

# Integrating BAZNAS and Sharia Microfinance for Inclusive Economic Empowerment in Indonesia

Integrating BAZNAS  
and Sharia  
Microfinance

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## ABSTRACT

The Sharia economy in Indonesia has great potential to improve public welfare but faces challenges such as limited capital access, low Islamic finance literacy, and dependence on illegal loans. Micro Sharia financing has proven capable of empowering MSMEs, improving community livelihoods, and reducing reliance on exploitative credit, thus strengthening the national economy. BAZNAS Microfinance, through productive zakat integration, provides interest-free capital, business support, and capacity building for mustahik, enhancing economic independence. This study examines an integrated model between Sharia Microfinance (LKMS/BMT) and BAZNAS Microfinance as a strategic instrument for economic empowerment within the *maqāṣid al-sharīah* framework. Using a qualitative-descriptive method with conceptual and normative-synthetic analysis, it combines Islamic economics theory, *maqāṣid al-sharīah*, and socio-financial practices of BAZNAS and LKMS. Findings show that synergy between Islamic social funds and commercial microfinancing creates a sustainable Islamic economic ecosystem. Through social incubation, productive financing, and economic circulation, the model reduces dependence on exploitative loans while expanding inclusive access to halal capital and supporting long-term community resilience. Theoretical foundations, including *maqāṣid al-sharīah*, ontology, axiology, and charity theory, strengthen its sustainability and relevance for equitable and inclusive economic development.

**Keywords:** BAZNAS Microfinance, Economic Empowerment, *Maqāṣid al-Syarī'ah*, Sharia Economics, Sharia Microfinance.

## INTRODUCTION

Sharia economics in Indonesia, firmly rooted in the values of justice, equity, and sustainability, has experienced significant transformation over recent decades. Its development has moved beyond a purely religious domain to become a strategic pillar of the national economic architecture. As the country with the world's largest Muslim population, Indonesia possesses substantial social capital, positioning Islamic economics as a powerful driver of inclusive and sustainable growth (Harahap et al., 2023; Ameziane, 2024). Despite this progress, the Islamic economic ecosystem remains at a critical juncture, facing structural and operational challenges that require innovative and comprehensive solutions (Rafiuddin et al., 2024). One key sector is Sharia microfinance, which plays an essential role in expanding financial access to communities historically

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excluded from formal banking (Rezeki et al., 2023). Based on the prohibition of *riba* and the application of profit-sharing and fair-trade contracts, Sharia microfinance offers a more equitable financing model (Bakhri, 2024), although its potential remains constrained by limited capital, financing risks, and low financial literacy. In this context, Islamic philanthropic institutions are increasingly important. BAZNAS Microfinance exemplifies the integration of productive zakat and economic empowerment by providing interest-free financing and fostering grassroots economic independence (Junaidi et al., 2025).

**Table 1.** Quantitative Changes in Access to Financing and Business Program Implementation

Quantitative Indicator	Before Program (%)	After Program (%)	Difference
Access to formal financing	32	76	44
Dependence on moneylenders/illegal online loans	56	12	-44
Availability of business financial records	16	64	48
Monthly income $\geq$ IDR 1.5 million	24	72	48
Eligible for Islamic microfinance ( <i>Lembaga Keuangan Mikro Syariah/LKMS</i> ), <i>Baitul Maal wat Tamwil/BMT</i> )	18	52	34
Accessing IMFIs/BMTs financing	0	44	44

(n = 25 productive zakat beneficiaries, 2024–2025)

Table 1 shows notable improvements after program implementation: formal financing access rose from 32% to 76%, reliance on moneylenders and illegal online loans fell by 44%, financial record-keeping increased from 16% to 64%, and beneficiaries earning at least IDR 1.5 million per month grew from 24% to 72%. However, a gap remains between those eligible for Islamic microfinance (52%) and those who accessed IMFIs/BMTs (44%), indicating that while productive zakat programs enhance business readiness, stronger integration between social finance and Islamic microfinance is needed for sustainable economic empowerment.

