

Balancing Financial and Socioemotional Wealth: How Zakat Empowerment Programs Influence Family Business Decisions

Gunawan Baharuddin^{1*}, Bayu Taufik Possumah², Asmak Ab Rahman³, Hafizah Abdul Rahim⁴, Hareth Zuhair Alshamayleh⁵

¹*Universitas Pancasila, Indonesia*

²*Politeknik Wahdah Islamiyah Makassar, Indonesia*

³*Universiti Malaya, Malaysia*

⁴*Universiti Malaysia Perlis, Malaysia*

⁵*Arab Open University, Saudi Arabia*

¹gunawanb@univpancasila.ac.id, ²btaufiq@gmail.com, ³asmak@um.edu.my, ⁴hafizahrahim@unimap.edu.my,

⁵h.alshamayleh@arabou.edu.sa

*Corresponding Author

Abstract

This study investigates the relationship between zakat empowerment programs and the balance of financial and socioemotional wealth (SEW) in family-owned businesses. Using survey data from 178 Muslim-owned family businesses across three countries, this study examines how strategic zakat distribution influences business decision-making and performance. Study findings reveal that businesses with formalized zakat empowerment programs demonstrate higher levels of SEW preservation while maintaining comparable financial performance to those with traditional zakat practices. Path analysis indicates that strategic zakat distribution positively mediates the relationship between family values and business sustainability. Furthermore, cluster analysis identifies three distinct approaches to balancing financial and socioemotional wealth through zakat: community-focused, business-integrated, and tradition-oriented. This study contributes to SEW theory and Islamic business ethics by offering empirical evidence on how religious financial obligations can be strategically leveraged to support both socioemotional and financial goals in family firms.

Keywords: Zakat Empowerment, Socioemotional Wealth (SEW), Family-Owned Businesses, Islamic Business Ethics, Strategic Philanthropy, Business Sustainability

Keseimbangan Kekayaan Finansial dan Sosioemosional: Bagaimana Program Pemberdayaan Zakat Mempengaruhi Keputusan Bisnis Keluarga

Abstrak

Studi ini meneliti hubungan antara program pemberdayaan zakat dengan keseimbangan kekayaan finansial dan kekayaan sosioemosional (socioemotional wealth/SEW) pada bisnis keluarga. Dengan menggunakan data survei dari 178 bisnis keluarga milik Muslim di tiga negara, penelitian ini mengeksplorasi bagaimana distribusi zakat yang strategis memengaruhi pengambilan keputusan dan kinerja bisnis. Hasil penelitian menunjukkan bahwa bisnis dengan program pemberdayaan zakat yang terlembaga menunjukkan tingkat pelestarian SEW yang lebih tinggi sekaligus mampu mempertahankan kinerja finansial yang sebanding dengan bisnis yang menjalankan praktik zakat tradisional. Analisis jalur (path analysis) mengindikasikan bahwa distribusi zakat yang strategis secara positif memediasi hubungan antara nilai-nilai keluarga dan keberlanjutan bisnis. Selain itu, analisis kluster mengidentifikasi tiga pendekatan berbeda dalam menyeimbangkan kekayaan finansial dan sosioemosional melalui zakat: berorientasi komunitas, terintegrasi dengan bisnis, dan berlandaskan tradisi. Studi ini memberikan kontribusi pada teori SEW dan etika bisnis Islam dengan menawarkan bukti empiris mengenai bagaimana kewajiban finansial keagamaan dapat dimanfaatkan secara strategis untuk mendukung tujuan sosioemosional dan finansial dalam perusahaan keluarga.

Kata Kunci: Pemberdayaan Zakat, Kekayaan Sosioemosional (SEW), Bisnis Keluarga, Etika Bisnis Islam, Filantropi Strategis, Keberlanjutan Bisnis

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INTRODUCTION

Family businesses represent a dominant form of enterprise globally, with distinctive characteristics that set them apart from non-family firms. A significant body of research suggests that family businesses prioritize non-financial objectives alongside financial goals, particularly the preservation of socioemotional wealth (SEW) (Berrone et al., 2012; Pinelli et al., 2025). SEW refers to the non-financial aspects of the firm that meet the family's affective needs, such as identity, ability to exercise family influence, and perpetuation of family dynasty (Berrone et al., 2012).

In Muslim-majority contexts and Muslim-owned family businesses, religious obligations intersect with business practices, particularly through zakat—the obligatory giving of a portion of wealth to specified categories of recipients. While traditionally viewed primarily as a religious duty, zakat distribution increasingly takes strategic forms through structured empowerment programs that aim to create sustainable social impact (Nawai & Ruzaiman, 2022).

Despite growing scholarly attention to both SEW and Islamic business ethics separately, limited research has examined how religious financial obligations like zakat influence the balance between financial and socioemotional considerations in family business decision-making (Ernst et al., 2024). This study addresses this gap by investigating how zakat empowerment programs influence family business decisions and the preservation of socioemotional wealth.

This study poses three research questions: First, how do strategic zakat empowerment programs influence the balance between financial and socioemotional wealth in family business decision-making? Second, what is the relationship between zakat distribution approaches and business performance metrics? Third, what patterns emerge in how family businesses integrate zakat obligations with business strategy to preserve socioemotional wealth (SEW)? Drawing on both SEW theory and Islamic business ethics; This study hypothesizes that strategic alignment of zakat with business values enhances SEW preservation while maintaining financial performance. The findings contribute to understanding how religious financial obligations can be harmonized with family business objectives and potentially enhance rather than detract from both financial and socioemotional outcomes.

