



Islamic Economy in Supporting Community Resilience Through Business Assistance Programs

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Abstract

This study examines the impact of empowerment programs and business assistance on mustahiq welfare in Amil Zakat Institutions in Banten, with business growth as a mediating variable. A total of 160 respondents who have participated in the empowerment program were selected for analysis. This study uses the Structural Equation Modeling-Partial Least Square (SEM-PLS) approach to test the relationship between these variables. There is a significant influence between zakat empowerment on mustahiq welfare, business assistance on mustahiq welfare, and business assistance on business development, while business development on mustahiq welfare and zakat empowerment on business development do not have a significant influence. The need to increase the Zakat empowerment program is considered very important because Zakat empowerment can improve the welfare of mustahiq up to 27.1%. However, the contribution of business growth to mustahiq welfare is structurally still low. Nevertheless, increasing business growth is still considered important because it can improve mustahiq welfare.

Keywords: Zakat Empowerment, Business Assistance, Business Growth, Welfare

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Introduction

Zakat is one of the instruments in the pillars of Islam that Allah requires of every capable servant. Among the purposes of zakat is not only to purify wealth, but also to distribute wealth from the rich to the poor. Islam is a religion that upholds justice, compassion, and peace among humans. Zakat is not only limited to aspects of ritual worship, but also contains elements of worship related to social and economic dimensions. An equitable economy is an integral component of a just, healthy and moral society, which is the ultimate goal of Islamic teachings. The basis of all rules of behavior regulated in Islam is the concept of justice, which states that every action, no matter what is done and in any situation, must always follow the fair standards determined by sharia (Waningsih et al., 2024).

There have been many studies on the role and contribution of zakat to the economy, both at the macro and micro levels. For example, research on the impact of zakat empowerment programs on the welfare of beneficiaries. It is found that zakat funds help business growth and improve mustahik welfare (Aditya Hadid Riyadi et al., 2021; Widiastuti et al., 2021). On the other hand, research on the contribution of zakat funds and its contribution to the economy was also conducted by (Ben Jedidia & Guerbouj, 2021; Robbana et al., 2023; Wahyuningsih & Nurzaman, 2020), which states that zakat can increase economic growth, especially in Islamic countries, namely Indonesia, Malaysia, and Singapore. Overall, effective zakat distribution will result in long-term socioeconomic resilience (Hamadou & Mamadou Salieu Jallow, 2024).

Based on research by (Mead & Liedholm, 1998; Rizos et al., 2016), it is stated that small and medium enterprises are seen as economic drivers that can provide employment and represent a larger proportion of all operating companies in any country. However, the fact is that small and medium-sized enterprises (especially micro enterprises) still face a number of constraints on their operations. Financial limitations have been cited as one of the main challenges over the years. The need for education and training is crucial, including in the field of entrepreneurship, given that the role of an entrepreneur is also important in economic development (Doran et al., 2018; McMullan & Long, 1987). Many studies have highlighted the role of these programs in equipping individuals with the skills to manage a successful business. In particular, business assistance and empowerment programs have received increasing attention due to their impact on the growth and success of small and medium enterprises, particularly among disadvantaged or underserved communities, commonly referred to as mustahiq (Jaenudin & Herianingrum, 2022).

Research conducted by (Brody et al., 2015) highlights the significant benefits that can be derived from business empowerment programs. Business education programs are designed to equip individuals with the knowledge, skills, and attitudes necessary to thrive in a dynamic business environment. These programs not only enhance the entrepreneurial capacity of participants but also contribute to their overall economic and social well-being (Mustapa et al., 2018). By providing access to training, mentoring and resources, business mentoring and empowerment programs can help mustahiq entrepreneurs overcome various challenges and unlock their potential.

Research Methods

This research uses quantitative research by applying Structural Equation Modeling (SEM). Structural Equation Modeling or often called SEM is a statistical modeling technique that is highly cross-sectional, linear and general. In addition, SEM also performs factor analysis, path analysis, regression, and latent growth curve modeling (Cheung, 2013; Gunzler & Morris, 2015; Jongerling

et al., 2024; Stein et al., 2012). SEM has two main approaches, namely the component-based approach, namely partial least squares (PLS-SEM), and the covariance-based approach (CB-SEM). The difference between the two approaches lies in the statistical assumptions and corresponding statistical properties. CB-SEM is suitable when the research objective is to test or confirm a theory. Meanwhile, PLS-SEM is an alternative method if the distribution assumptions of CB-SEM are not met. An effective research goal is to make predictions using emerging theories. Therefore, PLS-SEM is the method of choice for this research due to its predictive orientation, a theory that is less developed in productive zakat.

