. This involves the Zakat Management Organization (ZMO) actively playing a brokerage role: connecting producers to institutional buyers (e.g., government procurement, corporate CSR programs), facilitating participation in bazaars, or even co-branding products for the ZMO’s own network. This finding contrasts sharply with traditional models that viewed the ZMO’s role as ending with asset transfer. It positions the ZMO not just as a grantor but as an incubator and market facilitator, a concept more common in social enterprise literature (e.g., Dees, 1998) but now critically applied to zakat. (Ismail & Santoso, 2024)
- c. Aftercare as a Sustainability Mechanism an unexpected but salient finding was the profound importance of Stage 5: Aftercare & Spiritual Integration. While post-disbursement monitoring is mentioned in the literature, our data revealed it is often sporadic and compliance-focused. Successful beneficiaries described the need for ongoing, non-financial support: troubleshooting business problems, emotional support during setbacks, and, most importantly, a structured platform for reinforcing their new identity as potential *muzakki*. (Santoso & Ismail, 2023) One participant stated, “The regular monthly meeting with my mentor and other successful beneficiaries reminded me that my success was a trust (*amanah*). It planted the idea that I should prepare to give back.” This transforms aftercare from a bureaucratic exercise into a psychological and spiritual bridge to transformation. This finding extends the work of scholars like Hassan and Ashraf (2010) on the importance of *tazkiyah* (spiritual purification) for economic empowerment by specifying a specific, post-establishment operational stage in the value chain. (Kadir & Rahman, 2023)

4. Managerial Implications

The MTVC model is designed as a practical management tool for ZMOs. Its implications are profound:

- a. Program design & resource allocation the model mandates a reallocation of budgets. Less emphasis should be placed on large-scale, one-time capital disbursements, and more on the “softer” but critical stages: rigorous screening (Stage 1), market linkage officers (Stage 4), and aftercare mentors (Stage 5). This implies a shift in staff skill sets from purely financial management to include community development, business coaching, and partnership brokering.
- b. Key performance indicators (KPIs) for performance measurement must evolve. Instead of just measuring “number of beneficiaries funded” or “amount disbursed,” success should be measured across the chain: quality of potential assessments, skill-acquisition rates, percentage of beneficiaries linked to stable markets, business survival rates at 2/3/5 years, and the ultimate metric: the rate of transformation to muzakki. This requires longitudinal tracking systems.(Hassan & Muneeza, 2021)
- c. Organizational Structure: Implementing the MTVC may require ZMOs to reorganize into dedicated units or teams for each stage, ensuring specialization and accountability rather than having a single “empowerment division” handling everything in an ad hoc manner.
- d. Partnership Strategy The model forces ZMOs to look outward. Stages 3 and 4 cannot be achieved alone. Strategic partnerships with vocational training institutes, raw material suppliers, distributors, retailers, and fintech companies become essential. The ZMO becomes the orchestrator of an ecosystem for beneficiary entrepreneurship.(Shafiai & Harun, 2024)

5. Limitations of the Study

While this study provides a robust conceptual model, its limitations must be acknowledged, as they impact both internal and external validity.

- a. Context specificity the data was drawn from Indonesian ZMOs and beneficiaries. While the value chain logic is universally applicable, the specific implementation mechanisms types of businesses, market structures, regulatory environments are deeply contextual. The model requires adaptation for different cultural and economic settings (e.g., post-conflict zones or highly rural economies).
- b. Sample bias the beneficiary sample consisted of *success stories* those who had transitioned to business owners. While their insights on what worked are invaluable, the model lacks the direct perspective of those who failed in empowerment programs. Their voices could reveal crucial breakdown points in the chain that are not captured here.
- c. Model validation this research presents a *designed* model based on retrospective accounts and managerial insight. Its true empirical validation through longitudinal, experimental, or quasi-experimental studies tracking a cohort of beneficiaries through this specific model versus a control group remains a critical future step. The current study establishes face and content validity but not yet predictive validity.
- d. Scale and resource intensity the MTVC model, as described, appears resource-intensive, requiring significant staff time and expertise. For large ZMOs with millions of beneficiaries, implementing such a hands-on, stage-gate model for all may be logistically and financially challenging. The issue of scalability and potential triage systems for different beneficiary segments was not deeply explored.(Ali & Sarea, 2025)