This study aims to develop an integrative framework linking Islamic Microfinance Institutions (IMFIs) and BAZNAS Microfinance within a sharia-based, sustainable, and equitable community empowerment ecosystem, addressing their current partial and fragmented operation: IMFIs focus on productive financing, while BAZNAS Microfinance emphasizes the social function of productive zakat for *mustahik* groups (Anggadani et al., 2020a), though both seek to foster economic self-reliance for the poor and micro-entrepreneurs. This synergy can create an integrated Islamic economic value chain, where social funds like zakat, infaq, and sadaqah serve as initial incubation capital, and Islamic microfinance supports business development and long-term sustainability, in line with *maqāṣid al-sharī'ah* principles emphasizing justice, welfare, and sustainable development (Awaluddin et al., 2022).

Previous studies on Islamic microfinance largely emphasize financial inclusion, micro-enterprise sustainability, and the reduction of usurious practices through profit-sharing and sharia-compliant financing schemes (Hidayat et al., 2023; Hassan, 2024; Hamadi et al., 2025). Empirical evidence shows that Islamic microfinance can improve micro-enterprise performance and expand access to financing for unbanked groups (Septianingsih et al., 2024; Bakhri, 2024). Sharia-based microfinancing also contributes to local economic stability and community welfare when supported by *maqāṣid*-oriented fiscal policies, as well as inclusive programs such as Ultra Micro Funding (Zakiah et al., 2022; Ramadhani et al., 2025; Nurhidayati et al., 2025).

On the other hand, studies on productive zakat focus on improving *mustahik* welfare and transforming them into independent economic actors (Beik & Arsyanti, 2016; Ningsih & Hadi, 2022). However, these studies have not systematically linked zakat institutions with Islamic microfinance as sustainable post-zakat financing mechanisms (Awaluddin et al., 2022). Research on BAZNAS Microfinance emphasizes social and spiritual dimensions but lacks a framework for sustaining *mustahik* businesses after zakat intervention ends (Junaidi et al., 2025). Based on this gap, this study proposes a social–financial linkage model that integrates zakat as social incubation capital and Islamic

microfinance as an instrument for business development, facilitating the transformation of *mustahik* into entrepreneurs and future *muzakki* within a resilient Islamic economic ecosystem.

## LITERATURE REVIEW

### Islamic Microfinance and Community Economic Empowerment

The development of Islamic microfinance has attracted increasing attention from scholars because it offers an alternative financial system that integrates economic efficiency with Islamic ethical and moral values (Anggadini et al., 2020b). Unlike conventional microfinance, Islamic microfinance operates based on sharia principles that prohibit *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (speculation), while emphasizing profit-sharing, risk-sharing, and asset-based transactions. Its primary objective is to empower micro and ultra-micro communities by strengthening the real sector, expanding financial inclusion, and fostering socio-economic justice. Chapra (2008) conceptualizes Islamic microfinance as a moral-economic instrument that promotes justice by combining efficiency with Islamic morality, while Obaidullah (2008) defines it as a financial service for the poor aimed at enhancing socio-economic well-being and inclusion.

Empirical studies demonstrate that Islamic microfinance plays a significant role in improving MSME performance, increasing access to capital, and reducing dependency on usury-based financing (Rohman et al., 2021; Bakhri, 2024). Research by Nugroho (2015) highlights structural challenges faced by Islamic microfinance in Indonesia, including limited human resource capacity, low levels of Islamic financial literacy, and regulatory constraints. Despite its strong philosophical foundation, implementation gaps remain, requiring institutional strengthening and ecosystem integration. From a *maqāṣid al-sharī'ah* perspective, Islamic microfinance contributes to the protection of wealth (*ḥifẓ al-māl*), intellect (*ḥifẓ al-'aql*), and life (*ḥifẓ an-nafs*) by enabling sustainable livelihoods and informed financial decision-making. However, most existing studies treat Islamic microfinance as a stand-alone commercial instrument, with limited discussion on its integration with Islamic social finance mechanisms such as zakat for early-stage empowerment.

### BAZNAS Microfinance and Productive Zakat

BAZNAS Microfinance represents an institutional innovation in Islamic social finance that operationalizes productive zakat as a tool for community economic empowerment. Developed by the National Amil Zakat Agency (BAZNAS), this model shifts zakat distribution from a consumptive approach toward productive financing using zakat, infaq, and sadaqah (ZIS) funds. The paradigm of “from charity to empowerment” positions zakat as social incubation capital that enables *mustahik* to engage in productive economic activities, progress toward self-reliance, and ultimately become a new *muzakki*. This economic graduation model (*mustahik* on entrepreneur on *muzakki*) reflects the broader objectives of Islamic economics in promoting justice and equitable wealth distribution (Anggadini et al., 2020b).

