

## Empowering Productive Zakat to Enhance Economic Welfare: A Qualitative Study

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### Abstract

*Islam perfectly regulates the order of life, not only matters of worship to God, but also matters of muamalah, such as the relationship between humans, the relationship between humans and animals, and the relationship between humans and nature, including socio-culture, agriculture, technology, and economy. The qualitative research method used in this study produces written data that is descriptive in nature and includes information from related agencies in the research subject. This study relies mainly on library research. The way zakat is given and how mustahik spends zakat funds determines the distribution of productive zakat in general. Then, each of these consumption and production needs is divided into two categories: traditional consumption and creative consumption. On the other hand, production needs are divided into conventional productive and creative productive categories.*

**Keywords :** Empowerment, Productive Zakat, Economic Development.

### INTRODUCTION

Zakat is one of the important sectors in Islamic philanthropy. As the third pillar of Islam, zakat must be paid by every qualified Muslim (*Muẓakki*) to purify his wealth by distributing his zakat to *Mustahik* (zakat recipients). This zakat not only functions to help the economy of *mustahik*, but can also be a balancing instrument in the national economic sector. In the long term, the main goal of zakat is to transform *mustahik* into *muẓakki*. This shows that zakat has great potential to overcome economic inequality and poverty in a country.

Demographically and culturally, Indonesian Muslim society has a strategic potential that is worthy of being developed into an instrument of income equality, namely the institution of *Zakat*, *Infak* and *Sedekah* (ZIS). The Indonesian population is Muslim and culturally the obligation of zakat, the encouragement to donate and give alms in the way of Allah SWT. has been deeply rooted in the traditions of Islamic society. In this case, we as Muslims must help each other.<sup>1</sup>

So far, although many studies on zakat have been conducted, the study from the perspective of community economic empowerment seems to have not received much attention. In fact, in the life of the nation and state, zakat is not only interpreted theologically (worship), but also interpreted socio-economically, namely the mechanism of wealth

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<sup>1</sup> Anwar Sadat Harahap, "Islamic Law Study on the Benefits of Zakat in Community Economic Development". *Amaliyah: Journal of Community Service* 4 (1) 2020, 99–105.

distribution. In other words, in addition to cleansing the soul and property, zakat is also a powerful tool for income equality in the economic life of society. The potential of zakat for community economic empowerment seeks to create an entrepreneurial society that will be realized. If the distribution is not directly given to *mustahik* for consumptive purposes, but is collected, managed and distributed by a trustworthy and professional agency/institution.

Islam is an ideal religion sent in a place close to Allah SWT to earth to be *rahmatan lil'alam* or leniency for the whole world. Islam is the main religion of Allah SWT which provides clear and dynamic rules to parts of human existence at any time and in a state of poverty is zakat. In the context of developing the people's economy, the management of zakat funds must be directed to distribute the prosperity of the people and overcome their poverty. The rate of increase in public consumption sourced from zakat funds will in turn encourage economic progress and expand the market. The presence of private businesses or miniature organizations should have the option to provide a truly worthy commitment to the problems of poverty and unemployment. Accessing capital is currently a challenge for small business actors in various ways. The development of productive zakat in the form of business capital given to *mustahik* as a support to increase the utilization of productive zakat. This zakat helps small or micro businesses to grow and earn more money. The use of productive zakat funds is intended to increase the income of *mustahik* so that in the end they become *muzakki* not *mustahik*.

