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THE ROLE OF ZAKAT IN SUPPORTING ISLAMIC MICROFINANCE: A SURVEY AMONG IJOK RESIDENTS

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Abstract

Zakat stands as the greatest charity in Islam, and it serves as an Islamic financial model that is instrumental in poverty alleviation and economic development within Muslim societies. It acts as a mechanism for wealth transfer so that aid is provided to the economically depressed groups. Zakat, when combined with Islamic microfinance, can serve as an entity that can offer sustainable finances through compliant Shariah services. On the contrary, Islamic microfinance has a number of problems such as low levels of education, lack of infrastructure, poor governance systems, and slow response times to fund allocation. Various microfinance projects funded with zakat suffer from lack of clear objectives which results in poorly controlled and monitored spending. In addition, low public awareness and weak marketing efforts reduce community. This paper examines the issues, challenges and roles of integrating zakat within Islamic microfinance in order to for Muslims in Ijok. The study adopts a quantitative design where data was collected through survey questionnaires focusing on the issues, challenges, and the role zakat can play towards aiding micro-financing initiatives. Most of this research showed very clearly that the finding indicate a predominantly positive perception that zakat plays a critical role in poverty alleviation, economic development, and support for small-scale business development, but challenges such as limited awareness, delays, and lack of governance do overshadow the data. In response to these concerns, the study suggests strengthening community activities, increasing disclosure, and encouraging collaboration between zakat institutions and microfinance companies. Such strategies seek to improve an existing zakat microfinance model to better aid underserved communities through improved financial inclusion and sustainable economic development.

Keywords: *Microfinance, Zakat, Financial, Poverty, Alleviation.*

INTRODUCTION

Microfinance has long been recognized as a powerful tool for poverty alleviation, with its origins tracing back to Professor Muhammad Yunus in 1976 when he pioneered the Grameen Bank model. This initiative provided small, non-collateral loans to the underprivileged, particularly women, to promote self-employment and financial independence.

Over time, the concept evolved, and Malaysia introduced Islamic microfinance in the 1980s, aligning it with Shariah principles that prohibit riba (interest). Instead, it operates on ethical financing models such as Mudarabah, Musharakah, Murabaha, and Qard Hassan, offering financial services that cater to small businesses and entrepreneurs who lack collateral(Aisyah, 2024).

The expansion of Islamic microfinance in Malaysia gained momentum in the 1990s and significantly accelerated in the 2000s. Institutions like Amanah Ikhtiar Malaysia (AIM), established in 1987, played a crucial role in providing accessible, Shariah-compliant financial services (Wahab et. al., 2023). The introduction of the National Sustainable Microfinance Framework in 2006 further strengthened the sector, with organizations such as TEKUN Nasional, Bank Rakyat, and Bank Islam Malaysia Berhad (BIMB) enhancing financial inclusion through Islamic microfinance.

Given Malaysia's status as a Muslim-majority country, Islamic microfinance is widely accepted as a more ethical and inclusive alternative to conventional financial systems (Obaidullah, 2008). Despite its potential, Islamic microfinance still faces several challenges, particularly in optimizing zakat as a financial instrument. While conventional microfinance primarily focuses on credit and savings, Islamic microfinance integrates social finance tools such as zakat, sadaqah, and waqf (Tijani, 2015).

However, zakat remains underutilized in sustainable microfinance programs. Currently, many zakat distribution models prioritize short-term assistance rather than long-term financial empowerment. This study seeks to bridge that gap by exploring how zakat can effectively support Islamic microfinance, ensuring that it not only provides immediate relief but also fosters long-term economic empowerment (Usman & Tasmin, 2016).

The research focuses on Ijok residents, examining their awareness, accessibility, and experiences with Islamic microfinance services, as well as the role of zakat in supporting these initiatives. Key challenges include the lack of structured systems, inefficient management, and limited awareness of zakat's potential in financing microbusinesses. By addressing these gaps, this study aims to provide recommendations for enhancing zakat utilization, improving governance, and creating sustainable Islamic microfinance models that contribute to poverty alleviation and financial inclusion.

