

# **MEDIATING EFFECTS OF ISLAMIC BUSINESS SUCCESS ON PRODUCTIVE ZAKAT AND MUSTAHIQ WELFARE**

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## **ABSTRACT**

This research aims to determine the effect of productive zakat programs, entrepreneurial motivation, and competence on the welfare of *mustahiq* through having successful Islamic businesses as interveners. The research applied quantitative analysis method by distributing questionnaires to collect primary data from 111 *mustahiq* recipients of assistance from zakat institutions. This research employed a path analysis technique with the help of the SEM-PLS (Partial Least Squares) 4.0 program and was used to analyze the influence among variables. The empirical findings indicate that the productive zakat program significantly and positively affects *mustahiq's* welfare but not the business's success. Meanwhile, entrepreneurial motivation and competence also significantly and positively affect business success and *mustahiq* welfare. Interestingly, the success factor for Islamic businesses can mediate the relationship between productive zakat, motivation, and competency on the welfare of *mustahiq*. This research contributes to the zakat literature by examining the connection between productive zakat, entrepreneurial drive, competency, and the factors influencing the performance of Islamic enterprises in achieving welfare according to Islamic objectives. Practically, the implications of this research are useful for the government as a policymaker in increasing the contribution of zakat institutions to material and spiritual poverty alleviation.

**Keywords:** Productive Zakat, Islamic Entrepreneurial Motivation, Entrepreneurial Competence, Islamic Business Success, Maqasid Sharia Welfare

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## 1. INTRODUCTION

Zakat can be defined as a social and financial instrument that plays a fundamental role in Islam. As a form of social responsibility in the Islamic economy, ongoing studies related to the theme of zakat are crucial (Al-Salih, 2020); in addition, the contribution of zakat in overcoming specific problems such as micro-entrepreneurs, better known as *mustahiq* entrepreneurs has placed zakat as an exciting subject to discuss. The zakat empowerment programme is a productive initiative designed to assist low-income individuals in achieving sustainable economic growth. This zakat distributed through micro-enterprise development can contribute to lengthy periods of socio-economic effects for zakat recipients, especially *mustahiq*, who run businesses to create a sustainable welfare improvement (Beik & Arsyianti, 2015). Furthermore, this practice serves as a form of devotion to Allah SWT, since zakat organisations provide responsible and transparent services to the receivers.

The zakat distribution model aims to alleviate poverty by serving the needs of *mustahiq* in a consumptive manner and addressing the root causes of poverty (Al-Qardhawi, 2020), where zakat can be used for effective businesses to serve people experiencing poverty and improve the best of humans. In this case, productivity refers to the condition that after *mustahiq* receives productive capital help, including capital or education, they can create valuable things. Productivity is linked to capital, market access, and the quality of assets, which are essential for managing zakat monies and improving financial resources. However, this condition could be achieved if the capital help supplied no longer burdened production costs.

In addition, a successful *mustahiq* business is always related to the inner effects, such as motivation in the form of solid beliefs and hopes for maximum results from a company. The only criterion for business success that can be self-built is motivation, namely the *mustahiq*'s desire to become successful entrepreneurs and change their lives. However, desire is not the only one leading to success, although it will be the last self-defense to deal with emotional distress. Micro entrepreneurs must be motivated to improve commercial enterprises' overall performance, which is an important psychological aspect of entrepreneurs within the entrepreneurial procedure. Motivation is intently associated with a business's creation and sustainability (Kuratko & Hodgetts, 2001).

The success of microenterprises is crucial but also a significant problem for *mustahiq* entrepreneurs, as their livelihood depends on these operations. Thus, further analysis is required to observe how productive zakat, motivation, and competence contribute to improving the satisfactory existence of *mustahiq*. Several previous studies have examined zakat empowerment's effect on recipients' success and welfare from different perspectives and findings. Studies from Beik and Arsyianti (2016) and Fathoni et al. (2021) have highlighted the effect of zakat on poverty and well-being with the CIBEST approach. In addition, research related to productive zakat and its relationship to the success and welfare of *mustahiq* is also carried out by (Mawardi et al., 2023; Widiastuti et al., 2021) and (Nafiah, 2015). Other studies from Sharofiddin et al. (2019) and Pertiwi et al. (2020) also investigate the effect of zakat empowerment on the community's social welfare. Some of these studies have primarily investigated the role of zakat as a program of zakat institutions that contributes to the welfare of recipients. However, studies investigating the effect

of successful efforts that largely determine the well-being of *mustahiq* in productive zakat programs have received less attention than previous studies. In addition, *mustahiq* entrepreneurial factors in the form of motivation and competence that also played a role were very limited in previous studies. Therefore, this research seeks to create novelty by offering a different perspective from several previous studies through measuring *mustahiq* welfare, which observes the effect of the external factors, particularly capital assistance from productive zakat programs and internal factors or motivation and competence of *mustahiq* as the main actors in the program. This present research also differs from the previous one as it includes business success factors from an Islamic point of view as mediation between antecedent factors and affected variables to observe the effect between variables directly and indirectly.

