

ANALYSIS OF SOCIAL RETURN ON INVESTMENT IN UMKM MENTORING PROGRAM: CASE STUDY OF DISTRIBUTION OF AKAD FOUNDATION ZAKAT FUNDS THROUGH BAITULMAAL MUAMALAT

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play an important role in supporting economic growth and employment, yet many MSME actors continue to face limitations in business capital, managerial capability, and access to sustainable business development. Productive zakat programs can address these constraints by integrating financial assistance with structured mentoring and capacity development. This study aims to examine the effects of MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity on the improvement of Social Return on Investment outcomes in the MSME empowerment program implemented by Akad Foundation through Baitulmaal Muamalat. This study employed a quantitative explanatory approach using questionnaire data collected from 117 MSME beneficiaries of productive zakat programs. The relationships among the research constructs were analyzed using Partial Least Squares Structural Equation Modeling. The findings show that MSME assistance programs and zakat fund distribution have positive but insignificant effects on SROI improvement. In contrast, business capital and beneficiary capacity have positive and significant effects on SROI improvement, with beneficiary capacity emerging as the most influential determinant. These findings indicate that the effectiveness of zakat-based MSME empowerment is not determined solely by the provision of assistance and the distribution of funds, but largely depends on beneficiaries' ability to manage, utilize, and develop the resources received. Therefore, zakat institutions should prioritize capacity-oriented empowerment through relevant training, continuous mentoring, productive capital support, and needs-based program evaluation to generate sustainable social and economic impact.

Keywords: Productive zakat, MSME empowerment, business capital, beneficiary capacity, Social Return on Investment

Received: April 15nd, 2026; Revised: June 28th, 2026; Accepted: June 30nd, 2026

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, contributing approximately 60% to Gross Domestic Product (GDP) and absorbing more than 97% of the workforce (KemenkopUKM, 2023). Beyond their economic contribution, MSMEs also function as key drivers of innovation and job creation, particularly in the post-COVID-19 recovery context, thereby making efforts to enhance their capacity and competitiveness highly relevant. One strategic approach to strengthening MSMEs is through assistance programs that not only provide financial support but also improve managerial and operational capabilities (Arbianti, 2024). In the broader framework of economic empowerment, zakat serves as a strategic Islamic social finance instrument that supports underprivileged communities by functioning not only as wealth redistribution but also as productive capital to stimulate microeconomic activities and alleviate poverty (Azman et al., 2021; Khuzaimah et al., 2024). Properly managed zakat distribution enables MSMEs to increase production capacity, expand market access, and ultimately improve the welfare of mustahik. The effectiveness of such programs can be systematically evaluated using the Social Return on Investment (SROI) approach, which measures the social value generated relative to the investment made (Nicholls et al., 2012). Unlike conventional financial metrics, SROI incorporates broader social impacts, allowing for a more comprehensive evaluation of program effectiveness (Maldonado & Corbey, 2016). The application of SROI in zakat-based empowerment programs has been widely discussed, demonstrating its relevance in assessing social investments, including ZISWAF-funded initiatives (Asmita et al., 2020; Nusapati et al., 2020; Putra & Aligori, 2017). In practice, SROI is recognized as an impact evaluation methodology that involves identifying relevant stakeholders, mapping outcomes, assigning financial proxies to those outcomes, and comparing the social value created with the investment made (Maldonado & Corbey, 2016; Nicholls et al., 2012), in this study, SROI is positioned as a conceptual framework for understanding the social value generated by zakat-based MSME empowerment programs, rather than as a latent construct directly measured through respondents' perceptions. The empirical analysis focuses on perceived social and economic outcome improvement among mustahik, which reflects the program outcomes associated with social value creation. Thus, this study examines the determinants of those perceived outcomes namely MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity within the broader perspective of SROI-based program evaluation. From a theoretical perspective, the effectiveness of MSME empowerment programs is closely linked to empowerment theory, which emphasizes enhancing individuals' capacity to control resources and make strategic decisions (Rappaport, 1981). This is further supported by human capital theory, which highlights the importance of investing in skills and knowledge to improve

productivity and income (Backer, 1993). In the MSME context, capacity building through training, mentoring, and access to resources plays a critical role in improving business sustainability and competitiveness. Additionally, capital structure theory Modigliani & Miller (1958) underscores the importance of adequate financial resources in supporting business growth, where zakat-based capital assistance can strengthen MSMEs' equity and reduce dependency on external debt. Therefore, the integration of financial support, capacity development, and structured assistance programs becomes essential in generating sustainable social impact.

