

Optimizing Zakat and Cash Waqf for Educated Unemployment: Evidence from Sampang Regency

Optimalisasi Zakat dan Wakaf Tunai untuk Pengangguran Terdidik: Bukti Empiris dari Kabupaten Sampang

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Abstract: This study investigates the optimization of productive zakat and cash waqf as strategic instruments to address educated unemployment in rural Indonesia, with a case study of Sampang Regency. The research is motivated by persistent labor market challenges, notably the structural mismatch between secondary education output and job absorption, alongside the dominance of informal employment. Using a descriptive quantitative design based on 2024 National Labor Force Survey data, the study analyzes educational attainment, sectoral employment, and labor status to identify high-priority target groups. Findings show that unemployment peaks among junior and senior secondary school graduates, while informal work dominates 76.6% of employment, with agriculture as the leading sector. A simulation illustrates that Rp2 billion in zakat allocation could empower 1,000 unemployed youths through microenterprise financing and skills training. The discussion anchors this strategy within *maqāṣid al-sharī'ah*, emphasizing protection of wealth, intellect, and livelihood. The study concludes that integrating Islamic social finance into local labor policies offers both economic and ethical pathways to reduce structural unemployment, provided strong governance and institutional collaboration are in place. This paper contributes a novel framework by linking empirical labor data with Islamic economic values and recommends further research incorporating institutional financial records and beneficiary perspectives.

Keywords: Educated unemployment, Productive zakat, Cash waqf, *Maqāṣid al-sharī'ah*, Islamic social finance, Sampang regency.

Abstrak: Penelitian ini mengkaji optimalisasi zakat produktif dan wakaf tunai sebagai instrumen strategis dalam mengatasi pengangguran terdidik di wilayah perdesaan Indonesia, dengan studi kasus Kabupaten Sampang. Latar belakang penelitian adalah adanya tantangan struktural dalam pasar kerja, khususnya ketimpangan antara output pendidikan menengah dan serapan tenaga kerja, serta dominasi sektor informal. Dengan pendekatan kuantitatif deskriptif menggunakan data Sakernas 2024, penelitian ini menganalisis capaian pendidikan, sektor pekerjaan, dan status kerja untuk menentukan kelompok sasaran utama. Hasil menunjukkan bahwa pengangguran tertinggi terdapat pada lulusan SMP dan SMA, sementara 76,6% tenaga kerja berada di sektor informal, dengan pertanian sebagai sektor dominan. Simulasi membuktikan bahwa alokasi zakat sebesar Rp2 miliar dapat memberdayakan 1.000 pengangguran terdidik melalui permodalan usaha mikro dan pelatihan keterampilan. Diskusi menempatkan intervensi ini dalam kerangka *maqāṣid al-sharī'ah*, menekankan perlindungan harta, akal, dan penghidupan. Studi ini menyimpulkan bahwa integrasi keuangan sosial Islam dalam kebijakan ketenagakerjaan lokal menawarkan pendekatan yang etis dan efektif secara ekonomi, dengan catatan adanya tata kelola yang baik dan kolaborasi antar lembaga. Kontribusi penelitian ini adalah menghadirkan kerangka baru yang menghubungkan data tenaga kerja daerah dengan prinsip-prinsip ekonomi Islam. Studi lanjutan diusulkan untuk menambahkan data fiskal kelembagaan dan perspektif kualitatif dari penerima manfaat..

Kata Kunci: Pengangguran terdidik, Zakat produktif, Wakaf tunai, *Maqāṣid al-sharī'ah*, Keuangan sosial islam, Kabupaten Sampang.

I. INTRODUCTION

Educated unemployment—defined as the condition in which individuals with secondary or tertiary education are unable to secure formal, productive jobs—has become an increasingly pressing concern in many developing economies, including Indonesia. In rural areas such as East Java and Sampang Regency, Sakernas data (2024) indicate that more than 6,500 secondary-school graduates are unemployed, underscoring a serious mismatch between education and employment opportunities (Wicaksono et al., 2024; Subhaktiyasa et al., 2024). These dynamics reflect structural gaps in human capital formation and market demand. The issue is further exacerbated by global economic transitions that prioritize specialized, high-skilled jobs while marginalizing semi-skilled graduates (Ahmed & Nauriyal, 2024; Stark & Fan, 2011).