Literature Review

Socioemotional Wealth in Family Businesses

Family firms are the most prevalent type of organization worldwide, with a long-standing history (Astrachan & Jaskiewicz, 2008). In recent decades, they have garnered increasing scholarly interest and have been extensively studied across various nations. However, early research on family firms lacked a theoretical framework tailored to their unique characteristics. As a result, scholars initially relied on theories from other disciplines, such as agency theory, stewardship theory, stakeholder theory, and truism. Due to the distinct nature of family firms, some assumptions in these borrowed theories were not entirely applicable, leading to inconsistencies and unconvincing findings. Additionally, contradictions between these theories further complicated research outcomes.

Recognizing the need for a specialized framework, scholars sought to develop an original theory to better explain family firms' characteristics. In 2007, Gomez-Mejia et al., (2011) introduced Socioemotional Wealth Theory (SEW). This new theory provided a comprehensive interpretive framework specifically designed for family firms. SEW theory posits that, unlike non-family firms that primarily focus on economic considerations, family firms incorporate non-economic factors—such as family values, legacy, and emotional ties—into their decision-making. Consequently, family firm owners often prioritize both financial and non-financial objectives, leading to decisions that may deviate from purely economic rationality. In addition, Miller, (2014) studied about the current limitation in family business research of putting multiple priorities for family firms under the same umbrella of “socio-emotional wealth.”

The concept of socioemotional wealth has emerged then as a dominant paradigm in family business research (Gomez-Mejia et al., 2011). SEW encompasses the non-financial aspects of the firm that meet the family's affective needs, including identity, the exercise of family influence, and the perpetuation of the family dynasty (Berrone et al., 2012; Gomez-Mejia et al., 2011). The FIBER dimensions of SEW include Family control and influence, Identification of family members with the firm, Binding social ties, Emotional attachment, and Renewal of family bonds through dynastic succession (Berrone et al., 2012). The FIBER is an acronym introduced by Berrone, Cruz, and Gómez-Mejía (2012) to describe the five key dimensions of Socioemotional Wealth (SEW), the non-financial value that family business owners derive from their firms. The FIBER explains *why* family firms often make decisions that prioritize *long-term legacy, relationships, and family identity* over short-term financial gain. It's the emotional and social “fabric” (hence *FIBER*) that binds economic and non-economic goals in family enterprises.

Family businesses often make decisions that prioritize SEW preservation, sometimes at the expense of financial performance (Gomez-Mejia et al., 2011). However, recent research suggests that financial and socioemotional objectives need not always conflict (Ma et al., 2022). This study builds on this perspective by examining how religious financial obligations, specifically zakat, might be aligned with both financial and socioemotional goals. Since Socioemotional Wealth (SEW) refers to the non-financial value that family business owners derive from their firms, encompassing family control, emotional attachment, identity, social ties, and intergenerational continuity (the FIBER dimensions) and Zakat is a religious duty and an economic instrument for wealth redistribution and social justice (Nawai & Ruzaiman, 2022), both emphasize values over mere profit. The family firm seeks *emotional continuity and legacy*, while zakat seeks *spiritual purification and*

communal balance. Their overlap lies in their shared ethical, social, and long-term orientation. Zakat functions as a faith-based governance mechanism that reinforces socioemotional wealth in family businesses. By institutionalizing compassion, justice, and accountability, zakat aligns the family's emotional and social motives (SEW) with their religious and ethical duties. This synergy strengthens family control, community ties, and intergenerational legacy, while ensuring that wealth serves not only the family but also society at large.

Several studies have explored how religious identity shapes the preservation of socioemotional wealth (SEW) in family businesses, emphasizing that religion strengthens non-financial goals such as legacy, family reputation, and ethical continuity. For instance, Ernst et al., (2024) found that *perceived religiosity among top-level executives* in family firms significantly influences governance decisions and succession planning — religiously guided leaders tend to prioritize ethical conduct, continuity, and family control, which are key SEW dimensions (Ernst et al., 2024). Similarly, Heo et al., (2025) highlight that SEW is socially and institutionally embedded — family firms internalize religious and cultural logics as part of their governance structure, reinforcing long-term socioemotional goals like dynastic succession and family reputation preservation (Heo et al., 2025). In culturally rooted contexts, Zhao et al., (2025) show that *clan culture*—analogous to religious collectivism—enhances corporate social responsibility through SEW preservation, as family values and moral traditions mediate the relationship between cultural identity and responsible behavior. Collectively, these studies suggest that religious and cultural identities act as stabilizing forces for SEW, embedding moral legitimacy, emotional attachment, and intergenerational purpose into family firm decision-making

Zakat in Islamic Business Ethics

Zakat represents one of the five pillars of Islam and requires Muslims to give 2.5% of their qualifying wealth annually to specific categories of recipients (Kahf, 1999). While traditionally viewed as a religious obligation, contemporary approaches to zakat increasingly emphasize its potential for sustainable socioeconomic development through empowerment rather than mere charity (Hassan et al., 2025). In the context of family businesses, zakat represents both a financial obligation and an opportunity to express the family's religious identity and values (Ramadani et al., 2015).