This research was conducted on all zakat institutions in Banten Province. The data used in this study is primary data obtained directly from respondents' responses through statements in the form of a questionnaire with a Likert scale. Respondents in this study were all mustahiq who were given financing for entrepreneurship, the number of which was not known with certainty. Therefore, the sampling technique used in this study uses cluster sampling with the Ferdinand formula. Cluster sampling is a sampling technique that utilizes groups or clusters, which occur naturally in a population. According to (Bellera et al., 2012; Jackson, 2007; Malone et al., 2016), if the sample size is not known with certainty, the researcher can determine the sample by looking at the number of estimation parameters used with a minimum sample size of 5 to 10. In this study there were 16 estimation parameters, therefore the following calculation was obtained:

$$\begin{aligned}\text{number of samples} &= 10 \times n \\ &= 10 \times 16 \\ &= 160\end{aligned}$$

The number of samples to be used in this study is 160 people. Furthermore, the data were analyzed using Microsoft Excel and SMART PLS 4 with variance-based Structural Equation Modeling (SEM) with the Partial Least Square (PLS) method. The analysis stages start from model measurement by conducting validity and reliability tests, then looking at the relationship between variables (structural model) by looking at the value of the R-Square model, Q Square Model, and testing hypotheses (Albahri et al., 2021; Daniel et al., 2015; Thakkar, 2020). The operational definitions of the research variables are as follows:

Table 1. Operational Definition of Research Variables

Variable	Definition	Dimession
Zakat Empowerment (X1)	Productive zakat is zakat that is distributed to mustahiq by being managed and developed through business activities. The indication is that the asset is used as business capital which is expected to improve the economic level of mustahiq. (Yasir & Yasir, 2024).	• Micro-business financing • Capacity development through various trainings • Institutional development • Development of capital, savings, and revolving funds (Widiastuti et al., 2021)

Business Assistance (X2)	Business Mentoring is a strategy to improve the quality of human resources as part of a problem which will then be attempted to find alternative solutions. (Adiwijaya et al., 2023)	• Amount of assistance • Form of business assistance provided by empowerment institutions • Benefits felt by empowerment members (Widiastuti et al., 2021)
Business growth (Z)	Business growth is measured by labor sales, financial growth, number of employees, and business size. (Bachtiar et al., 2024).	• Business turnover increases after participating in the productive zakat program • Increased turnover allows companies to expand their business scale • Business development with productive zakat funds so that the results can help meet needs • Productive Zakat funds can increase business profits (Simbolon et al., 2023)
Mustahiq Welfare	The welfare of mustahiq based on the objectives of sharia is welfare that reflects the fulfillment of basic needs, both material and spiritual needs. The realization of these basic needs must achieve the maintenance of five fundamental aspects, namely religion (ad- diin), soul (an-nafs), reason (al-'aql), descendants (an-nasl), and wealth (al- maal) to achieve happiness in the world and the hereafter. (Widiastuti & Rani, 2020).	▪ Hifz ad-diin ▪ Hifdzun nafs ▪ Hifdzul 'aql ▪ Hifdzun nasl ▪ Hifdzul maal (Widiastuti et al., 2021)

Source : Data Processing Result, 2024

Result and Analysis

A. Description of Respondent Characteristics

The characteristics of the respondents are the various backgrounds possessed by the respondents themselves. This characteristic is to see what kind of background the respondents have by respondents in this study. The respondent's background is focused on the gender and age of the respondent.

Table 2. Descriptive Analysis of Respondent Characteristics

No	Characteristic	Number of Responden	
		People	Percentage
Gender			

1.	male	10	6,25%
2.	female	150	93,75%
Total			100%
Responden Age			
1.	19-21 years	0	0%
2.	22-24 years	18	11,25%
3.	> 25 years	142	88,75%
Total			100%

Source : Data Processing Result, 2024

Based on table 1. above, it can be seen that the total respondents who were sampled in this study were 160 respondents. Based on the characteristics seen from gender, the number of male respondents was 10 people and female respondents were 150 people. Meanwhile, when viewed from the characteristics of the age of the respondents, the number of respondents aged 19-21 years was 0 people, aged 22-24 years was 18 people, and respondents aged more than 25 years were 142 people.

