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PRODUCTIVE ZAKAT AND HALAL INDUSTRY COMPETITIVENESS: BUILDING ECONOMIC RESILIENCE FOR MSMES

Sri Maulida[1], Husna Karimah[2] and Lina Suherty[3]
[123] Lambung Mangkurat University

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ABSTRACT

This study examines how productive zakat, digital empowerment, and institutional synergy contribute to halal industry competitiveness and Micro, Small, and Medium Enterprise (MSME) welfare, with a focus on halal-certified enterprises in South Kalimantan. The research aims to provide empirical evidence on the effectiveness of zakat-based empowerment models in strengthening the halal economy and supporting inclusive growth. A quantitative approach using Partial Least Squares Structural Equation Modeling (PLS-SEM) was applied with 500 bootstrapping resamples. Data were collected from 137 halal-certified MSMEs supported by BAZNAS. The model incorporates four independent variables—productive zakat, understanding of productive zakat, synergy between zakat institutions and the halal industry, and business digitalization—and three mediation constructs: zakat program effectiveness, halal ecosystem sustainability, and effectiveness of zakat utilization. Halal product competitiveness functions as the primary endogenous variable, with MSME welfare as the ultimate outcome. Synergy between zakat institutions and the halal industry, sustainability of the halal ecosystem, and program effectiveness significantly enhance halal product competitiveness. In turn, halal competitiveness positively influences MSME welfare. Meanwhile, productive zakat, understanding of productive zakat, and business digitalization do not directly strengthen competitiveness, but digitalization and synergy exert indirect effects through institutional and program-based mechanisms. This study is limited to halal-certified MSMEs in South Kalimantan, Indonesia, specifically those supported by BAZNAS. As such, the findings may not be generalized to other regions or zakat institutions with different operational structures. The cross-sectional design also limits causal inference. Future research could employ a longitudinal approach and include comparative analysis across regions or different Islamic social finance instruments, such as waqf-based financing, to validate and extend the proposed model. The findings suggest that zakat institutions should strengthen digital integration and program effectiveness to optimize the impact of productive zakat on MSME competitiveness. Policymakers and halal industry stakeholders can use these insights to design targeted interventions that combine financial assistance, halal certification support, and business digitalization strategies. Such synergy can enhance the performance of MSMEs and promote the sustainability of the halal economy. The study highlights the transformative potential of productive zakat as a tool for inclusive economic growth. By empowering MSMEs and promoting halal product competitiveness, zakat can contribute to job creation, income equality, and community welfare. The integration of digital platforms and ecosystem collaboration also reinforces social trust and transparency within the halal economy, supporting the broader goal of sustainable and equitable development in Indonesia. This study offers one of the first empirical models linking productive zakat, digitalization, institutional synergy, and halal ecosystem sustainability to halal competitiveness and MSME welfare, highlighting that the impact of digital zakat and social finance depends on institutional capacity and structured program implementation rather than financial assistance alone.

Keywords: *productive zakat; halal competitiveness; MSMEs; digitalization; halal ecosystem; institutional synergy*

I. INTRODUCTION

The halal industry has become a strategic sector in Indonesia's economic development agenda, aligned with the country's vision to position itself as a global halal hub (KNEKS, 2023). As the world's largest Muslim-majority nation, Indonesia possesses significant potential in developing halal industries for both domestic and export markets (Menperin, 2024). In recent years, the government has emphasized halal industry downstreaming (hilirisasi) to enhance the competitiveness of local products and accelerate the growth of the sharia-based economy. Within this agenda, South Kalimantan plays a unique role as the gateway to the future capital city (Ibu Kota Nusantara), where the strengthening of the halal ecosystem and the competitiveness of halal MSMEs remains a pressing challenge (Yasinta, 2025).

Productive zakat is one of the instruments with great potential to enhance MSME competitiveness (Choiri & Ma'adi, 2023; Safitri, 2023; Yakup et al., 2024). Beyond its traditional redistributive function, zakat can be optimized to improve business capacity, facilitate halal certification, and enhance product competitiveness (Hak et al., 2024; Rachman et al., 2023). BAZNAS, Indonesia's national zakat agency, has already supported more than 150 MSMEs in South Kalimantan in obtaining halal certification. However, empirical studies specifically analyzing the effect of productive zakat on halal product competitiveness are still limited. This highlights the need for evidence-based research to formulate policy recommendations for strengthening the halal industry ecosystem in South Kalimantan.