In Indonesia, educated unemployment coexists with the persistent dominance of informal employment, especially in rural districts. Data from Sampang in August 2024 show that 76.6% of the labor force works in the informal sector, with open unemployment rates highest among youth aged 15–34 years. This reflects both a limited capacity of the formal sector to absorb new entrants and the structural dependence on precarious, informal work. While the informal sector provides a survival mechanism, it lacks pathways for upward mobility, reinforcing intergenerational poverty and inequality.

The principles of Islamic economics, especially *maqāṣid al-sharī‘ah*, offer a normative framework to address this labor crisis. Emphasizing justice (*al-‘adl*) and benevolence (*al-ihsān*), Islamic social finance promotes not only charitable redistribution but strategic empowerment of vulnerable groups (Umar et al., 2021). Zakat and waqf—particularly in their productive forms—are tools for long-term development.

At the heart of this study lies the underutilization of Islamic social finance—especially zakat and wakaf tunai—as instruments for employment creation. Despite Indonesia’s large zakat base and the rise of cash waqf innovation, current employment policies rarely integrate these tools into workforce development. This paper proposes a synergistic model, in which zakat provides capital, training, and microenterprise support, while waqf funds vocational education and business incubation (Tok et al., 2022; Shahid et al., 2023).

Numerous studies affirm that productive zakat—unlike consumptive aid—creates long-term income sources for beneficiaries (Huda & Santoso, 2021; Qardhawi, 1999). Likewise, wakaf tunai has financed educational programs and small business incubation, equipping youth with employable skills (Ismail et al., 2020). Together, they can offer targeted solutions for the educated unemployed in Sampang, where youth represent both a development challenge and an economic asset.

In addition to direct economic impact, zakat and waqf also fulfill spiritual mandates under *maqāṣid al-sharī‘ah*: zakat ensures *hifz al-māl* (protection of wealth), waqf supports *hifz al-‘aql* (intellect) and *hifz al-nafs* (life) through funding education and livelihood. These instruments offer a holistic response to unemployment, integrating economic, ethical, and spiritual dimensions of development.

The global discourse reinforces this view by positioning Islamic social finance as a key enabler of the SDGs. Models such as waqf-linked sukuk and digital crowdfunding for cash waqf have been successfully implemented to finance youth development, education, and skills training (Dirie et al., 2023; Raimi & Bamiro, 2025). In Indonesia, institutional readiness—digitized zakat systems, Sharia-compliant banking, and waqf innovation—sets the stage for localized application, yet practical integration with labor strategies remains underexplored (Widiastuti et al., 2022; Alimusa et al., 2024).

The literature reveals both promise and limitations. While many studies examine the poverty impact of zakat and waqf, few connect these to district-level labor data or offer a policy framework for reducing educated unemployment. This is especially lacking in areas like Sampang, where data show that over 40% of jobless youth hold a high school diploma or higher. What’s missing is an evidence-based model that merges Islamic finance tools with local workforce planning.

This study fills that gap by analyzing Sampang’s labor structure using Sakernas August 2024 data. It proposes an integrative zakat–waqf allocation framework to reduce youth unemployment. The research is novel in combining empirical data with Islamic economic principles to design actionable, ethical, and region-specific employment solutions. Unlike previous studies, it focuses specifically on the educated unemployed and optimizes Islamic social finance accordingly.

In sum, the study argues that integrating zakat and waqf into regional labor strategies can transform educated unemployment into an opportunity for inclusive growth. Rooted in *maqāṣid al-sharī‘ah* and empirical labor evidence, this model contributes to Islamic economic thought and employment policy.

The lessons from Sampang can be applied to other regions, showcasing Islamic finance as a tool for solving real-world development issues with ethical rigor.