In the organization and administration of zakat, in Indonesia itself there has been an improvement which was initially given by issuing regulations related to zakat, especially Regulation No. Decree of the Minister of Religion (KMA) Number 581 of 1999 and then the issuance of Law Number 38 of 1999 concerning Zakat Management 23 of 2011 replacing Law Number BAZNAS was determined as the technical regulator and supervisor of all Zakat Amil Institutions (LAZ) in Indonesia based on Law No. 38 of 1999. based on non-23 of 2011, all LAZ zakat management activities, including planning, collection, distribution, and use, must be reported to BAZNAS periodically.<sup>2</sup>

Zakat management in Indonesia is officially regulated in Law Number 23 of 2011 concerning Zakat Management. Two organizations or entities have been given legal authority

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<sup>2</sup> Bugi, The Effectiveness of the Love Zakat Movement Slogan Through the Distribution and Utilization of Productive Zakat at the Baznas of Gorontalo City. MUTAWAZIN (Journal of Islamic Economics), 2(1), (2021) 56–68. <https://doi.org/10.54045/mutawazin.v2i1.237>

to manage zakat: the Zakat Amil Institution managed by the community and the Zakat Amil Agency managed by the government.

The objectives of formal zakat management are as follows: 1) to increase the benefits of zakat for community welfare and poverty alleviation, and 2) to increase the efficiency and effectiveness of zakat management services. The objectives above, positively, imply that considering the enormous potential of zakat, institutional efforts are needed so that zakat services function well (on target) and can be used to support programs that improve community welfare and provide social protection. guarantees. In accordance with No. Zakat management includes planning, implementation, and coordination of activities related to the collection, distribution, and utilization of zakat.

According to the formulation of Law Number 23 of 2011, the concept of zakat management has not been accepted by the community for two reasons.<sup>3</sup> First, the strong sense of tradition held by those who prefer to direct zakat to the nearest mosque or other zakat-direction institutions. This approach is considered more practical. Second, there is still a crisis of trust in the performance of the bureaucratic system and good governance. Concerns that zakat, a form of religious obedience, will be used for political interests still exist . Because the basis of resistance is not substantive but rather technical aspects and implementation mechanisms, society views what is considered social reality as a challenge. As long as it does not conflict with the intent and purpose of zakat, the concept of zakat management based on empowerment and improving the standard of living of the community must be institutionalized and practiced.

This article aims to explain the concept of zakat management as a socio-economic potential that can be utilized to empower and improve the welfare of the community.

## RESEARCH METHODS

A qualitative research approach is used in this study, which produces written descriptive data with information from institutions related to the research object.<sup>4</sup> This study

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<sup>3</sup> Bulan Rohmadiyah and Lutvi Alamsyah, "AKAD MURABAHAH AND RAHN IN FINANCING PROGRAM OF PRODUCT GOLD MODEL LICENSE IN THE BANK SHARIA OF INDONESIA (Analysis of the Fatwa National Sharia Council of the Indonesian Ulama Council No. 77/DSN-MUI/V/2010)," *Dirosatuna : Journal of Islamic Studies* 5, no. 1 (2022): 1–13, <https://doi.org/https://doi.org/10.31538/drstn.v5i1.3647>.

<sup>4</sup> Aspandi, "SOCIAL BEHAVIOR PARADIGM AND SOCIAL EXCHANGE BEHAVIORISTIC APPROACH ( Study of Theory of Burrhus Frederic Skinner and George Caspar," *Dirosatuna : Journal of Islamic Studies* 3, no. 1 (2020): 1–20, <https://e-journal.uac.ac.id/index.php/drstn/article/view/628/464>.

mainly relies on library research. Library research, namely research that involves reviewing and searching for literature related to the problem being studied. It can be in the form of books, articles, websites, and other writings that directly or indirectly contain information and data related to the research title.

## RESULTS AND DISCUSSION

### Productive Zakat

*An-nama'* (growth), *albarakah* (blessing), *at-thabarab* (holy), and *katsratul kbair* (plenty of goodness) are the etymological roots of zakat. The scholars prefer to use the term "*an-nama'*", meaning that the more wealth that can be given zakat, the faster it will grow and develop rather than decrease.<sup>5</sup>

Zakat comes from the word *zaka* which means holy, good, blessing, growing and developing. Islamic legal texts define the term "zakat" as "holy", "growing", "developing", and "blessing". And if this understanding is associated with wealth, then Islamic teachings say that wealth that becomes zakat will grow, develop, and increase because it is holy and blessed (blessing the life that has wealth and bringing goodness in it).<sup>6</sup>