Empirical studies further reinforce these theoretical perspectives. Islam (2023) highlights the role of Islamic social funds in fostering social enterprises and economic empowerment, while Khuzaimah et al. (2024) demonstrate that capital assistance and mentoring significantly enhance MSME capacity and independence. Similarly, Widiastuti (2021) and Ascarya (2022) show that zakat-based empowerment programs contribute to mustahik welfare, particularly when supported by business growth and structured program management. Moreover, Arbianti (2024) finds that entrepreneurial orientation and digital transformation strengthen MSME performance, indicating that empowerment programs must be multidimensional to be effective.

Despite the growing body of literature, existing studies predominantly focus on measuring SROI at an aggregate level or examining the impact of single variables, such as capital assistance or mentoring, without integrating multiple determinants within a comprehensive analytical framework. Furthermore, limited attention has been given to the heterogeneity of beneficiaries and how different program components such as assistance programs, zakat fund distribution, business capital, and beneficiary capacity simultaneously influence the generation of social value. This gap indicates the need for a more integrative approach that captures the multidimensional nature of zakat-based MSME empowerment programs.

Therefore, this study contributes to the literature by developing a comprehensive empirical model that examines the effects of MSME assistance programs, zakat fund distribution, business capital, and beneficiary (mustahik) capacity on the enhancement of SROI values within zakat-funded empowerment programs. By integrating behavioral, financial, and institutional dimensions into a single analytical framework, this study offers a more holistic understanding of how Islamic social finance can generate sustainable social impact and optimize the effectiveness of MSME empowerment initiatives.

METHODS

This study employs a quantitative approach. Data are collected through questionnaires distributed to MSME beneficiaries. The analysis uses Structural Equation Modeling (SEM) to examine the effect of mustahik perceptions on program outcomes. The Social Return on Investment (SROI) value is calculated based on the social and economic impacts of the assistance program and is subsequently compared with the hypothesis testing results to comprehensively evaluate program effectiveness.

The research subjects consist of MSMEs receiving zakat funds from Akad Foundation through Baitulmaal Muamalat. More than 100 respondents, who are MSME owners that have received assistance within the past year, are included in the study. Respondents are selected randomly to ensure adequate representation of the MSME population. Data collection is conducted using a structured questionnaire, which includes questions related to respondent characteristics, the impact of MSME assistance programs, and respondents' perceptions of zakat fund distribution. The questionnaire is distributed both directly and through online platforms to reach a broader range of respondents. A 6-point Likert scale is used to capture variations in respondents' opinions more precisely.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the effects of MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity on the perceived social and economic outcomes of the zakat-based empowerment program (Hair et al., 2019, 2021). In this model, MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity were specified as exogenous constructs, while perceived social and economic outcome improvement was specified as the endogenous construct. PLS-SEM was selected because it enables the simultaneous assessment of the measurement model and the structural relationships among latent constructs and is suitable for prediction-oriented research. SROI was employed as an impact-evaluation perspective for interpreting the social value associated with the program; however, this study did not calculate a full monetized SROI ratio. Accordingly, the empirical analysis focused on identifying the factors that determine beneficiaries' perceived social and economic outcomes rather than treating SROI itself as a latent construct measured directly through respondents' perceptions.

Hypothesis Development

The theoretical framework of this study integrates Empowerment Theory, Human Capital Theory, the productive zakat perspective, and Capital Structure Theory to explain how program interventions generate social and economic outcomes for mustahik. Empowerment Theory provides the overarching foundation by explaining that access to assistance, resources, and

opportunities can strengthen beneficiaries' control over their economic activities and support their transition toward independence (Rappaport, 1981). Human Capital Theory further explains that mentoring, training, knowledge, and managerial skills enhance beneficiaries' capacity to utilize productive resources effectively and improve business performance (Becker, 1993).