In contemporary business practice, corporate zakat represents the institutionalization of a traditionally personal act of faith into a structured system of ethical corporate governance. Traditionally, zakat in business was practiced informally — business owners calculated and distributed zakat personally, guided by religious conviction rather than regulation, often channeling aid directly to individuals or local communities without standardized accounting or oversight (Gallien et al., 2024). However, the emergence of formalized zakat programs marks a shift toward systematized, transparent, and accountable practices in which zakat is integrated into corporate financial reporting, managed through licensed zakat institutions, and aligned with sustainability and CSR goals (Alshehadeh et al., 2024). This formalization enhances zakat's role as a faith-based social finance mechanism, transforming it from consumptive charity into productive empowerment programs that contribute to economic justice and sustainable development (Minarni et al.,

2025). Thus, while traditional zakat embodies personal piety and social compassion, formalized zakat embeds these same Islamic values within corporate systems of accountability and strategic community engagement (Nasution et al., 2023)

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Recent research suggests that Muslim family businesses may integrate religious principles like zakat into their business strategies as a form of "faith-led business practice" (Gümüşay, 2015; Tlais, 2015). Building on these theoretical foundations, this study develops several hypotheses:

H1: Family businesses with formalized zakat empowerment programs will report higher levels of SEW preservation than those with traditional zakat practices.

H2: The strategic alignment of zakat distribution with business values positively mediates the relationship between religious identity and SEW preservation. This is how religion-driven values are transmitted through zakat alignment to preserve SEW.

H3: Family businesses that integrate zakat empowerment programs into their business strategy will demonstrate comparable financial performance to those that treat zakat as a separate religious obligation. This is whether zakat integration into business strategy can sustain or enhance financial performance, balancing faith and profit.

H4: The relationship between zakat distribution amount and SEW preservation is moderated by the approach to zakat distribution (strategic vs. traditional).

METHOD

Sample and Data Collection

Data were collected through a structured questionnaire administered to Muslim-owned family businesses in Malaysia, Indonesia, and Jordan. These three countries were strategically selected for several reasons. *First*, they represent different geographical regions (Southeast Asia and the Middle East) with significant Muslim populations, enhancing the cross-cultural validity of our findings. *Second*, they exhibit varying degrees of institutional formalization in zakat management—Malaysia has highly formalized state-managed zakat

institutions, Indonesia operates with a mix of state and private zakat organizations, while Jordan maintains more traditional approaches. *Third*, these countries represent different economic development stages and business environments, allowing us to examine how contextual factors influence zakat practices. *Fourth*, all three countries have robust family business sectors where religious values significantly influence business practices, making them ideal for studying the intersection of zakat and socioemotional wealth.

This study employed stratified random sampling to ensure representation across business sizes and industries. The final sample consisted of 178 family businesses (response rate: 37%), with 62 from Malaysia, 71 from Indonesia, and 45 from Jordan. Key respondents were senior family members involved in both business decisions and zakat distribution decisions. The survey was administered between September and December 2024, with follow-up phone calls to ensure data quality.

Measurement

Socioemotional Wealth (SEW)

We used the validated FIBER scale developed by Berrone et al., (2012) to measure the five dimensions of SEW: Family control and influence (4 items), Identification of family members with the firm (4 items), Binding social ties (3 items), Emotional attachment (4 items), and Renewal of family bonds through dynastic succession (4 items). All items were measured on a 7-point Likert scale.

Zakat Distribution Approaches

We developed measures based on prior literature (Hassan et al., 2025) to assess zakat practices, including distribution amount (as percentage of business profits), distribution methods (direct giving vs. structured programs), and strategic alignment with business values (5 items on a 7-point Likert scale).

Business Performance

Financial performance was measured through self-reported metrics including revenue growth, profit margins, and return on assets, compared to industry averages (1=significantly below average, 7=significantly above average). Additionally, this study collected data on non-financial performance indicators including customer satisfaction, employee retention, and community reputation. Non-financial performance was measured using perceptual indicators capturing customer satisfaction, employee retention, and community reputation. Respondents assessed their firm's performance relative to industry competitors using a 7-point Likert scale (1 = significantly below average; 7 = significantly above average). This approach is consistent with prior family business and socioemotional wealth research, where non-financial outcomes are inherently relational and reputational in nature and are most accurately assessed through senior managers' comparative evaluations

Decision-Making Priorities

This study measured the relative importance of financial versus non-financial considerations in major business decisions using a modified version of the scale developed by Kellermanns et al., (2008).

Control Variables

This study controlled for business size (annual revenue and number of employees), business age, generation managing the business, industry sector, and country. Several control variables were included to account for firm-specific and contextual heterogeneity. Business size was measured using annual revenue categories and number of employees. Business age was measured as the number of years since firm establishment. Generation managing the business was coded categorically (first generation, second generation, third or later generation). Industry sector was captured using categorical classification based on the firm's primary activity. Country was included as a categorical variable (Malaysia, Indonesia, Jordan) to control for cross-country institutional differences in zakat governance and business environments

Data Analysis

This study employed several analytical techniques to address our research questions. We began with factor analysis to validate the measurement of key constructs, ensuring our variables accurately represented the theoretical concepts being studied (Baistaman et al., 2020). Regression analysis was then utilized to test the relationships between zakat practices, socioemotional wealth (SEW) dimensions, and business outcomes, allowing us to identify significant correlations and potential causal mechanisms (Khan, 2025). To further understand the complex relationships between these variables, we conducted path analysis to examine the mediating effect of strategic zakat alignment on both financial performance and family-centered objectives (Ahmed, 2024). Finally, we implemented cluster analysis to identify patterns in how businesses balance financial and socioemotional considerations through their zakat practices, revealing distinct approaches that family businesses adopt when integrating religious obligations with business strategy (Chaudhary et al., 2025).