B. Data Analysis

a. Structural Equation Modelling (SEM)

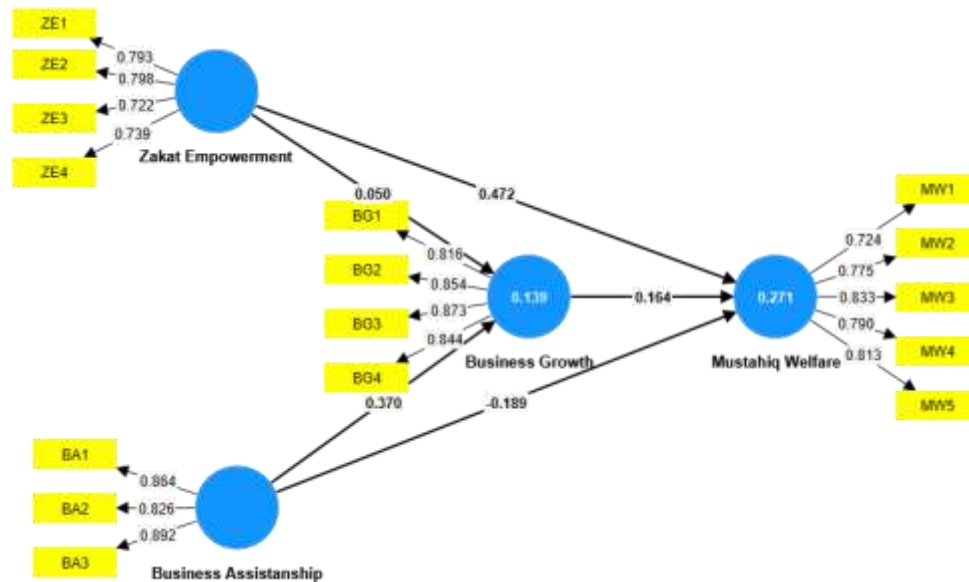
Hypothesis testing in this study used SMART PLS 4.0 software with the Partial Les Square (PLS) method. This method is an alternative method of variance-based structural equation modeling analysis. This analysis is carried out in two stages, namely, first, testing the measurement model (outer model), and second, testing the structural model (inner model) through hypothesis testing between variables. In measuring hypothesis testing in this study, it is necessary to test the research instrument to 160 respondents to determine that the data is valid and reliable.

b. Measurement Model Analysis (Outer Model)

The measurement model analysis in this study consists of variables of zakat empowerment, business assistance, business growth, and mustahiq welfare using a reflective measurement model. Hair et al. (2018) state that reflective measurements include loading factor > 0.70, convergent validity test by looking at AVE value > 0.50, discriminant validity test by looking at cross loading, and reliability by looking at composite reliability value and Cronbach's alpha > 0.70.

1) Loading Factor

Figure 1. Diplay of SMART PLS (Loading Factor) output



Source: SMART PLS Model, 2024.

Based on Figure 1 above, it can be seen that all loading factor values > 0.70 , with all indicators on the variables of zakat empowerment, business assistance, business growth and mustahiq welfare declared valid.

2) Validity Test

a. Convergent Validity Test

The validity test is carried out to determine the ability of the research instrument to measure what should be measured. To validate the model that researchers build, it can be measured from construct variables consisting of convergent validity and discriminant validity. Convergent validity tests can be measured using AVE parameters ≥ 0.5 (Hair et al., 2018).

Tabel 3. Average Variance Extracted (AVE)

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Business Assistance (X2)	0.837	0.992	0.896	0.742
Business Growth (Z)	0.870	0.884	0.910	0.718
Mustahiq Welfare (Y)	0.847	0.848	0.891	0.621
Zakat Empowerment (X1)	0.762	0.761	0.848	0.583

Source : Data Processing Result, 2024

Based on the table above, the average variance extracted (AVE) value of each construct is above 0.5 where for zakat empowerment (X1) is 0.583, business assistance (X2) is 0.742, business growth (Z) is 0.178, and mustahiq welfare (Y) is 0.621. Thus, all variables are declared valid.

b. Discriminant Validity Test

Discriminant validity can be done by looking at the cross loading value of each indicator. Discriminant validity testing relates to the principle that measurements of different variables should not accumulate high (Hair et al., 2018). Discriminant validity testing is assessed based on cross loading with the construct and comparing the loading value on the intended construct. The intended loading value must be greater than the loading value with other constructs in the model, discriminant validity can be seen from the cross loading value as in the following table.

Tabel 4. Cross Loading

	Zakat Empowerment (X1)	Business Assistance (X2)	Business growth (Z)	Mustahiq Welfare (Y)
ZE1	0.793	0.061	-0.005	0.287
ZE2	0.798	0.081	0.024	0.372
ZE3	0.722	-0.010	0.019	0.381
ZE4	0.739	-0.121	0.095	0.401
BA1	-0.014	0.864	0.267	-0.197
BA2	0.002	0.826	0.154	-0.122
BA3	-0.000	0.892	0.435	-0.047
BG1	0.026	0.219	0.816	0.013
BG2	0.091	0.289	0.854	0.126
BG3	0.011	0.355	0.873	0.065
BG4	0.037	0.358	0.844	0.101
MW1	0.374	-0.101	0.193	0.724
MW2	0.392	-0.213	-0.084	0.775
MW3	0.427	-0.023	0.056	0.833
MW4	0.316	-0.128	0.051	0.790
MW5	0.374	-0.055	0.224	0.813

Source : Data Processing Result, 2024

Based on the cross loading results in table 4 above, it shows that each indicator correlates higher with its respective construct than with other constructs and shows that these indicators have been placed on each variable so that they are said to have good discriminant validity.