LITERATURE REVIEW

Concept Of Zakat In Islamic Finance

Zakat is a compulsory form of wealth redistribution aimed at assisting eligible recipients (asnaf). Traditionally, zakat is distributed in the form of cash or basic necessities, which mainly provides short-term relief (Johari et al., 2014). Recent studies suggest that zakat should be utilized more productively to support long-term economic empowerment. For instance, zakat funds can be used to finance small businesses and income-generating activities (Hassanain, 2015). This approach aligns with the objective of zakat in promoting socio-economic development (Ibrahim & Ghazali, 2014).

Concept Of Islamic Microfinance

Islamic microfinance refers to financial services provided to low-income individuals in compliance with Shariah principles. It prohibits riba and promotes ethical financing through instruments such as Mudarabah, Musharakah, Murabahah, and Qard Hasan (Tamanni & Liu, 2017).Unlike conventional microfinance, Islamic microfinance emphasizes risk-sharing and ethical financial practices.

It also aims to promote financial inclusion among marginalized groups (Obaidullah, 2008). In Malaysia, institutions such as Amanah Ikhtiar Malaysia (AIM), TEKUN, and Bank Islam Malaysia Berhad play an important role in delivering these services (Azmi & Thaker, 2020).

Development Of Islamic Microfinance In Malaysia

Islamic microfinance in Malaysia has evolved alongside the broader Islamic finance industry. Early initiatives such as AIM were inspired by the Grameen Bank model and later adapted to comply with Shariah principles (Hasan et al., 2013). Government support has significantly strengthened the sector through policy frameworks and institutional involvement.

Organizations such as TEKUN and Bank Rakyat have expanded access to microfinance, particularly for low-income communities (Azmi & Thaker, 2020). These developments demonstrate Malaysia's commitment to financial inclusion and socio-economic development.

Role Of Islamic Microfinance In Poverty Alleviation

Islamic microfinance contributes to poverty alleviation by providing access to capital and promoting entrepreneurship. It integrates ethical values that ensure economic activities remain socially responsible (Razak, 2019). Additionally, Islamic microfinance promotes equitable wealth distribution and financial inclusion, which are essential for sustainable development (Nadzari et al., 2012). However, its effectiveness depends on proper implementation, institutional support, and integration with other Islamic social finance instruments.

Integration Of Zakat With Islamic Microfinance

The integration of zakat with Islamic microfinance provides a more sustainable model for poverty alleviation. Zakat funds can be used to support financing mechanisms such as Qard Hasan and equity-based contracts like Mudarabah and Musharakah (Pamuncak, 2020). This integration reduces financial barriers and enhances access to capital for low-income individuals.

It also strengthens the role of Islamic microfinance in achieving socio-economic development (Ibrahim & Ghazali, 2014). Despite the strong potential of integrating zakat with Islamic microfinance to enhance financial inclusion and poverty alleviation, its implementation remains constrained by low awareness, inefficient distribution, governance weaknesses, and delays in fund disbursement (Pamuncak, 2020; Rahman & Dean, 2013; Mahmood et al., 2019).

METHODOLOGY

This study employs a quantitative research methodology using a structured questionnaire to examine the issues and challenges of Islamic microfinance and the role of zakat in supporting it among Ijok residents. Data collection includes primary data, obtained through Google Forms questionnaires shared via WhatsApp, and secondary data, gathered from journal articles, books, and publications.

The questionnaire consists of three sections: demographics, Islamic microfinance challenges, and zakat's role. The target population comprises 300 zakat recipients and Islamic microfinance beneficiaries, with 169 participants selected using simple random sampling, determined by the Krejcie & Morgan Table. Data analysis is conducted using SPSS (Version 26) and Microsoft Excel, utilizing descriptive statistics, frequency distributions, and Likert scale analysis to interpret responses.

Ethical considerations, including confidentiality and informed consent, were ensured. The study's findings provide insights into improving Islamic microfinance initiatives and optimizing zakat's impact on economic empowerment.