From the Islamic social finance perspective, productive zakat distribution functions as a mechanism of wealth redistribution and economic empowerment by directing zakat funds toward income-generating activities that can improve mustahik welfare and independence (Azman et al., 2021; Herianingrum et al., 2024). Meanwhile, Capital Structure Theory provides a financial rationale for the role of business capital in supporting production, operational continuity, and business development (Modigliani & Miller, 1958). Within this integrated framework, SROI is positioned as an impact-evaluation perspective for understanding the social value associated with the program, rather than as the primary causal theory. Accordingly, this study examines whether MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity contribute to the perceived social and economic outcomes generated by the zakat-based empowerment program.

MSME assistance programs can be understood through two main dimensions. First, as an effort to enhance the technical and managerial capacities of beneficiaries, and second, as a means to create economic sustainability through improved productivity and competitiveness (Arbianti, 2024; Backer, 1993). In this study, MSME assistance programs encompass not only technical training but also the provision of business capital and capacity strengthening through a structured mentoring system (Khuzaimah et al., 2024; Nusapati et al., 2020). Previous studies indicate that assistance programs have a positive and significant relationship with improvements in beneficiary welfare (Arbianti, 2024; Khuzaimah et al., 2024; Widiastuti, 2021). Khuzaimah et al. (2024) demonstrate that capital assistance and business training significantly enhance MSME capacity, while Maldonado & Corbey (2016) find that SROI-based evaluations are capable of quantitatively identifying the social value of empowerment programs. Therefore, the following hypothesis is proposed:

H1: MSME assistance programs have a positive and significant effect on the increase in SROI value.

The distribution of zakat funds plays a strategic role in strengthening microeconomic development, particularly among beneficiaries (mustahik). Zakat funds not only function as financial assistance but also serve as capital to support productive activities, such as the development of micro and small enterprises. According to the Islamic wealth redistribution theory, zakat functions as a

mechanism for economic equity aimed at poverty alleviation and the promotion of economic independence (Azman et al., 2021). In the context of MSME empowerment, zakat contributes to improving business capacity and competitiveness through targeted capital distribution and structured assistance (Khuzaimah et al., 2024)(Khuzaimah et al., 2024). Previous studies show that zakat funds are positively associated with beneficiary welfare. Khuzaimah et al. (2024) find that zakat enhances MSME production capacity, while Widiastuti (2021) demonstrates that well-planned, empowerment-oriented zakat programs significantly contribute to improving beneficiaries' econom

ic independence. Thus, zakat can serve as an effective instrument for generating sustainable social impact. Therefore, the following hypothesis is proposed:

H2: Zakat fund distribution has a positive and significant effect on the increase in SROI value.

Business capital is one of the key factors in promoting MSME growth and sustainability. Capital structure theory (Modigliani & Miller, 1958) explains that adequate capital can enhance production capacity, operational efficiency, and business competitiveness. In the MSME context, capital assistance is often a fundamental requirement to overcome resource constraints faced by small and micro enterprises. The provision of capital through zakat programs not only improves financial access but also supports business development through comprehensive assistance (Herianingrum et al., 2024). Previous studies indicate a positive relationship between capital assistance and MSME performance improvement. Arbianti (2024) finds that Sharia-based capital assistance enhances MSME production capacity and competitiveness, while Nusapati et al. (2020a) show that capital assistance combined with business mentoring contributes to increased income and welfare among mustahik. Therefore, the following hypothesis is proposed:

H3: Business capital has a positive and significant effect on the increase in SROI value.

Beneficiary capacity (mustahik) includes skills, knowledge, and access to resources necessary for business development. According to empowerment theory (Rappaport, 1981), enhancing individual or group capacity is central to the empowerment process, aiming to improve control over resources and decision-making. In the context of zakat programs, capacity building includes training, mentoring, and access to relevant markets and business networks (Widiastuti, 2021). Previous studies indicate that increased mustahik capacity significantly contributes to economic independence and improved welfare. Nusapati et al. (2020a) find that zakat-based programs incorporating skills training and capacity strengthening have a positive impact on business sustainability and income. Meanwhile, Azman et al. (2021) show that training and capacity development enhance beneficiaries' contributions to the local economy. Therefore, the following hypothesis is proposed:

H4: Beneficiary capacity has a positive and significant effect on the increase in SROI value.

RESULTS AND DISCUSSION

This study utilizes data collected through questionnaires, which are subsequently analyzed using both descriptive and modeling approaches. Descriptive analysis is employed to describe the characteristics of respondents using SPSS 26 software, while modeling analysis is conducted using SmartPLS 3.0. The respondents in this study consist of mustahik who are recipients of business capital assistance distributed across various provinces in Indonesia. Data collection was conducted online in January 2025. Out of a total of 117 questionnaires received, only 100 met the research criteria and were deemed suitable for further analysis.

