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THE POTENTIAL OF ZAKAT IN REDUCING YOUTH UNEMPLOYMENT AND IMPROVING THE QUALITY OF ECONOMIC GROWTH IN INDONESIA

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ABSTRACT

This study explores how key economic factors like youth unemployment and Gross Domestic Product (GDP) directly and indirectly affect charitable contributions, such as Zakat, Infaq, and Sadaqah (ZIS), with inflation acting as a mediator. The goal is to understand how these economic dynamics shape people's willingness to give and how zakat can be leveraged for broader economic development in Indonesia. The research uses a quantitative approach, applying PLS-SEM (Partial Least Squares-Structural Equation Modeling) to analyze the data. The study found that higher unemployment has a strong, negative impact on ZIS contributions (p = 0.020), meaning that when more people are unemployed, there's less money donated to charity. Inflation also plays a negative role (p = 0.037). On the other hand, GDP doesn't seem to directly affect either inflation (p = 0.069) or ZIS (p = 0.488). Additionally, inflation doesn't appear to mediate the relationship between GDP, TPT, and ZIS. The model explains about 29.7% of the variance in ZIS, showing a moderate predictive power, but only explains 2.1% of the variance in inflation. One limitation of this study is that each economic factor was measured using just one indicator, which could limit the depth of the analysis. Future research could benefit from exploring additional economic variables and using multiple indicators to get a more complete picture. The findings suggest that maintaining stable economic conditions, like reducing unemployment and controlling inflation, is crucial to boosting contributions to ZIS. By showing how economic struggles like unemployment and inflation negatively impact charitable giving, this study highlights the need for collaboration between the government and zakat institutions. Together, they can strengthen economic resilience and improve social welfare, helping to promote inclusive growth and fight poverty through the optimal use of ZIS. This research makes a valuable contribution by quantifying the direct and indirect effects of major economic factors on ZIS, offering fresh insights into how economic conditions influence social giving in Indonesia

***Keywords**: Zakat, Youth Unemployment, Economic Growth, Indonesia*.

I. INTRODUCTION

Indonesia has experienced steady economic growth in recent decades; however, youth unemployment continues to be a significant issue, particularly for those aged 15 to 24. In this group, the unemployment rate is notably higher than the national average (Sari et al., 2024; Febriyanti et al., 2024). According to data from February 2023, the unemployment rate for vocational school graduates was 9.69%, and for high school graduates, it was 7.92%, highlighting a mismatch between the skills of graduates and the demands of the labor market (Saragih & Usman, 2022; Sari et al., 2024). This disparity reinforces the notion that there is a gap between educational outcomes and the needs of the workforce (Sari et al., 2024; Febriyanti et al., 2024). The consequences of this mismatch not only affect individuals but also hinder overall economic growth, with the failure to integrate young people into the labor market reflecting suboptimal growth (Purwanti, 2020).

A potential solution may lie within the framework of Islamic economics, where zakat is considered an effective tool for wealth redistribution, poverty alleviation, and economic

empowerment, with the added benefit of creating more job opportunities. This makes zakat an attractive alternative to address the youth unemployment issue (Purwanti, 2020; Bilqis & Zaki, 2020). Additionally, the literature suggests that integrating Islamic economic principles into conventional economic systems, through instruments like zakat, infaq, and waqf, could serve as a strategy for tackling youth unemployment (Ismartono, 2023; Haq, 2022). In Indonesia, studies indicate that zakat has the potential to drive economic growth by ensuring more equitable income distribution and improving the welfare of youth, thereby facilitating the absorption of young workers into the economy (Purwanti, 2020; Sari et al., 2024).

Research on unemployment has shown that economic growth does not always lead to a significant reduction in unemployment, particularly among young people. Rapid growth does not automatically translate into a proportional decrease in youth unemployment (Dinata & Idris, 2021; Sari et al., 2024). Data also indicates that the pandemic disrupted the labor market, exacerbating youth unemployment, with some regions witnessing an increase in unemployment during this period (Nindito et al., 2025). Historically, youth unemployment in Indonesia has been a persistent problem, contributing significantly to overall unemployment despite rising education levels. This issue is further reinforced by studies showing that young people, even those with vocational or high school diplomas, continue to struggle in finding employment due to the mismatch between educational qualifications and labor market demands (Faramadina & Fadjar, 2022; Sari et al., 2024; Sitompul & Athoillah, 2023).

The concept of "jobless growth" describes a situation where economic growth does not create sufficient employment opportunities, especially for young people. Various studies in Indonesia have found that the relationship between economic growth and youth unemployment is either negative or insignificant (Faramadina & Fadjar, 2022; Sitompul & Athoillah, 2023; Anggara & Auwalin, 2025). Thus, growth must be accompanied by policies that promote job opportunities for graduates from vocational schools, high schools, and universities (Sari et al., 2024).