Therefore, this present research was conducted to study the effect of productive zakat, Islamic entrepreneurial motivation, and entrepreneurial competence and their effects on the welfare of *mustahiq*. This research offers novelty by using Islamic business success variables as mediation between productive zakat, motivation, competency, and *mustahiq* welfare. In addition, the uniqueness of this research is related to the use of Islamic motivation entrepreneurship (IME) variable indicators in the model. Investigating the role of Islamic business success in the relationship between productive zakat, motivation, and competence in supporting *mustahiq* welfare is essential.

## **2. LITERATURE REVIEW**

Zakat serves as an alternate method for fostering economic growth and promoting a sense of unity among individuals. Zakat is a key feature of the Islamic economic system that highlights the idea of justice in achieving the aims of developing the people's economy. According to Qaradhawi et al. (2005), zakat is also the first institution known in history that can guarantee social life. In this case, zakat is aimed at solving the root cause of poverty, which is the inability of the community to try or participate actively in economic activities. The zakat system aims to address poverty by empowering individuals to break free from the cycle of poverty rather than simply giving aid for their immediate consumption needs. Furthermore, according to Arifah (2022) that zakat can change and improve the economy of low-income communities, such as traders who can have shops and everything related to their work or people who have special skills can have tools that support these skills.

### **2.1 Islamic Welfare Concept**

In Islam, well-being is termed as *mashlahah* which contains worldly and religious benefits, which means that well-being cannot be achieved unless man's life is in harmony with his inner world (Chapra, 1992). Based on the perspective of Dahlan (2019) and Kader (2021), the welfare of the *maqashid* view of sharia (the purpose of Islam) contains in five protections, including the protection of faith (*al-din*), soul (*al-nafs*), reason (*al-'aql*), heredity (*al-nasl*), and wealth (*al-mal*). In the Islamic view, welfare is not only assessed by material measures but also by non-material ones, which encompass meeting spiritual needs, maintaining moral values, and realizing social harmony. In the Islamic view, people can be identified prosperous if two criteria are met, namely the fulfillment of the basic needs of each individual citizen (food, clothing, shelter, education, and health) and the preservation and protection of religion, soul, reason, human honor, and reason.

Allah Almighty has made Islam a perfect religion as in its system, all aspects of life are regulated, political, economic, legal, social, and cultural.

## **2.2 Productive Zakat and Mustahiq Welfare**

“Productive zakat is referred to funds distributed to *mustahiq* and are not spent at once for intake; however, they can be evolved and used to assist their businesses” (Wardhana et al., 2020). The program introduced by the zakat institution intends to improve *mustahiq*'s welfare by obtaining a fixed and consistent income. It helps increase happiness through the blessings gained from the program (Amin, 2022). According to Musa (2020) that productive zakat is a type of alms distributed to *mustahiq* as a working capital to increase income and meet the *mustahiq*'s daily needs sustainably (Musa, 2020; Santoso et al., 2023). In addition, Qardawi (2000) also considers that the productive zakat distribution can deal with the problems leading to poverty by growing the welfare of *mustahiq*. In line with that, Muhammad Daud Ali's creative utilization of productive zakat is manifested as business capital that can support *Mustahiq*'s social projects or increase the prosperity of traders or small entrepreneurs (Ali, 1988).

## **2.3 Islamic Entrepreneurial Motivation**

According to Schultz (1972) and Kuzmin et al. (2020), in human capital theory, motivation is a supply of income and pleasure within destiny. These scholars say that motivation is an individual's beliefs and expectations regarding the rewards of entrepreneurial pursuits (Almobaireek & Manolova, 2013; Ibrahim et al., 2019). Regarding empowering *mustahiq* via productive enterprises by the zakat institution, Amin (2022) argues that attitude and passion are crucial for success in a company, while support from family and friends significantly influences the business outcomes of venture capital recipients. In the context of Islamic Economics, motivation includes obtaining human fortune (*falah*), obtaining a good life (*hayah thayyibah*), the importance of brotherhood and socio-economic values, and the advent of financial boom and stability (Chapra, 1992).