Table 1. Respondent Characteristics

Category	Description	Total
Age	< 20 years	1
	20–29 years	20
	30–39 years	40
	40–49 years	37
	≥ 50 years	19
Gender	Male	17
	Female	100
Domicile	West Java	72
	Others	45
Education Level	Senior High School/Vocational High School (or equivalent)	70
	D3/S1	19
	Others	28
Monthly Income	< Rp1.000.000	34
	Rp1.000.000 – Rp2.999.999	59
	Rp3.000.000 – Rp4.999.999	15
	Rp5.000.000 – Rp9.999.999	6
	≥ Rp10.000.000	3
Type of Business	Culinary	53
	Fashion	8
	Services	10
	Agriculture/Livestock	10
	Others	36
Business Scale	Micro (Annual turnover ≤ IDR 300 million)	109
	Small (Annual turnover IDR 300 million – IDR 2.5 billion)	7

	Medium (Annual turnover IDR 2.5 billion – IDR 50 billion)	1
Business Experience	< 1 year	15
	1–3 years	42
	>3-10 years	38
	> 10 years	22

Source: Questionnaire data processed by the authors (2025)

The majority of respondents in this study fall within the productive age range, with the largest groups aged 30–39 years (40 respondents) and 40–49 years (37 respondents). This indicates that most respondents are in a mature phase of their professional and business careers. In terms of gender, the study is dominated by female respondents, totaling 100 individuals compared to only 17 males. This suggests that the business sector examined is largely driven by women in its economic activities.

In terms of domicile, most respondents reside in West Java (72 respondents), while the remaining 45 are from other regions. The concentration of respondents in West Java indicates that the study has greater coverage in this area. Regarding educational attainment, the majority of respondents have completed senior high school or its equivalent (70 respondents), while only 19 respondents have attained a diploma (D3) or undergraduate (S1) degree. This condition reflects that many business actors come from a middle-level educational background, which may limit their access to advanced business training.

From an income perspective, most respondents earn a monthly income below IDR 3,000,000 (93 respondents), with the largest group falling within the range of IDR 1,000,000–2,999,999 (59 respondents). Only a small number of respondents earn more than IDR 5,000,000, indicating that the majority of business actors are still categorized as small-scale enterprises with limited economic capacity. This is consistent with the business scale data, which shows that 109 respondents operate micro-enterprises, while small and medium enterprises are represented by only 7 and 1 respondents, respectively.

Although most businesses are micro-scale, the respondents' business experience varies considerably. The majority have been operating their businesses for 1–10 years (80 respondents), indicating that they possess practical business experience despite still being in the development stage. Overall, these findings suggest that most respondents are women operating micro-scale businesses, with low to moderate income levels and a secondary education background. This condition highlights the potential need for further support in enhancing business capacity and improving access to broader economic resources.

Descriptive Statistics Results**Table 2. Descriptive Statistics Results**

Variable	N	Minimum	Maximum	Mean
MSME Assistance Program	117	3,67	6,00	5,45
Zakat Fund Distribution	117	2,90	6,00	5,31
Business Capital	117	2,00	6,00	5,21
Beneficiary Capacity	117	3,20	6,00	5,24
SROI Improvement	117	3,00	6,00	5,16

Source: Questionnaire data processed by the authors (2025)

The results of the descriptive statistical analysis indicate that all variables examined have relatively high mean values, approaching the maximum scale, reflecting respondents' positive perceptions of various aspects of the empowerment program. The highest mean value is observed in the assistance program (mean = 5.45), suggesting that respondents perceive mentoring as a crucial factor in supporting business sustainability. Zakat fund distribution also receives a high rating (mean = 5.31), indicating its significant role in supporting beneficiaries' businesses. Meanwhile, business capital (mean = 5.21) and beneficiary capacity (mean = 5.24) demonstrate substantial contributions to business success. Although slightly lower, the SROI improvement variable (mean = 5.16) remains high, indicating that the program has generated tangible social and economic benefits. Overall, the consistently high minimum values across variables suggest a uniformly positive perception of program effectiveness, highlighting the success of zakat-based economic empowerment initiatives.