Islam actually wants humanity to have a thriving economy, an advanced civilization, and true happiness. To achieve these noble goals, zakat is needed. The creation of a profitable synergy between the rich and the less fortunate as a means to promote goodness and influence change begins with zakat. Ary Ginanjar Agustian emphasized that zakat is a two-way commitment investment that serves as a foundation for constructive and profitable cooperation for the development of synergy. Providing assistance to others is a very important long-term investment in an alliance because trust is a necessary condition for synergy, and trust cannot be obtained without giving. Zakat is a principle that can translate one's spiritual nature into real action by upholding the attitude of giving. We must understand the hidden wisdom behind the teachings of zakat at this time.

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<sup>5</sup> Muawanah, "Pemberdayaan Wakaf Produktif Sebagai Pilar Peningkatan Lembaga Pendidikan Di Yayasan Sabilur Rosyad Sidoarjo," *Al-'Adalah: Jurnal Syariah Dan Hukum Islam* 1, no. 3 (2016): 1–15, <https://doi.org/https://doi.org/10.31538/adlh.v1i3.430>.

<sup>6</sup> Shobah, The Concept of Islamic Economics in Improving the Welfare of Mustahiq Through Productive Zakat (BAZNAS) Purworejo Regency. *Scientific Journal of Islamic Economics*, 6(3) (2020), 521. <https://doi.org/10.29040/jiei.v6i3.1270>

Productive zakat is a distribution zakat model that can help mustahiq achieve their goals by distributing the zakat that has been given, so that mustahiq can benefit from the use of users in an extraordinarily high way.<sup>7</sup>

Management is needed for productive results. The word "manage" comes from the verb "to control or regulate". Meanwhile, trend management can be interpreted as the process of supervising all aspects of policy implementation and goal achievement or as the process of carrying out certain activities by mobilizing other people's energy. Therefore, management requires activity procedures. Socialization of productive zakat, zakat collection, distribution and utilization, and supervision are components of the zakat process. Therefore, the process and implementation of socialization, collection, distribution, and supervision in the implementation of zakat is productive zakat management.<sup>8</sup> Therefore, four management functions are needed, including planning, organizing, actuating, and controlling.

### **Empowerment of Productive Zakat**

The purpose of empowerment is for individuals to have the power or be able to have their needs. Strengthening training consists of two exercises, namely collecting and distributing zakat. The distribution of zakat, infaq, and sedekah is connected or translated into various forms of *mustahiq* economic empowerment programs.<sup>9</sup> The distribution of zakat in various ways is one form of the empowerment program. In this case, zakat can be distributed in the form of cash or consumptive zakat (basic necessities). Scholarships for education, coaching and training, foster programs, facilities and infrastructure, and productive business capital are examples of how zakat can be distributed.

If the zakat given to mustahik is used for productive activities, it will help them improve their economy. The idea of using productive zakat actually involves careful planning and implementation, such as examining the factors that cause poverty, lack of working capital, and lack of employment. Given these problems, strategies that can produce productive zakat are very important.

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<sup>7</sup> Shobah, The Concept of Islamic Economics in Improving the Welfare of Mustahiq Through Productive Zakat (BAZNAS) Purworejo Regency. Scientific Journal of Islamic Economics, 6(3) (2020), 521. <https://doi.org/10.29040/jiei.v6i3.1270>

<sup>8</sup> Said, Productive Zakat Management and Efforts to Improve Micro Economy (Case Study in Baznas Central Sulawesi). AL-MASHADIR: Journal of Legal Studies And ..., 4(23) (2022), 55–72.

<sup>9</sup> Abdurrahman Kasdi, "Peran Nadzir Dalam Pengembangan Wakaf," *Ziswaf: Jurnal Zakat Dan Wakaf* 1, no. 2 (2014): 213–26, <https://doi.org/http://dx.doi.org/10.21043/ziswaf.v1i2.1483>.