## **2.4 Entrepreneurial Competence**

Entrepreneurial competence is the underlying traits that include well-known and precise understanding, motives, features, self-photo, social roles, and capabilities that bring about the start of a business, survival, or increase (Bird, 2019). Competence is also a measuring tool to predict the future welfare of a business (Stokes & Blackburn, 2002). In line with that, Driessen & Zwart (2006) argue that entrepreneurial competence encompasses information, motivation, talents, and characteristics (personal qualities). This more specific view defines emotional entrepreneurial competencies (PECs), which might be a hard and fast of traits that assist in explaining the attitudes and conduct of entrepreneurs (Alusen, 2016), which includes achievement and planning (Garzón, 2010). In other words, personal characteristics are the developments that make humans extra or much less able to be entrepreneurs. According to Rahman and Ahmad (2011) knowledge of business skills is important to improve performance and profits for the business carried out by *asnaf*.

## 2.5 Islamic Business Success

Business success in the Islamic concept (*falah*) elucidates that *al-falah* represents an inclusive performance measure in the Islamic business concept (Abdul Wahab & Rafiki, 2014). Excess or surplus must be given to other Muslims who meet the requirements, as determined by Islamic law through media such as zakat. Therefore, to achieve something that means success requires a combination of profit and *mashlahah* (public interest). A successful *mustahiq* business is vital to *mustahiq* welfare in productive zakat programs (Yahaya & Ahmad, 2019). Further, the distribution of productive zakat funds has positive implications for welfare in terms of meeting basic needs and other necessities of life (Furqani et al., 2018; Widiastuti et al., 2021). The success of the assistance program from the zakat institution can also be observed in how much productive zakat affects the success of *mustahiq* entrepreneurs through improvement of income, wealth, and better education for *mustahiq* families (Bonandar, 2018; Yaakub & Muhd Adnan, 2018). In the productive zakat program, *mustahiq* business is a means to achieve their welfare through increasing income (Tuan Mahmood et al., 2021). Chapra (1992) contends that wealth may enhance human well-being when allocated effectively and distributed equitably. If riches were solely pursued as the ultimate objective, it would result in environmental disparities, instabilities, and overindulgences, ultimately diminishing the welfare of the majority of current and future generations. For instance, achieving welfare in business requires properly allocating financial resources from zakat institutions to enhance the firm's worth, therefore impacting the financial well-being of individuals and their dependent family members. The allocation of productive zakat does not focus much on evaluating the performance of muslim entrepreneurs in terms of welfare (Afif Muhamat et al., 2013; Rahman & Ahmad, 2011).

## 3. METHODOLOGY

A quantitative technique is used to understand the relationship of effect among variables either directly or indirectly. In this research, the productive zakat program (X1), Islamic entrepreneurial motivation (X2), and entrepreneurial competence (X3) are the independent variables. Meanwhile, the independent variable is the expected cause of some changes in the dependent variable. *Mustahiq maqasid* sharia welfare variable is the dependent or dependent variable (Y), which is the main factor to be described, predicted, and affected. The Islamic business success variable is the mediating variable (Z) and the dependent variable. The effect of the Islamic business success variable will be examined in strengthening the connection between the impartial variable (X) and the based variable (Y). As illustrated in Figure 1, the research hypothesis is as follows:

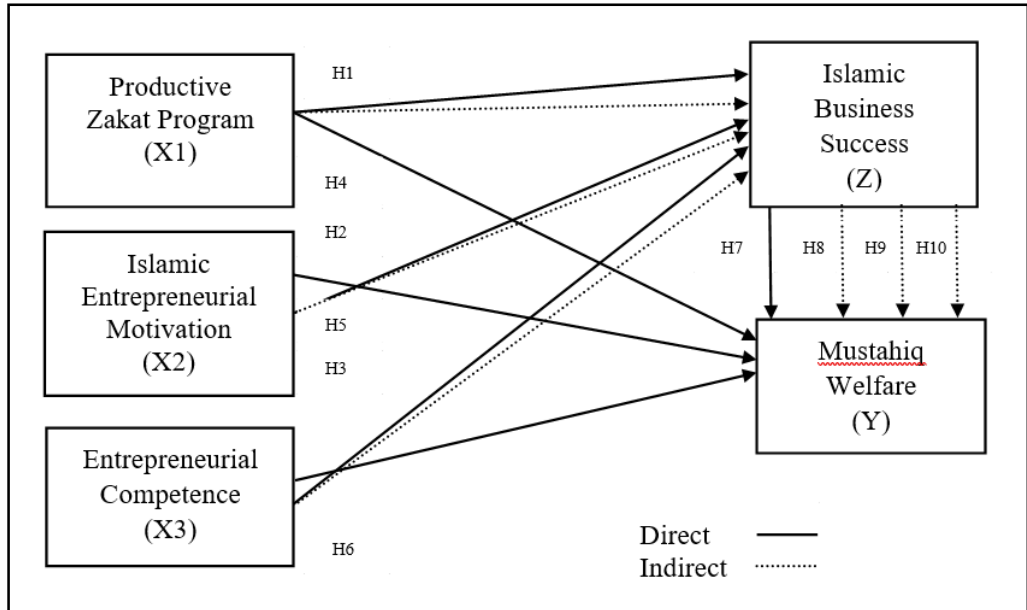
- H1. Productive zakat possesses a significant and positive effect on Islamic business success
- H2. Islamic entrepreneurial motivation possesses a significant and positive effect on Islamic business success
- H3. Entrepreneurial competence possesses a significant and positive effect on Islamic business success
- H4. Productive zakat possesses a significant and positive effect on the welfare of *mustahiq*
- H5. Islamic entrepreneurial motivation has a significant and positive effect on *mustahiq* welfare
- H6. Entrepreneurial competence has a significant and positive effect on the welfare of *mustahiq*
- H7. Islamic business success has a significant and positive effect on the welfare of *mustahiq*

H8. Islamic business success mediates the relationship between productive zakat and *mustahiq* welfare

H9. Islamic business success mediates the relationship between Islamic entrepreneurial motivation and *mustahiq* welfare

H10. Islamic business success mediates the relationship between entrepreneurial competence and *mustahiq* welfare

**Figure 1: Model Overview**



### 3.1 Research Data

The population in this research are all 111 *mustahiq* as productive zakat recipients at the National Amil Zakat Agency (BAZNAS) of Gorontalo City, Gorontalo Province, Indonesia. This number is taken from data on recipients of zakat assistance for a productive economy in the form of additional capital (in the form of goods for sale), which will be channelled through two stages throughout 2021 in Gorontalo City, which consists of 9 (nine) Subdistricts with 50 (fifty) Villages. Data on beneficiaries must also meet the criteria, namely having run their business for approximately 1 (one) year after receiving assistance from BAZNAS. Determination of the sample using nonprobability sampling with total sampling, where this technique uses the entire population as part of the sample or as the sample to be studied. This sampling is often employed when the population size is relatively small or to create population generalizations with very small errors (Sanders et al., 2013), so that the number of samples used is also 111 *mustahiq*. The information used is primary facts with a five-part questionnaire collection technique. The measurement

instrument uses a Likert scale with a preference of respondents' responses, including agree, strongly agree, neutral, disagree, and strongly disagree.

### **3.2 Data Analysis**

Information evaluation is performed by using the Partial Least Square (PLS) approach with the assistance of SmartPLS version four software program. PLS is defined as a technique of fixing Structural Equation Modeling (SEM), which in this situation is more remarkable than other Structural Equation Modeling (SEM) strategies (Pirouz, 2012). Structural Equation Modeling (SEM) has a better degree of flexibility in studies that hyperlink principles and data and can wear out direction evaluation with latent variables, so it is frequently used by researchers who are conscious of social sciences. Partial Least Square (PLS) is a reasonably analytically stable method as it is not based totally on many assumptions. Additionally, data can sometimes be allotted multivariate (indicators with categorical, ordinal, interval to ratio scales can be used in the equal version), and the pattern should be manageable.

## **4. FINDINGS AND DISCUSSION**

This research aims to determine the effect of productive zakat, entrepreneurial motivation, and competency on business success and *mustahiq* welfare at the zakat institution Baznas. The research findings show that productive zakat positively affects business success and *mustahiq* welfare. In addition, entrepreneurial motivation and competence are also proven to contribute positively to business success and *Mustahiq* welfare.