II. LITERATURE REVIEW

2.1 Productive Zakat as an Instrument of Empowerment

Productive zakat has been widely recognized in scholarly discourse as a transformative instrument for socio-economic empowerment, particularly within rural communities where formal labor absorption remains limited. Unlike consumptive zakat, which is primarily distributed to meet immediate subsistence needs, productive zakat is designed to increase mustahiq capacity through microenterprise financing, training, and mentorship. Qardhawi (1999) emphasized that zakat serves not only as a religiously mandated redistribution mechanism but also as a developmental tool that contributes to long-term community welfare when allocated to productive sectors. This perspective has been reinforced by empirical evidence showing that productive zakat programs effectively reduce unemployment and enhance the socio-economic standing of recipients (Rusydziana et al., 2025; Huda & Santoso, 2021). By providing working capital and entrepreneurial support, zakat interventions have enabled beneficiaries to establish microenterprises, leading to increased household income and self-sufficiency (Arifin & Anwar, 2021). Furthermore, case studies illustrate that targeted allocation of productive zakat in rural areas generates multiplier effects, fostering local economic growth and resilience (Mawardi et al., 2022; Arwani et al., 2022).

2.2 Cash Waqf and Human Resource Development

The role of wakaf tunai (cash waqf) in human resource development and socio-economic empowerment has also gained increasing scholarly attention. Traditionally, waqf was used to support religious institutions, education, and healthcare, thereby establishing sustainable community welfare structures (Cizakca, 2004). Contemporary interpretations have extended its application to more flexible financial instruments, such as cash waqf-linked sukuk, which combine endowment principles with modern financing to support public goods and social development projects (Laila et al., 2024; Maulina et al., 2024). Evidence suggests that professionally managed cash waqf can fund vocational training, skills development, and business incubation programs, enabling productive engagement of the workforce, particularly among youth and educated unemployed cohorts (Ismail et al., 2020). Research highlights the adaptability of waqf in addressing modern challenges, including unemployment, by bridging resource gaps in education and skills acquisition (Saiti et al., 2021; Thaker et al., 2020). By ensuring that endowment funds are invested in sectors that directly enhance employability, wakaf tunai becomes a crucial mechanism for aligning educational outcomes with labor market demands (Yasin, 2023; Timur, 2025).

2.3 Educated Unemployment and Structural Challenges

Educated unemployment, particularly in developing economies, remains a structural challenge characterized by the mismatch between graduates' skills and market requirements. Todaro and Smith (2015) argued that structural unemployment often arises from systemic inefficiencies in education systems that fail to align curricula with economic needs. Recent studies confirm that this mismatch is especially severe in rural districts, where opportunities for formal employment remain scarce despite rising educational attainment (Muneer & Khan, 2022). In Indonesia, Maulana (2023) demonstrated that secondary school graduates, particularly those from SMA and SMP, have among the highest unemployment rates in districts dominated by informal labor markets such as Sampang. These findings underscore the importance of designing targeted interventions that bridge the gap between educational achievement and labor market absorption. Productive zakat and cash waqf, by financing skill development and microenterprise opportunities, directly address these structural mismatches and provide strategic pathways for reducing educated unemployment (Arwani et al., 2022).

2.4 Integration of Islamic Economics into Labor Policy

Integrating Islamic economics into labor policy frameworks represents a promising avenue for addressing the challenges of educated unemployment. Chapra (2000) emphasized that the Islamic economic system is grounded in justice and sustainability, advocating for resource allocation mechanisms that empower individuals and reduce systemic inequalities. In this context, zakat and waqf

emerge as critical tools for ensuring equitable distribution and fostering inclusive development. Karim (2018) further argued that incorporating zakat and waqf into employment policies can strengthen economic inclusion and reduce social disparities by providing structured support for marginalized groups. The theoretical foundation for such integration lies in the *maqāsid al-sharī'ah*, which prioritize the protection of wealth (*hifz al-māl*), intellect (*hifz al-'aql*), and life (*hifz al-nafs*), aligning economic strategies with broader social and ethical objectives. Practical evidence supports these claims, showing that zakat-funded microenterprises and waqf-supported training programs can empower educated youth to transition from unemployment into productive, sustainable livelihoods (Ascarya, 2021; Widiastuti et al., 2022).