In addition, MSME understanding of zakat's benefits is a critical factor in optimizing its utilization. Studies show that awareness among entrepreneurs regarding zakat as a productive instrument remains relatively low, resulting in suboptimal impact on business competitiveness (Lubis & Nasution, 2024). Institutional synergy is another key driver. The Indonesia Sharia Economic Outlook (ISEO) 2024 reported that collaboration between Islamic financial institutions, halal industry actors, and government agencies can accelerate halal sector growth significantly (Kasri et al., 2024).

Digitalization has also emerged as a transformative enabler of halal industry development. The adoption of digital technologies such as e-commerce platforms, blockchain-based halal certification, and Islamic digital payment systems has the potential to improve transparency, efficiency, and market penetration for halal products. Putri et al., (2023) demonstrated that digitalization directly enhances the competitiveness of halal products, particularly in accessing global markets.

Sustainability of the halal ecosystem requires active contributions from multiple stakeholders, including regulators, industry players, and Islamic philanthropic institutions such as zakat and waqf organizations. Sustainable development of the halal industry can be achieved through product innovation, halal literacy programs for MSMEs, and optimized use of zakat and waqf funds (Raimi et al., 2025). Strong halal competitiveness, in turn, contributes to MSME economic welfare. Previous studies indicate that competitive MSMEs tend to achieve higher income growth compared to those lacking access to halal financing and modern digital marketing strategies (Awa et al., 2024; I'tishomabillah et al., 2023; Nasution & Silalahi, 2022).

Against this backdrop, this study investigates the relationship between productive zakat, MSME understanding, institutional synergy, and business digitalization with halal product competitiveness and MSME welfare in South Kalimantan. By integrating mediating variables such as zakat utilization effectiveness, halal ecosystem sustainability, and program effectiveness, this research aims to provide an empirical model that informs policy and practice. The findings are expected to contribute to the halal industry development agenda as part of the Rencana Pembangunan Jangka

Panjang Daerah (RPJPD) 2025–2045, positioning South Kalimantan as a key node in Indonesia's halal downstreaming strategy.

II. HYPOTHESES DEVELOPMENT

Productive zakat acts as a catalyst that enables MSMEs to access capital, working resources, and capacity-building support. According to the Resource-Based View (RBV), strategic resources enhance competitiveness by improving productivity and innovation. Mawardi et al., (2023) found that productive zakat strengthens micro-enterprise capability and competitive readiness, especially in halal-based business environments. Thus, productive zakat is expected to increase halal product competitiveness.

H_{01}: Productive zakat has no significant effect on halal product competitiveness.
H_{11}: Productive zakat has a positive and significant effect on halal product competitiveness.

Understanding productive zakat reflects cognitive readiness and behavioral intention toward optimal fund utilization. Guided by Nudging Theory and the Theory of Planned Behavior (Ajzen), greater knowledge enhances intention and behavior in resource adoption. Alimusa et al., (2025) demonstrated that zakat literacy improves beneficiaries' financial decisions and business outcomes. Thus, better zakat understanding should enhance competitiveness.

H_{02}: Understanding productive zakat has no significant effect on halal product competitiveness.
H_{12}: Understanding productive zakat has a positive and significant effect on halal product competitiveness.

Institutional synergy strengthens economic systems through network effects and shared value creation, consistent with Ecosystem Theory (Adner, 2006). Jaiyeoba et al., (2023) highlight that collaboration among Islamic institutions improves halal market performance. Therefore, collaboration between zakat institutions and halal stakeholders should elevate competitiveness.

H_{03}: Institutional synergy has no significant effect on halal product competitiveness.
H_{13}: Institutional synergy has a positive and significant effect on halal product competitiveness.

Digitalization enhances efficiency, transparency, and customer engagement. Based on the Technology Acceptance Model (TAM; Davis, 1989), MSMEs adopting digital tools can improve performance and competitiveness. Therefore, digitalization is expected to strengthen halal product competitiveness.

H_{04}: Business digitalization has no significant effect on halal product competitiveness.
H_{14}: Business digitalization has a positive and significant effect on halal product competitiveness.