### **4.1 Respondent Demographic Analysis**

Based on the demographic profile of the respondents, 26,10% were male, followed by 73,90% female, which means that the female *mustahiq* respondents were the most dominating. The most significant age frequency was at the age of > 40 years at 79,30%, while the respondents with the earliest age were 15-29 years at 6,30%. Meanwhile, in terms of frequency, the last highest degree of education was at the fundamental school level (SD/equivalent), which was 39,60%. Meanwhile, the respondents with the lowest level of education were the least educated and did not go to school, namely 2,70% each.

### **4.2 Partial Least Square Analysis**

The records used in this observation are primary information, namely with a questionnaire sent to respondents, as many as 111 copies according to the total samples. This present research uses path analysis with Partial Least Square (PLS). The exposure to research findings can be described as follows: Prerequisite Partial Least Square (Outer Model).

#### *Cronbach's alpha*

The reliability check with the previous composite reliability can be supported with Cronbach's alpha value. A variable is reliable or meets Cronbach's alpha if its value is > 0,7. The following table is the Cronbach's alpha value of every variable:

**Table 1: Cronbach's alpha Result**

Variable	Cronbach's Alpha	Standard	Status
Productive Zakat Program	0,894	0,7	Reliable
Islamic Entrepreneurial Motivation	0,859	0,7	Reliable
Entrepreneurial Competence	0,835	0,7	Reliable
Islamic Business Success	0,868	0,7	Reliable
<i>Mustahiq</i> Welfare	0,885	0,7	Reliable

Source: Processed PLS, 2022

Based on the information processing effects above, the composite reliability value of all research variables is  $> 0,7$  which indicates that every variable has fulfilled Cronbach's alpha test, so it can be concluded that every variable is highly reliable.

### ***Coefficient Value of Effect (Inner Model)***

The partial least square feature may be grouped into two kinds: the inner and outer models. The outer model is extra in the direction of trying out validity and reliability. In the meantime, the inner model is more toward regression, specifically to assess the effect of 1 variable on other variables. The assessment of direction evaluation and Structural Equation analysis apply SmartPLS to reveal how strong the effect of the impartial variables is on the dependent variable. Even as the dedication coefficient (R-square) measures how an awful lot of other variables impact the endogenous variables, the outcomes of the analysis regarding the R-square level for the entire equation are offered:

**Table 2: Path Coefficient**

Hypothesis	Relationship	t- Statistic	P Values	Decision
H1	Productive Zakat Program → Islamic Business Success	0,300	0,764	Reject
H2	Islamic Entrepreneurial Motivation → Islamic Business Success	3,428	0,001	Accept
H3	Entrepreneurial competence → Islamic Business Success	4,313	0,000	Accept
H4	Productive Zakat Program → <i>Mustahiq</i> Welfare	2,951	0,003	Accept
H5	Islamic Entrepreneurial Motivation → <i>Mustahiq</i> Welfare	2,042	0,041	Accept
H6	Entrepreneurial competence → <i>Mustahiq</i> Welfare	0,622	0,534	Reject
H7	Islamic Business Success → <i>Mustahiq</i> welfare	3,400	0,001	Accept
H8	Productive Zakat Program → Islamic Business Success → <i>Mustahiq</i> Welfare	0,293	0,769	Reject
H9	Islamic Entrepreneurial Motivation → Islamic Business Success → <i>Mustahiq</i> Welfare	2,881	0,004	Accept
H10	Entrepreneurial competence → Islamic Business Success → <i>Mustahiq</i> welfare	2,438	0,015	Accept

Source: Research findings



## 5. DISCUSSION

The research findings discover that productive zakat programs through the success of Islamic businesses positively affect the welfare of *mustahiq*. The positive effect indicates that the more effective the zakat assistance program that is carried out will lead to *mustahiq* welfare, which is characterized by business success. The success of *mustahiq* business can help *mustahiq* achieve prosperity in accordance with Islamic goals by fulfilling material and spiritual needs (Furqani et al., 2018; Widiastuti et al., 2021). The value coefficient of success of Islamic business as mediation is as high as (H8) 0,293 with a p-value of 0,769. The result indicates a less significant effect meaning that welfare can be better with an effective, productive zakat program, but it can also be less good when the program does not work well due to external factors such as socio-economic conditions that affect its success. This condition is evidenced by the facts in the field, where most *mustahiq* income receiving capital assistance in running a business is only prioritized to meet daily needs, thus impacting the lack of business development due to business profits. On the other hand, the research findings also denote that beneficiaries remain prosperous, even with limited access to programs run by BAZNAS. As stated by Tuan Mahmood et al. (2021) *Mustahiq's* business is an income-generating initiative to help Asnaf improve their welfare. The findings also prove that the success of Islamic businesses can determine their welfare, in line with the statement of Yahaya and Ahmad (2019). While assistance in business capital is only a short-term solution, the long-term version is to transform from a *mustahiq* into a *muzakki* who can lead to his material and spiritual well-being. Business success has also proven to play an important role in mediating productive zakat programs for *mustahiq* welfare, as previous studies from Afif Muhamat et al. (2013) and Rahman and Ahmad (2011) state that zakat does not provide a measurement of the success of *mustahiq* efforts in the context of obtaining welfare. Welfare is the primary goal of Islamic sharia (Chapra, 1992) through the growth of personal income, family spending, the quality of happiness, and the fulfillment of basic needs, so the success aspect of *Mustahiq's* business needs more attention from zakat institutions.