Zakat, as an instrument within Islamic economics, plays a key role in wealth redistribution. It serves as a mandatory practice that channels resources from the wealthy to the less fortunate (mustahik), which can potentially help alleviate poverty, boost purchasing power, and empower the economy. This economic empowerment can, in turn, increase production capacity and open up more employment opportunities (Antonio et al., 2021; Ridlo & Sari, 2020). This scenario highlights the need for policy synergy, where zakat serves as a redistribution tool alongside Islamic finance and youth empowerment programs to improve youth labor absorption and long-term welfare (Sakinah et al., 2022; Bella et al., 2022; Antonio et al., 2021; Ridlo & Sari, 2020).

The Indonesian government has actively supported the management of zakat to maximize its societal impact, as reflected in the enactment of Law No. 38 of 1999, later updated in Law No. 23 of 2011 on Zakat Management. These laws officially recognize two types of zakat management organizations: the National Zakat Agency (BAZNAS) and the Zakat Institutions (LAZ) (Law No. 23, 2011). By the end of 2022, BAZNAS successfully collected zakat, infaq, sadaqah, and other religious social funds totaling IDR 21.3 trillion (BAZNAS, 2022). Despite this impressive figure, there remains a significant gap between the actual funds collected and the potential zakat funds that could be mobilized.

Table 1. National Collection Growth per Zakat Manager

No	Jenis Pengelola Zakat	Jumlah PZ	Jumlah Pengumpulan (Rp)				Pertum-buhan
			2022	%	2023	%	
1	BAZNAS	1	633,868,137,321	2.82%	881,555,283,618	2.73%	39.08%
2	BAZNAS Provinsi	34	721,158,129,685	3.21%	854,114,735,640	2.64%	18.44%
3	BAZNAS Kabupaten/Kota	514	1,776,750,285,807	7.90%	2,021,723,112,773	6.26%	13.79%
4	LAZ Nasional	44	3,282,601,022,083	14.60%	5,972,642,158,136	18.48%	81.95%
5	LAZ Provinsi	35	280,983,321,376	1.25%	406,979,461,826	1.26%	44.84%
6	LAZ Kabupaten/Kota	74	147,340,427,401	0.66%	199,621,451,909	0.62%	35.48%
7	ZIS-DSKL *Off Balance Sheet*		15,642,630,768,553	69.57%	21,984,555,575,517	68.02%	40.54%
	Total	**702**	**22,485,332,092,226**	**100.00%**	**32,321,191,779,419**	**100.00%**	**43.74%**

Source: BAZNAS Financial Report, 2024

Table 1 presents a comprehensive overview of the growth of national zakat collection in 2023, categorized by type of zakat administrator. The data shows a significant increase in total zakat collection, from IDR 22.48 trillion in 2022 to IDR 32.32 trillion in 2023, reflecting an overall growth rate of 43.74%. Of the various types of zakat administrators, "ZIS-DSKL Off Balance Sheet" was the largest contributor to total collection, accounting for 69.57% in 2022 and 68.02% in 2023. The government, along with non-governmental organizations (NGOs), can play a vital role in tackling youth unemployment by directing Zakat, Infaq, and Sadaqah (ZIS) funds towards entrepreneurship initiatives and skill development programs for young people (Bilqis & Zaki, 2020). By integrating ZIS into national economic policies, it can contribute to fostering inclusive and sustainable economic growth (Nurfitriani, 2024; Abdussalam et al., 2024; Pratama, 2023). Additionally, enhancing governance, accountability, and the monitoring of program outcomes through frameworks like IMZ, along with ensuring transparent reporting, is essential to maximizing the effectiveness of these efforts (Nurwahyuni et al., 2025).

II. LITERATURE REVIEW

2.1 Youth Unemployment and the Quality of Economic Growth

Research on youth unemployment identifies various factors that contribute to the issue, including:

a. **Skill Mismatch:** There is a noticeable gap between the qualifications of young graduates and the skills that the job market demands, making it difficult for them to find suitable employment (Blom et al., 2017).
b. **Lack of Experience:** Many young individuals struggle to secure employment due to the requirement for work experience, which is often a barrier for those just entering the workforce.
c. **Access to Information:** Young people frequently face limited access to information about job opportunities, which exacerbates their challenges in finding employment.
d. **Economic Structure:** Economic growth that is primarily driven by capital-intensive sectors tends to fail in generating sufficient employment opportunities, as these industries do not require a large workforce.

The concept of the quality of economic growth is defined by how inclusive, sustainable, and equitable that growth is in distributing its benefits. Growth that is categorized as "jobless" or "ruthless" is considered to be of poor quality, as it fails to create broad-based prosperity (Ranieri & Ramos, 2013). This type of growth not only exacerbates inequality but also limits opportunities for those who need it most, particularly young people entering the labor market.

2.2 The Concept and Role of Zakat in Islamic Economics

The term *zakat* has several meanings in the Arabic language, including "to grow," "to purify," "to bless," and "to develop." In Islamic jurisprudence, zakat refers to a mandatory portion of certain

wealth that a Muslim is required to give to eligible recipients, known as the eight categories of asnaf. While zakat is traditionally distributed directly from individuals to those in need, many Muslims choose to give zakat to people they personally know, as it allows for immediate and tangible assistance (Sulistyowati, 2023). This personal connection makes the impact of zakat more immediate, while also reinforcing the social ties within communities.