2.5 Governance Challenges in Zakat and Waqf Management

Nevertheless, the literature also identifies significant challenges in implementing zakat and waqf effectively at the district level. Transparency, governance, and community participation remain critical issues that limit the efficacy of these instruments (Aldeen et al., 2021; Syarifuddin, 2024). Research demonstrates that without robust institutional frameworks, zakat and waqf programs are vulnerable to inefficiencies, underutilization, and reduced public trust (Iskandar et al., 2021). Efforts to strengthen governance and accountability, such as improving reporting systems and enhancing public awareness, are essential to maximize the developmental potential of zakat and waqf (Shukor et al., 2018; Napitupulu et al., 2024). Enhanced institutional collaboration between zakat agencies, waqf boards, and local governments is also emphasized as a prerequisite for scaling these initiatives to effectively tackle structural unemployment (Ascarya et al., 2022). Thus, institutional reforms and capacity-building measures are crucial for aligning zakat and waqf systems with district-level labor market needs.

2.6 Synthesis and Local Relevance

Synthesizing the literature highlights the strategic role of zakat and waqf in addressing the problem of educated unemployment, particularly in regions like Sampang where unemployment is highest among secondary-school graduates and informal employment dominates. The evidence suggests that productive allocation of zakat can reduce unemployment by fostering entrepreneurship and microenterprise development, while *wakaf tunai* can bridge gaps in skills training and human capital formation. Together, these instruments provide a dual pathway: zakat supporting immediate capital and enterprise needs, and waqf underpinning long-term skill enhancement and educational empowerment. The relevance of Sampang as a case study lies in its specific labor market conditions—high unemployment among educated youth, reliance on informal work, and limited access to vocational development—which make it an ideal context for applying and testing these Islamic social finance solutions. By combining district-level labor data with the ethical imperatives of Islamic economics, this study addresses a critical research gap and contributes to the development of policy models that are equitable, inclusive, and grounded in local realities.

In conclusion, the literature demonstrates that zakat and waqf hold significant potential as instruments for reducing educated unemployment through both short-term and long-term interventions. However, realizing this potential requires systematic reforms in governance, increased public awareness, and enhanced institutional collaboration. The case of Sampang offers an opportunity to contextualize these instruments within a district-level framework, ensuring that strategies are evidence-based, ethically grounded, and tailored to local socioeconomic conditions. Such an approach not only contributes to the field of Islamic economics and labor policy but also provides practical insights for policymakers seeking to optimize Islamic social finance for sustainable employment solutions.

III. METHODOLOGY

3.1 Research Type and Approach

This study applies a descriptive quantitative approach utilizing secondary data to analyze educated unemployment in Sampang Regency and evaluate the potential of zakat and waqf interventions. This method is suitable for policy analysis because it uses official statistical sources with established credibility, eliminating the need for resource-intensive primary data collection. The approach aligns with the Islamic economic framework, particularly *maqāsid al-sharī'ah*, emphasizing justice (*al-'adl*) and benevolence (*al-ihsān*) in alleviating social inequality (Widiastuti et al., 2021; Ahmed & Nauriyal, 2024; Umar et al., 2021).

3.2 Data Sources

The primary data source is *Kondisi Ketenagakerjaan Kabupaten Sampang Agustus 2024*, derived from Indonesia's National Labor Force Survey (Sakernas) conducted by Badan Pusat Statistik (BPS). This dataset offers comprehensive statistics on employment indicators, including labor force participation (TPAK), open unemployment rate (TPT), employment status, sectoral distribution, educational attainment, and age groups. These indicators expose structural labor vulnerabilities, particularly the high unemployment among secondary-school graduates and the informal sector's dominance, making it relevant for designing zakat and waqf-based interventions (Wicaksono et al., 2024).

Despite its comprehensiveness, Sakernas data is not without limitations—it may suffer from underreporting or classification inconsistencies, especially in the informal sector (Wicaksono et al., 2024). Nevertheless, it remains the most robust and publicly accessible source for regional labor market analysis.

3.3 Data Analysis Techniques

The analysis employed four stages. First, Sakernas data were tabulated and visualized to reveal unemployment patterns based on education level, employment status, and economic sector. These were presented in the Results section. Second, findings were interpreted using Islamic economic concepts such as philanthropy, entrepreneurship, and empowerment. For instance, the prevalence of informal work was analyzed as a structural barrier that can be mitigated by zakat and waqf (Rusydziana et al., 2025; Ismail et al., 2020).

