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## **Transforming *Mustahik* Partners to *Muzakki* Strategy: Case Study on BAZNAS Microfinance Desa, Sawojajar, Malang City**

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**Abstract:** *BAZNAS Microfinance Desa is a microfinance service that has an important role in facilitating access to capital, providing business assistance, and facilitation to micro-business actors. This study aims to find out the strategy implemented by BAZNAS Microfinance Desa in transforming Mustahik Partners to Muzakki in Sawojajar Malang. The type of research used is qualitative research with a case study approach. The data used are primary and secondary data. Primary data collection was obtained from the results of interviews. While secondary data is in the form of observation, and documentation. This documentation is in the form of evidence of records or historical reports that have been compiled in archives, journals, and literature relating to the data of mustahik partners who become muzakki after receiving capital assistance at the BAZNAS Microfinance Desa. This study uses data validity techniques using a triangulation model. Data analysis techniques used in this study are data collection, data condensation, data presentation, and drawing conclusions. The results of the study show that the strategy of BAZNAS Microfinance Desa at Sawojajar Malang is to increase the status of mustahik to become muzakki. In an effort to be able to improve and change the status of partners who initially had to change to muzakki, they had to implement several strategies including planning a partner feasibility study, conducting outreach, forming groups, looking at the feasibility study of partners who had just joined BAZNAS Microfinance Desa, and finally completing a capital financing assessment. business and distribution of funds. This research contributes to finding out the alternative strategy to transform mustahik become muzakki by enhancing their income of business.*

**Keywords:** *Strategy; Zakat; BAZNAS Microfinance; Mustahik; Muzakki; micro-business actors.*

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## INTRODUCTION

Zakat is a very important sector in Islamic philanthropy and become mandatory for Muslims who have fulfilled the requirements as *muzakki* to be able to purify their wealth by distributing some of their assets to *mustahik* or people who receive zakat (Millatina, et al., 2022). The function of zakat is not only as a helper in the *mustahik* economy, but can be a balancing instrument in the national economic sector (Candra et al., 2023) (Singagerda, 2023). The main purpose of zakat is to transform *mustahik* to become *muzakki* (Atah et al., 2018; Amalia & Huda, 2020). Apart from that, the function of zakat itself is not only as an aid in the *mustahik* economy, but can be a balancing instrument in the national economic sector. In general, the main aim of zakat is to transform *mustahik* into becoming *muzakki* (Rahmah, 2019). Based on data released by the Ministry of Home Affairs (Kemendagri), the number of Muslims in Indonesia in 2020 reached 236.53 million, equivalent to 86.88% the total population of Indonesia (Kusnandar, 2021).

By knowing the main purpose of zakat, the distribution of zakat is not only done by providing consumption needs, but by creating a productive zakat distribution model in the form of business capital which may be more meaningful (Hakim, 2020). Business capital can create a livelihood that will improve the economic conditions for *mustahik*, so that gradually they can get out of the trap of poverty and can develop their business until they can change their status from initially *mustahik* to *muzakki* (Wicaksono & Luqman, 2019).

Assistance in the form of important business financing, to provide solutions to the problem of poverty that occurs in Indonesia. Based on data released by the Central Statistics Agency (BPS), the percentage of poor people in Indonesia in September 2022 will increase to 9.57 percent (<https://www.bps.go.id>). The percentage of poor people in September 2022 was 9.57 percent, an increase of 0.03 percentage points compared to March 2022 and a decrease of 0.14 percentage points compared to September 2021. More specifically, the percentage of urban poor people in March 2022 was 7.50 percent, an increase to 7.53 percent in September 2022. Meanwhile, the percentage of rural poor in March 2022 was 12.29 percent, rising to 12.36 percent in September 2022.

Meanwhile, compared to March 2022, the number of urban poor in September 2022 increased by 0.16 million people (from 11.82 million people in March 2022 to 11.98 million people in September 2022). Meanwhile, in the same period the number of poor rural residents increased by 0.04 million people (from 14.34 million people in March 2022 to 14.38 million people in September 2022). There have been many strategies and efforts made by the government to overcome poverty, but it is not easy to eradicate poverty completely.