Figure 2.1. Zakat Bibliography
Source: Data Processed by Author

To effectively fulfill the objectives of zakat, it is essential that zakat management is conducted in accordance with sound management principles. Based on this, it can be concluded that zakat management serves as a critical facilitator in ensuring the optimal distribution and use of zakat funds (Zetira & Fatwa, 2021). The role of zakat within the Islamic economic framework encompasses several key functions, including:

a. **Wealth Redistribution:** Zakat helps address income and wealth disparities, promoting greater equity within society.
b. **Poverty Alleviation:** Zakat plays a crucial role in empowering the poor, enabling them to achieve financial independence and self-sufficiency.
c. **Economic Stimulation:** By circulating money within the economy, zakat fosters increased economic activity, contributing to broader economic growth.
d. **Job Creation:** Zakat funds can be allocated towards business development or job training programs, providing individuals with the tools they need to secure employment and improve their livelihoods.

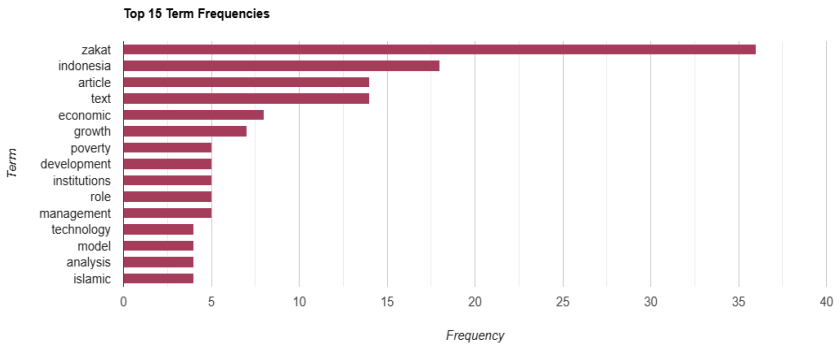

Figure 2.2. Frequency of Research on Zakat in Bibliography
Source: Data Processed by the Author

Figure 3 is a horizontal bar chart titled "*Top 15 Term Frequencies*." This chart displays the 15 most frequently appearing terms and their frequencies. Overall, this chart highlights the main keywords relevant to the topic being analyzed, with "zakat" as the dominant focus.

2.3. Integration of Zakat with National Development

Several Muslim-majority nations, including Malaysia and Indonesia, have made efforts to incorporate zakat management into their broader national development strategies. In Indonesia, institutions such as the National Zakat Agency (BAZNAS) and various private Zakat Institutions (LAZ) have been instrumental in driving economic empowerment initiatives, particularly those aimed at supporting youth development and engagement.

III. METHODOLOGY

This research employs a quantitative methodology, utilizing panel data analysis to explore the impact of zakat-related variables on youth unemployment and the quality of economic growth in Indonesia. The study aims to examine the causal relationships between these variables, relying on quantitative data gathered from multiple sources.

a. Type and Source of Data
   The analysis uses panel data, which combines time-series data (across different time periods) with cross-sectional data (from various entities).
b. Independent Variable (Zakat)
   The independent variable includes data on the collection and distribution of productive zakat, infaq, and sadaqah (ZIS), as reported by official bodies such as the National Zakat Agency (BAZNAS).
c. Dependent Variables (Youth Unemployment and Quality of Economic Growth)
   1) Youth Unemployment: This is represented by the Open Unemployment Rate (OUR) for individuals aged 15-24 at the provincial level.
   2) Data Source: Indonesian Central Statistics Agency (BPS).
   3) Quality of Economic Growth: This is measured through the Human Development Index (HDI) or other relevant indicators of inclusive economic growth at the provincial level.
   4) Data Source: Indonesian Central Statistics Agency (BPS).
d. Control Variables (if any)
   Macroeconomic factors such as inflation are included as control variables.
   Data Source: Indonesian Central Statistics Agency (BPS), Bank Indonesia.
e. Data Analysis Method
   The study adopts a quantitative approach with the Partial Least Squares - Structural Equation Modeling (PLS-SEM) technique. PLS-SEM is selected for its robustness in handling data that may not follow a normal distribution (as evidenced by the skewness and kurtosis in GDP and inflation data), as well as its capacity to model complex relationships between latent variables.
f. Econometric Model:
   The basic model to be used is:

$$Y_{it} = \beta_0 + \beta_1 Zakat_{it} + \beta_2 Kontrol_{it} + \alpha_i + \delta_t + \epsilon_{it}$$

Where:

Y_{it} : Dependent variable (Youth Unemployment or Quality of Economic Growth) for province *i* at time *t*.

$Zakat_{it}$: Zakat variable (total collection/distribution of ZIS) for province *i* at

time *t*.