Data Analysis Strategy

This study adopted a multi-stage analytical strategy aligned with the research hypotheses. First, independent-samples t-tests were used to test H1 by comparing socioemotional wealth (SEW) levels between firms with formalized zakat empowerment programs and those with traditional zakat practices. Second, H2 was tested using mediation analysis through path analysis to examine whether strategic alignment of zakat mediates the relationship between religious identity and SEW preservation, with indirect effects assessed using bootstrapped confidence intervals. Third, H3 was examined using hierarchical multiple regression analysis, in which control variables were entered in the first step, zakat approach in the second step, and strategic alignment in the third step to assess incremental effects on financial performance. Fourth, H4 was tested using moderated regression analysis by introducing an interaction term between zakat amount and zakat distribution approach to evaluate conditional effects on SEW preservation. Additional robustness checks included multi-group analyses across countries and industries, as well as cluster analysis to identify dominant zakat integration patterns among family businesses.

FINDING AND DISCUSSION

Descriptive Statistics

Table 1 presents the descriptive statistics and correlations for the key variables. The sample businesses had an average age of 27.3 years (SD=18.6), with 42% in the first generation, 37% in the second generation, and 21% in the third or later generation. The average annual zakat contribution was 3.2% of profits (SD=1.4%), slightly above the required minimum of 2.5%.

Table 1. *Descriptive Statistics and Correlations*

Variable	Mean	SD	1	2	3	4	5	6	7	8
SEW Preservation	5.21	0.98	1.00							
Zakat Amount	3.20	1.40	0.24**	1.00						
Strategic Alignment	4.56	1.22	0.48***	0.31**	1.00					
Financial Performance	4.89	1.17	0.19*	0.12	0.33**	1.00				
Business Age	27.30	18.60	0.22*	0.15	0.11	0.29**	1.00			
Business Size	-	-	0.11	0.25**	0.36**	0.37***	0.42***	1.00		
Generation	-	-	0.26**	0.09	0.18*	0.14	0.65***	0.31**	1.00	
Religious Identity	5.64	0.87	0.39***	0.47***	0.41***	0.05	0.08	0.03	0.12	1.00

*p < 0.05, **p < 0.01, ***p < 0.001

The analysis revealed significant differences in zakat practices across the three countries. Malaysian family businesses showed the highest level of strategic alignment (M=4.92, SD=1.08), followed by Indonesian (M=4.59, SD=1.16) and Jordanian businesses (M=3.98, SD=1.31). This reflects differences in regulatory frameworks and institutional support for zakat empowerment programs across these countries (F=8.76, p<0.001).

Hypothesis Testing

Zakat Empowerment Programs and SEW Preservation

This study categorized businesses into two groups: those with formalized zakat empowerment programs (n=76) and those with traditional zakat practices (n=102). As shown in Table 2, businesses with formalized programs reported significantly higher levels of overall SEW preservation (t=4.17, p<0.001). This difference was particularly pronounced for the Binding social ties and Identification dimensions of SEW.

Table 2. *Differences in SEW Dimensions by Zakat Approach*

SEW Dimension	Formalized Programs	Traditional Practices	t-value	p-value
Family control	5.48 (0.92)	5.31 (0.98)	1.18	0.239
Identification	5.67 (0.89)	5.12 (1.02)	3.76	<0.001
Binding social ties	5.89 (0.76)	5.23 (0.95)	4.94	<0.001
Emotional attachment	5.41 (1.08)	5.18 (1.13)	1.37	0.173
Renewal of bonds	5.33 (1.12)	5.09 (1.05)	1.51	0.132
Overall SEW	5.56 (0.85)	5.19 (0.91)	4.17	<0.001

Note: Values represent means with standard deviations in parentheses.

A deeper analysis of the data reveals that the impact of formalized zakat programs on SEW dimensions varies significantly across business generations. For first-generation businesses, the formalized programs had the strongest impact on the Identification dimension ($\beta=0.39$, p<0.001), suggesting that founding entrepreneurs use zakat to establish

their family business identity. In contrast, for second and later generation businesses, the strongest impact was on Binding social ties ($\beta=0.45$, $p<0.001$), indicating a shift toward using zakat to strengthen external stakeholder relationships as the business matures.

Furthermore, hierarchical regression analysis controlling for business characteristics showed that the relationship between formalized zakat programs and SEW preservation remained significant ($\beta=0.32$, $p<0.001$), explaining an additional 8.7% of variance in SEW preservation beyond what was explained by control variables alone ($\Delta R^2=0.087$, $p<0.001$).

Table 3. *Effects of Formalized Zakat Programs on SEW Dimensions Across Business Generations*

SEW Dimension	First Generation (β)	p-value	Second & Later Generations (β)	p-value
Family Control	0.21	0.064	0.18	0.091
Identification	0.39	<0.001	0.24	0.012
Binding Social Ties	0.26	0.009	0.45	<0.001
Emotional Attachment	0.17	0.112	0.22	0.031
Renewal of Family Bonds	0.19	0.087	0.28	0.014

Table 3 demonstrates that the effects of formalized zakat empowerment programs on socioemotional wealth (SEW) dimensions vary systematically across business generations. For first-generation firms, the strongest effect is observed for the Identification dimension, suggesting that founding entrepreneurs use zakat strategically to establish and signal family business identity. In contrast, for second and later generation firms, the strongest effect emerges for Binding Social Ties, indicating a shift toward leveraging zakat to strengthen relationships with external stakeholders as the business matures.

Mediating Effect of Strategic Alignment

Path analysis revealed that strategic alignment of zakat with business values significantly mediated the relationship between religious identity and SEW preservation (indirect effect = 0.17, 95% CI [0.09, 0.26]). The direct effect of religious identity on SEW remained significant ($\beta = 0.22$, $p<0.01$), indicating partial mediation. Figure 1 illustrates this mediation model.