Third, a scenario-based simulation was conducted to estimate how redirecting part of district zakat funds into training and microenterprises could empower unemployed graduates. This method illustrates the concept of *istithmar al-zakat* (investment of zakat) and its alignment with *maqāṣid al-sharī'ah*. Finally, results were contextualized using structural unemployment theory (Todaro & Smith, 2015) and studies on waqf-funded vocational programs (Thaker et al., 2020; Saiti et al., 2021), reinforcing theoretical and empirical validity.

3.4 Validity and Auditability

Using Sakernas ensures external validity, given its compliance with national statistical standards. No manipulation beyond descriptive tabulation and thematic interpretation was made. Auditability is maintained through proper citation of sources and documentation of all analytic steps. Normative validity is further supported by aligning findings with *maqāṣid al-sharī'ah* objectives, namely: protecting wealth (*hifz al-māl*), safeguarding livelihoods (*hifz al-nafs*), and promoting intellect (*hifz al-'aql*).

3.5 Methodological Limitations

This methodology has several limitations. First, absence of primary data restricts exploration of behavioral or motivational dimensions. Second, the zakat simulation is illustrative, not predictive, as it does not reflect actual institutional fiscal capacity. Third, limited awareness and weak institutional governance, as noted by Mujahidin et al. (2025), may constrain implementation. Lastly, focus on Sampang limits the generalizability of the results.

Nevertheless, this design offers a scalable and adaptable model for integrating Islamic social finance principles into labor market analysis and localized employment policy design.

IV. RESULTS AND DISCUSSION

4.1 Results

a. Open Unemployment Rate by Education

The analysis of unemployment in Sampang Regency reveals that the highest open unemployment rates are concentrated among individuals with secondary-level education. Table 1 presents the breakdown of unemployment by educational attainment. Graduates of junior secondary school (SMP) and senior secondary school (SMA) recorded the highest unemployment rates at 9.79% and 8.93% respectively, compared with only 1.93% for those with primary education or below. Diploma and university graduates showed lower rates of 5.88% and 4.00% respectively.

Table 1. Open Unemployment Rate (TPT) by Education

Education Level	TPT (%)
Primary	1.93
Junior Secondary (SMP)	9.79
Senior Secondary (SMA)	8.93
Diploma	5.88
University	4.00

Source: Author's analysis

The findings underscore a mismatch between educational attainment and labor market demand. While higher education appears to provide greater alignment with available employment opportunities, graduates of secondary education remain particularly vulnerable to joblessness. This phenomenon is consistent with observations in rural Indonesia, where secondary-level graduates often face higher unemployment rates due to structural labor market imbalances (Subhaktiyasa et al., 2024; Wicaksono et al., 2024). These results suggest that the secondary-educated population represents a strategic target for Islamic social finance interventions, such as productive zakat programs aimed at microenterprise development and skill enhancement.

b. Employment Status and Potential Targets for Zakat and Waqf

Employment status data reveal the overwhelming dominance of informal employment in Sampang. Table 2 shows that 76.6% of the labor force is employed in informal activities, while only 23.4% work in the formal sector.

Table 2. Composition of Employment Status in Sampang Regency

Employment Status	Percentage (%)
Informal	76.60
Formal	23.40

Source: Author's analysis

This dominance of informal employment indicates significant vulnerabilities, including limited job security, lack of social protection, and low income stability (Ahmed & Nauriyal, 2024). Such conditions were further exacerbated during crises like the COVID-19 pandemic, where informal workers were disproportionately affected by job losses and income reductions (Kasri & Chaerunnisa, 2021). Given these vulnerabilities, informal workers represent a critical target group for zakat and waqf programs. Evidence from Malaysia shows that innovative financing models linking waqf with social and commercial activities have empowered informal workers through access to financial resources and literacy programs (Ascarya & Masrifah, 2022). Similarly, in Indonesia, the integration of digital zakat platforms has improved outreach to informal workers, strengthening their socio-economic resilience (Bonang et al., 2024). In Sampang, channeling zakat toward working capital and using waqf to fund skill-building programs could offer viable solutions for transitioning informal workers into more stable livelihoods.

c. Sectoral Distribution and Intervention Opportunities

Sectoral employment data highlight agriculture as the dominant sector, engaging 52.79% of the workforce, followed by trade at 15.49%, education at 2.94%, and health services at 1.07%, with the remaining ~27.71% distributed across other sectors.