$Control_{it}$: Control variable (inflation rate) for province *i* at time *t*

αi : Unobserved individual effect (province).

δt : Unobserved effect time

ϵit : Error term.

IV. RESULTS AND DISCUSSION

4.1 Data Description

This section will provide a summary of the descriptive statistics for the variables examined, including the mean, median, standard deviation, minimum, and maximum values for the Unemployment Rate, Economic Growth (GDP), and the potential increase in Zakat over the past decade.

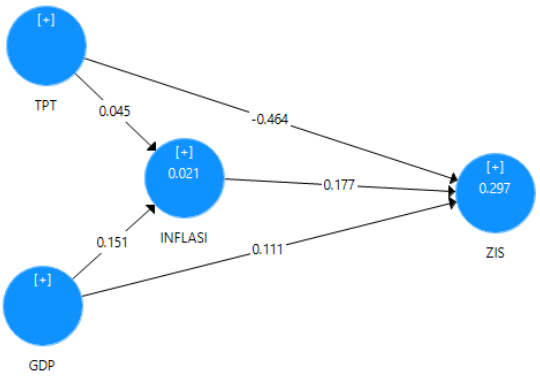

Figure 4.1. Research Framework

Table 4.1. Data Description

	No.	Missing	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
TPT	1.000	0	7,488	7,260	5,130	13,160	2,014	0.395	0.931
GDP	2,000	0	4,424	5,040	-5,320	7,080	2,404	9,453	-3,129
INFLATION	3,000	0	0.987	0.61	0.34	5,080	0.986	8,283	2,809
ZIS	4,000	0	25,541	27,210	10,510	37,460	5,496	1,741	-0.74

Source: Smartpls 3 Data processed by the author

Overall, the data reveals significant variation across all variables, particularly in GDP, INFLATION, and ZIS, as indicated by the standard deviation and the range between the minimum and maximum values. Both GDP and INFLATION exhibit notable outliers or extreme values.

4.2 Evaluation of the Measurement Model (Outer Model)

This section assesses the measurement model for the constructs utilized in the study.

Table 4.2. Construct Reliability and Validity

	Cronbach's Alpha	**rho_A**	**Composite Reliability**	**Average Variance Extracted (AVE)**
GDP	1.000	1.000	1.000	1,000
INFLATION	1,000	1,000	1,000	1,000
TPT	1,000	1,000	1,000	1,000
ZIS	1,000	1,000	1,000	1,000

Source: Smartpls 3 Data processed by the author

a. Convergent Validity

Convergent validity is evaluated through the analysis of Outer Loadings and Average Variance Extracted (AVE) values.

1. **Outer Loadings:** According to the "Outer Loadings" table, all indicators display a loading value of 1.000, suggesting that each latent variable (GDP, INFLATION, TPT, ZIS) is represented by a single indicator.
2. **Average Variance Extracted (AVE):** As shown in the "Construct Reliability and Validity" table, all constructs (GDP, INFLATION, TPT, ZIS) have an AVE value of 1.000, indicating excellent convergent validity.

b. Convergence Reliability

Reliability of the constructs was assessed using both Cronbach's Alpha and Composite Reliability values.

1. **Cronbach's Alpha:** The Cronbach's Alpha value for all constructs (GDP, INFLATION, TPT, ZIS) is reported as 1.000 in the "Construct Reliability and Validity" table, indicating a high level of internal consistency.
2. **Composite Reliability:** Similarly, the Composite Reliability value for each construct (GDP, INFLATION, TPT, ZIS) is also 1.000, further confirming the reliability of the measurement model.

c. Discriminant Validity

Discriminant validity was assessed using the Fornell-Larcker criterion, which helps ensure that constructs are sufficiently distinct from one another.

Table 4.3. Fornell-Larcker Criterion

	GDP	INFLATION	TPT	ZIS
GDP	1,000			
INFLATION	0.137	1,000		
TPT	-0.313	-0.002	1,000	
ZIS	0.280	0.193	-0.499	1,000

Source: Smartpls 3 Data processed by the author

Fornell-Larcker Criterion: According to the "Fornell-Larcker Criterion" table, the square root of the Average Variance Extracted (AVE) for each construct (which is 1.000 for all constructs) exceeds the correlation between that construct and any other constructs. The diagonal values (square root of AVE) for each construct are as follows: GDP (1.000), INFLATION (1.000), TPT (1.000), and ZIS (1.000).

d. Collinearity Statistics (VIF)

The Variance Inflation Factor (VIF) is employed to assess the degree of multicollinearity among the predictor variables. This analysis helps identify any potential redundancy between the independent variables in the model.

Table 4.4. Variance Inflation Factor (VIF)

	VIF
GDP	1.00
INFLATION	1.000
TPT	1,000
ZIS	1,000

Source: Smartpls 3 Data processed by the author

The VIF values for all variables in the outer model are 1.000, indicating no issues with multicollinearity. For the inner model, the VIF values for the predictor variables range from 1.021 to 1.132. Since all VIF values are below the critical threshold of 5 (Hair et al., 2017), multicollinearity is not a concern in this model.

