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Productive Zakat in Law: What Article 27 of Law No 23 of 2011 and Ministerial Regulation No 16 of 2025 Provide

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ABSTRACT

Zakat institutions in Indonesia may use zakat not only to give poor people food or cash but to start or strengthen their businesses and to train them. This article asks what the law says about that use and what it leaves open. It is a doctrinal study of Article 27 of Law No 23 of 2011 on Zakat Management, its Elucidation and Minister of Religious Affairs Regulation No 16 of 2025 on the Use of Zakat for Productive Enterprise, which implements Article 27(3) and replaces the earlier rules on the subject. The article finds that the law sets one condition, that the basic needs of the recipient have been met, and the 2025 regulation lists five basic needs, sets out four stages (planning, implementation, control and reporting) and names forms of productive aid. It also finds six open questions: how the basic-needs condition is tested, the overlap of education as both a basic need and a form of aid, the absence of outcome indicators, the treatment of capital that is lost, the inconsistency of a reporting deadline in the copy consulted, and technical guidelines not yet seen. The article does not study practice and offers no data on results.

Keywords: zakat; productive zakat; Law No 23 of 2011; Indonesia; zakat regulation

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1. Introduction

Zakat is a religious obligation for Muslims who have wealth above a threshold, and it is owed to defined groups of recipients. Indonesian zakat institutions have long used part of what they collect for consumptive help, such as food, school fees and medical costs. A growing part of their work is productive: working capital for a small trader, tools for a craftsperson, training for a young person. The reasoning is that a poor household helped to earn can stop depending on help.

The law allows this use, and since 2025 a ministerial regulation governs it in detail. This article reads those texts. It asks what Article 27 of Law No 23 of 2011 on Zakat Management and Minister of Religious Affairs Regulation No 16 of 2025 on the Use of Zakat for Productive Enterprise permit and require, and which questions they leave to practice, to later guidance or to further research. It does not study how institutions apply the rules.

2. Method and Sources

The study is doctrinal. It reads the legal texts closely, with the Elucidation of the Law, and sets them side by side. The texts used are the official copy of Law No 23 of 2011 (State Gazette 2011 No 115) with its Elucidation, and the copy of Regulation No 16 of 2025 published by the Ministry of Religious Affairs. Both were read on 2 November 2026. Later amendments to either text, the technical guidelines that the regulation mentions, and the practice of zakat institutions were not examined. The article does not discuss the jurisprudence (*fiqh*) of productive zakat, which is a separate question.

3. What the Law Provides

Law No 23 of 2011 deals with the use of zakat in three short paragraphs of Article 27. Paragraph (1) says that zakat may be used for productive enterprise to deal with poverty among the poor and the needy (*fakir* and *miskin*) and to improve the quality of the community (*umat*). Paragraph (2) makes this use conditional: it is done when the basic needs of the recipient (*mustahik*) have been met. Paragraph (3) delegates further rules to a ministerial regulation.[1] The Elucidation explains the central term: a productive enterprise is one that is able to raise the income, standard of living and welfare of the community.[2]

Two other provisions frame this use. Distribution of zakat must follow Islamic law, and it follows a scale of priorities that takes account of evenness, fairness and region (Articles 25 and 26). Zakat management is to be guided by principles that include trustworthiness, benefit, fairness and accountability (Article 2), and its aim is to raise the effectiveness of zakat services and the benefit of zakat in reducing poverty (Article 3). Productive use is thus a means to the aims of the Law, not a separate purpose.

4. What the 2025 Regulation Adds

Regulation No 16 of 2025 implements Article 27(3). It repeals the rules on productive use in the earlier Ministerial Regulation No 52 of 2014.[3] Table 1 summarises it.

Subject	Provision	What it says
What counts as productive	Article 2(1)–(3)	Enterprise that raises income, standard of living and welfare, done to deal with poverty among the poor and needy and to improve the quality of the community
Precondition	Article 2(4)–(5)	Only once the recipient's basic needs are met: food, clothing, housing, education and health

[1]Law No 23 of 2011 on Zakat Management (State Gazette 2011 No 115), Article 27(1)–(3).
[2]Elucidation to Law No 23 of 2011, Article 27(1).
[3]Minister of Religious Affairs Regulation No 16 of 2025 on the Use of Zakat for Productive Enterprise, Article 12 (repealing the provisions on productive use in Minister of Religious Affairs Regulation No 52 of 2014).