RESULTS AND DISCUSSIONS

This section presents the findings from Parts A, B, and C, covering respondents' demographic profiles, the issues and challenges of Islamic microfinance, and the role of zakat in supporting Islamic microfinance. Part A examines respondents' employment status, monthly household income, and experience with Islamic microfinance services. Part B explores key challenges, including awareness, accessibility, understanding, and satisfaction with Islamic microfinance.

Lastly, Part C focuses on the role of zakat in supporting Islamic microfinance. A descriptive analysis using frequency analysis has been conducted to assess the data collected from the survey.

Descriptive Analysis: (Part A: Demographic Profile)

The researcher will first define and explain the demographic profile. This information was obtained from the survey that 169 respondents from Ijok residents answered. Data on demographic distribution, including employment status, household income level (monthly) and experience with Islamic microfinance services, were described using descriptive analysis techniques. The results of this survey, which was successfully distributed using the WhatsApp app, are presented in the table below:

Table 4.1: Demographic Profile

Demographic	Item	Frequency (n)	Percentage (%)
Employment Status	Employed	37	21.9
	Self-Employed	108	63.9
	Unemployed	8	4.7
	Student	15	8.9
	Retired	1	0.6
Household Income Level (Monthly)	Below RM1000	16	9.5
	RM1000 – RM2999	70	41.4
	RM3000 – RM4999	73	43.2
	RM5000 – RM6999	6	3.6
	Above RM7000	4	2.4
Experience with Microfinance / Islamic Microfinance	Yes	143	84.6
	No	26	15.4

Source: Researcher Analysis

Descriptive Analysis: (Part B: Issues And Challenges Of Islamic Microfinance)

This section will discuss the results for the first objective of this study regarding the issues and challenges of Islamic microfinance in strengthening the Muslim economy. Part B of the survey provides questionnaires intended to meet this aim. In Part B, there are 10 questions. When interpreted, the results from this section will answer questions regarding respondents' experiences using five (5) shortform hint such as Strongly Disagree (SD), Disagree (D), Natural (N), Agree (A) and Strongly Agree (SA) ; these may include specific issues and challenges that need to be addressed like limited accessibility, time delays in terms of services, insufficient funds or lack of knowledge.

The findings will inform the mapping of the current Islamic microfinance framework to identify areas of improvement to optimize the overall efficacy and reach of the Islamic microfinance model.

Table 4.2: Issues and Challenges of Islamic Microfinance

No.	Statement	SD (n, %)	D (n, %)	N (n, %)	A (n, %)	SA (n, %)
1	I am aware of the availability of Islamic microfinance services in my community.	2 (1.2)	2 (1.2)	22 (13.0)	77 (45.6)	66 (39.1)
2	It is easy to access Islamic microfinance services in my area.	1 (0.6)	3 (1.8)	35 (20.7)	69 (40.8)	61 (36.1)
3	I understand the requirements to apply for Islamic microfinance.	4 (2.4)	4 (2.4)	32 (18.9)	68 (40.2)	61 (36.1)
4	The eligibility criteria for Islamic microfinance are fair and accessible.	1 (0.6)	3 (1.8)	23 (13.6)	76 (45.0)	66 (39.1)
5	I am well-informed about the benefits of Islamic microfinance programs.	3 (1.8)	8 (4.7)	37 (21.9)	57 (33.7)	64 (37.9)
6	The documentation process for Islamic microfinance is straightforward.	2 (1.2)	4 (2.4)	53 (31.4)	57 (33.7)	53 (31.4)
7	There are enough funds available through Islamic microfinance institutions to support local entrepreneurs.	2 (1.2)	3 (1.8)	20 (11.8)	70 (41.4)	74 (43.8)
8	Islamic microfinance programs effectively meet the needs of low-income individuals.	2 (1.2)	2 (1.2)	18 (10.7)	64 (37.9)	83 (49.1)
9	I feel confident in using Islamic microfinance services due to their compliance with Shariah principles.	1 (0.6)	1 (0.6)	15 (8.9)	63 (37.3)	89 (52.7)
10	I have experienced delays or other issues in receiving financing from Islamic microfinance institutions.	8 (4.7)	27 (16.0)	75 (44.4)	43 (25.4)	16 (9.5)

Source: Researcher Analysis

Descriptive Analysis: (Part C: The Role Of Zakat In Supporting Islamic Microfinance Among Ijok Residents)

This section will reveal the findings used to answer the second objective of this research regarding the role of zakat in supporting Islamic microfinance for the Ijok residents. Part C of the survey includes all the questionnaires created to meet this aim. In part C, consists of nine questions designed to explore different phenomena on the aspect of zakat in terms of accessibility, adequacy, synchronicity with microfinance programs, and socioeconomic development for the people of Ijok.