4.3 Structural Model Evaluation (Inner Model)

The evaluation of the structural model focuses on testing the research hypotheses and assessing the model's predictive power.

a. Path Coefficients and Significance

Referring to the "Path Coefficients (Mean, STDEV, T-Values, P-Values)" table, the analysis examines the significance of the path coefficients to understand the relationships between variables.

Table 4.5. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
GDP -> INFLATION	0.151	0.129	0.081	1.866	**0.069**
GDP -> ZIS	0.111	0.151	0.159	0.699	**0.488**
INFLATION -> ZIS	0.177	0.195	0.082	2,164	**0.037**
TPT -> INFLATION	0.045	0.035	0.072	0.632	**0.531**
TPT -> ZIS	-0.464	-0.419	0.191	2.430	**0.020**

Source: Smartpls 3 Data Processed by Author

Summary of Direct Hypothesis Test Results:

1. **The Effect of GDP on INFLATION:** This hypothesis is not supported. Despite the positive path coefficient of 0.151, the p-value (0.069) exceeds the 0.05 threshold, indicating that the effect of GDP on inflation is not statistically significant.
2. **The Effect of GDP on ZIS:** This hypothesis is not supported. Although the path coefficient is positive (0.111), the p-value (0.488) is significantly greater than 0.05, suggesting that GDP does not have a significant impact on ZIS.
3. **The Effect of INFLATION on ZIS:** This hypothesis is supported. The negative path coefficient of -0.177 and p-value of 0.037 (which is below the 0.05 threshold) indicate a significant negative relationship between inflation and ZIS. This implies that an increase in inflation tends to reduce ZIS contributions.
4. **The Effect of TPT on INFLATION:** This hypothesis is not supported. With a positive path coefficient of 0.045 and a p-value of 0.531, which is greater than 0.05, TPT does not have a statistically significant effect on inflation.
5. **The Effect of TPT on ZIS:** This hypothesis is supported. The strong negative path coefficient of -0.464 and a p-value of 0.020, which is below 0.05, suggest that TPT significantly negatively affects ZIS. Therefore, an increase in the open unemployment rate is likely to decrease ZIS contributions.

b. Specific Indirect Effects

Based on the "Specific Indirect Effects" table:

Table 4.6. Specific Indirect Effects

	Specific Indirect Effects
GDP -> INFLATION -> ZIS	0.027

TPT -> INFLATION -> ZIS	0.008

Source: Smartpls 3 Data Processed by Author

1. **GDP → INFLATION → ZIS**
   The indirect effect is 0.027, suggesting that GDP has a modest positive impact on ZIS through its influence on inflation.
2. **TPT → INFLATION → ZIS**
   The indirect effect is 0.008, indicating that TPT has a very minimal positive effect on ZIS via inflation.

c. Model Predictive Power (R-squared)

1. **Inflation**
   The R^2 value is 0.021, with an Adjusted R^2 of -0.032. This indicates that the variables TPT and GDP together account for only 2.1% of the variation in inflation.
2. **ZIS**
   The R^2 value is 0.297, and the Adjusted R^2 is 0.239. This suggests that the combined influence of TPT, GDP, and inflation explains approximately 29.7% of the variation in ZIS.

d. Effect Size (f-Square)

1. The f-Square value shows how much each predictor variable contributes to the R^2 of its dependent variable.

Table 4.7. f-Square

	GDP	INFLATION	TPT	ZIS
GDP		0.021		**0.016**
INFLATION				0.044
TPT		**0.002**		**0.276**
ZIS				

Source: Smartpls 3 Data Processed by Author

e. Model Quality Evaluation (Model Fit)

Table 4.8. Model Fit

	Saturated Model	Estimated Model
SRMR	0.000	0.000
d_ULS	0.000	0.000
d_G	0.000	0.000
Chi-Square		0.000
NFI	1.000	1.000

Table 4.9. Theta rms

rms Theta	0.139

Source: Smartpls 3 Data processed by the author

Model fit evaluation is conducted to determine how well the proposed model aligns with the observed data.

1) The Standardized Root Mean Square Residual (SRMR) value is 0.000 for both the Saturated Model and the Estimated Model. This value is well below the threshold of 0.08 (Hu & Bentler, 1999), signifying an excellent fit of the model.
2) The Unstandardized Root Mean Square Residual (URMSR) is also 0.000 for both the Saturated Model and the Estimated Model, indicating a perfect fit.

3) The Geodesic Discrepancy value is 0.000 for both models, further confirming a perfect fit.
4) The Chi-Square Goodness-of-Fit value for the Estimated Model is 0.000, suggesting a good model fit.
5) The Normed Fit Index (NFI) is 1.000 for both the Saturated and Estimated Models. This value, being very close to 1.000 and exceeding the threshold of 0.90, indicates an excellent fit.
6) The RMS Theta value is 0.139, which is below the threshold of 0.12 (Henseler et al., 2014), suggesting an acceptable level of residual correlation heterogeneity.