Measurement Model Evaluation Results

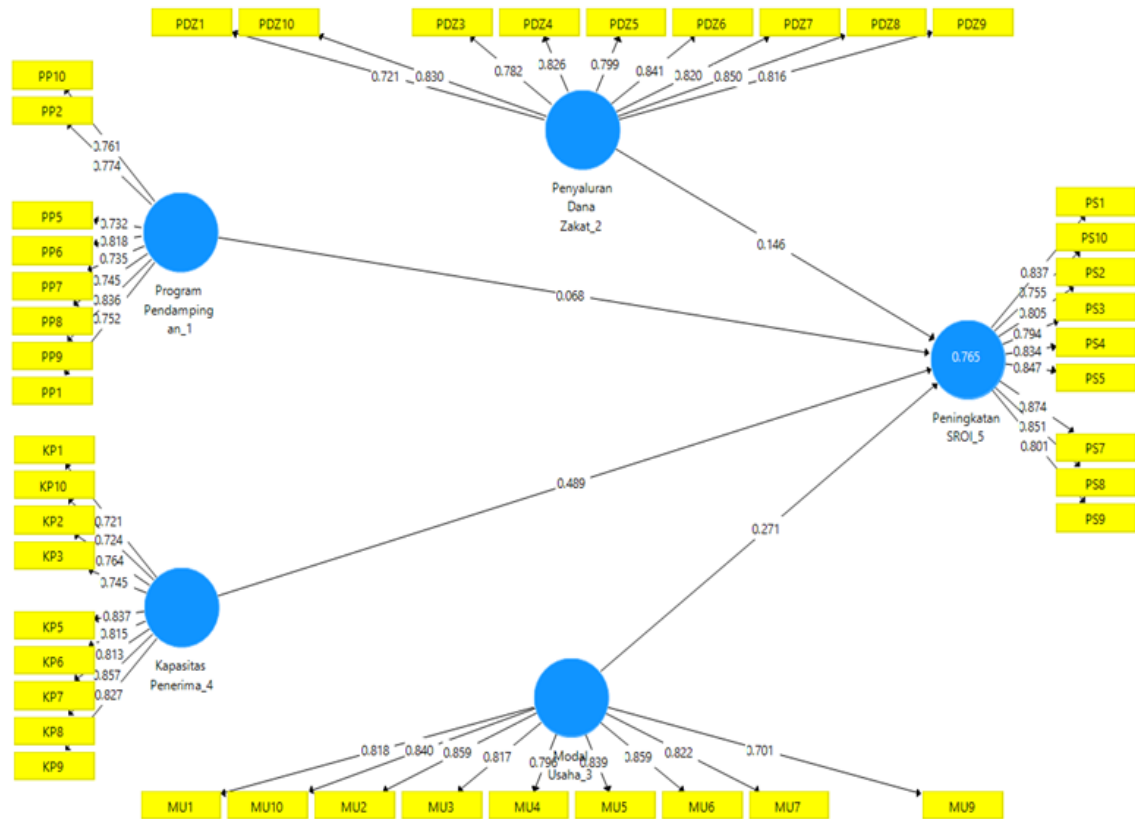


Figure 1. Loading Factor Values

Based on the figure above, the estimation results indicate that each indicator variable has a loading factor value above 0.70, and is therefore considered valid and suitable for further analysis (Hair et al., 2021). However, several indicators with loading factor values below 0.70 namely PP3, PP4, PDZ2, MU8, KP4, and PS6 were eliminated at this stage. As a result, the total number of reflective indicators used in the subsequent analysis is 46.

Table 3. Variable Reliability Values

Variable	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Beneficiary Capacity_4	0.925	0.937	0.625
Business Capital_3	0.938	0.948	0.669
SROI Improvement_5	0.940	0.950	0.677
Zakat Fund Distribution_2	0.934	0.945	0.656
MSME Assistance	0.902	0.921	0.593
Program_1			

Source: Research data reprocessed by the authors (2025)

Subsequently, discriminant validity was evaluated using the Average Variance Extracted (AVE), where a construct is considered to meet the criteria if the AVE value exceeds 0.50 (Hair et al.,

2021). In this study, the analysis results indicate that the values of Cronbach's Alpha, Composite Reliability, and AVE for each construct have met the established thresholds. As presented in the table below, all variables have Cronbach's Alpha > 0.60, Composite Reliability > 0.70, and AVE > 0.50. These results indicate that all variables in this study demonstrate good reliability.