Table 3. Sectoral Distribution of Employment in Sampang Regency

Sector	Percentage (%)
Agriculture	52.79
Trade	15.49
Education	2.94
Health Services	1.07
Others	~27.71

Source: Author's analysis

The dominance of agriculture indicates a heavy reliance on a sector often associated with informality, low productivity, and income vulnerability. Studies have highlighted the potential of Islamic social finance instruments, such as cash waqf, to contribute to agricultural financing,

thereby improving farmer welfare and enhancing food security (Majid & Sukmana, 2023; Ascarya et al., 2022). Meanwhile, trade, as the second-largest sector, presents opportunities for the development of Islamic microfinance initiatives aimed at strengthening small businesses. Zakat and infaq, for instance, have been shown to foster economic empowerment in trade and service sectors, promoting job creation and poverty reduction (Widiastuti et al., 2022; Dirie et al., 2023). The relatively smaller shares of education and health sectors, though limited in workforce absorption, indicate areas where waqf could fund human capital development through scholarships, vocational training, and healthcare access. Thus, sectoral distribution highlights both challenges and opportunities, reinforcing the relevance of zakat and waqf as instruments for targeted economic empowerment.

d. Simulation of Productive Zakat Intervention

To evaluate the potential impact of zakat on educated unemployment, a simple simulation was conducted, as presented in Table 4. The scenario allocates Rp2 billion—equivalent to approximately 10% of district zakat funds—to support 1,000 educated unemployed individuals. Each beneficiary receives Rp2,000,000 in the form of training or microenterprise capital.

Table 4. Simulation of Productive Zakat Allocation in Sampang Regency

Component	Value
Target Beneficiaries	1,000 persons
Allocation per Person	Rp2,000,000
Total Allocation	Rp2 billion

Source: Author's analysis

This simulation underscores the feasibility of using zakat as a productive tool rather than merely consumptive assistance. Literature on zakat-based microfinance models shows that such interventions can significantly improve employment opportunities and foster entrepreneurship (Mawardi et al., 2022; Thaidi et al., 2024). Furthermore, digital platforms for zakat management have been shown to enhance efficiency and reach, creating job opportunities in fintech and related service sectors (Alam et al., 2022). Cost-benefit analyses of zakat interventions in other contexts confirm their positive impacts on poverty alleviation, community development, and employment generation (Othman et al., 2021; Arwani et al., 2022). In the context of Sampang, this simulated allocation demonstrates how even modest zakat resources can yield substantial socio-economic benefits when directed toward skill-building and enterprise development.

e. Productive Age Groups as Strategic Targets

The majority of Sampang's labor force is within the productive age range of 25–59 years, a demographic cohort critical for economic growth and development. Engaging this group effectively is essential, as their labor force participation and skill adaptability drive overall productivity (Wicaksono et al., 2024). Studies emphasize that enhancing the capabilities of this demographic through education, training, and access to financing can reduce unemployment and foster sustainable growth (Mawardi et al., 2022).

Islamic economic empowerment programs specifically targeting this age group have demonstrated significant potential. For instance, zakat and waqf initiatives designed to provide financial literacy, entrepreneurial training, and vocational skills have been found to elevate the socio-economic status of individuals, contributing to more robust labor force participation (Arifin & Anwar, 2021; Widiastuti et al., 2021). Programs leveraging cash waqf for entrepreneurial development and zakat for microfinancing can transform the economic prospects of the productive age group, ensuring that they not only contribute to but also benefit from economic development. The engagement of this cohort aligns with broader national strategies to capitalize on Indonesia's demographic dividend, reinforcing the urgency of integrating Islamic social finance instruments into labor market policies.

The results of this study reveal that educated unemployment in Sampang is concentrated among secondary education graduates, while informal employment dominates the labor market, and agriculture remains the primary sector of engagement. Simulations show that productive zakat allocation has the

potential to significantly reduce unemployment and enhance microenterprise development, particularly when directed at the productive age group. These findings are consistent with broader literature that underscores the importance of Islamic social finance instruments in addressing structural unemployment and fostering socio-economic empowerment. By situating these results within the frameworks of zakat, waqf, and Islamic economic principles, the study provides an evidence-based foundation for designing targeted interventions tailored to the specific needs of Sampang Regency.