Effective utilization of zakat improves productive outcomes and program efficiency. Siregar et al., (2024) highlight that effective zakat use enhances enterprise performance. Thus, zakat utilization is expected to mediate the effect of zakat knowledge on competitiveness.

H_{05}: Effectiveness of zakat utilization does not mediate the relationship between understanding productive zakat and halal product competitiveness.
H_{15}: Effectiveness of zakat utilization mediates the relationship.

A resilient halal ecosystem ensures continuity, compliance, and synergy. Shariah-Led Framework (SLF) and findings by Raimi et al., (2025) show that ecosystem enablers strengthen competitive capability. Thus, ecosystem sustainability should mediate institutional synergy and competitiveness.

H_{06}: Halal ecosystem sustainability does not mediate the relationship between institutional synergy and halal product competitiveness.
H_{16}: Halal ecosystem sustainability mediates the relationship.

Program effectiveness reflects Value-for-Money principles (Anis & Kassim, 2016a), ensuring zakat is channelled to maximize socio-economic impact. Therefore, program effectiveness should mediate the impact of digitalization on competitiveness.

H_{07}: Zakat program effectiveness does not mediate the relationship between digitalization and halal product competitiveness.
H_{17}: Zakat program effectiveness mediates the relationship.

Finally, Porter's Competitiveness Theory asserts that competitiveness leads to performance improvement. Bashir et al., (2019), Bohari et al., (2013), and Nur Azizah et al., (2025) confirm that halal competitiveness fosters MSME income, growth, and welfare.

H_{08}: Halal product competitiveness has no significant effect on MSME welfare.
H_{18}: Halal product competitiveness has a positive and significant effect on MSME welfare.

All studies testing for hypotheses include a hypotheses development. Each hypothesis should have a logical explanation on how the variables correlated based on a theory (mention the theory).

III. METHODOLOGY

This study employs a quantitative research design with a causal-explanatory approach to examine the influence of productive zakat, understanding of zakat, institutional synergy, and business digitalization on halal product competitiveness and MSME economic welfare. Data were collected through a structured questionnaire distributed to 138 respondents consisting of MSME owners and beneficiaries of productive zakat programs in South Kalimantan.

The research instrument was developed based on theoretical constructs and prior studies to ensure content validity, while reliability was assessed using Cronbach's Alpha and Composite Reliability. Data analysis employed Partial Least Squares-Structural Equation Modeling (PLS-SEM), covering the evaluation of the outer model (convergent validity, discriminant validity, and construct reliability). This approach was chosen because PLS-SEM is suitable for predictive and exploratory analysis in emerging research areas such as the halal industry ecosystem, particularly with medium sample sizes (Hair et al., 2014; Sarstedt et al., 2021).

Table 1. Variable Measurement and Indicators

Variable	Indicators (Example)	Scale	Source
Productive Zakat (X1)	Capital support, business assistance, asset improvement, income enhancement	5-point Likert	Mawardi et al. (2023)
Understanding of Productive Zakat (X2)	Awareness, knowledge, compliance, optimal use intention	5-point Likert	Alimusa et al. (2025); TPB/Nudging Theory
Institutional Synergy (X3)	Collaboration, shared resources, certification support, ecosystem linkage	5-point Likert	Jaiyeoba et al. (2023); Adner (2006)
Business Digitalization (X4)	Digital marketing, online transactions, fintech use, platform adoption	5-point Likert	Davis (1989) TAM
Effectiveness of Zakat Utilization (M1)	Wise fund use, business progress, operational improvement, compliance	5-point Likert	Siregar et al. (2024)
Halal Ecosystem Sustainability (M2)	Institutional support, standard compliance, supply chain continuity	5-point Likert	Raimi et al. (2025); SLF
Zakat Program Effectiveness (M3)	Relevance, efficiency, impact, accountability	5-point Likert	Anis & Kassim (2016); VfM
Halal Product Competitiveness (Y)	Quality, certification, market access, differentiation	5-point Likert	Bashir et al. (2019); Bohari et al. (2013); Porter
MSME Economic Welfare (Z)	Income, business expansion, financial stability, livelihood quality	5-point Likert	Nur Azizah et al. (2025)

IV. RESULTS AND DISCUSSION

This study employs a quantitative research design with a causal-explanatory approach to examine the influence of productive zakat, understanding of zakat, institutional synergy, and business digitalization on halal product competitiveness and MSME economic welfare. Data were collected through a structured questionnaire distributed to 138 respondents consisting of MSME owners and beneficiaries of productive zakat programs in South Kalimantan.