Studies on productive zakat emphasize its effectiveness in improving *mustahik* welfare, increasing income, and strengthening socio-spiritual dimensions (Beik & Arsyianti, 2016). Empirical evidence from BAZNAS Microfinance programs shows that productive zakat combined with mentoring and training significantly enhances business capacity and household resilience (Choiriyah et al., 2021; Khanifa et al., 2022). However, research by Junaidi et al. (2025) indicates that while BAZNAS Microfinance successfully addresses social and spiritual outcomes, it lacks mechanisms for long-term business sustainability once zakat assistance ends. From a *maqāṣid al-sharī'ah* perspective, productive zakat supports *ḥifẓ ad-dīn*, *ḥifẓ an-nafs*, and *ḥifẓ al-māl* by fulfilling basic needs while enabling lawful wealth creation. Nevertheless, most studies still conceptualize BAZNAS

Microfinance as a purely social instrument, without systematically linking it to Islamic microfinance as a scaling-up mechanism.

### **Integrative Islamic Microfinance and BAZNAS within *Maqāṣid al-Sharī'ah***

Recent literature increasingly recognizes the importance of integrating Islamic social finance and commercial Islamic finance within a unified empowerment ecosystem (Awaluddin et al., 2022; Widiastuti et al., 2022). Ontological perspectives in Islamic economics view economic activity as inseparable from divine values (*tawhīd*) and moral objectives (*maqāṣid al-sharī'ah*), rejecting the notion of purely material economic behavior (Mohiuddin & Siddiqui, 2023). Axiological theory further emphasizes that economic activities must generate not only material prosperity but also spiritual benefit and social justice (Putri & Raihana, 2024). In this context, zakat functions as social capital for early-stage empowerment, while Islamic microfinance serves as a mechanism for business expansion and sustainability.

Despite this conceptual recognition, existing studies largely remain normative and lack an operational framework linking zakat-based microfinance with sharia commercial microfinance in a systematic manner (Awaluddin et al., 2022). The Islamic Theory of Action reinforces the need for integration by framing economic activities as morally driven actions (*amal*) that combine intention, conduct, and social benefit. Actions grounded in *maṣlahah* transform economic participation into worship, aligning empowerment with spiritual accountability. This gap highlights the limited research that conceptualizes a social–financial linkage model in which BAZNAS Microfinance acts as a social incubator and Islamic microfinance enables scaling-up and economic circulation. Therefore, this study contributes by formulating an integrative conceptual framework grounded in *maqāṣid al-sharī'ah* to support sustainable, just, and sharia-based community economic empowerment.

### **RESEARCH METHODS**

This study employs a qualitative research approach using a case study design to analyze the challenges, dynamics, and prospects of Islamic economic development in Indonesia, with particular emphasis on Islamic microfinance and BAZNAS Microfinance. The qualitative approach is considered appropriate because the objective of this research is not to measure variables statistically, but to understand concepts, institutional roles, policy orientations, and integration mechanisms within a broader socio-economic and Sharia-based context. A case study method enables an in-depth and holistic exploration of how Islamic microfinance and zakat-based institutions operate, interact, and potentially converge within a single ecosystem of sustainable community economic empowerment. This design is especially relevant given the normative, institutional, and conceptual nature of the research, which seeks to formulate an integrative framework rather than evaluate program performance empirically.

Data for this study are derived primarily from secondary sources, which are considered sufficient and relevant for conceptual and policy-oriented analysis. The data consist of academic literature, including peer-reviewed journal articles indexed in reputable international databases such as Scopus, Web of Science, and Google Scholar, focusing on Islamic microfinance, productive zakat, BAZNAS Microfinance, and Islamic economic development. In addition, this study utilizes official documents, policy reports, and publications issued by Islamic financial institutions, government agencies, and Islamic philanthropic organizations, particularly BAZNAS. These sources provide institutional, regulatory, and operational insights that are essential for understanding the current landscape of Islamic microfinance and zakat-based empowerment in Indonesia. The selection of data sources is guided by their relevance, credibility, and contribution to the research objective of developing an integrative conceptual framework.