4.2 Discussion

a. Critical Interpretation of Educated Unemployment

The findings demonstrate that educated unemployment in Sampang Regency is most prevalent among junior and senior secondary school graduates, with unemployment rates reaching 9.79% and 8.93%, respectively. This phenomenon reflects a structural mismatch between the supply of human capital generated by the formal education system and the labor market's capacity to absorb semi-skilled workers. Such disparities are commonly referred to as structural unemployment (Todaro & Smith, 2015), a condition wherein the skills provided by the education system do not align with job opportunities available in the local economy. In rural Indonesian settings, this is exacerbated by the dominance of informal employment, limited industrial diversification, and the absence of vocational pathways for youth (Subhaktiyasa et al., 2024; Wicaksono et al., 2024).

From the perspective of Islamic economics, the persistence of educated unemployment signifies a systemic failure in realizing *maslahah* (public benefit) and ensuring just resource distribution. It contradicts the ethical imperative of *al-'adl* (justice) and *al-ihsān* (benevolence), which underpin the Islamic worldview of economic empowerment. The continued exclusion of semi-skilled individuals from stable employment not only reduces productivity but also undermines human dignity (Umar et al., 2021), highlighting the urgency for targeted, ethical, and inclusive interventions.

b. Relevance of Maqāṣid al-Sharī'ah in Islamic Social Finance Interventions

Islamic social finance instruments—particularly zakat and waqf—are not solely economic tools, but normative instruments embedded within the framework of *maqāṣid al-sharī'ah*, the higher objectives of Islamic law. These include the protection of wealth (*ḥifẓ al-māl*), life (*ḥifẓ al-naḥs*), and intellect (*ḥifẓ al-'aql*). Addressing educated unemployment through Islamic social finance thus fulfills these objectives by restoring human dignity and economic justice (Ismail et al., 2020; Cizakca, 2004). Allocating zakat for microenterprise capital and utilizing cash waqf for vocational training simultaneously empowers beneficiaries, sustains livelihoods, and promotes intellectual development.

In this framework, interventions go beyond addressing economic deficiency and become spiritually congruent efforts toward human flourishing. For instance, prioritizing unemployed secondary school graduates through zakat funding embodies distributive justice, while using waqf for upskilling supports cognitive development aligned with *ḥifẓ al-'aql*. These integrated actions thus bridge spiritual intent with material impact, reinforcing Islamic finance's unique moral economy.

c. Strategies for Optimizing Zakat and Waqf

The simulation presented in this study illustrates that Rp2 billion in zakat funds could support 1,000 educated unemployed individuals with training or entrepreneurial capital. This intervention operationalizes the concept of *istithmār al-zakāh* (zakat investment) and shifts the focus from consumptive aid to productive empowerment. Prior studies confirm the efficacy of zakat-based microfinance models in reducing unemployment and poverty (Mawardi et al., 2022; Thaidi et al., 2024). Moreover, the adoption of fintech-based zakat platforms has improved transparency, enhanced targeting, and created new employment opportunities in the digital economy (Alam et al., 2022).

A segmented targeting approach is recommended, focusing on secondary school graduates aged 25–59, who simultaneously face the highest vulnerability and possess the greatest productive potential. Financing models rooted in Islamic contracts—*muḍārabah* (profit-sharing) and *mushārah* (joint venture)—should be prioritized for entrepreneurial development. Meanwhile, cash waqf can support training centers and microenterprise incubators to reduce skill mismatches. These approaches mirror successful experiences in Malaysia and Indonesia where Islamic social finance has been institutionalized in labor market programs (Ascarya et al., 2022; Sukmana et al., 2024).

d. Policy Implications and Local Relevance

The labor market structure in Sampang—characterized by 76.6% informal employment, 52.79% workforce reliance on agriculture, and elevated unemployment among secondary graduates—calls for localized and data-driven policy responses. Informal workers remain economically vulnerable due to the absence of social protections (Ahmed & Nauriyal, 2024). Islamic social finance offers adaptive solutions; for example, Malaysia’s waqf-based education financing has enhanced access to training and markets for informal workers (Mohsin, 2013; Ascarya & Masrifah, 2022).