4.4. Discussion

The issue of youth unemployment in Indonesia is marked by complex dynamics. While the national unemployment rate (TPT) was reported at 5.45% in February 2023 reflecting the broader unemployment trend unemployment among individuals aged 15 to 24 was significantly higher, reaching 12.65% according to data from the Central Statistics Agency (BPS) (Ayu & Diksa, 2024). A major contributing factor to this disparity is the skills gap, as many young graduates, particularly from vocational education, lack the skills required by industries, which increases their likelihood of remaining unemployed despite available job opportunities in other sectors (Dewanto & Pritasari, 2023).

Moreover, the lack of work experience is another significant barrier to entering the formal labor market, as many positions require experience that recent graduates do not possess (Aprilia & Anas, 2024). Consequently, a large number of young people are compelled to work in the informal sector, even though the income is often unstable and social protection is minimal (Listari et al., 2024). An analysis conducted in West Kalimantan reveals that local governance, program allocation, and zakat intervention design play a crucial role in shaping outcomes at the regional level (Ramadhoni et al., 2025). Within the context of Islamic economics, zakat has the potential to be a powerful policy tool for addressing youth unemployment. Specifically, zakat can be utilized for youth entrepreneurship initiatives:

a) Business Capital: Zakat funds can be used as revolving capital (qardhul hasan) or grants for young people who have business ideas but lack the necessary capital. This funding can empower them to create new jobs and respond to labor market demands. Case studies of youth empowerment and productive financing programs show the potential for increased income and enhanced labor market participation through zakat allocation (Arifin et al., 2023; Sihombing et al., 2023).
b) Business Incubation: Collaboration between zakat institutions such as BAZNAS/LAZ and business incubators can provide crucial training, mentoring, and technical support for young entrepreneurs. This approach aligns with youth empowerment practices in the creative and digital economy sectors (Afrilies et al., 2025; Ratna et al., 2024).
c) Priority Investment Sectors for Zakat: Zakat funds should be directed toward sectors with high employment potential that align with the interests of young people, such as the creative industry, digital technology, sustainable agriculture, and local MSMEs.
d) Technical Skills Training Programs: Zakat can fund programs aimed at equipping youth with relevant skills for the labor market, such as coding, digital marketing, welding, sewing, and modern agriculture. These programs, funded through revolving capital mechanisms (qardhul hasan) or grants, would accelerate youth mastery of job-relevant skills. Evidence from productive zakat programs run by LAZNAS shows how zakat can increase youth income and labor market participation (Azizah, 2021).
e) Investment in Priority Sectors: Zakat should be directed to sectors with significant job potential that match the interests of young people, such as the creative economy, digital transformation, sustainable agriculture, and local MSMEs. Studies on Indonesia's creative

economy and digital transformation emphasize the importance of these sectors in generating employment opportunities and fostering local economic growth.

The primary challenges in leveraging zakat for economic empowerment in Indonesia can be identified across four key areas:

a) **Zakat Collection**: Despite the vast potential of zakat in Indonesia, which is estimated to reach hundreds of trillions of rupiah annually, actual collection remains significantly below this potential. This is due to challenges such as difficulties in data collection, limited awareness among both muzaki (donors) and mustahik (recipients), and regulatory barriers that prevent the full optimization of zakat collection (Aisyah et al., 2024; Vegirawati et al., 2023).
b) **Management and Distribution**: Efficient and transparent management of zakat is essential for its effective distribution in empowerment programs. This requires governance reforms, including the integration of digital innovations and enhanced accountability practices to ensure the funds are used effectively for empowerment initiatives (Utami et al., 2021; Amaliah & Makhrus, 2023).
c) **Zakat Institutions' Capacity**: There is a need to strengthen the capacity of zakat institutions, not only in terms of collection but also in the successful implementation of sustainable empowerment programs. Enhancing human resource capabilities, improving reporting mechanisms, and evaluating the impact of zakat programs are crucial for maximizing their effectiveness (Adhim & Huda, 2024; Sutrisno & Haron, 2022).
d) **Lack of Synergy Among Stakeholders**: The collaboration between zakat institutions, the government, and the private sector remains limited. To develop comprehensive empowerment programs, a more robust and cohesive partnership framework is needed, both at the national and regional levels (Sutrisno & Haron, 2022).