The data analysis technique applied in this research is qualitative content analysis. This method involves systematically examining texts to identify patterns, themes, and

conceptual relationships relevant to the research focus. Collected data are carefully reviewed and categorized by key thematic areas, including regulatory and institutional challenges, human resource capacity, the role of Islamic social finance, technological adaptation, and the sustainability of BAZNAS Microfinance programs. The analysis then proceeds through synthesis and interpretation, integrating insights from diverse sources to construct a coherent narrative regarding the linkage between Islamic microfinance and zakat-based institutions. Finally, conclusions are drawn by interpreting the analyzed data within the framework of *maqāṣid al-sharī'ah*, enabling the formulation of an integrative model that supports sustainable, equitable, and sharia-based community economic empowerment.

## **RESULTS**

### **Problems in Sharia Microfinance and BAZNAS Microfinance**

Islamic Microfinance Institutions (*Lembaga Keuangan Mikro Syariah/LKMS*), including Baitul Maal wat Tamwil (BMT) and Islamic Financial Services Cooperatives (*Koperasi Jasa Keuangan Syariah/KJKS*), face several structural and operational challenges that hinder their role in community economic empowerment. One of the main obstacles is limited core capital and institutional asset capacity. Data from the National Committee for Islamic Economics and Finance show that total LKMS assets in Indonesia reached only approximately IDR 646.17 billion, with an annual growth rate of 3.64%, a figure that is far below the national microfinance demand, which reaches hundreds of trillions of rupiah (Vanni & Wijayanti, 2020). This capital limitation reduces the capacity of institutions to channel large-scale productive financing, constrains expansion into rural areas, and creates liquidity pressures, particularly when repayment delays occur.

Another critical issue lies in human resources and managerial capacity. A survey conducted by Kamaruddin and Hanefah (2017) indicates that only about 42% of LKMS staff are certified in Islamic financial management or Islamic auditing. This situation results in weak business planning, inadequate risk management, and ineffective Islamic financial reporting. Many institutions focus primarily on fund disbursement without systematic post-financing assistance and monitoring, even though such mechanisms are essential to ensure productive and sustainable fund rotation. In addition, digitalization and technological innovation remain underdeveloped. According to Kumar and Saha (2025), less than 30% of LKMS have implemented integrated digital systems for transaction recording, reporting, and customer supervision, leading to slow processes, low transparency, and limited outreach, particularly in rural areas.

The sector also faces a high level of Non-Performing Financing (NPF). Data from BMT Centre (2023) reveal that average NPF rates range between 8–10%, driven by weak business feasibility analysis, inadequate customer assessment, and the absence of effective early warning systems. This condition disrupts institutional liquidity and limits the ability to recycle funds. Furthermore, low levels of Sharia financial literacy exacerbate these challenges. The Islamic finance literacy index in Indonesia stands at only 9.1%, far below the general financial literacy index of 49.6%, causing misunderstandings of sharia contracts and the misuse of financing for consumptive purposes (Nabhani et al., 2025). These challenges are compounded by regulatory fragmentation and weak governance, as well as limited ecosystem collaboration and national synergy among LKMS, zakat bodies, and other Islamic social finance stakeholders.

BAZNAS Microfinance still faces several structural and operational challenges that limit its role as an instrument for productive zakat-based economic empowerment. One major obstacle is the program's limited reach and scale. According to Febrianto et al. (2025), the BAZNAS Village Microfinance (*BAZNAS Microfinance Desa/BMD*) Program will only reach approximately 26 locations out of more than 500 regencies/cities in Indonesia, so the economic impact of productive zakat has not been felt evenly. This limitation is also influenced by the lack of funding sources. Although the national zakat potential is estimated to reach IDR 327 trillion per year, realized zakat collection is only

around IDR 22 trillion by Maspul and Mubarak (2025), leaving many BAZNAS Microfinance units lacking revolving capital to expand the empowerment of *mustahik*.