3) Realibility Test

Reliability test (composite reliability) In addition to construct validity, a construct reliability test is carried out which is measured by the Composite reliability of the indicator block that measures the construct. The construct is

declared reliable if the Cronbach's alpha value is > 0.70 and composite reliability > 0.70 (Savitri et al., 2014).

Tabel 5. Realibility Test

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Business Assistance (X2)	0.837	0.992	0.896	0.742
Business Growth (Z)	0.870	0.884	0.910	0.718
Mustahiq Welfare (Y)	0.847	0.848	0.891	0.621
Zakat Empowerment (X1)	0.762	0.761	0.848	0.583

Source : Data Processing Result, 2024

Based on the results of table 5 above, it shows that the Cronbach's alpha value of each construct of this study > 0.70, as well as the Composite reliability value of each construct of this study > 0.70, so it can be said that the measuring instrument used in this study is reliable / reliable.

Tabel 6. Outer Model Conclusion

Variable	Meassurement Items	Indicators	Outer Loading	Cronbach's Alpha	Composit e Reliabilit y	AVE
Zakat Empowerment (X1)	ZE1	Micro Business Financing	0.793	0.762	0.848	0.583
	ZE2	Capacity development through Training	0.798			
	ZE3	Institutional development	0.722			

	ZE4	Develop capital, savings and revolving funds	0.739			
Business Assistance (X2)	BA1	Number of assistance	0.864	0.837	0.896	0.742
	BA2	Forms of business assistance provided by empowerment institutions	0.826			
	BA3	Benefits felt by empowerment members	0.892			
Business growth (Z)	BG1	Business turnover increased after participating in the productive zakat program	0.816	0.870	0.910	0.718
	BG2	The increase in turnover has enabled the company to expand its business scale.	0.854			
	BG3	There is business development with productive zakat funds so that the results can help me meet my needs.	0.873			
	BG4	Productive zakat funds can increase business profits	0.844			
Mustahiq Welfare (Y)	MW1	Hifz ad-diin	0.724	0.847	0.891	0.621
	MW2	Hifzun nafs	0.775			
	MW3	Hifdzul 'aql	0.833			

MW4	Hifdzun nasl	0.790
MW5	Hifdzul maal	0.813

Source : Data Processing Result, 2024

Based on table 6 above, several things can be concluded, as follows:

1. Zakat empowerment variable is measured by 4 valid measurement items with outer loading between 0.722-0.798, which means that the four measurement items are valid and reflect the measurement of zakat empowerment. The variable reliability level is acceptable as indicated by Cronbach's alpha and composite reliability above 0.70 (reliable). The level of convergent validity shown by the AVE value of $0.583 > 0.50$ has met the requirements of good convergent validity. Overall, the variation of measurement items contained in the zakat empowerment variable reaches 58.3%.
2. The business assistance variable is measured by 3 valid measurement items with outer loading between 0.826-0.892, which means that the three measurement items are valid and reflect the measurement of business assistance. The level of variable reliability is acceptable, as indicated by Cronbach's alpha and composite reliability above 0.70 (reliable). The level of convergent validity indicated by the AVE value of $0.742 > 0.50$ has met the requirements of good convergent validity. Overall, the variation of measurement items contained in the business assistance variable reaches 74.2%.
3. The business growth variable is measured by 4 valid measurement items with outer loading between 0.816-0.873, which means that the four measurement items are valid in reflecting the measurement of business growth. The level of variable reliability is acceptable as indicated by Cronbach's alpha and composite reliability above 0.70 (reliable). The level of convergent validity indicated by the AVE value of $0.718 > 0.50$ has met the requirements for good convergent validity. Overall, the variation of measurement items contained in the business growth variable reaches 71.8%.
4. The mustahiq welfare variable is measured by 5 valid measurement items with outer loading between 0.724-0.833, which means that the four measurement items are valid in reflecting the measurement of mustahiq welfare. measurement items are valid in reflecting the measurement of mustahiq welfare. The level of reliability of the variables is acceptable as indicated by Cronbach's alpha and composite reliability above 0.70 (reliable). The level of convergent validity indicated by the AVE value of $0.621 > 0.50$ has met the requirements of good convergent validity. Overall, the variation of measurement items contained in the mustahiq welfare variable reaches 62.1%.