By becoming business capital, empowering the recipient's economy, and enabling the poor to continue running or financing their lives, the development of zakat is productive. The poor will earn a steady income, expand and develop their businesses, and be able to save with the zakat funds.

In terms of integrating zakat for community development through trade capital, scholarships, and development of educators can be prioritized based on the explanation of the law and ministerial regulations. In essence, zakat is quickly used to eradicate poverty if it is managed as a source of funds used as training and Startup Capital from the start. Then, individuals who are productive at work and are able to run their own businesses can receive individual capital or be given to businesses that are managed.<sup>10</sup> Because it is related to material (material), ownership, and wealth (property and wealth concept), the distribution of zakat is very closely related to the concept of economic morality in Islam. This is because these concepts need to be understood to maintain equality and reduce social inequality.<sup>11</sup> Property rights must be able to function as a means of consumption, production, and investment, as well as a tool of social concern (through *zakat*, *infak*, and *sedekah*) and a guarantee of wealth distribution.

Productive distribution of Zakat is carried out on activities that have the potential to bring long-term benefits and free the poor from their economic dependence on external assistance.<sup>12</sup> Recipients of productive zakat must meet three requirements: First, you already have a fairly successful business. Second, you are able to work together with partners as a supervisor, and third, you are able to submit business reports regularly every six months.<sup>13</sup>

Because LAZ is a reputable organization in allocating, utilizing, and distributing zakat funds, they not only provide zakat but also accompany, provide direction, and provide training to ensure that zakat funds are truly used as working capital so that zakat recipients obtain decent income. and independent income. As a result, zakat funds for productive activities will be more optimal if implemented by the Amil Zakat Institution.

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<sup>10</sup> Bugi, The Effectiveness of the Love Zakat Movement Slogan Through the Distribution and Utilization of Productive Zakat at the Gorontalo City Baznas. MUTAWAZIN (Journal of Islamic Economics), 2(1) (2021), 56–68.

<sup>11</sup> Rokhlinasari, The Influence of Internal Control Systems on the Quality of Financial Reports at Bank BJB Syariah Cirebon, 8(2) (2016), 491–508.

<sup>12</sup> B. Syafuri, “Nadzir Wakaf: Versi Fiqh Islam Dan Peraturan Perundang-Undangan,” *Al-Ahkam* 14, no. 2 (2018): 59, <https://doi.org/10.37035/ajh.v14i2.1488>.

<sup>13</sup> Syamsuddin, (2010). Empowering the people's economy through productive zakat (Case study on the regional zakat collection agency/BAZDA of Tangerang city). M. Syahril Syamsuddin.

### **The Concept of Productive Zakat in Improving the Economy of the Community**

The existence of zakat, which was originally intended to eradicate poverty, has given rise to new ideas and innovations regarding the distribution of zakat funds themselves, one of which is as a support for productive businesses. especially for economic development and expansion. In addition, productive zakat is used to encourage individuals to become entrepreneurs and be more independent in meeting their daily needs. Currently, zakat can be used for more than just consumption, but it will be more beneficial if it can be used for productive purposes. Because this will benefit mustahik in the long term and short term.

Law No. 2 regulates formal provisions related to the concept of social welfare. 11 of 1999 concerning welfare. Law No. is being replaced or revised by this Law. 6 of 1974 concerning the Main Regulations of Social Government Assistance. As regulated in Law No. 11 of 1999, social welfare is the fulfillment of material, spiritual, and social needs of citizens so that they can live comfortably, develop, and fulfill their social responsibilities.

Togetherness and socio-economic justice are understood as core values in the Islamic economic system. The obligation to pay zakat, alms, infak, and waqf is clear evidence that Islam opposes economic inequality. Through zakat, it also prevents the accumulation of wealth in only a few individuals.