Internally, human resource capacity and governance remain relatively weak. Data from the BAZNAS Data Center (2024) shows that only around 60% of units have digital accounting systems and certified financial staff, resulting in weak management, transparency, and accountability. Business mentoring for *mustahik* is also inconsistent, as reflected in a BAZNAS evaluation (2023) that showed only 47% of beneficiaries were able to survive as independent entrepreneurs. This problem is exacerbated by weak coordination between zakat institutions due to the lack of a national *mustahik* database and empowerment programs, making it difficult to measure the effectiveness of productive zakat distribution nationally (Siddiq & Akbar, 2023). Furthermore, only around 35% of units publish transparent financial audit results, and there is no systematic social impact measurement (Karim, 2010; Hanskamp-Sebregts et al., 2020). As a result, the level of independence of *mustahik* is still low, with only 18% successfully transforming into *muzakki*, indicating that the realization of maqāṣid al-syarīah, especially *ḥifẓ al-māl* and *al-maṣlahah*, is not yet optimal (Ridho et al. 2025).

### Prospect for Sharia Microfinance and BAZNAS Microfinance

Amid ongoing efforts to strengthen people's economic independence and expand Islamic-based financial inclusion, sharia microfinance and BAZNAS Microfinance possess significant prospects as key drivers of a productive, equitable, and sustainable economic system in Indonesia. Both institutions occupy complementary strategic positions within the Islamic economic ecosystem. Sharia microfinance functions as a profit-and-loss-sharing financial instrument that supports micro and small enterprises, while BAZNAS Microfinance serves as a social pillar, distributing productive zakat funds to empower *mustahik*. Indonesia's status as the country with the largest Muslim population in the world, combined with the existence of more than 65 million MSMEs, around 90% of which are micro enterprises, creates substantial market potential for sharia-based microfinance (Sugeng et al., 2024). Limited access to formal financing due to capital constraints, lack of collateral, and low financial literacy further reinforces the relevance of Islamic microfinance grounded in the principles of justice (*al- 'adl*) and partnership (*syirkah*). Structural support from the government, through the Indonesian Sharia Economic Master Plan (*Masterplan Ekonomi dan Keuangan Syariah Indonesia/MEKSI*) 2019–2024 and the National Committee for Sharia Economics and Finance (*Komite Nasional Ekonomi dan Keuangan Syariah/KNEKS*), has positioned Islamic microfinance as a central pillar of people-based economic development (Puspita et al., 2024).

The potential synergy between Islamic microfinance institutions and BAZNAS Microfinance represents another major prospect. While Islamic microfinance institutions have focused on revolving financing through sharia contracts such as *mudharabah*, *murabahah*, and *qardhul hasan*, BAZNAS Microfinance has concentrated on social empowerment through productive zakat (Hunjra et al., 2024). Integration between the two can create a continuous empowerment pathway, with BAZNAS acting as a social incubation platform and LKMS or BMT facilitating business scaling when beneficiaries are ready. Digital transformation further strengthens these prospects, as collaboration with Islamic fintech and digital platforms can expand outreach, reduce costs, enhance transparency, and improve accountability (Rupita & Andriani, 2025).

This momentum is further reinforced by a growing public awareness of halal economic practices, rising literacy on zakat management, and the expanding role of pesantren and mosque-based economic movements as active grassroots partners in community development (Mohamed & Fauziyyah, 2020). With the steady growth of Islamic finance assets, the increasing sophistication of sharia-compliant financial products, and the vast untapped potential of national productive zakat, there is a strong opportunity for closer collaboration among BAZNAS, LKMS, philanthropic institutions, and regulators. Such integrative efforts can generate broad socio-economic impacts, including sustainable job

creation, poverty alleviation, reduction of income inequality, enhanced financial inclusion, and decreased reliance on non-Sharia financial practices, thereby strengthening the overall resilience and self-reliance of local communities.