BAZNAS (National Amil Zakat Agency) created the BMFi program (BAZNAS Microfinance) where this program was formed to be able to take advantage of the existence of sources of zakat for community micro businesses where the recipients are included in the category of eight recipients of zakat (Yulita Amalia & Huda, 2020). The establishment of this BMFi program or commonly known as BAZNAS Microfinance is based on BAZNAS regulation No. 3 of 2018 concerning the Utilization of Zakat article 14 No. 2 which contains

the use of zakat in the economic sector which can be given in the form of assistance to alleviate poverty, increase productive capacity, entrepreneurship, and increase the welfare of *mustahik* (Wijayanti et al., 2021; Alfiani & Akbar, 2020).

Based on the research results, it was found that the implementation of productive zakat capital has a very positive impact on poverty alleviation efforts (Arifin & Anwar, 2021). On the other hand, zakat can result in an increase in income and can give birth to new entrepreneurs by providing assistance in the form of technical guidance for 1 year as a provision for new entrepreneurs who have better abilities (Romdhoni, 2017; Hasan, 2020). It is hoped that the emergence of this macroeconomic system will be able to make a major contribution to zakat distributors in creating sustainable programs and have a broad scope in efforts to reduce poverty in *mustahik* households (Hasan, 2020).

Previous researchers investigating several programs regarding the economic empowerment for *mustahik* toward transformation to *muzakki*. Putra, et. al., (2020) found that productive zakah positively influences the revenues and profits of the *mustahiq* who are involved in developing the DPU Darut Tauhid Misykat program. While Zulkarnain & Farkhani (2021) found that the ZIS (Zakat, Infaq, and Alms) fund utilization program to convert *mustahik* into *muzakki* seen from the side of program implementation's effectiveness and efficiency could be considered successful even though it has not been ideal yet in converting *mustahik* into *muzaki* (Hakim, et. al., 2020). This success has only led to the *mustahik* becoming an independent Muslim and regardless of their initial status as a *mustahik* (Syarifah, 2022). On the other hand, Prasetya, et. al., (2021) reveal that by providing training and assistance to *Mustahiq* in managing productive economic businesses that are carried out sustainably. Economic empowerment for *mustahiq* has the potential to improve the economy to be more independent in running their business. Beik, et. al., (2021) emphasizes that the use of digital technology which is important and able to tackle the entire process of zakat management in terms of operation, collection, and distribution.

While Herianingrum, et. al., (2022) found that the collaboration between *mustahik* and *muzakki* can be developed to strengthen the strategy for raising funds for ISFIs. By empowering *mustahik* with businesses, ISFIs can increase the collection of zakat funds. Moreover, the empowerment programs conducted by Zakat institutions in Indonesia are based on the scale of priorities and the potential of *Mustahik*. Zakat management considers the level of productivity and long-term impacts that improve *mustahik* Economy (Herianingrum, et., al, 2023).

Poverty is a multifaceted issue influenced by a complex interplay of economic, social, and environmental factors. Several key factors contribute to the perpetuation and prevalence of poverty found by BAZNAS Microfinance Desa (BMD) Sawojajar are as follows: *first*, unemployment and underemployment. Limited access to job opportunities and the prevalence of underpaid, unstable work can lead to economic instability and hinder individuals and families from breaking the cycle of poverty. *Second*, the lack of education. Inadequate access to quality education and skill development opportunities can limit individuals' ability to secure well-paying jobs, perpetuating the cycle of poverty across generations. *Third*, environmental factors. environmental degradation, natural disasters, and

climate change can lead to loss of livelihoods, displacement, and increased vulnerability to poverty, particularly among communities reliant on agriculture and natural resources. *Fourth*, lack of infrastructure. Insufficient infrastructure, including inadequate transportation, water and sanitation systems, and energy access, can hinder economic opportunities and limit access to essential services for impoverished communities.

BAZNAS Microfinance Desa (BMD) Sawojajar has been running for about 2 years. Currently, the number of *mustahik* partners who have joined BMD Sawojajar is 115 *mustahik* partners, where initially they had the status of *mustahik* partners with the help and encouragement from BMD Sawojajar, some of them have changed their status to become *muzakki*. In practice, BMD Sawojajar provides business capital loans of up to IDR 3,000,000 and the loan is returned without interest or penalties. In addition to providing partners with access to financing, BMD Sawojajar also helps provide input and encouragement to partners to be able to develop their business through various activities such as attending training, workshops, business branding, business reports, and monitoring partner businesses (Efendi & Fathurrohman, 2021).