When the poor see a group of rich people, they pay zakat as a form of worship to avoid disbelief and the emergence of jealousy and envy. Various studies have also interpreted the relationship between zakat and civil rights, especially describing Islam supporting zakat which is entirely aimed at equalizing government-supported pensions (civil rights). because zakat is money given by rich Muslims to poor Muslims. Therefore, it is very clear that the purpose of zakat is to distribute wealth among Muslims so that no Muslim suffers from poverty.<sup>14</sup>

The distribution of beneficial zakat is by providing business capital directly or indirectly to mustahik, whose management can include mustahik. With the hope that the results will improve the welfare of society, zakat funds are given to productive businesses.

Financial issues in zakat management have indeed begun to become a consistent idea in several assemblies. According to the economic dimension, there are currently two types

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<sup>14</sup> Nafi'ah, Analysis of Factors That Can Influence Poverty Alleviation in Indonesia (2016-2019), Scientific Journal of Islamic Economics, 7(2) (2021), 953–960.

of zakat management, namely consumptive zakat and productive zakat. This approach is now used by a number of zakat management institutions. In general, these two types of zakat are distinguished based on the method of giving and how it is used by the mustahik. The traditional consumptive and creative consumptive forms of each need are then divided into two, while the conventional productive and creative productive forms of each need are divided into two. A more detailed explanation of the four forms of zakat distribution is:

1. Traditional Consumer.

When zakat is distributed in a traditional consumptive manner, it is given directly to the mustahik for their daily needs, such as on Eid al-Fitr, when zakat fitrah is given to the poor in the form of rice and money, or when zakat mal is given directly by the muzakki to the mustahik who really need it due to food shortages or disasters. This example is a momentary program to overcome individual problems.

2. Creative Consumption.

Zakat that is distributed creatively and in the form of consumer goods is zakat that is used to help the poor in overcoming their social and economic challenges. School supplies and scholarships are provided for students, as well as sarongs and mukena for worship facilities, hoes for farmers, and selling carts for small traders for agricultural tools.

3. Conventional Productive.

Traditionally, zakat is distributed in the form of productive goods, so that muzakki can start a business by providing assistance to goats, dairy cows, or plowing fields with tools such as carpentry and sewing machines.

4. Productive Creative.

Zakat that is realized in the form of capital turnover is zakat that is distributed creatively and productively. This capital can be used for social project capital, such as building schools, health facilities, or places of worship, or business capital, which can help traders or small entrepreneurs in developing their businesses.

The most important aspect of zakat utilization is its distribution to recipients efficiently and specifically. No, the concept of how zakat is used is explained in Law 23 of 2011, which regulates Zakat Management:

1. The concept of productive zakat utilization is practiced in several places, including Jember, East Java, and can be utilized for productive businesses in order to overcome poverty and improve the quality of life of the community.
2. The use of zakat for productive businesses as referred to in paragraph (1) is carried out if the basic needs of the mustahik have been met.

Continuing on the utilization of zakat funds, there are several conditions that must be met by zakat distributors or zakat management institutions.<sup>15</sup> As a result, the existence of zakat allows mustahik to expand profitable business ventures. In addition to being used for consumption, zakat also empowers productively. Because it will be beneficial for mustahik not only in the short term but also for long-term needs.

## CONCLUSION

In general, the distribution of productive zakat is based on how zakat is distributed and how mustahik spends zakat money. The traditional consumptive and creative consumptive forms of each need are then divided into two, while the conventional and creative productive forms of each need are divided into two. So that in its implementation it can be realized properly and on target and then the economic welfare of the community can be realized.

Productive efforts in society can build and grow the economy in particular which can then prosper the community. Productive zakat is also used to stimulate the community to have the desire to be entrepreneurs and be more independent in meeting their daily needs.

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<sup>15</sup> Ahmad Riza Hidayat et al., "Manajemen Wakaf Dalam Perspektif Hukum Islam Dan Undang-Undang No. 41 Tahun 2004," *Filantropi : Jurnal Manajemen Zakat Dan Wakaf* 4, no. 1 (2023): 14–26, <https://doi.org/10.22515/finalmazawa.v4i1.8029>.

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