4) Structural Model Evaluation (Inner Model)

Structural model evaluation is related to hypothesis testing of the influence between research variables. Research model evaluation testing is carried out in three stages, namely:

1. Checking the absence of collinearity between variables with the inner VIF (Variance Inflated Factor) measure. An inner VIF value below 5 indicates no linearity between variables (Hair et al., 2014).
2. Hypothesis testing between variables by looking at t statistics or p-value. If the calculated t statistic is greater than 1.65 (t table) or the p-value of the test results is less than 0.05, then there is a significant influence between variables.

In addition, the results and 95% confidence intervals of the estimated path coefficient parameters are presented.

3. F Square value, which is the effect of direct variables on the structural level with the criteria (f square 0.02 low, 0.15 medium, and 0.35 high). And the mediation effect of F Square is called the upsilon V statistic which is obtained by squaring the mediation coefficient, Lachowocz et al. (2018) interpreted in Ogibu et al. (2021) explains the low mediation effect (0.01), medium mediation effect (0.75), and high mediation effect (0.175).

a. Collinearity Test

Tabel 7. Collinearity Test

VIF			
Business Assistance Business growth(Z)	(X2)	->	1.000
Business Assistance Mustahiq Welfare(Y)	(X2)	->	1.159
Business Growth Mustahiq Welfare (Y)	(Z)	->	1.162
Zakat Empowerment Business growth (Z)	(X1)	->	1.000
Zakat Empowerment Mustahiq Welfare(Y)	(X1)	->	1.003

Source : Data Processing Result, 2024

Before testing the hypothesis of the structural model, it is necessary to see whether there is collinearity between variables, namely by measuring the inner VIF statistics. The estimation results show that the inner VIF results are less than 5, so the level of linearity between variables is low. These results strengthen the results of parameter estimation in SEM PLS which is robust (unbiased).

b. Hypotehesis Test

According to Tarigan (2017), the significance measure of hypothesis support can be used by comparing the t-table and t-statistic values. If the t-statistic value is higher than the t-table, with a 95% confidence level or 5% alpha, then it has an effect.

Table 8. Results of Calculation of Direct Influence Between Constructs (Direct Effect)

	Real Sample (O)	Sample Average (M)	Standart Deviation (STDEV)	T-statistics (IO/STDEVI)	P Value
Business Assistance (X2) -> Business Growth (Z)	0.370	0.372	0.091	4.045	0.000

Business Assistance (X2) -> Mustahiq Welfare (Y)	-0.189	-0.191	0.086	2.190	0.029
Business Growth (Z) -> Mustahiq Welfare (Y)	0.164	0.160	0.084	1.945	0.052
Zakat Empowerment (X1) -> Business growth (Z)	0.050	0.052	0.098	0.516	0.606
Zakat Empowerment (X1) -> Mustahiq Welfare (Y)	0.472	0.480	0.075	6.287	0.000

Source : Data Processing Result, 2024

Table 9. F Square

	Business Assistance	Business Growth	Mustahiq Welfare	Zakat Empowerment
Business Assistance		0.159	0.042	
Business Growth			0.032	
Mustahiq Welfare				
Zakat Empowerment		0.003	0.305	

Source: Data Processing Result, 2024

Based on Tables 8 and 9 above, the following conclusions can be drawn:

1. The research results can be interpreted that the utilization of zakat has a positive and significant effect on the welfare of mustahiq. This is evidenced by the value of T-Statistics > 1.96 with a value of (6,287). with a p-value of 0.000 < 0.05. Any change in zakat empowerment will improve mustahiq welfare. The f-square table shows that zakat empowerment in improving mustahiq welfare has a low influence at the structural level (f square = 0.0305).
2. The research results can be interpreted that business assistance has a positive and significant effect on mustahiq welfare. This is evidenced by the T-Statistics value > 1.96 with a value of (2.190) with a p-value of 0.029 < 0.05. Any change in business assistance will improve mustahiq welfare. The f-square table shows that business assistance in improving mustahiq welfare has a low effect at the structural level (f square = 0.042).

3. The results of the study can be interpreted that zakat empowerment has no effect on business growth. This is evidenced by the T-statistic value < 1.96 with a value of (0.516) with a p-value of $0.606 > 0.05$. The F-Square table shows that zakat empowerment in increasing business growth has a low influence at the structural level (f square = 0.003).
4. The research results can be interpreted that business assistance has a positive and significant effect on business growth. This is evidenced by the T-Statistics value > 1.96 with a value of (4.045) with a p-value of $0.000 < 0.05$. Any change in business assistance will increase business growth. The f square table shows that business assistance in increasing business growth has a low effect (f square = 0.159).
5. The results of the study can be interpreted that business growth has no effect on mustahiq welfare. This is evidenced by the T- Statistics value < 1.96 with a value of (1.945) with a p-value of $0.052 > 0.052$. From the value of f square the table shows that business growth in improving mustahiq welfare has a low influence (f square = 0.032).