Productive zakat indicates a positive effect on the success of Islamic businesses, with a p-value (H1) of 0,764. An original sample value of 0,300 is greater than a probability value 0,05, meaning that the effect is insignificant. These results contradict recent research from Mawardi et al. (2023), which shows significant results. The Large-Scale Social Distancing Policy (PSBB) during the Covid-19 pandemic in 2020-2021 is assumed to be the cause of the suboptimal assistance program provided, so the research findings reveal that the productive zakat program is not significant for business success. This effect can be observed from the side of the zakat distribution institution or BAZNAS, which is less effective due to limited access to distribution due to the pandemic. It is also noticeable from the *mustahiq* side of capital assistance recipients who have experienced a decrease in the number of customers. Researches from Herianingrum et al. (2024) and Hudaefi et al. (2022) support the results of this finding that the pandemic hampers the economic situation with many company activities needing to be stopped, and many companies and organizations lay off their employees, which causes a decrease in consumption. This condition is also exacerbated by the many malpractices of zakat distribution that have sprung up amid the Covid-19 pandemic. Due to financial constraints during the pandemic, this practice has shifted a lot to purchasing groceries for low-income people (Islam et al., 2023). As a result, many *Mustahiq* consider this issue to be an important issue affecting the income of their commercial ventures. In addition, the physical distancing policy also hinders zakat institutions from stopping visits to zakat institutions to monitor and see the development of *Mustahiq's* business. In several other zakat institutions, the monetary

crisis and pandemic outbreaks caused various aid packages to be delayed due to other unforeseen conditions. Although the results showed less impact on income and business growth, the productive Zakat program affected business success regarding *Mustahiq's* participation in Zakat and Alms. This result can be observed in the acquisition of the indicator score of 85,50%, which means it is in the successful category. This result is also supported by the observation of researchers in the field that, on average, after receiving business capital assistance, *mustahiq* also gives some of the results of his business to those who are unable or in the same fate as them. The essence of productive zakat is to make *mustahiq* into *muzaki* in the future (Musa, 2020), where through a mediation approach, the success of sharia business is expected to have a better effect on zakat institutions in the productive zakat program for the welfare of *mustahiq*.

In addition, productive zakat has a positive and significant effect on welfare with t-statistics (H4) 2.951, which is greater than 1,65. These results are in line with statements from Al-Qardhawi (2005) that the empowerment of zakat in the Islamic economy has the aim of improving the welfare of *mustahiq* under the purpose of Islamic law itself, namely the welfare of *falah maqasid* syariah which includes welfare both materially and spiritually for *mustahiq*. These results also support research Amin (2022) that examines the size of the muslimpreneur success model from the perspective of *maqasid* sharia, where the *asnaf* welfare measurement indicator (AWB) tends to increase in terms of increasing personal growth, family welfare, happiness, asset acquisition and material wealth after participating in the *asnaf* empowerment program through productive zakat. The research findings are also in line with the findings of previous studies from Mawardi et al. (2023) and Widiastuti et al. (2021), who disclosed that the productive zakat program had a positive and significant effect on the welfare of *mustahiq* beneficiaries.