### Integration Model of Sharia Microfinance and Baznas Microfinance

Community economic empowerment in Indonesia operates through two main channels: the socio-philanthropic channel, implemented by zakat institutions like BAZNAS via the BMD program, providing productive zakat with training and spiritual guidance for *mustahik* groups, and the commercial-financial channel, implemented by LKMS or BMT through sharia-based financing contracts such as *mudharabah*, *musyarakah*, and *qardhul hasan* (Achmad et al., 2023). Although both share the Islamic vision of fostering economic independence and strengthening the real sector, they currently function separately. Integrating these channels is therefore strategic, forming a hybrid socio-financial model in which zakat, infaq, and sadaqah serve as social incubation capital and Islamic microfinance supports business development. Within the framework of *maqāsid al-sharī'ah*, BAZNAS nurtures *mustahik* into productive entrepreneurs, after which LKMS/BMT provides sustainable financing, enabling independent entrepreneurs to potentially become new *muzakki*, thereby creating an inclusive, equitable, and sustainable economic cycle.

**Table 2.** Integrated Roles of Islamic Microfinance and BAZNAS Microfinance

Pillar	The Role of Islamic Microfinance	The Role of BAZNAS Microfinance	Integration Synergistic
Empowerment and Incubation	Provide training in basic finance, sharia literacy, and motivation for businessmen.	Distributing productive zakat funds for financing beginning <i>mustahik</i> .	<i>Mustahik's</i> spiritual and financial support stage begins.
Strengthening Productive Capital	Give financing-based contract <i>mudharabah</i> , <i>murabahah</i> , <i>qardhul Hassan</i> .	Give an initial capital grant without interest through productive zakat.	Zakat funds become incubation capital, LKMS funds become development capital.
Business Mentoring and Monitoring	Do assessment, business, development, management, and finance.	Conducting social, spiritual, and moral monitoring <i>mustahik</i> .	Synergy moral and professional supervision creates a business blessed.
Digital Integration and <i>Mustahik</i> -Customer Data	Developing a Sharia fintech platform for access to financing and reporting finance.	Building a <i>mustahik</i> database, productive region, and sector-based business.	Data integration strengthens the transparency, accountability, and effectiveness of national programs.
Evaluation and Promotion (Graduation Model)	Continue financing the scaling-up stage for a successful <i>mustahik</i> .	Do evaluation and recommendations, ready <i>mustahik</i> become SMI customers.	<i>Mustahik</i> to move up a class → perpetrator business micro → LKMS customers → zakat payer new.

Based on Table 2, the integration of Sharia Microfinance Institutions (SMI) and BAZNAS Microfinance (BM) creates a comprehensive and sustainable empowerment model for *mustahik* (Akbar & Siti-Nabiha, 2022; Tabarik & Alfarezel, 2025). SMI provides Sharia-compliant financing, including *mudharabah*, *murabahah*, and *qardhul hasan*, expanding equitable access to micro-business capital (Aderemi & Ishak, 2020). BM complements this by channeling productive zakat as interest-free initial capital, shifting zakat from consumptive to productive use. This synergy strengthens financial inclusion, integrates mentoring and spiritual guidance, enhances transparency through fintech, and supports *mustahik* graduation into independent entrepreneurs and potential *muzakki* (Widiastuti et al., 2022; Asya'bani et al., 2025).

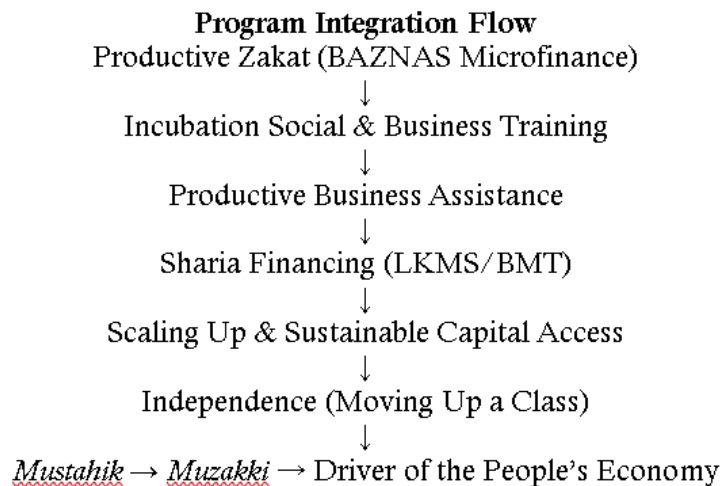


Figure 1. Process of Sustainable Economic

Figure 1 shows the integration flow of this program, which illustrates the process of sustainable economic empowerment of the community. The process begins with BAZNAS Microfinance distributing productive zakat as initial capital to the *mustahik*, which is then strengthened through social incubation and business training. Next, *mustahik* must receive productive business mentoring until their businesses are stable. In the next stage, LKMS/BMT provides sharia financing to expand its business scale and ensure sustainable access to capital. Through these stages, *mustahik* are encouraged to become independent entrepreneurs, move up the economic ladder, transform into *muzakki* (recipients of zakat), and ultimately play a role as drivers of the community's economy.