The analysis will assess the extent to which respondents are aware about zakat as a financial tool, their degree of satisfaction with the distribution process, and whether they believe that zakat contributions have contributed to the sustainability and outreach of Islamic microfinance programs. This part will also discuss the nature of zakat as a complementary financial service for microfinance institutions and its contribution to the livelihoods of the poor.

Table 4.3: The Role of Zakat in Supporting Islamic Microfinance

No.	Statement	SD (n, %)	D (n, %)	N (n, %)	A (n, %)	SA (n, %)
1	I am aware that zakat contributions support Islamic microfinance initiatives.	1 (0.6)	0 (0.0)	12 (7.1)	49 (29.0)	107 (63.3)
2	Zakat plays a crucial role in supporting small businesses and entrepreneurs.	0 (0.0)	1 (0.6)	7 (4.1)	46 (27.2)	115 (68.0)
3	Zakat contributions have significantly impacted poverty reduction in my area.	0 (0.0)	1 (0.6)	6 (3.6)	31 (18.3)	131 (77.5)
4	There are adequate community awareness programs about zakat contributions to Islamic microfinance.	0 (0.0)	3 (1.8)	14 (8.3)	24 (14.2)	128 (75.7)

No.	Statement	SD (n, %)	D (n, %)	N (n, %)	A (n, %)	SA (n, %)
5	I am satisfied with how zakat funds are used to support Islamic microfinance initiatives.	0 (0.0)	2 (1.2)	9 (5.3)	36 (21.3)	122 (72.2)
6	Zakat distributed through Islamic microfinance has contributed to economic empowerment in my community.	0 (0.0)	2 (1.2)	10 (5.9)	34 (20.1)	123 (72.8)
7	The inclusion of zakat in microfinance has made these services more ethical and Shariah-compliant.	0 (0.0)	0 (0.0)	9 (5.3)	34 (20.1)	126 (74.6)
8	Developing partnerships between zakat institutions and microfinance providers will strengthen the system.	0 (0.0)	0 (0.0)	11 (6.5)	25 (14.8)	133 (78.7)
9	Increasing transparency in zakat distribution can enhance its impact on Islamic microfinance.	0 (0.0)	1 (0.6)	7 (4.1)	29 (17.2)	132 (78.1)

Source: Researcher Analysis

CONCEPTUAL FRAMEWORK OF ISLAMIC MICROFINANCE

There are six main components of microfinance, which are financial services that follow the principles of Shariah and provide takaful choices, organizations that offer saving facilities, manage finances and ensure funds, non-financial support, social support, knowing clients characteristics of small businesses; and priorities the welfare of clients involved in the program (Ahmad 2014).

Accessible financing, at fair profit rates, describes how financial services contribute to poverty eradication and growth. Saving services allow clients to cope with uncertainty and can impose a lower cost for borrowed resources than settling with another agent for the cost of borrowing. Stable financial resources can guarantee their availability when needed.

Value-added services, like business growth courses, support clients in optimizing financial services for improved business norms, establishing incremental growth. Community-based financing relies on the provision of services, such as that of the organization mediating these flows, to widen access to financing without the need for collateral through establishing trust and social connections, therefore reducing risk and allowing for peer monitoring.

The combination of these elements creates a framework in accordance with values that lead to the well-being of clients and significant economic and financial growth (Ahmad 2014).