In Sampang, zakat could provide capital support for agribusiness and rural trade sectors, while waqf could fund human capital development in education, health, and vocational fields. Implementing such strategies requires multi-stakeholder collaboration—involving BAZNAS, local waqf boards, and district authorities—to ensure alignment with local economic planning. Malaysia’s “Ummah Economic Development Zone” illustrates how structured integration of zakat and waqf within public employment programs can generate sustainable impact (Majid et al., 2024; Aziz et al., 2025).

e. Contributions to Islamic Economics Literature and Practice

This study contributes a localized empirical model that integrates district-level labor market data with the normative values of zakat and waqf, offering actionable insights for Islamic social finance in addressing educated unemployment. Unlike macro-level analyses, this paper bridges the empirical-normative gap and introduces a framework grounded in both data and Islamic ethics.

Emerging literature underscores the importance of governance, transparency, and community participation for Islamic finance effectiveness (Rusyiana et al., 2025; Muhammad & Al-Shaghdari, 2024). Poor institutional frameworks, however, can diminish impact, as seen in cases of mismanagement and inefficiencies (Bessais et al., 2024; Laila et al., 2024). Digital transformation is thus critical for scaling and sustaining zakat and waqf, with platforms improving accountability and outreach (Azman et al., 2021; Zakariyah et al., 2023).

In targeting the productive age group (25–59 years), Islamic social finance interventions can catalyze local economic growth. Research confirms that financial literacy, entrepreneurship education, and vocational training significantly enhance labor participation and household income (Arifin & Anwar, 2021; Widiastuti et al., 2021). Therefore, programs should prioritize this demographic to maximize socio-economic returns.

f. Challenges and Pitfalls in Implementation

Despite its promise, the integration of zakat and waqf into labor market strategies faces multiple challenges. These include regulatory ambiguities, public skepticism, and institutional fragmentation (Mujahidin et al., 2025). Without clear governance structures and stakeholder engagement, initiatives may suffer from inefficiencies and misallocation, ultimately eroding public trust.

Literature warns of scalability limitations if programs fail to implement robust monitoring and evaluation systems (Bessais et al., 2024). Recommended safeguards include independent audits, participatory budgeting, and digitalization of cash waqf systems (Bonang et al., 2024; Ainol-Basirah & Siti-Nabiha, 2022). However, rural areas like Sampang may face digital divide challenges, necessitating simultaneous investments in digital literacy and infrastructure.

In conclusion, the integration of zakat and waqf into regional labor strategies presents a transformative pathway to alleviate educated unemployment. Yet, its success depends on good governance, institutional synergy, and inclusive participation. If these factors are properly addressed, Islamic social finance can evolve from a reactive charity model into a proactive empowerment mechanism rooted in justice and sustainability.

V. CONCLUSION

This study reveals that educated unemployment in Sampang Regency is predominantly concentrated among junior and senior secondary school graduates, indicating a systemic mismatch between educational attainment and the region’s labor market absorptive capacity. The dominance of informal employment—comprising over 76% of the local workforce—further compounds this issue by limiting job security and suppressing upward mobility. Using Islamic social finance instruments, particularly productive zakat and cash waqf, the study demonstrates a viable, ethically grounded intervention model that can be both spiritually aligned and economically effective. By simulating the

allocation of Rp2 billion in zakat funds, the findings show that targeted programs in vocational training and microenterprise development can empower thousands of unemployed individuals. Integrating these initiatives within the framework of maqāṣid al-sharī'ah ensures that interventions serve not only economic needs but also promote values of justice (al-'adl), welfare (al-ihsān), and human dignity (ḥifz al-nafs).

To enhance the impact and sustainability of Islamic social finance in addressing educated unemployment, several strategic recommendations are proposed. First, local governments, zakat institutions (BAZNAS), and waqf boards must build institutional synergies to ensure alignment with district development goals. Second, interventions must focus on the productive age group (25–59 years) and leverage Islamic financial contracts such as muḍārabah and mushārahah to support entrepreneurship. Third, digital platforms should be developed to improve transparency, accountability, and public participation in zakat and waqf programs. Finally, future research should incorporate longitudinal financial data, beneficiary feedback, and qualitative impact assessments to refine and expand this model. By addressing governance gaps and fostering inclusive collaboration, zakat and waqf can be transformed from reactive charity tools into proactive, sustainable instruments for regional economic empowerment and inclusive growth..

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