Tabel 10. Indirect Calculation Results Between Constructs (Indirect Effect)

	Real Sample (O)	Sample Average (M)	Standart Deviasi (STDEV)	T-statistics (IO/STDEVI)	P Value
Business Assistance (X2) -> Business growth (Z) -> Mustahiq Welfare	0.061	0.062	0.040	1.534	0.125
Zakat Empowerment (X1) -> Business Growth (Z) -> Mustahiq Welfare (Y)	0.008	0.011	0.018	0.464	0.642

Source : Data Processing Result, 2024

Based on table 10, the results of the calculation of the indirect relationship between constructs (indirect effect), the mediation test results are obtained as follows:

1. The results showed that zakat empowerment has no effect on mustahiq welfare through business growth as a mediating variable. This is evidenced by the original sample value of 0.008, and t-statistic of 0.464 and p-value of 0.642.
2. The results showed that business assistance has a positive and insignificant effect on mustahiq welfare through business growth as a mediating variable. This is evidenced by the original sample value of 0.061 with T-Statistics of 1.534 and a P-Value of 0.125.

Tabel 11. Upsilon Formula (V)

No	Efek	Upsilon (V)	Deskripsi
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1.	Business Assistance -> Business Growth -> Mustahiq Welfare	0.061	Positif and Not significant
2.	Zakat Empowerment -> Business growth-> Mustahiq Welfare	0.008	The indirect relationship is very weak and not significant.

Source : Data Processing Result, 2024

Based on table 11, the results of the upsilon (ν) calculation are represented by the path coefficient value which shows the strength of the indirect effect in the model, which is positive and insignificant, and the indirect relationship is very weak and insignificant.

5) Evaluation of Model Validity and Suitability

PLS is a variance-based SEM analysis tool aimed at testing model theories that focus on prediction studies. Therefore, several measures were developed to certify that the proposed model is acceptable, such as R-Square, Q Square, and SRMR (Hair et al., 2018).

a. $C (R^2)$

In PLS, the structural model is evaluated using R^2 (R-Square) for the dependent variable and the coefficient values on the paths for the independent variables which are then assessed for significance based on the t-statistic value of each path. The explained R-Square result for the dependent variable should be > 0.10 or 10% (the higher the value, the better). So it can be said that the construct or dependent variable is good. To measure R^2 , the weak category has a value of 0.25, moderate with a value of 0.50, and high with a value of 0.75 (Hair et al., 2018).

Tabel 12. Results of Determination Coefficient Test (R^2)

	R-Square	R-Square adjusted
Business growth	0.139	0.128
Mustahiq Welfare	0.271	0.257

Source : Data Processing Result, 2024

The R Square statistical measure illustrates the amount of variation in endogenous variables that can be explained by exogenous variables. The interpretation of R Square has a value category of 0.20 (low influence), 0.50 (medium influence), and 0.75 (high influence). From the data above, the R^2 value on the mustahiq welfare variable is 0.271 (27.1%). This means that zakat empowerment, business assistance and business growth affect mustahiq welfare by 27.1% (low influence), the remaining 72.9% of mustahiq welfare is influenced by other variables not explained in this study. While the business growth variable has R^2 of 0.139 (13.9%). This means that the variation in business growth can be explained by zakat empowerment and business assistance by 13.9% (low influence), while 86.1% is explained by other variables not explained in the study.

b. Q Square

Tabel 13. Q Square

	Q ² predict	RMSE	MAE
Business Growth	0.090	1.001	0.669
Mustahiq Welfare	0.204	0.910	0.696

Source: Data Processing Result, 2024

Q Square describes a measure of predictive accuracy, namely how well changes in exogenous variables are able to predict endogenous variables. This measure is a form of validity in PLS to state the suitability of model predictions (predictive relevance). A Q Square value above 0 indicates that the model has predictive relevance, but in Hair et al. (2018), the interpretation value is 0 (low influence), 0.25 (medium influence), and 0.50 (high influence). Based on the results of the data processing above, the Q Square value of the business growth variable is $0.090 < 0.50$ (low influence) and mustahiq welfare is $0.204 > 0.50$ (high influence).