Based on this background, this study aims to find out the strategy implemented by BAZNAS Microfinance Desa in transforming *mustahik* partners to *muzakki* in Sawojajar Malang. This research contributes to finding out the strategy carried out by BMD Sawojajar for new partners whose status is initially a *mustahik* with the assistance of this business capital become *muzakki* by enhancing their welfare throughout this program.

## RESEARCH METHODS

The type of research used in this research is qualitative research. The approach used in this research is a case study approach. The case study approach that is in this research discusses in-depth analysis and in it, there is a contextual situation with similar situations with other organizations, where the sources of the problems that occur are based on the situation that has been experienced at this time (Sugiyono, 2017).

The case study approach has been chosen for this research for its ability to align with the research objectives which to find out the strategy implemented by BAZNAS Microfinance Desa in transforming *Mustahik* Partners to *Muzakki* in Sawojajar Malang. This approach provides a detailed and contextualized understanding of the phenomenon, capturing its real-life complexities, and allowing for the exploration of multiple sources of evidence to address the research questions comprehensively.

The case study approach has been chosen for this research due to its unique ability to provide in-depth insights and understanding of complex phenomena within their real-life contexts which the transformation of *mustahik* to *muzakki* in sawojajar malang. This method aligns with the research objectives as it allows for a comprehensive exploration of the specific issues, their intricacies, and their interplay within the broader environment. Further, this approach enables the researcher to delve deep into the intricacies of the subject matter, providing a rich and detailed account of the phenomenon under investigation. This aligns with the

research objectives to gain a profound understanding of the intricacies and dynamics of the subject, to identify patterns, and to develop a nuanced understanding of the underlying factors at play.

The type of data used in this research uses primary and secondary data. The primary data used was by conducting interviews with BAZNAS Microfinance Desa at Sawojajar, such as interviewing the manager, admin, or account officer. Secondary data is generally in the form of evidence, historical records, or reports that have been neatly arranged in archives. The secondary data used regarding the financial reports of BAZNAS Microfinance Desa, data on the number of partners who joined BAZNAS Microfinance, the income of *mustahik* before joining BAZNAS Microfinance Desa and data on the income of *mustahik* who have become *muzakki*.

The data was collected by conducting interviews with several *mustahik* partners who had been successful in their business and were able to increase their income so that they could change their status from *mustahik* to *muzakki* as follows;

No	Name of Partners	Type of Business
1	Mareta	Food and Beverages
2	Lamiati	Glassware Shop
3	Pak Hangga	Food and Beverages
4	Atim Hayati	Food and Beverages
5	Hardiningsih	Food and Beverages
6	Muji Astuti	Green-grocery
7	Bu anik	Food and Beverages
8	Kasiono	Food and Beverages
9	Titik Sulistiyorini	Food and Beverages
10	Bu Diah Ekawati	Snack
11	Supriyatin	Food and Beverages
12	Nur Widiyatmoko	Accessories
13	Dinah	Snack
14	Sulistiyowati	Food and Beverages
15	Suhartini	Food and Beverages
16	Rr. Suci Palasari	Manager BAZNAS Microfinance Desa Sawojajar Malang
17	Arif Maulana	Account Officer BAZNAS Microfinance Desa Sawojajar Malang
18	Aulia Akbar Robbani	Staff of Administration BAZNAS Microfinance Desa Sawojajar Malang

This research uses data validity techniques where the test of credibility or trust in the results of qualitative research makes observations, there is an increase in research persistence, triangulation, lots of discussions, and looking for various reference sources all member checks. The triangulation used in this research is

source and method (technique) triangulation. Source triangulation aims to be able to test the credibility of the data carried out by researchers by re-checking the data that has been obtained through several reliable sources (Sugiyono, 2017). Method triangulation is checking data from the same source using different techniques, for example by means of data that has been obtained through interviews, and then checked again by observing and documenting.

The data analysis technique used in this study carried out several steps in analyzing data including data condensation, presenting data (data display), and drawing conclusions or verification (conclusion drawing and verification). Data collection was carried out through interviews, observation, and documentation. This data condensation process has referred to the process of selecting, simplifying, abstracting, or transforming data that approaches the whole from field notes. In the process of presenting this data, it is very helpful in terms of understanding what is happening in order to be able to act on something, including in terms of analyzing more deeply based on the understanding obtained. This conclusion-drawing stage will not reach its peak until the data collection stage ends. It all depends on the records held in the field, their coding, storage, and retrieval methods used in terms of the researcher's skills and funding requirements.