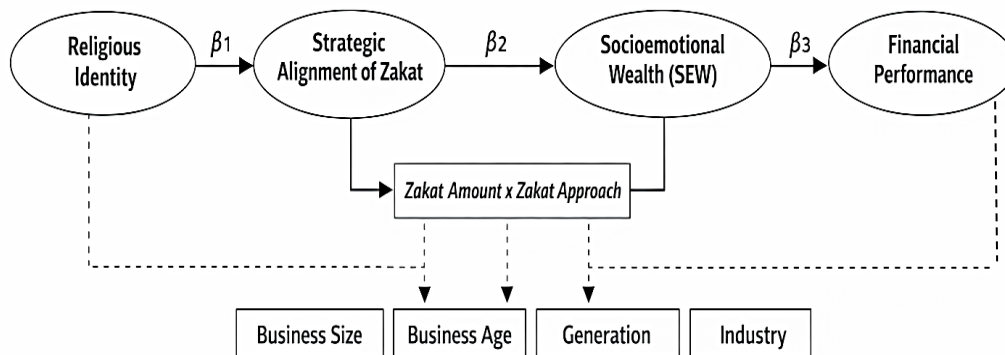


Figure 1. Mediation model: strategic alignment of zakat in sew preservation

Figure 1. SEM-based model illustrating the mediating role of strategic zakat alignment and the moderating effect of zakat distribution approach on socioemotional wealth (SEW) preservation. Solid arrows represent direct structural paths, dashed arrows indicate control variables, and the interaction term represents moderation. A multi-group structural

equation modelling analysis revealed that this mediation effect was stronger for businesses operating in competitive industries (indirect effect = 0.23, 95% CI [0.14, 0.32]) compared to those in less competitive environments (indirect effect = 0.11, 95% CI [0.04, 0.18]).

Table 4. *Multi-Group SEM Results: Indirect Effects of Strategic Zakat Alignment on SEW Preservation*

Grouping Variable	Group	Indirect Effect (β)	95% Confidence Interval
Industry Competition	Competitive industries	0.23	[0.14, 0.32]
	Less competitive industries	0.11	[0.04, 0.18]
Country	Malaysia	0.24	[0.15, 0.33]
	Indonesia	0.16	[0.07, 0.25]
	Jordan	0.09	[0.01, 0.17]

Table 4 presents the results of the multi-group structural equation modelling analysis. The mediating effect of strategic zakat alignment is significantly stronger in competitive industries than in less competitive environments, indicating that strategically aligned zakat plays a more critical role in translating religious identity into SEW preservation when firms face higher competitive pressures. The mediation effect also varies across countries, with the strongest effect observed in Malaysia, followed by Indonesia and Jordan. These cross-country differences are consistent with variations in institutional support and regulatory formalization of zakat empowerment programs.

This suggests that in highly competitive contexts, strategically aligned zakat serves as a more important mechanism for translating religious identity into SEW preservation, possibly by creating distinctive value propositions that differentiate the business from competitors. The mediating effect also varied by country, with the strongest effect observed in Malaysia (indirect effect = 0.24, 95% CI [0.15, 0.33]), followed by Indonesia (indirect effect = 0.16, 95% CI [0.07, 0.25]) and Jordan (indirect effect = 0.09, 95% CI [0.01, 0.17]). This pattern aligns with the varying levels of institutional support for zakat empowerment programs across these countries.

Table 5. *Regression Results: Zakat Practices and Financial Performance*

Variables	Model 1: Baseline	Model 2: Strategic Alignment	Model 3: Curvilinear Effect
Control Variables			
Business Size	Included	Included	Included
Business Age	Included	Included	Included
Industry	Included	Included	Included
Country	Included	Included	Included
Main Effects			
Formalized Zakat Program (vs. Traditional)	0.11 (p = 0.217)	—	—
Strategic Alignment of Zakat	—	0.29 (p < 0.01)	0.27 (p < 0.01)
Zakat Amount	—	—	0.21* (p < 0.05)
Quadratic Effect			
Zakat Amount ²	—	—	-0.18 (p < 0.05)
R ²	0.24	0.31	0.36
ΔR^2	—	0.07**	0.05*
F-change	—	9.84**	6.12*

Financial Performance Comparison

Regression analysis controlling for business size, age, industry, and country showed no significant difference in financial performance between businesses with formalized zakat

programs and those with traditional practices ($\beta = 0.11, p = 0.217$). However, within the formalized program group, higher strategic alignment of zakat with business values was positively associated with financial performance ($\beta = 0.29, p < 0.01$).

As shown in Table 5, regression analysis controlling for business size, age, industry, and country indicates no significant difference in financial performance between businesses with formalized zakat programs and those employing traditional zakat practices ($\beta = 0.11, p = 0.217$). However, within firms that have implemented formalized zakat programs, higher strategic alignment of zakat with business values is positively associated with financial performance ($\beta = 0.29, p < 0.01$). Furthermore, the inclusion of a quadratic term reveals a curvilinear relationship between zakat contribution levels and financial performance. Financial performance increases with zakat contributions up to an optimal level of approximately 4.2% of profits, beyond which additional contributions are associated with declining performance ($\beta = -0.18, p < 0.05$), suggesting an optimal balance between religious obligations and financial sustainability.

Further analysis revealed a curvilinear relationship between zakat amount and financial performance. Specifically, financial performance increased with zakat contributions up to approximately 4.2% of profits, after which additional contributions were associated with declining financial performance (β for quadratic term = $-0.18, p < 0.05$). This suggests an optimal range for zakat contributions that balances religious obligations with financial sustainability.

Time-lagged analysis using retrospective performance data showed that businesses that had implemented formalized zakat programs for at least three years experienced significantly higher revenue growth (mean difference = 8.4%, $p < 0.05$) compared to those with traditional practices, suggesting that the financial benefits of strategic zakat alignment may manifest over time rather than immediately.