Discussion

The Influence of Zakat Empowerment on Mustahiq Welfare

The research findings indicate that zakat utilization has a positive and significant impact on mustahiq welfare. This is evidenced by a T-Statistics value greater than 1.96, specifically (6.287), with a p-value of $0.000 < 0.05$. Any changes in zakat empowerment will enhance mustahiq welfare. The f-square table shows that zakat empowerment has a low structural-level influence on improving mustahiq welfare (f square = 0.0305). This result supports the hypothesis that a high level of zakat empowerment leads to an increase in mustahiq welfare. The study confirms that a high level of zakat utilization can improve mustahiq welfare and vice versa. These findings align with research conducted by (Abang Abai et al., 2020; Ivan Rahmat Santoso et al., 2024), which also found a positive relationship between zakat empowerment and mustahiq welfare. Productive zakat is expected to break the cycle of poverty caused by low productivity, especially for those with limited access to capital. Productive zakat enables mustahiq to start or expand their own businesses, ultimately fostering economic independence. With this independence, they no longer rely on long-term social assistance and can create job opportunities for others, contributing to reduced unemployment rates. Besides capital assistance, training in skills and business management plays a crucial role by equipping mustahiq with the necessary knowledge and expertise to efficiently manage their businesses, thereby maximizing their potential. These findings are consistent with studies by (Anis & Kassim, 2016), which demonstrated a positive relationship between zakat empowerment programs, poverty alleviation, and prosperity, as indicated by the absolute poverty index, material poverty, and spiritual poverty. (Fikriyah & Ridlwan, 2018; Mawardi et al., 2023) showed that every mustahiq participating in zakat empowerment programs experienced improved welfare. This indicates that zakat empowerment positively affects mustahiq welfare and contributes to poverty reduction, with respective increases of 39.39% and 10%. The welfare index rose by 19%, while the material poverty index changed by 1%.

The Influence of Business Assistance on Mustahiq Welfare

The research findings indicate that business assistance has a positive and significant impact on mustahiq welfare. This is evidenced by a T-Statistics value greater than 1.96, specifically (2.190), with a p-value of $0.029 < 0.05$. Any changes in business assistance will enhance mustahiq welfare. The f-square table shows that business assistance has a low structural-level influence on improving

mustahiq welfare (f square = 0.042). These findings support research conducted by (Ivan Rahmat Santoso et al., 2024), which found that zakat funding and business coaching positively affect mustahiq welfare and can also provide better education opportunities for them. Zakat institutions play a role in improving mustahiq welfare by providing guidance in running their businesses. Furthermore, the process of mentoring, monitoring, and evaluation places a responsibility on mustahiq to manage their businesses diligently.

The Influence of Zakat Empowerment on Business Growth

The findings of this study do not align with those of Mawardi et al. An effective zakat empowerment program involves mentoring mustahiq on business knowledge and proper religious practices (Hana Mabrukah & Anwar Ibrahim Sadiq, 2024). This program can be implemented through various means, such as providing business capital, tools, and machines for business operations. Zakat empowerment will only be effective for mustahiq business growth if it leads to increased income (Hana Mabrukah & Anwar Ibrahim Sadiq, 2024; Ivan Rahmat Santoso et al., 2024). This program enables mustahiq to efficiently manage the business capital provided by zakat institutions, expand business operations, increase production, and boost sales. These findings are consistent with Muhd Adnan et al., (2019), who stated that zakat distribution, especially to microfinance institutions in Malaysia, can significantly impact mustahiq business development.

The Influence of Business Assistance on Business Growth

The research findings indicate that business assistance has a positive and significant impact on business growth. This is evidenced by a T-Statistics value greater than 1.96, specifically (4.045), with a p-value of $0.000 < 0.05$. Any changes in business assistance will enhance business growth. The f-square table shows that business assistance has a low structural-level influence on business growth (f square = 0.159). These results support the hypothesis that a high level of business assistance leads to increased business growth and vice versa. The findings demonstrate that comprehensive business mentoring, including financial support, training, and business guidance, equips mustahiq not only with the necessary capital but also with knowledge and skills to manage and grow their businesses effectively. Access to resources enhances their ability to make informed decisions and implement effective strategies. With substantial business assistance, mustahiq gain confidence in their entrepreneurial abilities. This confidence encourages them to take calculated risks, innovate, and explore new opportunities. A supportive environment fosters a growth mindset, enabling mustahiq to expand and diversify their businesses. This study aligns with research by (Clutterbuck et al., 2016; de Haan & Birch, 2021; Mahon & Norton, 2024), which stated that mustahiq generally require supervision and business mentoring. Therefore, zakat plays a role in providing business assistance. The importance of business mentoring in zakat empowerment programs has been highlighted in previous studies (Abdul Manan et al., 2011; Shiyuti et al., 2022). Business mentoring ensures that these programs are used efficiently and not misused. The mentoring process includes a series of activities focused on helping zakat program beneficiaries understand good business governance while also providing supervision, monitoring, and evaluation.