Structural Model Evaluation Results

Table 4. Inner VIF Values

Variable	Peningkatan SROI_5
Beneficiary Capacity_4	2.686
Business Capital_3	2.737
Zakat Fund Distribution_2	2.605
MSME Assistance Program_1	2.156

Source: Research data reprocessed by the authors (2025)

Based on Table 5, the analysis results indicate that all variables have VIF values below 5. Therefore, it can be concluded that there is no issue of multicollinearity; in other words, the level of intercorrelation among variables in this study is relatively low, in accordance with the criteria proposed by Hair et al. (2021).

Table 5. Hypothesis Testing Results

Hypothesis	Path Coefficients	T Statistics (O/STDEV)	P Values	F - Square	Result
MSME Assistance Program → SROI Improvement (H1)	0.068	1.047	0.295	0.009	Not Significant
Zakat Fund Distribution → SROI Improvement (H2)	0.146	1.498	0.134	0.035	Not Significant
Business Capital → SROI Improvement (H3)	0.271	3.086	0.002	0.114	Significant
Beneficiary Capacity → SROI Improvement (H4)	0.489	5.116	0.000	0.378	Signifikan

Source: Research data reprocessed by the authors (2025)

Based on the analysis results presented in Table 6, all four hypotheses proposed in this study exhibit positive effects, whether significant or not. Hypotheses H3 and H4 show positive and significant effects, as indicated by path coefficients greater than 0, p-values below 0.05, t-statistics exceeding 1.96, and f-square values ranging from low (<0.150) to high (>0.350). Therefore, these hypotheses are accepted. Meanwhile, hypotheses H1 and H2 demonstrate positive but insignificant effects,

with path coefficients still greater than 0; however, the p-values exceed 0.05, t-statistics are below 1.96, and f-square values range from very low (<0.020) to low (>0.020). Thus, this study identifies that beneficiary capacity is the primary factor contributing to the improvement of SROI.

Model Fit and Goodness-of-Fit Evaluation Results

Table 6. R Square, Q Square, and GoF Index

Variable	R Square	Q Square	GoF Index
Peningkatan SROI	0,765	0,504	0,431

Source: Research data reprocessed by the authors (2025)

Based on the table above, the R-square value for the SROI improvement variable is 0.765, indicating that, simultaneously, the variables of MSME assistance programs, zakat fund distribution, business capital, and beneficiary capacity contribute 76.5% to the improvement of SROI, which falls into the high category. The remaining 23.5% is influenced by other factors not examined in this study.

In addition, the Q-square value for the SROI improvement variable is 0.504, which exceeds the threshold of 0.50, indicating that the model has high predictive accuracy and strong predictive relevance. Furthermore, the calculated Goodness-of-Fit (GoF) value in this study is 0.431, which exceeds the threshold of 0.36 and falls into the high GoF category. This suggests that the empirical data are capable of explaining the measurement model with a very good level of fit.

Table 7. PLS Predict

INDICATOR	MODEL PLS RMSE	MODEL LM RMSE
PS1	0.439	0.520
PS2	0.604	0.789
PS3	0.482	0.615
PS4	0.515	0.710
PS5	0.505	0.584
PS7	0.504	0.584
PS8	0.434	0.523
PS9	0.439	0.517
PS10	0.487	0.628

Source: Research data reprocessed by the authors (2025)

Based on Table 8, the analysis results indicate that, out of a total of nine observation items, the Root Mean Squared Error (RMSE) values of the PLS model are lower than those of the linear regression model (LM). This suggests that the PLS model has better predictive capability. Therefore, based on the testing results, the PLS model is more appropriate for use in this study compared to the linear regression model.

The Effect of MSME Assistance Programs on SROI Improvement

Based on the analysis results, the path coefficient of MSME assistance programs on perceived social and economic outcomes 0.068, with a t-statistic of 1.047 (< 1.96) and a p-value of 0.295 (> 0.05). This indicates that the assistance program does not have a significant direct effect on the perceived social and economic outcomes of the beneficiaries. This finding does not support the hypothesis that MSME assistance programs directly improve the social and economic outcomes generated by the program, as reflected by an f-square value of 0.009 (< 0.02), indicating a very low structural effect. However, the insignificant direct effect should not be interpreted as evidence that the assistance program has no value. Rather, it indicates that mentoring alone does not sufficiently explain variations in the outcomes perceived by beneficiaries when business capital, zakat fund distribution, and beneficiary capacity are simultaneously considered in the model.