## **RESULTS AND DISCUSSION**

### ***Implementation Mechanism of the BAZNAS Microfinance Desa Program in Efforts to Realize Community Welfare***

BAZNAS Microfinance Desa strategy in turning *mustahik* partners into *muzakki* is carried out in the form of providing capital loans to *mustahik* which varies depending on the type of business owned by *mustahik* and the smooth return of funds that have been borrowed. The profits obtained from the *mustahik* business also vary depending on the progress of the type of business owned. The role of productive zakat funds channeled by BAZNAS Microfinance Desa in increasing the *mustahik's* welfare can be indicated by the increase in *mustahik's* business profits.

The BAZNAS Microfinance Desa program aims to give a solution for the community (*mustahik*) to obtain financing rather than making loans to financial institutions. The BAZNAS Microfinance Desa program creates a community that has economic empowerment. According to Rr. Suci Palasari as Manager at BAZNAS (Interview, 5 August 2022) stated that, “*the type of loan service aimed at mustahik is based on revolving loans. Where BAZNAS Microfinance Desa provides these funds to mustahik who have businesses, then these funds are used for business capital. The purpose of this loan is to strengthen business capital and help mustahik get out of the trap of loan sharks. Further when returning the funds that have been lent, there will be no additional amount of funds returned except the amount of the loan given.*”

This group financing mechanism is something unique from the BMD program which aims to strengthen social capital among members of the group. This mechanism is also the mission of BMD to grow and easily unite community social solidarity. When a new partner will apply for financing the group head must submit the required member files to BMD after collecting them, the BMD will check the files that have been received, and the BMD will conduct interviews and verify the feasibility of the partner's business being carried out. For prospective new partners who meet the criteria and can continue the initial orientation and partners open a Bank Syariah Indonesia (BSI) account in their own name, then proceed with making a *qardul hasan* contract between the partner and the BMD, after carrying out the contract, the next stage is disbursing funds where the funds go directly to each partner's account as well as there is coaching every week during the financing within 10 months.

However, the criteria for business actors who are entitled to receive business capital loan assistance are partners who already have a business and have been running it for approximately 6 months to 1 year. As stated by Rr. Suci as Manager of BAZNAS Microfinance Village (BMD) (Interview, 5 August 2022) stated that: *"the partner who are entitled to receive business capital loan assistance from BMD Sawojajar are the category of underprivileged people and Mustahik who already have a micro business, at least the business has lasts about 6 months or 1 year. ...."*

On the other hand, these grant funds are provided free of charge without any interference from the capital loans they previously made. However, this grant is given to increase capital for the business they are already running. Based on the results of an interview with Mr. Akbar as Staff of Administration (Interview, 16 August 2022), stated that *"BMD distributed funds to BMD partners who had a high willingness to take part in all the programs and activities planned by BMD such as training, attending workshops or other activities. So the loan funds provided between IDR. 1,000,000 up to IDR. 3,000,000,- to be used for business operation and needs only"*.

One of the factors that influence the successful implementation of the BMD program is how the response of the target group is in which the intended target group is *Mustahik* who have micro businesses that have been running. The success of implementing the BAZNAS Microfinance Desa program can be seen in how *Mustahik's* micro businesses have developed after participating in this assistance program.

According to BAZNAS Microfinance Desa, the aim of forming this group is to facilitate financing, foster a sense of empathy, and help partners so that the program that has been implemented can run well. At this stage, efforts to improve work abilities must be carried out according to work targets. Where BAZNAS Microfinance in Sawojajar Village can choose partners or *Mustahik* candidates who join in selecting whether they are worthy or not to receive a mandate according to the criteria for being given business capital assistance loans.

Based on interview with Mr. Arif as Account Officer at BMD (Interview, 6 August 2022) he stated that, *"..... the creation of groups among BMD partners was to make it easier for us to fill out forms regarding lists of needs, socialize*



programs, and other activities. The formation of this group also makes it easier to pay installments every month or week. Every group has someone appointed as chairman, the purpose of having a chairman is to remind members to pay installments.”