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Table 2. Summary of Outer Model Assessment

Type of Outer Model Assessment	Criteria	Result
Convergent Validity (Outer Loading)	Outer loading > 0.70	All retained items > 0.70. Non-valid items (X1.1, Z1) were removed.
Average Variance Extracted (AVE)	AVE ≥ 0.50	All constructs met the criterion: X1 = 0.825; X2 = 0.619; X3 = 0.734; X4 = 0.776; M1 = 0.837; M2 = 0.728; M3 = 0.810; Y = 0.725; Z = 0.763.
Construct Reliability	Cronbach's Alpha > 0.70; CR > 0.70	All constructs reliable: - X1: α = 0.788; CR = 0.904 - X2: α = 0.691; CR = 0.830 - X3: α = 0.818; CR = 0.892 - X4: α = 0.903; CR = 0.933 - M1: α = 0.903; CR = 0.939 - M2: α = 0.810; CR = 0.888 - M3: α = 0.883; CR = 0.927 - Y: α = 0.810; CR = 0.888 - Z: α = 0.845; CR = 0.906
Discriminant Validity (Fornell–Larcker Criterion)	√AVE > correlations	All constructs met the criterion
Discriminant Validity (Cross Loading)	Indicator loading > cross-loading	Each indicator loaded higher on its intended construct than on others
Multicollinearity (VIF)	VIF < 5	All indicators and constructs had VIF < 5, indicating no multicollinearity.
Unidimensionality	Cronbach's Alpha & CR > 0.70 - 0.70	All constructs fulfilled unidimensionality

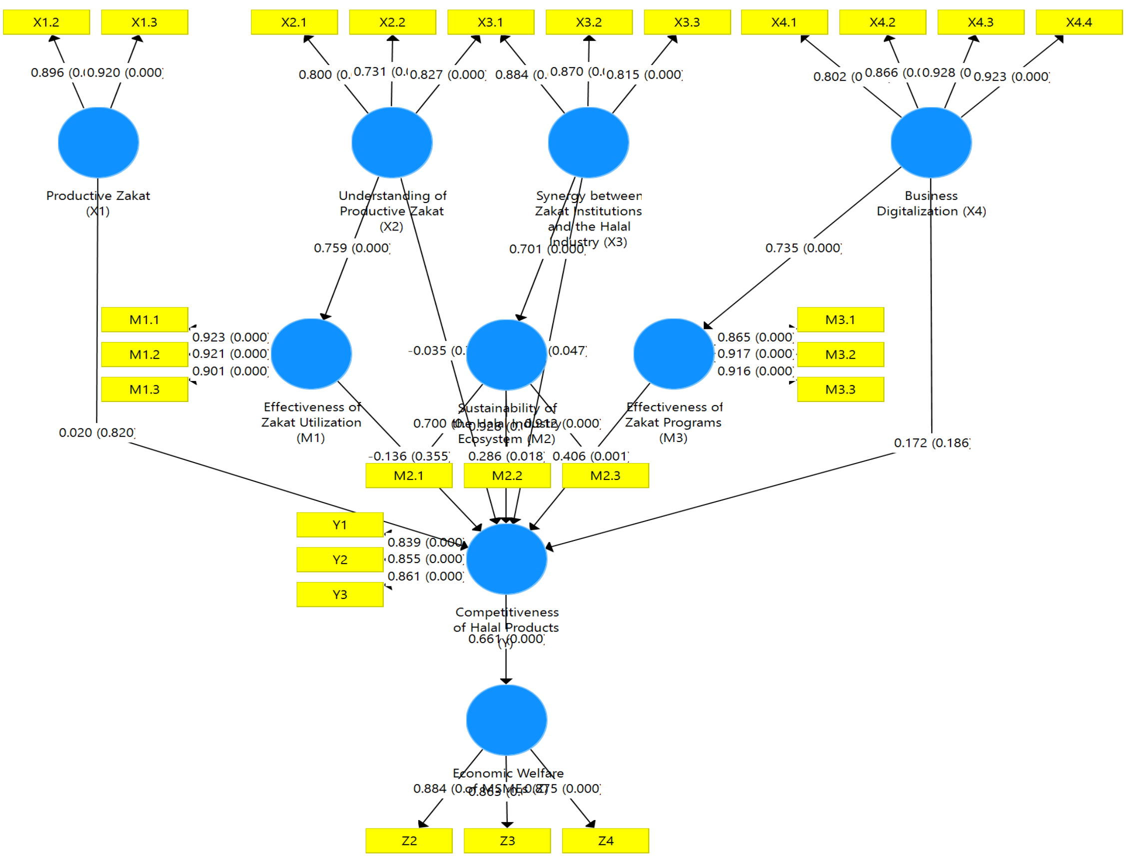
The outer model evaluation confirmed that all constructs in this study achieved satisfactory measurement properties. In terms of convergent validity, the majority of indicators displayed outer loadings above the recommended threshold of 0.70, such as M1.1 (0.923), M2.2 (0.928), and X4.3 (0.928). A few indicators, including X1.1 and Z1, were removed due to insufficient loading values, thereby ensuring that the remaining measurement items represent their latent constructs adequately. The Average Variance Extracted (AVE) values for all constructs exceeded the minimum requirement of 0.50, ranging from 0.619 for Understanding of Productive Zakat (X2) to 0.837 for Effectiveness of Zakat Utilization (M1). These results demonstrate that each construct was able to capture at least 50% of the variance of its indicators, fulfilling the requirement of convergent validity.