Additionally, the results presented that the business's success had a positive effect on their well-being, evidenced by a t-statistic value of (H7) of 3.400, which was more significant than 1,96. These significant results show that the higher the success of the business, the better the welfare of *mustahiq*. The importance of successful efforts in productive zakat programs for *mustahiq* welfare supports some findings from previous studies (Cahyadi, 2016; Mawardi et al., 2023; Sundari Tanjung, 2019; Widiastuti et al., 2021), which found an emergence of the relationship between business improvement and the welfare of *mustahiq* entrepreneurs. The increase in sales turnover and operating profit of *mustahiq* affects their welfare directly. Business revenue growth, business turnover, and profits increase prosperity as *mustahiq* receives more revenue for the business; this will provide more investment opportunities that can be used to expand the scale and reach of the business. In addition, a higher profit from the business will provide *mustahiq* more purchasing power to consume, as a result of which the level of *mustahiq* consumption will increase. In fact, most *mustahiq* interviewed in this research stated that empowerment programs have increased their income and met their basic needs. This condition proves that from the material side, with the increase in income from business, *mustahiq* are more able to meet their living needs adequately (Yahaya & Ahmad, 2019). Meanwhile, from the spiritual side, the fulfillment of needs impacts increasing their pieties because to *mustahiq* can perform their worship calmly because they have earned regular income from their businesses.

Furthermore, it was found that the success of Islamic business became a mediator between Islamic entrepreneurial motivation and competence in prospering *mustahiq*. Significant and positive results are indicated by coefficient values of (H9) 2,881 and (H10) 2,438, respectively. The success of an

Islamic business is an important factor in encouraging *mustahiq* to succeed, ultimately leading *mustahiq* to prosperity. Previous studies support this finding, which shows that *mustahiq* who get capital assistance directly can help their problems by meeting basic needs and other food shortages, but for business sustainability, it takes motivation and enthusiasm to develop without having to rely on capital assistance from zakat institutions that may not contribute much to improving their quality of life, because this zakat assistance is static (Amin, 2022). An attitude that relies too much on financial assistance will only lead *mustahiq* to their original life, and they will remain recipients of zakat, which is not expected from the purpose of productive zakat in Islam. The success of this Islamic business serves as an intermediary that can bring *mustahiq* to the welfare of the *maqasid* of sharia with the fulfillment of the five elements of religion, soul, reason, property, and heredity (Dahlan, 2019). Business success is also a perfect mediation for competence for *mustahiq* welfare, where previous results discover that entrepreneurial competence has a positive but insignificant effect on *mustahiq* welfare, but after mediation, business success in Islam becomes a strong mediator between competence and welfare of *mustahiq* Syariah. Subsequently, it can be observed from the results of R Square total indirect effect of 71,18%, which showed the highest increase compared to the indirect effect of other variables on *mustahiq*'s welfare through the success of Sharia businesses. This result is in line with the statement Stok & Blackburn (2002) that entrepreneurial competence factors play an important role in business success and are a vital unit of analysis in predicting business success to achieve sustainable prosperity and prosperity.

Sharia entrepreneurship motivation has a significant and positive effect on business success and *mustahiq* welfare with t-statistic values of (H2) 3,428 and (H5) 2,042, respectively, which are greater than 1,96. These results align with statements from Amin (2022) that the motivation and support of the *mustahiq* family played a role in driving the success of their business. These findings support previous studies by Amran & Arafah (2020) and Ibrahim et al. (2019) that entrepreneurial motivation can improve Sharia business performance, which leads to business success. Entrepreneurial motivation that is more towards intrinsic entrepreneurial motivation also supports the statement of Bowles & Polanía-Reyes (2012) and Amabile (1997) that inherent motivation tends to be dominant and has a stronger role, especially in business activities. Productive zakat assistance with services from zakat institutions can directly affect *mustahiq*'s motivation for business performance (Hashim et al., 2019; Ismail et al., 2020), especially motivation from outside *mustahiq* (extrinsic), but in the course of developing a business, this intrinsic motivation will have a stronger influence on the beneficiary entrepreneurs. Furthermore, the significant positive effect of Islamic entrepreneurial motivation on well-being supports previous research (Amorós et al., 2021; Baron et al., 2013; Naudé et al., 2014; Rietveld et al., 2015), which revealed that the motivation affects welfare positively and significantly. This result is also in line with statements from Chapra (1992), Al-Rubi (1984), and Riyanto (2010) that motivation based on Islamic values to achieve the welfare of the world and the hereafter is one of the important elements in achieving successful welfare in accordance with Islamic goals. The internal drive of Islamic entrepreneurial motivation leads to the desire to obtain benefit, which means containing goodness in the world and the hereafter. Privileges in the world are obtained through halal sustenance from *mustahiq* efforts, while goodness in the hereafter is reflected in increased worship as a form of commitment to religious teachings, as well as the desire to continue to contribute to helping others in need.