Table 3. Application of *Maqāsid al-Shari'ah* in the Integrated Economic Empowerment

Aspect <i>Maqāsid</i>	Application in the Integration Model	Impact on the People's Economy
<i>hifz ad-din</i> (keeping religion)	Embedding awareness that business and financing are part of worship.	The emergence of Islamic business and behavior in a halal economy.
<i>hifz an-nafs</i> (guarding life)	Give access to capital for productive poor communities.	Increase the level of life and reduce poverty structurally.
<i>hifzal-'aql</i> (keeping reason)	literacy, training management, and business.	Give birth to a perpetrator economy, smart and creative.
<i>hifz an-nasl</i> (guarding descendants)	Ensure continuity of the economy, family <i>mustahik</i> .	Come true, family, resilient, and prosperous.
<i>hifz al-māl</i> (guarding property)	Distributing funds in a halal and productive manner; avoiding usury.	Created rotation, fair, and blessed wealth.

Table 3 illustrates the application of *Maqāsid al-Shari'ah* within the Integrated Economic Empowerment Framework and its impact on community economics. In the aspect of *hifz ad-din* (preservation of religion), fostering awareness that business and financing are forms of worship promotes Islamic business ethics and halal economic behavior. *Hifz an-nafs* (preservation of life) is addressed by providing access to capital for productive low-income communities, thereby improving living standards and reducing structural poverty. For *hifz al-'aql* (preservation of intellect), literacy programs, management training, and entrepreneurship development cultivate knowledgeable and creative economic actors (Anggadini et al., 2025). *Hifz an-nasl* (preservation of progeny) ensures the economic sustainability of *mustahik* families, contributing to resilient and prosperous households. Meanwhile, *hifz al-māl* (preservation of wealth) is implemented through the distribution of halal and productive funds and the avoidance of interest (*riba*), creating fair and blessed wealth circulation. Thus, Table 3 demonstrates that *maqāsid al-shari'ah* functions not only as a moral value system but also as an operational framework

for Islamic economic development, ensuring that all economic processes are conducted within principles of justice, mutual cooperation (*ta'awun*), and balance (*tawāzun*).

From an Islamic perspective, a healthy economy flows like clean water, unobstructed by usury, hoarding, or injustice. Integrating Sharia Microfinance and BAZNAS Microfinance strengthens this flow through top-down zakat distribution and bottom-up financing, creating a comprehensive circulation of justice. This model combines institutional innovation with spiritual revitalization, embedding worship and community welfare into concrete economic practices. Its success is measured by its impact on community livelihoods, as the synergy of productive zakat and Islamic microfinance forms a sustainable cycle: zakat empowers, financing enables independence, and *mustahik* can transform into *muzakki*, fostering productivity, social contribution, and economic self-reliance. International experiences in countries like Malaysia, Bangladesh, Pakistan, and Sudan show that collaboration between Islamic financial and zakat institutions enhances micro-enterprise sustainability, reduces poverty, and strengthens community economic independence (Awdalkrem, 2025). In Indonesia, the integration of Islamic microfinance and BAZNAS Microfinance holds strategic potential as a driver of a productive economy rooted in Islamic values, aligning financial instruments, social funds, and *maqāsid al-sharī'ah* to create a just, inclusive, and sustainable economic ecosystem.

## DISCUSSION

The research findings indicate that the Sharia microfinance institutions in Indonesia continue to face significant structural challenges that hinder the effectiveness of productive financing for MSMEs. Limited capital and asset capacity restrict SMIs' ability to expand financing outreach, while low human resource capacity and insufficient literacy in Islamic financial management weaken risk management practices and contribute to rising NPF levels. These constraints are further exacerbated by weak digitalization and fragmented regulatory frameworks, which undermine institutional efficiency and reduce the role of SMIs as effective instruments of Islamic financial inclusion (Nabhani et al., 2025).