The reliability assessment also produced robust results. All constructs reported Cronbach's Alpha and Composite Reliability (CR) values greater than 0.70, confirming internal consistency. For instance, Business Digitalization (X4) showed α = 0.903 and CR = 0.933, while Economic Welfare of MSMEs (Z) recorded α = 0.845 and CR = 0.906. The lowest reliability was observed in Understanding of Productive Zakat (X2), with α = 0.691 and CR = 0.830, which still meets the acceptable threshold. Thus, all constructs demonstrated unidimensionality and internal consistency reliability.

Regarding discriminant validity, the Fornell–Larcker Criterion results confirmed that the square roots of AVE for each construct were greater than their correlations with other constructs, ensuring that the constructs were distinct. The cross-loading analysis further reinforced this conclusion, as each indicator loaded higher on its intended construct than on other constructs. For example, M1.1 had a loading of 0.923 on its intended construct, which was higher than its cross-loading values with other constructs such as Competitiveness of Halal Products (Y = 0.578).

Finally, the multicollinearity test using Variance Inflation Factor (VIF) revealed that all values were below the critical threshold of 5. The highest VIF value was observed in indicator X4.3 (3.772), which still indicates no significant multicollinearity issues. These results collectively confirm that the measurement model is reliable, valid, and free from multicollinearity problems, providing a solid foundation for the subsequent inner model evaluation.

Figure 1. P Value dari path coefficient directs effects



Source: Data is processed, 2025

The inner model (path coefficients, R-square, and predictive relevance). Hypothesis testing was carried out through a bootstrapping procedure with 500 resamples, using t-statistics and p-values to determine the significance of the structural relationships.

Table 2. Inner Model and Hypothesis Testing

Path Relationship	Path Coefficient (β)	T-Statistics	P-Value	Result
X1 (Productive Zakat) → Y (Competitiveness of Halal Products)	0.020	0.228	0.820	Not Significant
X2 (Understanding of Productive Zakat) → Y	-0.035	0.331	0.741	Not Significant
X3 (Synergy Zakat–Halal Industry) → Y	0.197	1.989	0.047	Significant
X4 (Business Digitalization) → Y	0.172	1.324	0.186	Not Significant
X4 → M3 (Effectiveness of Zakat Programs)	0.735	12.329	0.000	Significant
X2 → M1 (Effectiveness of Zakat Utilization)	0.759	9.980	0.000	Significant
X3 → M2 (Sustainability of Halal Industry Ecosystem)	0.701	9.842	0.000	Significant
M1 → Y	-0.136	0.925	0.355	Not Significant
M2 → Y	0.286	2.380	0.018	Significant
M3 → Y	0.406	3.241	0.001	Significant
Y → Z (Economic Welfare of MSMEs)	0.661	9.141	0.000	Significant