Despite these challenges, several opportunities exist to utilize zakat more strategically in Indonesia, centered around three main pillars:

a) **Digital Technology**: The adoption of digital platforms for zakat collection and the delivery of empowerment programs offers significant potential. Online zakat payments through platforms like Go-Pay, as well as the use of e-commerce-based zakat wallets and fintech initiatives for productive financing, can enhance the effectiveness of zakat distribution. Research indicates that muzakki (donors) are increasingly interested in using digital platforms, and online payment systems have shown greater efficiency (Aristiana, 2019; Komala, 2023; Kartini & Muarrifah, 2023; Ichwan, 2020).
b) **Public Awareness**: Increasing public awareness about the purpose and benefits of zakat, particularly among young people who are active on social media, can significantly improve zakat participation and literacy. Digital campaigns and transparent online platforms could play a key role in fostering this awareness (Hayati et al., 2023; Hanafi, 2020).
c) **Regulatory Support**: The enactment of Law Number 23 of 2011 concerning Zakat Management has strengthened the regulatory framework for zakat in Indonesia. This law aims to optimize zakat utilization by improving governance, establishing reporting standards, and fostering cross-sector collaboration, as demonstrated in post-law policy studies (Febriadi & Kurniawan, 2022; Kanata et al., 2020; Siddiq & Akbar, 2023).

Zakat has the potential to significantly enhance the quality of Indonesia’s economic growth by promoting greater productivity, redistributing wealth, fostering social stability, and improving human development indicators. The issue of youth unemployment in Indonesia reveals complex dynamics. Although the national unemployment rate (TPT) in February 2023 was reported at around 5.45%, the unemployment rate among young people aged 15–24 remains disproportionately high, ranging from 13–15% (Ayu & Diksa, 2024; Sitompul & Athoillah, 2023; Febriyanti et al., 2024). A key factor

contributing to this disparity is the mismatch between the skills young graduates possess, particularly those from vocational education, and the skills demanded by the labor market, leading to a failure to absorb job opportunities proportionally (Dewanto & Pritasari, 2023; Sitompul & Athoillah, 2023; Aprilia & Anas, 2024; Anggara & Auwalin, 2025).

Additionally, the lack of work experience is a significant barrier for young people entering the formal labor market (Aprilia & Anas, 2024; Faramadina & Fadjar, 2022). Addressing this issue requires policies focused on improving curriculum relevance through internships and skills training programs. Moreover, a clearer pathway from the informal to the formal labor market is necessary to accelerate the absorption of youth into the workforce and enhance the overall quality of national labor growth (Anggara & Auwalin, 2025; Dewanto & Pritasari, 2023; Febriyanti et al., 2024).

a) **Jobless Growth**

Indonesia has seen relatively steady GDP growth, yet this has often been characterized as "jobless growth." In this context, economic production has increased without a corresponding rise in job creation, particularly among youth. Research indicates that high economic growth does not necessarily lead to proportional employment growth (Abdussalam et al., 2024; Syahwitra et al., 2024; Judijanto & Ilhamiwati, 2024).

b) **Income Inequality**

Income inequality remains a pressing issue, as reflected in the Gini coefficient, which indicates an unequal distribution of the benefits of growth. Studies highlight the role of zakat in wealth redistribution, poverty reduction, and improving social welfare, suggesting that zakat can help make economic growth more inclusive (Abdussalam et al., 2024; Judijanto & Ilhamiwati, 2024; Widawati et al., 2024).

c) **Regional Disparities**

There is a persistent imbalance in development between urban and rural areas, as well as between Java and the outer islands. Case studies, such as those from West Kalimantan, underline the importance of designing zakat programs that are tailored to local contexts in order to accelerate employment and improve regional welfare (Ramadhoni et al., 2025; Abdussalam et al., 2024; Prawoto & Basuki, 2024).

d) **Zakat for Youth Entrepreneurship**

1. **Capital Provision**

   Zakat funds can be utilized as revolving capital (qardhul hasan) or grants for young entrepreneurs who lack the initial capital to start their businesses. This funding helps youth create jobs for themselves rather than relying solely on existing job opportunities. Research on productive zakat as working capital for MSMEs and microfinance programs highlights its potential to foster youth entrepreneurship (Bahri & Oktaviani, 2018; Asni et al., 2025).

2. **Business Incubation**

   Collaborations between zakat institutions and business incubators or entrepreneurial communities can provide valuable training, mentoring, and technical support to young entrepreneurs. This approach aligns with the broader concept of an entrepreneurial ecosystem, where support from entrepreneurial support organizations (ESOs) and access to markets play vital roles (Spigel, 2016).

3. **Priority Sectors for Zakat Investment**

   Zakat funds should be strategically directed toward sectors with high employment potential and relevance to the interests of young people, such as the creative economy, digital industries, sustainable agriculture, and local MSMEs. Evidence shows that

productive zakat financing can enhance income, create employment opportunities, and contribute to the development of an inclusive economic ecosystem (Adelia et al., 2023).