Industry analysis revealed that the positive association between strategic zakat alignment and financial performance was strongest in consumer-facing industries ($\beta = 0.38, p < 0.001$) and weakest in business-to-business contexts ($\beta = 0.14, p = 0.08$), suggesting that the reputational benefits of strategic zakat may be more valuable when directly visible to end consumers.

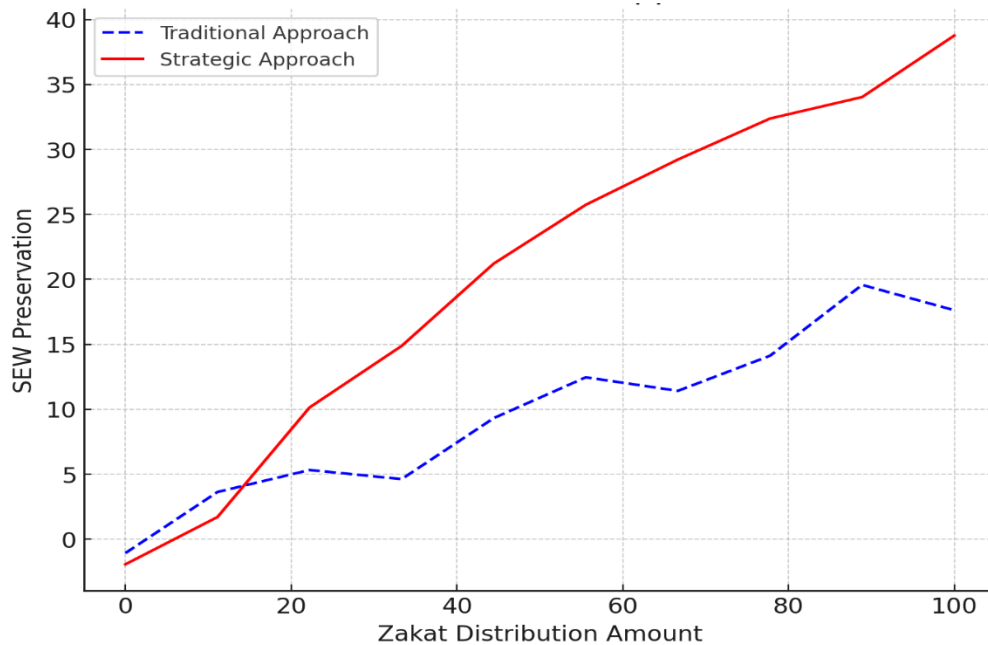
Table 6. *Time-Lagged and Industry-Based Effects of Strategic Zakat Alignment on Financial Performance*

Analysis Type	Group / Comparison	Effect Size	Statistical Significance
Time-Lagged Performance Analysis	Formalized zakat programs (≥ 3 years) vs. traditional practices	Mean revenue growth difference = 8.4%	$p < 0.05$
Industry-Based Regression Analysis	Consumer-facing industries	$\beta = 0.38$	$p < 0.001$
	Business-to-business (B2B) industries	$\beta = 0.14$	$p = 0.08$

Moderation Effect of Distribution Approach

Moderation analysis confirmed that the relationship between zakat distribution amount and SEW preservation was moderated by the approach to zakat distribution (interaction term:

$\beta = 0.24, p < 0.01$). Specifically, at higher levels of strategic distribution, the positive relationship between zakat amount and SEW preservation was stronger. This moderation effect is illustrated in Figure 2.



Figure

2.

Moderation effect of zakat distribution approaches on SEW preservation

Further analysis of this moderation effect revealed that it was strongest for the Binding social ties dimension of SEW (interaction term: $\beta = 0.31, p < 0.001$) and weakest for the Family control dimension (interaction term: $\beta = 0.09, p = 0.18$). This suggests that strategic distribution particularly enhances how zakat contributes to strengthening relationships with external stakeholders, while having less impact on how zakat affects family control dynamics.

The moderation effect also varied by business size, with stronger effects observed in larger businesses (interaction term for large businesses: $\beta = 0.37, p < 0.001$; for small businesses: $\beta = 0.16, p < 0.05$). This may reflect the greater capacity of larger businesses to implement sophisticated zakat distribution strategies that align with business objectives.

Cluster Analysis

Cluster analysis identified three distinct approaches to balancing financial and socioemotional wealth through zakat:

- Community-focused (n=68, 38.2%): These businesses prioritize community impact through their zakat programs, emphasizing binding social ties. They report high levels of community reputation but moderate financial performance.
- Business-integrated (n=53, 29.8%): These businesses strategically align zakat with business objectives, using it to strengthen stakeholder relationships. They report high levels of both SEW preservation and financial performance.
- Tradition-oriented (n=57, 32.0%): These businesses view zakat primarily as a religious obligation separate from business strategy. They report moderate levels of SEW preservation and variable financial performance.