Bootstrapping, 500 Resamples

The inner model analysis, assessed through a bootstrapping procedure with 500 resamples, revealed mixed results across the hypothesized relationships. Among the direct effects, synergy between zakat institutions and the halal industry (X3 → Y), sustainability of the halal industry ecosystem (M2 → Y), and effectiveness of zakat programs (M3 → Y) were found to be positive and significant predictors of halal product competitiveness. Furthermore, halal product competitiveness (Y) exerted a strong and significant effect on the economic welfare of MSMEs (Z). In contrast, productive zakat (X1), understanding of productive zakat (X2), effectiveness of zakat utilization (M1), and business digitalization (X4) did not show significant direct effects on competitiveness. These results suggest that institutional collaboration and ecosystem sustainability play more decisive roles than individual zakat variables or digitalization when directly shaping the competitiveness of halal products.

Table 3. Coefficient of Determination (R^2) and Predictive Relevance (Q^2)

Endogenous Construct	R^2	Adjusted R^2	Q^2 (Predictive Relevance)	Interpretation
Y (Competitiveness of Halal Products)	0.659	0.640	0.453	Moderate explanatory power; strong predictive relevance
Z (Economic Welfare of MSMEs)	0.436	0.432	0.320	Moderate explanatory power; predictive relevance confirmed
M1 (Effectiveness of Zakat Utilization)	0.577	0.573	0.464	Moderate explanatory power; predictive relevance confirmed
M2 (Sustainability of Halal Industry Ecosystem)	0.492	0.488	0.343	Moderate explanatory power; predictive relevance confirmed
M3 (Effectiveness of Zakat Programs)	0.540	0.536	0.415	Moderate explanatory power; predictive relevance confirmed

The R^2 values indicate that all endogenous constructs achieved moderate explanatory power, with halal product competitiveness ($R^2 = 0.659$) being the most strongly explained by its predictors. Similarly, the Q^2 values for all constructs were above zero, confirming predictive relevance. These results suggest that the model not only explains a substantial portion of variance in key constructs but also demonstrates strong predictive accuracy, particularly for competitiveness of halal products and MSME welfare.

The structural assessment was performed using bootstrapping with 500 resamples, alongside blindfolding procedures to evaluate predictive relevance, and further validated with the PLS model output. These robustness checks provide stronger confidence in the stability of the path coefficients and significance testing.

The results of this study demonstrate that the measurement model satisfied convergent validity, discriminant validity, and construct reliability criteria, indicating robust measurement quality (Hair et al., 2014). All indicators loaded above the recommended thresholds, while reliability measures exceeded minimum cut-offs. The absence of multicollinearity further confirmed that the constructs represented distinct dimensions of the conceptual framework. These results provide confidence that the subsequent structural analysis is based on valid and reliable constructs.

At the structural level, the findings reveal that synergy between zakat institutions and the halal industry, sustainability of the halal industry ecosystem, and the effectiveness of zakat programs significantly enhance the competitiveness of halal products. Competitiveness, in turn, exerts a strong and significant effect on the welfare of MSMEs. These results are consistent with previous evidence emphasizing the role of collaborative governance and institutional synergy in strengthening sectoral resilience (Huda et al., 2014; Johari et al., 2014). Importantly, the mediation of ecosystem sustainability and zakat programs underscores that institutional frameworks and programmatic designs are necessary to transform financial resources into sustainable competitiveness.

Interestingly, productive zakat, understanding of productive zakat, and business digitalization did not exhibit significant direct effects on halal product competitiveness. This diverges from some earlier studies that positioned zakat financing as a direct catalyst for MSME empowerment (Anis & Kassim, 2016b). Instead, this study finds that their effects operate indirectly through institutional mechanisms, such as zakat program effectiveness and ecosystem sustainability. This nuance suggests that the mere existence of financial resources or digital tools does not guarantee competitiveness unless accompanied by structured program designs, monitoring, and institutional alignment. Similar findings have emerged in studies on Islamic microfinance, where digital innovation only produced measurable outcomes when embedded in comprehensive training and governance systems (Ayuniyyah et al., 2022).

From an explanatory perspective, the model achieved moderate explanatory power, with zakat, digitalization, and synergy variables collectively explaining 64% of the variance in halal product competitiveness and 43% of the variance in MSME welfare. Although meaningful, these values also indicate the presence of external factors such as regulatory support, market access, and consumer behavior that are beyond the scope of zakat and institutional synergy. This resonates with prior research that emphasizes the importance of policy integration and market incentives as complements to zakat-based initiatives (Ayuniyyah et al., 2022).