AWARENESS AND ACCESSIBILITY OF ZAKAT CONTRIBUTION ISLAMIC MICROFINANCE

According to the survey results, it seems that a lot of people have little understanding or do not know at all about the microfinance programs that are funded through zakat money. The results show that most of the respondents in Ijok indeed know that there are Islamic microfinance services (84.7% agree or strongly agree), but the rest of the respondents remain confused or do not know how to access those services. Out of all the respondents, 13% chose a neutral option, meaning that while these people have some knowledge about Islamic microfinance, they do not have a complete understanding of it and how to access it.

Also, even though 76.9% of the respondents say that they believe Islamic microfinance services are available to them, 20.7% remains neutral, and 2.4% is outright against this statement which suggests some barriers which may include lack of adequate campaign coverage, useless informative provision, or complex application procedures. These findings support Pamuncak's assertion about microfinance programs' information need in his 2020 publication.

Rural and marginal regions are often the most affected. Without community workshops, informative seminars, and even social media campaigns, many potential beneficiaries remain unaware of these financial services. In addition, as pointed out by

Ibrahim and Ghazali (2014) there is also a suggestion that engagement with known adults in the community and the use of mobile phones can reception the uncovered aspects of this issue.

It is equally important to address issues that relate to the effective dissemination of information regarding program qualifications, advantages, and how to apply. Tackling these issues would improve the effects of Islamic microfinance aided by zakat by making certain that those in need are able to optimally use these services towards economic self-sufficiency and reduction of poverty (Hj Kassim et al., 2019).

EFFICIENCY IN ZAKAT DISTRIBUTION

Respondents highlighted inefficiencies in Zakat disbursement, such as delay, misallocation and lack of transparency. This is consistent with challenges identified in previous literature such as timelines (Pamuncak, 2020), and governance (Rahman & Rahim, 2007). Bureaucratic processes, not transparency in reporting also lack accountability with unreliable fund allocation only adding fuel to the fire. This serves as an impediment to the productive use of zakat funds in Islamic microfinance programs.

These findings underscore the critical need for better governance infrastructures, with solid data collection mechanisms and digitalized methods of fund distribution, as suggested (Rahman et al., 2015). Systems such as blockchain technology or automated reporting systems could be used to run more efficiently, minimize delays and avoid ambiguity in fund allocation.

Improved transparency mechanisms like periodic public reporting on activities and independent audits might also play a crucial part in restoring trust amongst stakeholders. Moreover, well-developed targeted training of zakat institution staff can enhance operational efficiency and accountability and can resolve various problems.

Informed, transparent, and publicly accountable guidelines for identification and targeting eligible beneficiaries, linked to community feedback mechanisms, could ensure that funds are delivered to the right people. Fersi and Boujelbène (2023) call for the implementation of such measures that would not only enhance trust but also increase the effectiveness of zakat on poverty alleviation and financial inclusion. Systemic inefficiencies, if addressed, would enhance the role of zakat as an indispensable element of Islamic microfinance and target poor populations in more effective ways (Hj Kassim et al., 2019).

GOVERNANCE AND TRANSPARENCY CHALLENGES IN ISLAMIC MICROFINANCE

The results of the survey show overwhelming support for fostering transparency in the circulation of funds toward zakat, with 95.2 percent of the respondents (78.1 percent strongly agree while 17.2 percent agree) indicating that it could improve the effectiveness of Islamic microfinance. Only 4.1 percent were neutral, while 0.6 percent disagreed. This suggests that while a great deal of the respondents support transparency, there remains a portion of society that either does not fully understand the implications or is overly concerned with issues surrounding its feasibility.

The absence of unambiguous allocation frameworks, unreliable reporting, and insufficient public visibility were considered the primary constraints in microfinance initiatives that are zakat funded. The performance of these zakat financed activities, and other initiatives cannot be effectively monitored and evaluated in their absence. Respondents also revealed their concerns regarding the lack of available channels for lodging grievance or feedback which establishes a culture of unaccountability and diminishes the confidence of the public.

These findings are consistent with the work of Abdul Rahman & Dean (2013), who argue that governance and transparency greatly influence the public's faith in Zakat institutions. To improve zakat transparency and to increase public trust in Islamic microfinance, a number of important measures need to be taken.