6. Directions for Future Research

These limitations open several fruitful avenues for future inquiry:

- a. Quantitative validation and impact measurement The most urgent next step is to operationalize the MTVC stages into measurable variables and test the model's efficacy through field experiments. Research could investigate: Does progression through each defined stage correlate with a higher probability of business survival and income increase? What is the causal impact of specific stages (e.g., market linkage) on ultimate transformation.(Nur, 2024)
- b. Failure analysis a crucial complementary study would be a qualitative investigation of "drop-out" or failed beneficiaries from various ZMO programs. This would pressure-test the MTVC model by identifying which gates were ineffective or which support links were missing in real-world failure cases.
- c. Technology enabled scaling future research should explore how digital tools AI-driven potential assessment, mobile learning for capacity building, e-commerce platforms for market access, and apps for remote mentoring can automate or enhance stages of the MTVC, reducing cost and enabling scale without sacrificing the structured approach.(Santoso, 2024)
- d. Cross-country comparative studies applying and comparing the MTVC framework in different countries (e.g., Bangladesh, Saudi Arabia, Nigeria) would help distill universal principles from context-dependent practices, leading to a more robust global theory of zakat-based empowerment.
- e. Financing the chain an under-explored area is the financial architecture of the model. Should different types of zakat and non-zakat funds (*infaq*, *sadaqah*, waqf income) be earmarked for different stages? Research into innovative financial instruments (e.g., revolving funds, blended finance) that support the entire chain, not just the capital injection stage, is needed.

Discussion

The discussion section should not merely restate the findings reported in the result. The findings of this study extend beyond the presentation of a structured five-stage model. They carry significant theoretical and practical implications for the field of Islamic social finance, challenging prevailing paradigms and offering a new lens through which to conceptualize zakat-based empowerment.(Abdullah & Wibowo, 2021) The core implication is that the effectiveness of zakat is not merely a function of the amount disbursed, but of the strategic orchestration of a complete entrepreneurial value chain. This discussion highlights these broader implications and situates them within the continuum of existing academic discourse.(Ali & Sarea, 2024)

The primary contribution of this research lies in its operationalization of holistic theory. Prior literature has consistently advocated for comprehensive, multi-dimensional approaches to poverty alleviation (e.g., Saad, 2016; Hassan & Ashraf, 2010). Our findings provide the crucial "how" to this "what." By structuring the journey into discrete, sequential stages—Screening, Building, Linking, Marketing, Sustaining—the Mustahik Transformation Value Chain (MTVC) model translates the abstract ideal of holism into a manageable, replicable management process for Zakat Management Organizations (ZMOs). This bridges a critical gap between high-level policy recommendations and on-the-ground program implementation. It suggests that the failure of some past programs may not be due to a flawed concept of holism, but to a flawed *execution* that attempted to deliver all dimensions concurrently without a logical progression. The stage-gate logic ensures that foundational

capacities (Stage 2) are secured before attempting complex market integration (Stage 4), a sequence strongly supported by the empirical narratives of successful beneficiaries who described earlier, failed attempts that lacked this phased support. (Shafiai & Harun, 2025b)

Furthermore, this study elevates the ZMO's role from a passive distributive agency to an active ecosystem orchestrator. This is a paradigmatic shift with profound implications. Traditional models, often critiqued for fostering dependency, positioned the ZMO primarily as a source of funds. The MTVC model, corroborated by data showing the critical breakdown point at market linkage, demands that ZMOs cultivate and leverage external networks. This aligns with and expands upon emerging concepts of "social intermediation" in microfinance and community development. The ZMO must now be skilled in partnership brokering, market analysis, and business incubation—competencies more commonly associated with venture capital firms or development NGOs than with religious charitable bodies. This evolution is necessary to address the complex, systemic barriers that keep *mustahik* in poverty, barriers that cash transfers alone cannot dismantle. (Wibowo & Abdullah, 2024)