MANUSCRIPT IN REVIEW

Subject	Provision	What it says
Forms for the poor and needy	Article 3(1)	At least: business capital, production facilities, business networks and better production quality
Forms for community quality	Article 3(2)–(3)	At least: technical guidance, training, access to education and scholarships; priority to the poor and needy
Who carries it out	Articles 4 and 6(4)	BAZNAS at national, provincial and district level, and licensed zakat institutions (LAZ), by collaboration and/or by contract
Stages	Articles 4(2) and 5 to 8	Planning, implementation, control (monitoring and evaluation at least once a year) and reporting
Reporting	Article 8	Every six months and at year end, up the chain to BAZNAS and the Minister; each report states the programme plan, the realisation, support and obstacles, and recommendations
Supervision	Article 11	The Minister guides and supervises planning, implementation, control and reporting, with other ministries, regional governments and the public

Table 1. Main provisions of Minister of Religious Affairs Regulation No 16 of 2025. Source: the text of the regulation, summarised for this article.

Two features stand out. The regulation turns a single sentence of the Law into a cycle of planning, implementation, control and reporting. A planning document must contain policy direction, strategy and programmes, and it must take account of national and regional planning, the results of the previous year, the matching of social and economic data with data on recipients, priority of targets, the length of the programme and the expected impact (Article 5). The regulation also keeps the Law's precondition and fills it with a list, which the next section examines.

5. Six Open Questions

The remaining sections give the author's reading of what the texts leave open. They are questions for practice and research, not findings about practice.

First, how is the basic-needs condition tested? The regulation lists five basic needs and requires that planning synchronise data on recipients (Article 5(4)(a)), but it gives no threshold and does not say who decides that a household's food, clothing, housing, education and health needs are met, or on what evidence. A condition that cannot be applied consistently risks being applied by judgement of each institution.

Second, education appears on both sides. It is a basic need that must be met first (Article 2(5)(d)), and access to education and scholarships is a form of productive aid for community quality (Article 3(2)(c) and (d)). The two uses are different, but the text does not explain how an institution should tell them apart and avoid counting one use twice.

MANUSCRIPT IN REVIEW

Third, there are no outcome indicators. The regulation asks for expected impact in planning, and for realisation of the programme in reporting, but it names no indicator of results, such as income of recipients after a period, and no method of evaluation beyond monitoring and evaluation once a year (Article 7). The aim stated in the Elucidation, a rise in income, standard of living and welfare, is therefore not tied to a measure.

Fourth, collaboration and contract are permitted, but risk is not addressed. An institution may carry out productive use jointly or by contract with others (Article 6(3) and (4)), in accordance with the law. The regulation does not say how capital that is lost, or a partner that fails, is treated for the purposes of the duty to distribute zakat to the recipient and to report. The question is practical because productive aid is by nature uncertain.

Fifth, a deadline is inconsistent in the copy consulted. Article 8(3) and (4) set dates for the reports that pass up the chain. In the copy consulted, the year-end report of a licensed zakat institution (LAZ) is due on 15 July of the current year, the same date as its half-year report (Article 8(4)(c)). That may be a misprint in the copy, and the official gazette text should be checked.

Sixth, the technical guidelines are not yet seen. Article 10 leaves technical guidance to the Minister. Questions such as the testing of basic needs, the form of the planning document and the content of the report may be answered there, and a later study should read them.

6. Conclusion

Productive zakat has a clear legal base. The Law allows it, ties it to a single condition and delegates the detail; the 2025 regulation fills the detail with a list of basic needs, forms of aid, four stages and a reporting chain. What it does not yet supply is a way of testing the condition, a measure of results and a rule for losses. These are the points on which institutions will need guidance and researchers have most to contribute. A study of how a sample of institutions plan and report under the regulation, once reports for 2026 are available, would show whether the rules work as they read.

References

Law No 23 of 2011 on Zakat Management (State Gazette 2011 No 115), with its Elucidation.

Minister of Religious Affairs Regulation No 16 of 2025 on the Use of Zakat for Productive Enterprise.

Minister of Religious Affairs Regulation No 52 of 2014 on the Requirements and Procedure for Calculating Zakat Mal and Zakat Fitrah and the Use of Zakat for Productive Enterprise (State Gazette 2014 No 1830), productive-use provisions repealed by Regulation No 16 of 2025.

MANUSCRIPT IN REVIEW