Independent audits and disclosures are essential to improving accountability because the use of third parties to audit and publish periodic reports on fund usage and their assessments will heighten trust and reduce suspicion of fund mismanagement. Furthermore, new technologies like blockchain or real-time reporting systems have the potential to improve tracking of funds usage, as well as ensure proper allocation while reducing risks of misappropriation (Thaidi et al., 2023).

In addition, building up and nurturing community monitoring schemes like committees of those with stakes in the programs, including local leaders and beneficiaries, is likely to raise perceptions of accountability and facilitate public scrutiny of zakat fund management. Finally, clear communication strategies are as crucial as other strategies in enhancing transparency, dissemination through media, community gatherings, and other digital channels enables beneficiaries and donors to receive regular updates through reports of outcome assessments, thus fostering trust and confidence in zakat-funded microfinance initiatives.

These steps would strategically position zakat institutions to enhance accountability and fund management while deepening the socio-economic impact of Islamic microfinance initiatives on the target population.

DELAY IN RECEIVING THE ISLAMIC MICROFINANCE INITIATIVES

The subsequent listing of the challenges is presented as follows. The first obstacle that respondents identified is the microfinance initiatives that have not yet been funded. This obstacle has the highest percentage - 34.9 percent (25.4 percent agree with this statement, while 9.5 percent strongly agree along with 44.4 percent of respondents who remained neutral to the statement).

This observation indicates that a large number of beneficiaries have experienced either high levels of red tape or some level of inefficiency in the disbursement to the micro finance which would enable them to be economically empowered. On the other hand, 20.7 percent (16 percent disenfranchised while 4.7 percent strongly disenfranchised) left such statements ambiguous, which seek to convey that different institutions might have disbursed micro credit to them and therefore did not face such issues.

This is suggestive of incomplete system uniformity even within institutions that have attempted to streamline processes. However, the delays can be attributed to several factors, including lengthy approval processes, excessive documentation requirements, and a lack of institutional capacities (Abdul Rahman & Dean 2013). As a result, issues like these increase the barriers to the microfinancing schemes and serve as a demotivator to other potential beneficiaries.

The consequence of not having access to funds within a reasonable period of time restricts recipients' expenditure on business investments and the acquisition of financing instruments which would provide them with a measure of financial security that is essential for alleviating poverty and economic stress. A possible solution would be to implement digital platforms and automated real-time applications which have the potential of lowering the approval period and improving transparency.

Moreover, the adoption of e-payment systems, or digital wallets can also help with the prompt distribution of funds, allowing beneficiaries to receive aid in a timely manner. Furthermore, enhancing the motivation of the zakat institution staff through extensive training and increasing overall resource consumption would reduce the operational challenges. Defining explicit deadlines and Service Level Agreements (SLAs) for the fund disbursement processes would improve overall responsibility and confidence in the system.

In addition, community engagement programs that train beneficiaries require a great deal of basic documentation, which also assists in reducing the timeliness of application submission. These steps would enable the zakat institutions to provide funding support not only to the residents of Ijok, but to other beneficiaries as well, which would increase faith in the programs and utilizations of the Islamic microfinance system for empowering economies to the fullest (Hj Kassim et al., 2019).

INTEGRATION ZAKAT WITH ISLAMIC MICROFINANCE

The collected data to some appears to suggest that zakat has a critical role in economic empowerment, as 92.9% of the respondents (72.8% strongly agree while 20.1% agree) claim that zakat which is channeled through Islamic microfinance has aided in economically developing their community. However, a small percentage of 5.9% remained neutral while 1.2% seemed to be in disagreement.

Nonetheless, there is middle ground wherein it is accepted that while zakat has its benefits, it can certainly be improved upon. Extremely notable challenges were flagged by the respondents on the ground realities regarding the contribution of zakat. A vast majority opined that funds collected through zakat are utilized mostly towards short-term aid such as cash grant direct assistance as opposed to sustainable empowerment initiatives.