The most profound implication, however, may be the model's redefinition of success metrics and the very purpose of zakat distribution. The ultimate metric of the MTVC is not the number of food packages distributed or even the number of small businesses started, but the rate of transformation to *muzakki*. This shifts the objective from alleviating symptoms to curing the condition, from poverty management to wealth circulation engineering. This perspective resonates with classical Islamic economic thought, which views zakat as a tool for wealth purification (*tathir*) and circulation (*tadawul*). (Firdaus & Rini, 2021) Our model provides a contemporary, practical mechanism to achieve this classical ideal. The inclusion of Stage 5 (Sustaining) with its spiritual mentoring component is not an add-on but the logical culmination of this process, designed to internalize the new identity of the beneficiary from "one who receives" to "one who gives." This addresses a subtle but powerful limitation in purely economic empowerment models: they may create financially independent individuals who feel no enduring connection to or responsibility toward the zakat ecosystem that enabled their rise. (Nur & Hassan, 2023)

In relating these findings to previous research, we note both convergence and necessary divergence. Our model affirms the work of scholars like Shirazi (2014) who emphasize integrated approaches. However, it challenges implementations that treat "integration" as a checklist of simultaneous inputs. The evidence from our study suggests a sequential integration is more effective. Similarly, while the importance of post-disbursement monitoring is acknowledged in the literature, our findings specify its nature: it must evolve from compliance-focused monitoring to resilience-focused mentorship and spiritual integration to cement the transformation. (Hassan & Ashraf, 2018)

In conclusion, the logical implications of this study's evidence point toward a necessary professionalization and strategic repositioning of zakat institutions. The proposed model is not just a program design template; it is a call for ZMOs to redefine their mission around value creation and systemic change. The conclusions drawn here—that success requires managing a value chain, orchestrating an ecosystem, and measuring transformational impact—are directly substantiated by the consistent themes from both managers and beneficiaries: the need for better screening, the pivotal role of market access, and the sustaining power of community and faith-based support. By adopting such a framework, zakat can fully realize its potential as a dynamic, transformative pillar of the Islamic economy. (Beik & Arsyianti, 2017)

CONCLUSION

This study set out to design a systematic model for transforming *mustahik* from aid recipients into self-sufficient *muzakki*. The research successfully culminated in the Mustahik Transformation Value Chain (MTVC), a five-stage framework comprising Screening, Building, Linking, Marketing, and Sustaining. The model's core contribution is its operationalization of holistic empowerment theory into a sequential, stage-gated process, shifting the paradigm from consumptive distribution to strategic investment in sustainable livelihoods. It emphasizes that the critical role of Zakat Management Organizations (ZMOs) must evolve from passive distributors to active ecosystem orchestrators, with market access and spiritual aftercare identified as non-negotiable pillars for long-term success. The primary limitations of this study pertain to its validity and generalizability. As a qualitative design based on purposive sampling of successful beneficiaries and managers in the Indonesian context, the findings, while rich in depth and insight, face constraints. The contextual specificity means the model requires careful adaptation for different socio-economic and regulatory environments.

The sample bias towards success stories may have led to an overly optimistic model that underestimates the barriers faced by those who fail; the absence of their perspectives is a notable gap affecting the comprehensiveness of the conclusions. Furthermore, this research establishes a conceptual and designed model; its predictive validity and causal efficacy remain unproven without longitudinal, experimental testing. These are limitations of method and scope, not of error, but they directly affect the confidence with which the model can be universally prescribed. Therefore, the conclusions drawn—that a structured value chain approach is essential—are logically supported by the consistent themes in the collected data, but their ultimate robustness depends on future validation. For advanced researchers, this study opens several critical avenues: quantitative testing of the MTVC's impact, in-depth analysis of program failures to pressure-test the stages, and exploration of digital tools for scaling the model. For practitioners and ZMOs, this study provides a strategic blueprint and a compelling argument for reallocating resources towards market linkage and mentoring roles. In sum, this research provides a necessary and structured step forward in the discourse on zakat effectiveness. It translates a widely acknowledged ideal into a actionable managerial framework, charting a clear course for both future academic inquiry and practical innovation in Islamic social finance.

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