From the perspective of Empowerment Theory, mentoring is expected to strengthen beneficiaries' control over resources, decision-making capacity, and economic independence (Rappaport, 1981) (Rappaport, 1981). Nevertheless, the present finding does not provide direct empirical support for this expected relationship. One possible interpretation is that mentoring may produce social and economic outcomes through the development of beneficiary capacity rather than through an immediate direct effect. This interpretation is consistent with the finding that beneficiary capacity is the strongest determinant in the model. However, because this study did not test beneficiary capacity as a mediating variable, this explanation should be regarded as a theoretical interpretation rather than a confirmed causal mechanism. The finding may also indicate that the effectiveness of mentoring depends on its intensity, continuity, relevance to business needs, and the extent to which beneficiaries can apply the knowledge provided.

Compared to previous studies, this finding differs from several studies that report a positive impact of zakat-based assistance programs on MSME empowerment. For example, Asmita et al. (2020) found that BAZNAS microfinance programs generated measurable social value, while Khuzaimah et al. (2024) showed that capital assistance and business mentoring positively influence mustahik empowerment. The difference in findings suggests that the effectiveness of mentoring cannot be separated from the institutional and implementation context of the program. Variations in mentoring duration, mentor competence, training relevance, monitoring mechanisms, beneficiary readiness, and access to complementary resources may produce different outcomes across empowerment programs. Thus, mentoring should not be treated as a uniform intervention whose effectiveness is automatically generated merely by its availability.

These findings have several practical implications. First, Akad Foundation and other zakat institutions should evaluate whether the content, duration, and delivery methods of mentoring are aligned with the specific needs and stages of beneficiaries' businesses. Second, mentoring should be integrated with practical support, including productive capital, market access, financial management assistance, and periodic business evaluation. Third, program monitoring should focus not only on beneficiaries' attendance or completion of training but also on changes in their skills, decision-making ability, business practices, and economic independence. Such an approach can strengthen the role of mentoring as a capacity-building mechanism and improve the sustainability of zakat-based MSME empowerment outcomes.

The Effect of Zakat Fund Distribution on SROI Improvement

The analysis shows that the path coefficient of zakat fund distribution on SROI improvement is 0.146, with a t-statistic of 1.498 (< 1.96) and a p-value of 0.134 (> 0.05). This indicates that zakat fund distribution does not have a significant effect on SROI improvement. The hypothesis is therefore not supported, although the f-square value of 0.034 (> 0.02) indicates a low structural effect.

This finding is not aligned with zakat distribution theory Herianingrum et al. (2024), which posits that zakat is an effective instrument for poverty alleviation when distributed appropriately. The results suggest that zakat distribution in this study has not significantly contributed to increasing SROI, possibly due to issues such as targeting inefficiency. From a Sharia perspective, zakat is intended as a tool for wealth redistribution and economic empowerment, as stated in the Qur'an (Surah At-Taubah: 60). However, the findings indicate that zakat distribution has not fully achieved these objectives, particularly in enhancing SROI. This suggests the need for more structured and targeted approaches aligned with Sharia principles. Compared to previous studies, this result differs from Mawardi et al. (2023), who found that productive zakat improves mustahik welfare, although effectiveness depends on mentoring quality and beneficiary readiness. Factors such as monitoring and evaluation may explain the lack of significant impact in this study.

The Effect of Business Capital on SROI Improvement

The analysis results indicate that business capital has a positive and significant effect on SROI improvement, as reflected by a path coefficient of 0.271, a t-statistic of 3.086, and a p-value of 0.002. Although the effect size is categorized as low (f-square = 0.114), this finding confirms that capital remains a fundamental driver in generating social value within zakat-based MSME empowerment programs. From a financial perspective, capital enables MSMEs to expand production capacity, improve operational efficiency, and enhance market competitiveness, thereby contributing to increased economic and social outcomes. This finding aligns with the broader

understanding that access to financial resources is a critical enabler of enterprise performance, particularly among micro-scale businesses that face structural constraints in financing. In the context of SROI, the provision of business capital can be interpreted as a direct investment that produces measurable social returns, as it facilitates income generation, job creation, and improved welfare among beneficiaries (Maldonado & Corbey, 2016; Nicholls et al., 2012; Pathak & Dattani, 2014).