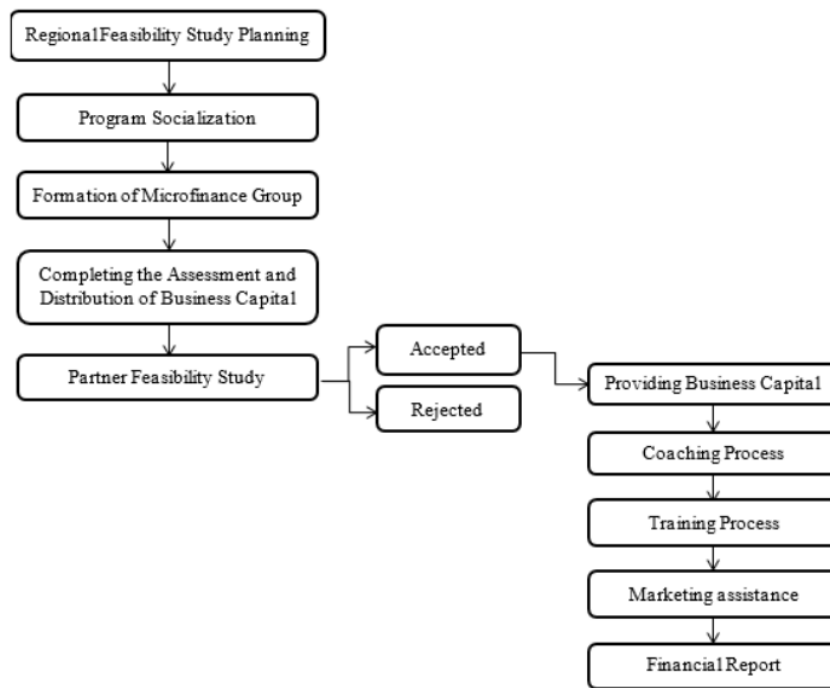


Figure 1. The BAZNAS Microfinance Desa Program Mechanism in Efforts to Realize Community Welfare

Source: BAZNAS Microfinance Desa (BMD) Scheme Document

According to Figure 1, the BAZNAS Microfinance Desa program in efforts to assisting *mustahik* partners on enhancing their creativity and competitiveness in developing their business. This is all demonstrated by several program stages implemented at BAZNAS Microfinance Desa, namely: *first*, the preparation of a Group Business Budget Plan. In terms of providing capital, BAZNAS Microfinance Sawojajar Village is very selective in providing capital assistance to new partners who want to join this program. In this aspect, business actors are required to make a budget plan as one of the requirements for completeness of application documents to take part in the BMD program, then groups will be created according to the amount of business capital that has been submitted.

In this phase, the socialization and a number of funds used for business capital participation given to partners or business actors come from infaq funds provided directly by BMFi as business capital loans in the form of assets for business

needs, such as: sewing machines, display cases and others. It is carried out for business actors who are also required to pay zakat by assisting with business monitoring activities, attending seminars conducted by BAZNAS so that they can have new innovations to develop existing businesses.

*Second*, coaching clinic process. It is carried out for business actors who are also required to pay zakat by assisting with business monitoring activities, attending seminars conducted by BAZNAS so that they can have new innovations to develop existing businesses.

*Third*, training process. The BAZNAS Microfinance Desa program provides assistance in the form of training to business actors to be able to improve their businesses. Among the forms of training activities is training to carry out product branding by improving product photography skills.

*Fourth*, marketing business assistance. In this phase, the business actors they register partners on digital platforms such as registering with Gojek, Grab or ShopeeFood. On the other hand, for partners who have businesses in the culinary and snack sector facilitates partners with assistance in processing business legality. Where partners are assisted in making company registration number, coaching and registering guidance for halal certification, Home Industry Food Production Certificate known as SPP-IRT, and Micro and small business permits.

*Fifth*, on the financial reporting, BMD also has a Microfinance Online Class which is an activity initiated by BAZNAS Microfinance (BMFi) to provide valuable education for BAZNAS Microfinance Desa managers and business actors in developing various problems of micro business actors by presenting solutions and innovation related to micro business development.

In its program, BMD Sawojajar is very focused on increasing welfare economically, this gives significant results in changes in income but insignificant results on the spiritual side. In general, the impact felt by partners due to productive zakat assistance from BMD Sawojajar can be felt for several reasons, including providing access to capital assistance that is appropriate and appropriate for its purpose, namely to support business, mentoring and evaluation routines for partner groups every month, various pieces of training that support business improvement, providing assistance in managing business legality, and marketing network assistance. This of course can support the productive zakat program according to its designation, namely as a reduction in poverty and an increase in welfare. Based on the results of research that has been conducted, there are 11 out of 15 MSME partners who have received business assistance from BAZNAS Microfinance Desa at Sawojajar Village who has changed form *mustahik* to *muzakki* As table 1 follows:

Table 1. Profile of UMKM Partners Recipient of Business Assistance from BAZNAS Microfinance at Sawojajar Village

No	Partner Name	Type of business	Loan Amount	Turnover per month	Profit Amount Per Month	Information
1	Informant 1	Sego Tripe and Laotian	Rp. 3,000,000	Rp. 6,250,000	Rp. 3,570,000	Increase

No	Partner Name	Type of business	Loan Amount	Turnover per month	Profit Amount Per Month	Information
Chicken						
2	Informant 2	Clone Shop	Rp. 3,000,000	Rp. 6,950,000	Rp. 3,800,000	Increase
3	Informant 3	Cilok Bandung	Rp. 3,000,000	Rp. 5,567,000	Rp. 3,700,000	Increase
4	Informant 4	Snack	Rp. 3,000,000	Rp. 5,530,000	Rp. 3,500,000	Increase
5	Informant 5	Rice box	Rp. 3,000,000	Rp. 6,350,000	Rp. 3,850,000	Increase
6	Informant 6	Vegetable seller	Rp. 2,500,000	Rp. 5,000,000	Rp. 3,500,000	Increase
7	Informant 7	Baked Rice, Boxed Rice	Rp. 2,000,000	Rp. 5,700,000	Rp. 3,750,000	Increase
8	Informant 8	Soy milk	Rp. 3,000,000	Rp. 5,000,000	Rp. 3,900,000	Increase
9	Informant 9	Food	Rp. 3,000,000	Rp. 6,500,000	Rp. 3,550,000	Increase
10	Informant 10	Assorted Processed Bananas, Tela-tela	Rp. 3,000,000	Rp. 6,000,000	Rp. 3,570,000	Increase
11	Informant 11	Rice Stall	Rp. 3,000,000	Rp. 7,000,000	Rp. 4,100,000	Increase
12	Informant 12	Energy Bracelet	Rp. 3,000,000	Rp. 4,550,000	Rp. 3,150,000	Increase
13	Informant 13	Mbote Chips	Rp. 3,000,000	Rp. 4,500,000	Rp. 3,000,000	Increase
14	Informant 14	Rice boxes, snacks.	Rp. 3,000,000	Rp. 4,000,000	Rp. 2,875,000	Increase
15	Informant 15	Salted Egg, stick	Rp. 3,000,000	Rp. 4,000,000	Rp. 2,645,000	Increase

Based on table 1 regarding the development of income from business' partners, implies that in general income from businesses run by partners after undergoing the mentoring program from BAZNAS Microfinance Desa has experienced an increasing trend. Based on the results obtained, the productive zakat funds provided by BAZNAS Microfinance Desa can increase the productivity of business partners who are also included in *mustahik* category. This is proven by an increase in turnover and net income of business partners so that they can be economically independent and experience a transformation from *mustahik* to *muzakki*.

Furthermore, in table 1 it can also be seen that of the 15 business partners who were accompanied by BAZNAS Microfinance Desa in Sawojajar Village who were informants, there were 11 business partners who were included in *mustahik* category whose status had changed to *muzakki*. They were business partners in the name of Mareta, Lamiati, Pak Hangga, Atim Hayati, Hardiningsih, Muji Astuti, Mrs. Anik, Kasiono, Titik Sulistiyorini, Mrs. Diah Ekawati and Supriyatin.

### Analysis of Research Findings Results

Based on the results, it can be explained that with business funding assistance for *mustahik*, it will be easier for them to develop their businesses. With their persistence in following all the series of the Sawojajar Village BAZNAS Microfinance program, they were able to change their status from *mustahik* to *muzakki*. The activities they carry out include online seminars on entrepreneurship, promoting their products on digital platforms, attending training or attending training in managing finances.

The existence of BAZNAS Microfinance in Sawojajar Village has an important role in the economic development of business partners who are also required to increase their income thereby creating prosperity for them. The role of BAZNAS Microfinance in Sawojajar Village, apart from increasing the economic growth of *mustahik*, is also training independence to encourage *mustahik* to improve their business to make it even better. Similar program was done by Yaumidin, et. al., (2017) to analyze the impact of the Islamic microfinance institution toward the women empowerment by doing survey through two hundred and forty women who had been involved in the microfinance of the Misykat program in the Dompot Peduli Ummat of Daarut Tauhid and BAZNAS in Bandung. The result found that women involvement in the microfinance improves their position within the household through access to independent income and the improvement of their ability to bring productive asset to household economy. In addition, using the matching propensity score and the instrumental variable methods helps address the bias selection in a cross-sectional setting.