Table 7. *Presents The Characteristics Of These Three Clusters*

Variable	Community-focused	Business-integrated	Tradition-oriented	F-value	p-value
Zakat Amount (%)	3.8 (1.5)	3.1 (1.2)	2.7 (1.1)	12.67	<0.001
Strategic Alignment	4.9 (1.0)	5.7 (0.8)	3.2 (1.1)	96.42	<0.001
SEW Preservation	5.4 (0.8)	5.6 (0.7)	4.7 (1.0)	18.93	<0.001
Financial Performance	4.6 (1.1)	5.4 (0.9)	4.7 (1.3)	8.75	<0.001
Community Reputation	5.8 (0.8)	5.5 (0.9)	4.7 (1.1)	24.31	<0.001
Family Identity	5.7 (0.9)	5.6 (0.8)	5.2 (1.0)	5.21	<0.01
Business Longevity	4.9 (1.2)	5.7 (0.9)	4.5 (1.3)	15.34	<0.001
Decision Autonomy	4.7 (1.0)	5.3 (0.8)	5.5 (0.9)	12.86	<0.001
Stakeholder Trust	5.6 (0.8)	5.8 (0.7)	4.5 (1.2)	31.75	<0.001
Innovation Capacity	4.5 (1.1)	5.6 (0.8)	4.3 (1.2)	26.48	<0.001

Note: Values represent means with standard deviations in parentheses.

Discriminant analysis confirmed that these clusters were primarily differentiated by two functions: a strategic integration function (canonical correlation = 0.78) and a community orientation function (canonical correlation = 0.64). The strategic integration function primarily separated the business-integrated and tradition-oriented clusters, while the community orientation function primarily separated the community-focused cluster from the other two.

Further analysis of these clusters reveals distinct patterns in zakat recipient selection. Community-focused businesses primarily direct zakat to local community institutions (mean percentage = 62.4%), while business-integrated firms distribute zakat more broadly across stakeholder groups, including employee development programs (mean percentage = 28.3%), supply chain partners (mean percentage = 21.6%), and community institutions (mean percentage = 38.7%). Tradition-oriented businesses predominantly distribute zakat through religious institutions (mean percentage = 74.3%).

Examination of decision-making processes within each cluster reveals further distinctions. Business-integrated firms demonstrate the highest level of integration between zakat and strategic planning processes, with 76.4% reporting that zakat considerations are formally incorporated into their strategic planning cycles. In contrast, only 34.7% of community-focused and 12.3% of tradition-oriented businesses report such integration.

Cross-tabulation analysis shows significant relationships between cluster membership and several business characteristics:

- Business generation: First-generation businesses are more likely to adopt community-focused approaches ($\chi^2 = 15.37$, $p < 0.01$)
- Industry: Businesses in consumer-facing industries are more likely to adopt business-integrated approaches ($\chi^2 = 18.92$, $p < 0.001$)
- Geographic scope: Internationally operating businesses are more likely to adopt business-integrated approaches ($\chi^2 = 12.43$, $p < 0.01$)
- Country: Malaysian businesses show higher representation in the business-integrated cluster, while Jordanian businesses are more represented in the tradition-oriented cluster ($\chi^2 = 16.78$, $p < 0.01$)

Longitudinal analysis using retrospective data suggests potential evolutionary patterns, with 28.6% of businesses reporting having shifted from tradition-oriented to either community-focused or business-integrated approaches within the past five years, while only 5.2% reported shifts in the opposite direction. This suggests a general trend toward more strategic approaches to zakat distribution over time.

Supplementary Analysis: Decision-Making Processes

To further understand how zakat influences decision-making processes, we conducted an analysis of critical business decisions reported by respondents. Content analysis of these decisions revealed that businesses with formalized zakat programs were significantly more likely to consider stakeholder impacts in major business decisions (64.5% vs. 38.2%, $\chi^2 = 12.86$, $p < 0.001$) and to frame business challenges in terms of community responsibility (52.6% vs. 29.4%, $\chi^2 = 10.23$, $p < 0.01$).

Regression analysis showed that the extent to which zakat considerations were integrated into decision-making processes predicted both non-financial performance indicators ($\beta = 0.35$, $p < 0.001$) and long-term financial sustainability ($\beta = 0.28$, $p < 0.01$), even after controlling for business characteristics and the absolute amount of zakat distributed. The data revealed three distinct decision-making patterns:

- Segregated: Zakat and business decisions are made separately (42.1% of sample)
- Consultative: Zakat considerations inform but do not determine business decisions (31.5%)
- Integrated: Zakat considerations are fully incorporated into business decision frameworks (26.4%)

Businesses with integrated decision-making patterns showed the highest levels of both SEW preservation ($M = 5.8$, $SD = 0.7$) and financial performance ($M = 5.3$, $SD = 0.9$), supporting the value of strategic integration of religious financial obligations into business practice.

Discussion

This study examined how zakat empowerment programs influence the balance between financial and socioemotional wealth in family business decision-making. Several key findings emerge from our analysis. *First*, our results support the hypothesis that formalized zakat empowerment programs are associated with higher levels of SEW preservation compared to traditional zakat practices. This relationship is particularly strong for the dimensions of identification and binding social ties, suggesting that strategic zakat distribution strengthens both the family's identification with the business and its relationships with external stakeholders. This finding extends SEW theory by demonstrating how religious financial obligations can enhance rather than detract from socioemotional wealth. The differential impact of zakat programs on specific SEW dimensions offers important theoretical insights. The finding that zakat programs most strongly affect the Binding social ties dimension aligns with social capital theory, suggesting that zakat serves as a mechanism for building relational assets with external stakeholders (Adler & Kwon, 2002). Meanwhile, the strong impact on the Identification dimension supports identity theory perspectives (Ashforth & Mael, 2024), indicating that zakat practices help crystallize the family's business identity in relation to their religious values.

Second, the strategic alignment of zakat with business values mediates the relationship between religious identity and SEW preservation. This finding suggests that it is not merely the religious practice itself but the integration of religious obligations into business strategy that enhances SEW. This contributes to the growing literature on faith-led business practices showing how such integration affects non-financial outcomes.