From an Islamic economic perspective, the significant role of business capital in enhancing SROI is consistent with the objective of zakat as an instrument of productive empowerment rather than merely consumptive distribution. Zakat-based capital assistance supports mustahik in transitioning toward economic independence, which ultimately contributes to broader socio-economic sustainability (Herianingrum et al., 2024). Empirical evidence also supports this finding, as studies by Yamaludin et al. (2024) and Mawardi et al. (2023) demonstrate that productive zakat significantly improves beneficiary welfare when allocated toward income-generating activities. Furthermore, Khuzaimah et al. (2024) highlight that capital assistance strengthens MSME resilience, particularly when combined with supportive institutional mechanisms. However, the relatively lower effect size found in this study suggests that capital alone may not be sufficient to maximize social value creation. This implies the necessity of integrating capital provision with complementary factors such as capacity building, monitoring, and market access, in line with the multidimensional nature of empowerment-based zakat programs.

The Effect of Beneficiary Capacity on SROI Improvement

The analysis reveals that beneficiary capacity has a strong and significant effect on SROI improvement, as indicated by a path coefficient of 0.489, a t-statistic of 5.116, and a p-value of 0.000. The f-square value of 0.378 further confirms a high structural effect, suggesting that beneficiary capacity is the most influential variable in generating social value within the model. This finding highlights that the enhancement of skills, knowledge, and managerial capabilities plays a critical role in improving the effectiveness and sustainability of MSME operations. From an SROI perspective, capacity development contributes not only to increased income but also to broader social outcomes, such as improved quality of life and economic resilience among beneficiaries. This is consistent with the SROI framework, which emphasizes that long-term social value is strongly driven by intangible outcomes, including human capability and behavioral change (Basset, 2023; Maldonado & Corbey, 2016; Nicholls et al., 2012).

From a theoretical standpoint, this result reinforces Human Capital Theory, which posits that investment in education, training, and skills development significantly enhances productivity and

welfare (Backer, 1993). In the context of Islamic social finance, this finding is also aligned with the objective of zakat as a tool for sustainable empowerment, where the focus is placed on transforming mustahik into economically independent individuals (Ascarya, 2022; Herianingrum et al., 2024). Empirical evidence further supports this argument, as studies by Nusapati et al. (2020) and Khuzaimah et al. (2024) demonstrate that capacity-building interventions significantly improve business performance and beneficiary welfare. Moreover, the findings of Mawardi et al. (2023) indicate that the effectiveness of productive zakat programs is largely determined by the readiness and capability of beneficiaries in utilizing the resources provided. Therefore, this study underscores that capacity development is not merely a complementary factor but a central determinant in maximizing the social return generated by zakat-based MSME empowerment programs.

CONCLUSION

This study concludes that MSME assistance programs and zakat fund distribution have positive but insignificant direct effects on beneficiaries' perceived social and economic outcomes. In contrast, business capital has a positive and significant effect, while beneficiary capacity demonstrates the strongest influence. These findings indicate that productive zakat outcomes depend not only on mentoring and fund distribution, but also on mustahik's ability to manage resources, apply business knowledge, make strategic decisions, and sustain their enterprises. Thus, beneficiary capacity is a central factor in generating sustainable empowerment outcomes. The study contributes to the productive zakat literature by shifting the focus from an input-oriented perspective toward a capacity-oriented approach that recognizes mustahik capability as a key determinant of program effectiveness. It also clarifies the distinction between SROI as an impact-evaluation framework and the perceived social and economic outcomes analyzed through PLS-SEM. Practically, zakat institutions should integrate productive capital with needs-based training, continuous mentoring, market access, financial management support, and periodic evaluation of beneficiaries' capabilities, business practices, income-generating capacity, and economic independence. This study is limited to one zakat-based MSME empowerment program, relies on cross-sectional and self-reported data, and does not calculate a complete monetized SROI ratio or test beneficiary capacity as a mediating variable. Future research should employ longitudinal and mixed-method designs, involve multiple zakat institutions, conduct comprehensive SROI analysis, and examine whether beneficiary capacity mediates the effects of mentoring, zakat distribution, and business capital on sustainable social and economic outcomes.

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