In line with this program, Alam, et. al, (2021) analyzing the role of Baitul Maal wa Tamwil (BMT) or Islamic Microfinance Institution (IMFI), which embrace fishermen by implementing the free late interest system. This study found that that Baitul Maal wa Tamwil (BMT) or Islamic Microfinance Institution (IMFI) had an effective role in empowering fishing communities.

Another program done by Bank Syariah Indonesia on zakat empowerment model through Islamic corporate social responsibility. Rusanti, et, al., (2023) found that the program improve the living standards of the poor and encourage micro-enterprises through the *qadhrul hasan* financing scheme where the beneficiary will only be charged return on initial capital then profits can be given to the manager. This program not only provide social benefits to both parties but will also increase the commercial function where people will feel the direct impact of the benefits of Islamic financing in Indonesia.

In this way, the Sawojajar Village BAZNAS Microfinance program can transform business partners from *mustahik* to *muzakki*. This result in line with Asmita (2021) which stated that BAZNAS *Microfinance* Desa (BMD) was formed to be able to provide financial services to micro-economic entrepreneurs as part of a strategy to overcome poverty and also to increase in the income of *mustahik* so that they can change their status to *muzakki*. Further the result of this study also in line with Suffan (2021) which concluded that the existence of a productive zakat program increase welfare and reduce the material poverty index.

However this result in contrast with Syamsuri and Yogi (2018), Dwi (2018) and Farida (2019) which found that implementation of productive economic programs using zakat is less effective. Further the role of the existence of a zakat empowerment strategy model that has not run optimally and have no impact to transform from *mustahik* to *muzakki*.

On the other hand, in terms of economic empowerment such planning for regional feasibility studies, program outreach, group formation, business feasibility studies for group business partners, filling out financing assessments and channeling funds play important role in the transformation of business partner form *mustahik* to *muzakki*. This result in line with Ishak (2021) and Munir (2022) which found that SWOT analysis and distribution of productive zakat fund able to develop a business and foster to change business partner from *mustahik* to *muzakki*.

BAZNAS Village Microfinance is designed to provide financial services to micro-entrepreneurs as part of the poverty reduction strategy carried out by BAZNAS. The BAZNAS Microfinance distribution process is based on BAZNAS regulation no. 3 of 2018 concerning the Distribution and Empowerment of Zakat and the BAZNAS Microfinance institution operates based on the Decree of the Chairman of BAZNAS No. 20 of 2018 concerning the BAZNAS Microfinance institution as a program under the Directorate of Distribution and Utilization. And was formed to help *Mustahik* in financing their business capital (Nurfiyani, 2021). This result is in line with Haryanti (2019) and Hakim, et. al. (2020) stated that the role of BAZNAS which is very necessary to be able to create eligibility for all human beings, where these efforts are able to minimize poverty, social inequality, unemployment, and economic income inequality. The utilization of zakat funds that have been collected, where these funds are given to *mustahik* in the form of economic empowerment activities to enhance their economic welfare. Furthermore, Mirani (2018) found that coaching or development programs which involve many parties, both government and private will increase knowledge and insight for micro-entrepreneurs partners.

## CONCLUSION

This study aims to analyze the strategy carried out by BAZNAS Microfinance Desa in transforming *mustahik* partners into *muzakki*. The results of the study have shown that the strategies implemented by BAZNAS Microfinance Desa (BMD) at Sawojajar are able to transform business partner from *mustahik* to *muzakki*. There were 5 strategies including planning for regional feasibility studies, program outreach, group formation, business feasibility studies for group business partners, filling out financing assessments and channeling funds. At this stage new partners are asked to fill out a financing assessment form and the aim is to analyze the details of business capital financing needs such as proposed business needs, administrative verification of financing proposals, and rapid financing assessments. The purpose of the several strategies are to enhance the partners' creativity and innovation and also to increase their income.

However, this research acknowledged several limitations. The scope of the research only focused on one form of zakat empowerment program, namely

BAZNAS Microfinance Desa (BMD) at Sawojajar. On the other hand, the informants in this research are limited to several business partners registered in the program. Future research is expected to add research scope and informants so that it can provide more comprehensive and thorough research contributions.

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