The Influence of Business Growth on Mustahiq Welfare

The research findings indicate that business growth does not affect mustahiq welfare. This is evidenced by a T-Statistics value lower than 1.96, specifically (1.945), with a p-value of $0.052 > 0.05$. The f-square table shows that business growth has a low structural-level influence on mustahiq welfare (f square = 0.032). These findings reject the hypothesis that business growth enhances mustahiq welfare. The study confirms that while a business may grow in terms of revenue or market share, it does not necessarily improve mustahiq welfare. Many mustahiq reinvest their profits back

into their businesses rather than withdrawing funds for personal needs. Consequently, even with successful business operations, their quality of life may not immediately improve. Business growth alone does not necessarily fulfill the basic needs of mustahiq, such as healthcare, education, and housing. If these fundamental needs are unmet, improved business performance may only have a minimal impact on their overall welfare. Therefore, improving welfare requires more than just business success; it demands a holistic approach to addressing all aspects of life. These findings do not align with research conducted by (Santoso et al., 2023), which stated that increased turnover allows mustahiq to meet their material and spiritual needs adequately. Production and distribution are essential elements in achieving welfare. An optimal combination of these elements can accelerate welfare improvements.

The Influence of Zakat Empowerment on Mustahiq Welfare with Business Growth as a Mediating Variable

The research findings indicate that zakat empowerment does not affect mustahiq welfare through business growth as a mediating variable. This is evidenced by an original sample value of 0.008, a T-Statistics value of 0.464, and a p-value of 0.642. This highlights the need for a deeper understanding of how zakat can be structured to achieve meaningful impacts. Future programs should consider broader support mechanisms that include business development and various aspects of welfare to drive sustainable improvements in mustahiq lives.

The Influence of Business Assistance on Mustahiq Welfare with Business Growth as a Mediating Variable

The research findings indicate that business assistance has a positive but not significant impact on mustahiq welfare through business growth as a mediating variable. This is evidenced by an original sample value of 0.061, a T-Statistics value of 1.534, and a p-value of 0.125. The relationship between business assistance, business growth, and welfare may be more complex than a direct cause-and-effect link. Other intervening factors, such as personal circumstances, market conditions, and community support, may mediate or moderate the impact of business assistance. This complexity can weaken the measurable effect on welfare. In conclusion, while this study indicates that business assistance has a positive but not significant impact on mustahiq welfare through business growth as a mediating variable, it highlights the need for a more integrated approach. To enhance the effectiveness of business assistance, programs should not only focus on economic support but also consider the overall needs of mustahiq, ensuring that various aspects of their lives are addressed. This comprehensive strategy can ultimately lead to greater and more meaningful welfare improvements.

Conclusion

The purpose of this study is to analyze the impact of zakat empowerment and business mentoring on mustahiq welfare and business growth. The findings indicate that zakat empowerment has a positive and significant effect on mustahiq welfare, highlighting the importance of zakat as a tool for poverty alleviation and economic independence. However, the structural impact of zakat on business growth remains minimal, emphasizing the need for more comprehensive support beyond financial assistance. Business mentoring also has a positive and significant effect on mustahiq welfare, especially when support includes not only financial aid but also guidance and skill training. This underscores the role of structured mentoring in enhancing business success and welfare. The findings suggest that neither zakat empowerment nor business assistance has a significant impact on

mustahiq welfare through business growth as a mediating factor. Business growth alone does not directly lead to improved welfare, implying that other factors, such as reinvestment and market conditions, may influence this relationship.

Recommendation

Based on these findings, the following recommendations are proposed for three key stakeholders. The government should promote policies that enhance zakat distribution mechanisms, ensuring they include not only financial disbursement but also comprehensive support such as business mentoring and market access through collaboration with zakat institutions. Zakat management institutions (amil) should focus on providing holistic empowerment programs that go beyond capital distribution by incorporating training, continuous mentoring, and access to networks and markets to ensure mustahiq can sustain their businesses. Regular monitoring and evaluation are also necessary to track the long-term impact on welfare and business growth. In terms of research opportunities, future studies should explore non-financial factors influencing mustahiq welfare, such as psychological well-being and social capital, as well as the role of market conditions, personal circumstances, and community support in mediating the impact of business assistance. Additionally, longitudinal studies can provide deeper insights into the long-term effects of zakat empowerment on mustahiq welfare and business success. Since the current research focuses on short-term outcomes, future studies should extend the timeframe to capture long-term effects and include qualitative analyses of mustahiq experiences with zakat programs. In conclusion, while zakat empowerment and business assistance positively impact mustahiq welfare, their effect on business growth and welfare through business growth remains unclear. A more integrated approach is needed to enhance overall mustahiq welfare by combining financial aid with comprehensive skill development, market access, and personal support to maximize the impact of zakat programs.

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Competing Interest Statement

The authors state that they have no competing financial interests or personal relationships that could affect the work reported in this paper.

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