This correlates with Hassanain's (2015) viewpoint on zakat, which assert that it must fulfil a number of basic consumptions needs but must also be properly geared to enable economic self-sufficiency in the long run. However, one approach to bridge the gap to achieve greater impact of zakat is to incorporate it with sharia compliant Islamic micro finance products like Qard Hassan, Mudarabah, and Musharakah (Razak, 2019).

The limited adoption of these financing models, however, curtails the full benefits of zakat towards poverty alleviation and business development. These funds are not easily shared with disadvantaged groups because of the absence of organized systems to integrate zakat with microfinance institutions.

In addition, some respondents flagged concerns with regard to the processes of allocation and monitoring of the raised funds which have further erosion of trust in the system. In the absence of adequate mechanisms for tracking data, zakat funds can be misallocated. Having clearer policies on reporting and tracking would increase zakat-funded microfinance projects' transparency and public confidence.

Addressing these issues requires greater collaboration between the zakat institutions and the microfinance providers. Partnerships with AIM or TEKUN could facilitate more efficient fund distribution and lower administrative costs while ensuring the funds are used for long lasting financial empowerment, rather than consumptive purposes.

At the same time, engaging the public and winning their support is critical so that both the sponsors and recipients of zakat understand how it can be used in microfinance. It is likely that a number of respondents don't appreciate the fact that zakat can be used not just for fleeting philanthropy, but for sustainable economic development. With modernized, more effective Islamic microfinance, which is aimed for helping the poor, outreach efforts need to be intensified, and transparency of fund allocation needs to be increased.

ROLE OF ISLAMIC MICROFINANCE THROUGH ZAKAT IN POVERTY ALLEVIATION

The results point out that there is a substantial contribution towards the reduction of poverty because 77.5% strongly agree with it and 18.3% also agree. This statement also depicts how effective zakat is towards offering financial support towards the needy. Notwithstanding, respondents still noted that the integration of zakat and Islamic microfinance remains problematic, with respect to scaling, sustaining initiatives over the long term, and implementing them efficiently.

As much as zakat is an integral instrument within Islamic finance, poverty alleviation is enabled through operational inefficiencies, lack of awareness, and inadequate frameworks that can serve its full potential. An Addition, to tackle these issues, restructuring towards how the zakat is distributed and managed is necessary. Respondents argued that zakat cannot be limited to just social relief, but its scope must be further broadened to foster long-term economic empowerment through qard hassan, Mudarabah, and Musharakah that promote entrepreneurship and self-sufficiency.

Also, the lack of micro finance legal frameworks to integrate with Zakat limits its socioeconomic empowerment of beneficiaries on a more sustained basis. Respondents, additionally believe that establishing improved oversight, greater transparency and adjustments in policies are necessary in order to ensure that the roles of Zakat in Islamic Micro Finance are fully utilized.

The synergy between social enterprises and zakat institutions can optimize the effective harnessing of zakat in reducing poverty by easing the processes and cutting down the cost of distribution. In addition, more campaigns and financial education slots should be rolled out to train the donors and recipients on the use and importance of zakat in the scope of Islamic microfinance.

There is a need to promote technological innovations such as automated digital payments, blockchains for transparency, and machine learning algorithms to help bridge the gap between the zakat funds and those that require it most. These advancements will allow for a more effective integration of zakat within Islamic micro finance, thus changing the economic condition of poor people in the society by providing sustainable development aid within the framework of Islam.

CONCLUSION

Zakat, when integrated with Islamic microfinance, serves as a powerful tool for poverty alleviation by providing financial support and fostering economic empowerment. By leveraging zakat-based microfinance, Muslim communities can enhance financial inclusion, reduce economic disparities, and create a sustainable model for socio-economic development.

However, to maximize its potential, efficient management, regulatory support, and increased awareness are essential. A well-structured zakat-based microfinance system not only uplifts underprivileged individuals but also strengthens communal solidarity and ethical financial practices.

Furthermore, collaboration between governments, financial institutions, and religious bodies can optimize its impact, ensuring resources are effectively distributed to those in need. With the right approach, zakat-based Islamic microfinance can significantly contribute to eradicating poverty, promoting economic justice, and fostering long-term economic resilience within society.

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