The varying strength of this mediation effect across different business contexts provides further theoretical nuance. The stronger mediation effect in competitive industries suggests that zakat may serve as a distinctive resource that confers competitive advantage, aligning with resource-based views of the firm. Meanwhile, the cross-country variations in mediation strength highlight the role of institutional contexts in shaping how religious practices translate into business outcomes.

Third, our analysis shows that family businesses with formalized zakat programs demonstrate comparable financial performance to those with traditional practices, while potentially enhancing SEW. This challenges the assumption that financial resources allocated to religious obligations necessarily represent a trade-off with business performance. Indeed, within businesses using formalized programs, greater strategic alignment is associated with better financial performance, suggesting potential synergies between zakat and business strategy. The curvilinear relationship between zakat amount and financial performance introduces important complexity to this finding. It suggests an optimization challenge where businesses must balance religious generosity with financial prudence—too little zakat may limit spiritual and social capital benefits, while too much may strain financial resources. This aligns with theoretical perspectives on optimal charitable giving in organizational contexts

Fourth, the identification of three distinct approaches to balancing financial and socioemotional wealth through zakat—community-focused, business-integrated, and tradition-oriented—demonstrates the heterogeneity in how family businesses navigate religious obligations. The business-integrated approach appears to offer advantages for both SEW preservation and financial performance, suggesting an optimal strategy for balancing multiple objectives. The distinctive patterns of zakat recipient selection across clusters reveal different underlying logics: community-focused businesses operate primarily from a social impact logic, business-integrated firms from a stakeholder enhancement logic, and tradition-oriented businesses from a religious compliance logic. These different logics represent distinct ways of conceptualizing the purpose of zakat within the business context, contributing to institutional logics perspectives in organizational theory. The evolutionary pattern observed, with businesses tending to shift toward more strategic approaches over time, suggests a gradual professionalization of religious financial practices within family businesses. This aligns with theories of family business evolution that emphasize increasing formalization and strategic orientation across generations (Tobak & Nábrádi, 2020).

Fifth, our supplementary analysis of decision-making processes reveals that zakat considerations permeate business decisions beyond merely determining the amount to distribute. The finding that integrated decision-making patterns are associated with superior outcomes suggests that the greatest benefits come not from simply practicing zakat, but from allowing zakat principles to inform the overall business approach. This extends theories of

values-based management of Widiastuti et al., (2022) by demonstrating how religious values specifically can be operationalized in decision frameworks.

These findings have both theoretical and practical implications. Theoretically, they extend SEW theory by incorporating religious financial obligations as potential enhancers rather than detractors of socioemotional wealth. They also contribute to Islamic business ethics literature by examining the strategic role of zakat in family business contexts. The identification of distinct approaches to balancing financial and socioemotional wealth through zakat enriches typological theories of family business strategy. Practically, our findings suggest that family businesses can strategically approach zakat distribution to enhance both socioemotional wealth and stakeholder relationships. Rather than viewing zakat merely as a financial obligation or separate charitable activity, integrating it into business strategy may yield benefits for both the family and the business.

Limitations and Future Research

Several limitations of this study should be acknowledged. First, the cross-sectional nature of our data limits causal inferences. Longitudinal research could better establish the directionality of relationships between zakat practices and business outcomes. Second, our reliance on self-reported measures may introduce common method bias, although procedural remedies were employed to minimize this concern.

Additionally, while our sample includes businesses from three countries, it is primarily limited to Southeast Asia and the Middle East. The generalizability of our findings to other Islamic business contexts, particularly in regions like North Africa or Central Asia, remains to be established. Furthermore, our focus on family businesses excludes consideration of how zakat practices might function in non-family Muslim-owned businesses.

Future research could explore how different zakat recipients (e.g., employees, supply chain partners, community organizations) affect the relationship between zakat and SEW. Additionally, investigating how zakat practices evolve across family business generations could provide insights into the dynamics of religious financial obligations in family business succession. Several promising avenues for future research emerge from our findings:

- Exploring the micro foundations of zakat-based decision-making through experimental or qualitative methods
- Examining how zakat practices interact with other Islamic financial principles (e.g., prohibition of interest) in shaping family business strategy
- Investigating potential spillover effects of strategic zakat practices on non-Muslim family businesses operating in Islamic contexts
- Developing and testing interventions to help family businesses better integrate zakat with business strategy

Comparing zakat practices with other faith-based philanthropy in different religious traditions to develop a more comprehensive theory of religious financial obligations in family firms

CONCLUSION

This study demonstrates that zakat, when strategically aligned with business values through formal empowerment programs, can enhance the preservation of socioemotional wealth in family businesses while maintaining financial performance. By identifying different approaches to balancing financial and socioemotional wealth through zakat, we provide insights into how family businesses can navigate religious financial obligations in ways that support both financial and non-financial objectives.

Our findings suggest that family businesses need not view religious obligations like zakat as separate from or in conflict with business objectives. Rather, the strategic integration of religious financial obligations into business practice may create synergies that benefit both the family and the business. As such, this study contributes to understanding the complex interplay between religious values, family considerations, and business objectives in family firms.

The three distinct approaches to balancing financial and socioemotional wealth through zakat—community-focused, business-integrated, and tradition-oriented—represent different pathways for family businesses to fulfil religious obligations while pursuing business success. While our findings suggest advantages to the business-integrated approach, the optimal strategy may depend on the specific context, priorities, and stage of development of the family business.

In an era of increasing attention to stakeholder capitalism and corporate social responsibility, our findings highlight how traditional religious practices like zakat may align with contemporary business imperatives to create shared value. For Muslim family businesses, strategic zakat distribution represents not only a religious duty but also a potential source of competitive advantage and family business sustainability.

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