Another critical aspect is the lack of global model fit, as indicated by SRMR, RMS Theta, and NFI indices. This outcome suggests that future research should consider additional latent variables such as regulatory incentives, halal certification processes, and global market integration to improve the model's fit and explanatory power. While previous studies in Malaysia and the Middle East have demonstrated the importance of regulatory capacity in scaling halal competitiveness (Hudaefi et al., 2021), this study highlights that in the Indonesian context, zakat programs and institutional synergy remain the central drivers.

The findings of this study extend the literature on zakat governance and digital transformation within the halal economy. Prior research emphasizes that the performance of zakat institutions depends heavily on governance quality and fraud prevention mechanisms (Wahyuni-Td et al., 2021). Our results reinforce this argument by demonstrating that zakat program effectiveness significantly determines halal product competitiveness and MSME welfare, highlighting that zakat funds alone are insufficient without effective institutional design. Similarly, the non-significant direct effects of productive zakat and its understanding echo earlier concerns that resource availability does not necessarily translate into impact unless supported by robust governance and accountability frameworks.

In terms of digitalization, this study's findings align with the growing body of research on digital philanthropy and zakat innovation. For example, acceptance of online sadaqah is influenced by behavioral and social factors rather than technology alone (Amin, 2022), while zakat collection via cryptocurrencies and digital assets continues to raise both Shariah and practical considerations (Ayuniyyah et al., 2022; Muneeza et al., 2023; Rosele et al., 2025). Our results show that digitalization did not directly enhance halal product competitiveness but became significant when mediated by zakat program effectiveness, thus confirming that digital tools are most impactful when embedded within structured institutional frameworks. Furthermore, the broader role of zakat in shaping ethical and economic behavior such as mitigating tax aggressiveness in Islamic family firms ((Abu-Rajab et al., 2024) underscores the multi-dimensional impact of zakat beyond poverty alleviation. By integrating these perspectives, this study contributes to the discourse by empirically linking zakat, digitalization, and ecosystem sustainability to halal product competitiveness, offering fresh insights into the pathways through which zakat can support inclusive and sustainable growth.

Theoretical Contribution

This study contributes to theory by demonstrating that the effects of zakat and digitalization are contingent rather than direct. It advances the understanding of PLS-SEM applications in Islamic finance by highlighting the importance of mediation mechanisms, in line with Wold's (1985) concept of "soft modeling." By empirically testing the indirect pathways, the study provides new insights into how zakat and digitalization can be operationalized through ecosystem sustainability and program effectiveness.

Policy Implications

The findings carry several practical implications. First, zakat institutions should focus not only on fund disbursement but also on program effectiveness, monitoring, and alignment with industrial strategies. Second, policymakers should prioritize strengthening institutional synergy between zakat organizations, halal certification bodies, and MSME clusters to build sustainable halal ecosystems. Third, digitalization strategies should be embedded into structured programs rather than implemented in isolation. This requires cross-sector collaboration between financial regulators, BAZNAS, BPJPH, and industry stakeholders. Finally, positioning zakat within the broader halal industrial policy framework would maximize socio-economic impact and align with Indonesia's SDG targets for 2030.

V. CONCLUSION AND RECOMMENDATION

This study examined the role of productive zakat, digitalization, zakat–halal industry synergy, and mediating variables in enhancing the competitiveness of halal products and the welfare of MSMEs in South Kalimantan. The findings demonstrate that zakat productive funds and understanding alone do not significantly improve competitiveness, but their impact is strengthened through effective utilization and supportive programs. Synergy between zakat institutions and the halal industry, together with business digitalization, plays a decisive role in sustaining the halal ecosystem and improving competitiveness, which ultimately enhances MSME welfare.

The strength of this study lies in its empirical, PLS-SEM–based analysis of 138 MSMEs supported by Baznas, offering evidence that connects Islamic social finance with industrial competitiveness. However, the model still faces limitations in overall model fit and in capturing broader regulatory or market barriers. Future research should expand sample size, integrate longitudinal designs, and explore cross-regional comparisons to better understand sustainable zakat-based industrial development.

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