*Mustahiq*'s entrepreneurial competence is the main capital for business success, ultimately leading *Mustahiq* to prosperity. A significant and positive result is indicated by a t-statistic value of (H3) of 4,313, which is greater than 1,96. These results show that human capital in the form of

entrepreneurial competence in the form of entrepreneurial knowledge and skills can generate exemplary income and performance in managing business success (Schultz, 1961). This finding aligns with statements from Rahman and Ahmad (2011) that knowing *Mustahiq's* business skills is very important as an effective driver for the improvement of business performance and revenue. The results of this study are also supported by the findings of Abdul Halim et al. (2012) successful entrepreneurs have a specific level of entrepreneurial orientation, are willing to take risks for business growth, and employ a distinctive marketing approach. Furthermore, they possess a degree of imagination in business and consistently see achieving successful future enterprises to take pride in, along with a higher-than-average level of product innovation. Our findings are consistent with those of other studies (Afif Muhamat et al., 2013; Rahman & Ahmad, 2011; Rosnani et al., 2010), which considers business experience and knowledge to contribute to success. The ability to participate in zakat and alms as an indicator of business success shows that *mustahiq* has earned enough income to meet his needs and reveals the success of the business being run. In terms of gender and business management, this research also supports research from Rafiki & Nasution (2019) and Mitchelmore & Rowley (2013), where the dominance of female *mustahiq* respondents in doing business shows that the role of women who generally have expertise and competence in business financial management tends to be potentially more successful in doing business than men, this also proves that business success can be achieved regardless of gender differences.

On the other hand, the positive influence of insignificant entrepreneurial competence on welfare is shown by a t-statistic value of (H6) 0,622, smaller than 1,96, which shows that good entrepreneurial competence can improve *mustahiq* welfare, but with positive interventions that have not been maximized. Lack of competence in terms of the ability to build social networks and marketing through social media is the cause of the insignificance of this research. In addition, small businesses must utilize social media in the digital age due to the greater flexibility of Small and Medium Enterprises (SMEs) and solutions to reduce the cost of marketing communications (Pentina & Koh, 2012). On the other hand, the ability to build social networks in a family business environment is needed to build business relationships, especially in product sales and to develop the business being run (Vivianti et al., 2022), as well as in difficult times for a businessman, thus affecting the well-being of the *mustahiq* household.

## 6. CONCLUSION

Theoretically, this research has implications for the success of sharia business in improving *mustahiq* welfare by Islamic values. The practical implications of this research greatly help the government as a policy maker in increasing regional zakat institutions' contribution to poverty alleviation materially and spiritually. Based on the research findings, specifically, the policy implications for zakat institutions can improve the performance of productive zakat distribution programs that focus on increasing the success of *mustahiq* businesses through sufficient capital assistance for their business development, focused entrepreneurship training for marketing knowledge and regular religious, spiritual coaching to maintain the stability of business goals and *mustahiq* spiritual needs. In addition, as a zakat institution under the auspices of the government, cooperation policies with several related government institutions such as labor offices, cooperatives, and small and medium enterprises are needed in facilitating *mustahiq* businesses in terms of licensing and special training that requires experts in the business field. Zakat institutions

are required to be able to collaborate to improve their performance. Furthermore, in addition, to support capital assistance and training from zakat institutions, this research provides stimulation for *mustahiq* to independently increase their motivation and competence, which can directly contribute to the success of their business because zakat institution assistance is only temporary, enthusiastic attitude and knowledge in developing business that will determine the sustainability of their business in achieving the expected prosperity.

In certain conditions, such as the economic crisis affecting the internal finances of zakat institutions and *mustahiq* businesses, this research encourages the government to implement special policies through zakat institutions to prepare appropriate management and formulate strategies. Managers of zakat institutions, which in this case are *zakat amil*, at least need to take steps to map the causes of the crisis, vision-mission-goals of the organization, and situation analysis (strengths, weaknesses, opportunities, threats), all of which are aimed at minimizing the effect of the crisis and the sustainability of productive zakat programs. Although this research has significant contributions and implications, it is limited to only focusing on local government zakat institutions. The same research towards *Lembaga Amil Zakat (LAZ)*, Amil Zakat Institution, *Badan Amil Zakat (BAZ)*, or Amil Zakat Agency established by civil society could be a future research. In addition, analyzing the effect of external factors such as economic crisis, inflation, and other macroeconomic variables on the effectiveness of the productive zakat program is an interesting topic for further study.

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