In addition, the effectiveness of BAZNAS Microfinance in promoting the economic empowerment of *mustahik* remains constrained by structural and institutional limitations. The substantial gap between the potential and actual collection of zakat funds has resulted in limited revolving capital for productive programs. In addition, inadequate human resource capacity, inconsistent business mentoring, and weak governance and coordination among zakat institutions have contributed to the low level of *mustahik* independence (Hasan et al., 2019). These conditions indicate that productive zakat has not yet fully functioned as a sustainable empowerment instrument, as only a small proportion of beneficiaries have successfully transitioned into economically independent actors. Consequently, the realization of *maqāsid al-sharia*, particularly the principles of *ḥifẓ al-māl* (protection of wealth) and *al-maṣlahah* (public welfare), remains suboptimal within the current BAZNAS Microfinance system (Karim, 2010).

Despite these challenges, the prospects for Islamic microfinance and BAZNAS Microfinance in Indonesia are highly promising. The large number of micro-enterprises, strong government policy support, continued growth of the Islamic finance industry, and increasing public awareness of halal economic practices and productive zakat provide a strong foundation for future development (Amelia et al., 2025). Moreover, digital transformation and collaboration with Islamic fintech platforms offer significant opportunities to expand service coverage, improve transparency, and enhance public trust in Islamic microfinance institutions (Hunjra et al., 2024; Rupita & Andrini, 2025). Through digital systems, institutions can reduce operational costs, strengthen accountability, and improve monitoring of beneficiary performance.

Furthermore, the research highlights that integration between Islamic microfinance institutions and BAZNAS Microfinance represents a strategic and sustainable model for community economic empowerment. This integrated approach allows zakat to function

as social incubation capital, preparing *mustahik* both economically and spiritually before they are upgraded into independent entrepreneurs through Sharia-compliant financing schemes. In this way, zakat does not merely serve as short-term social assistance but becomes a catalyst for long-term economic transformation, enabling *mustahik* to progress toward becoming financially self-sufficient and, ultimately, a potential *muzakki* (Akbar & Siti-Nabiha, 2022; Widiastuti et al., 2022).

This integrative model is strongly aligned with the principles of *maqāsid al-sharia*, particularly *hifz al-māl* and *al-maṣlahah*, as it promotes fair, halal, and productive wealth distribution while strengthening Islamic financial inclusion and community economic resilience. International evidence further supports this finding, demonstrating that effective synergy between zakat institutions and Islamic microfinance significantly enhances the sustainability of micro-enterprises and contributes to poverty reduction (Darajatun, 2025).

## **CONCLUSION**

Based on the research results, it can be concluded that the integration between Sharia Microfinance (LKMS/BMT) and BAZNAS Microfinance is a strategic model for sustainable, equitable, and *maqāsid al-syarī'ah*-based community economic empowerment. The findings show that the synergy between social funds (productive zakat) and sharia commercial funds (microfinance) can create an inclusive economic cycle, increase the independence of *mustahik*, strengthen the real sector, and reduce dependence on interest-based financing and illegal lending practices. This model also emphasizes the importance of social and spiritual dimensions in economic development, through social incubation, productive financing, and the circulation of the people's economy.

The implication is that this integration can serve as a guideline for the government, zakat institutions, and LKMS (Islamic microfinance institutions) to expand Islamic financial inclusion, improve financial literacy, and create a transparent and sustainable economic ecosystem. However, this research has limitations because it is conceptual and based on literature studies and secondary data, so it has not yet measured the direct empirical impact in the field. As a recommendation, the implementation of this model needs to be supported by the digitalization of the microfinance system, strengthening human resource capacity, and the implementation of good shariah governance. Future research is recommended to conduct empirical field studies to evaluate the effectiveness of this integration in increasing income, social welfare, and transforming *mustahik* into new *muzakki*. Furthermore, further research can examine the adaptation of this integrative model in different regions and its potential for national and international replication. Thus, the integration of LKMS/BMT and BAZNAS Microfinance has great potential to build an independent, productive, and equitable ummah economy, while also making a real contribution to the development of the Islamic economy in Indonesia.

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