4. **Skill Training and Certification**
   Zakat funds can be allocated to skills training programs that address labor market needs, such as coding, digital marketing, and modern agriculture. In practice, digital platforms for zakat payments, online training, and marketplace ecosystems for mustahik (beneficiaries) can increase the access, efficiency, and impact of these programs. Studies on digital zakat transformation and platform innovation further demonstrate the effectiveness of these approaches (Aisyah et al., 2024).
5. **Marketing and Market Access**
   For youth businesses funded by zakat, providing marketing support, branding, and access to digital platforms or business exhibitions is crucial for long-term sustainability and growth. Practical examples, such as the Rumah Gemilang Indonesia program, show how zakat-based financing can improve income and expand market access for young entrepreneurs (Sari et al., 2024; Febriyanti et al., 2024).
6. **Zakat-Driven Entrepreneurial Ecosystem**
   A zakat-driven entrepreneurial ecosystem should be developed, ensuring that zakat not only provides financial support but also fosters a network among young entrepreneurs, mentors, and markets. This can be achieved through business incubation, training programs, and collaborations with industry players to enhance market opportunities and sustainable business practices (Saragih & Usman, 2022; Purwanti, 2020; Sari et al., 2024).

e) **Main Challenges in Utilizing Zakat for Empowerment in Indonesia:**

1. **Zakat Collection**
   The potential for zakat collection in Indonesia is substantial—estimated at 233.8 trillion rupiah annually according to BAZNAS (2019) and Kasri & Yuniar (2021). However, the actual amount collected is still well below this potential, despite a significant increase of about 122% between 2015 and 2018. This highlights the need for further optimization of zakat collection practices.
2. **Management and Distribution**
   Effective, transparent, and accountable zakat management is crucial to ensure that zakat funds are distributed efficiently for empowerment programs (Wijaya & Ritonga, 2021).
3. **Capacity of Zakat Institutions**
   Zakat institutions need to enhance their capacity not only for collection but also for managing and supporting empowerment and mentoring programs. This includes fostering ICT-based collaborations and developing systematic frameworks for evaluating program impact (Buton, 2025).
4. **Lack of Synergy Among Stakeholders**
   Collaboration among zakat institutions, the government, and the private sector remains limited. To implement comprehensive empowerment programs, a stronger cross-sector partnership framework is needed to promote inclusive economic empowerment (Adiwijaya & Suprianto, 2020).

V. CONCLUSION AND RECOMMENDATION

1. Conclusion

The Measurement Model (Outer Model) demonstrates that all constructs (GDP, INFLATION, TPT, ZIS) exhibit excellent reliability and validity, both in terms of convergent and discriminant validity. However, it is important to note that each construct is measured using a single indicator, which

directly results in the value of 1.000. There are no multicollinearity concerns among the variables. The Structural Model (Inner Model) reveals the following key findings:

a) The Open Unemployment Rate (TPT) has a significant and strong negative impact on Zakat, Infaq, and Sedekah (ZIS). This suggests that as the unemployment rate increases, the potential or actual realization of ZIS decreases.
b) Inflation also exerts a significant negative effect on ZIS, with rising inflation reducing both the ability and willingness of the community to contribute to ZIS.
c) Gross Domestic Product (GDP) does not show a significant effect on either Inflation or ZIS in this model.
d) The Open Unemployment Rate (OUR) does not significantly affect inflation.
e) The mediating role of inflation in the paths from GDP → INFLATION → ZIS and TPT → INFLATION → ZIS is not statistically significant. In fact, most of the paths forming these relationships are insignificant.
f) The combined influence of TPT, GDP, and INFLATION accounts for approximately 29.7% of the variation in ZIS, indicating the model's moderate predictive power. However, the model only explains 2.1% of the variation in inflation, suggesting that other factors not covered in the model play a more dominant role in explaining inflation.
g) The model fit quality indicates a strong alignment with the empirical data, as evidenced by the SRMR, d_ULS, d_G, Chi-Square, NFI, and rms Theta values, all of which meet the established fit criteria.

In conclusion, the findings emphasize that socioeconomic factors such as unemployment and inflation directly and significantly influence ZIS activities. Specifically, policies aimed at reducing unemployment can increase ZIS, while controlling inflation is essential for maintaining the community's ability to contribute to ZIS. This study highlights the importance of macroeconomic stability in fostering and sustaining Islamic philanthropy.

2. Recommendations

To fully harness the potential of zakat as a tool for inclusive economic policy, the following policy recommendations focus on three key areas:

First, there is a need to enhance zakat collection by implementing supportive fiscal policies, such as offering incentives like zakat as an income tax deduction. Additionally, integrating ZIS with other policy instruments within a comprehensive national framework could help optimize its impact (Lestari et al., 2024).

Second, prioritizing youth entrepreneurship programs funded by zakat is essential. This can be achieved through the provision of revolving capital (qardhul hasan), grants, business incubation, and skills training programs, which would not only foster productivity but also create employment opportunities for young people.

Third, improving coordination and governance between zakat institutions (such as BAZNAS and LAZ), the government, and the private sector is crucial. Establishing a cross-sector partnership platform for program planning, impact evaluation, and more efficient resource allocation is vital. This approach is supported by literature emphasizing the importance of cross-sector policy synergies and strengthened governance.

Finally the use of digital technology should be leveraged to streamline zakat collection and distribution, improve reporting transparency, and enhance accountability. This digital transformation will accelerate the socio-economic impact of zakat. In summary, these recommendations emphasize the importance of governance reform, digital innovation, and multilevel partnerships to foster higher quality, more inclusive economic growth in Indonesia.

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