

## Research Article

# Sustainable Zakat Empowerment Model for Productive Business at Zakat Institutions in West Java Province

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**Abstract.**

The management of Productive Zakat as an alternative solution to the problem of poverty in Indonesia has been an ongoing effort. The Government of Indonesia has shown its commitment to this initiative through normative policies, such as PMA Number 31 of 2019, which outlines the terms and procedures for calculating Zakat Mal and Zakat Fitrah and utilizing Zakat for productive business, based on Law number 23 of 2011 concerning Zakat Management. However, existing regulations have not addressed the technical aspects of how the distribution of Productive Zakat should be carried out to effectively achieve its main goal of empowering those classified as Mustahik in a sustainable manner. This study aims to describe and analyze the model of productive zakat utilization in empowering a sustainable community economy in West Java Province. The research adopts a qualitative method with an analytical descriptive approach. The study concludes that the productive zakat utilization model should be comprehensive and integrative in three ways. Firstly, it should involve the regulation of zakat in conjunction with infaq, shadaqah, and waqf. Secondly, there should be a focus on developing a reliable and capable human resource team for managing the zakat, comprising of amil (collectors) and assistants. Thirdly, the model should emphasize enhancing the intellectual capacity (knowledge and skills), mentality, and spirituality of the mustahiq as the beneficiaries.

**Keywords:** model, zakat utilization, productive business

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## 1. Introduction

Zakat is one of the Islamic social financial instruments that has an important role in the recovery of the national economy. As a country with the largest Muslim population in the world, i.e. 87.2% of the total population, Indonesia is estimated by the National Amil Zakat Agency (*Badan Amil Zakat Nasional/BAZNAS*) to have zakat potential reaching IDR 327 trillion [1], [2]. Indonesia has a large zakat potential, so it should be able to overcome economic problems, such as poverty by maximizing the zakat potential and its utilization [3], [4].

Zakat is an effective way to distribute wealth in an economy, especially from rich people to poor ones in terms of seeking sustenance [5]. Zakat will make the economy stable move quickly, build brotherhood among economic actors, and narrow the economic gap [6]. In other words, zakat can be used as a driver and controller of the economy to achieve *falah* (birth, inner, world, and hereafter welfare) for both present and future generations [7].

Zakat, *infaq*, and alms are instruments of distribution justice in Islamic economics [8]. If they are managed properly and professionally, the high amount of zakat fund will have a significant impact on the Indonesian economy, especially in the efforts to reduce poverty in Indonesia. A good distribution of zakat will increase people's purchasing power, cause income distribution, and minimize the gaps that occur in society. Zakat and alms play a role in poverty alleviation through income distribution and wealth transfer [9].

Zakat is generally distributed in consumptive assistance, namely, to meet daily needs, foods, and clothing [10]. Therefore, zakat as consumptive needs must be distributed in a short period of time since. In line with this, the term productive zakat appears to give an impact and benefit value in the long term on the *mustahiq* zakat. Zakat, *Infaq*, Alms, and *Waqf* (*Zakat, Infak, Sedekah, Wakaf/ZISWAF*) funds can be maximized for the economic development of the people if they are managed productively [11].

Productive zakat is not the same term as zakat mal and zakat fitrah. Productive zakat is a form of zakat utilization by distributing the zakat productively, namely, to become *mustahiq* business capital as a strategy to educate them to work hard, so that their business can be successful. Since its form is a business capital, the *mustahiq* must return it in the form of *infaq* from the results of their efforts, which then is used again to other *mustahiqs*. Thus, the beneficiaries of zakat are increasing.

Regarding the aforementioned explanation, Productive Zakat Management becomes an alternative solution to the problem of poverty in Indonesia, which has been being conducted for a long time. This practice emerged along with the development of the

idea that the collected Zakat can be distributed to mustahiq (the group of beneficiaries of Zakat) not only in a consumptive form, but also in a financing form for productive businesses expected to make mustahiq become empowered in a sustainable manner [12].

The seriousness of the Government of Indonesia in reducing poverty through zakat is reflected normatively through policies in the form of a law related to the Zakat management summarized in PMA Number 31 Year 2019, which is the Second Amendment to PMA Number 52 of 2014 concerning Terms and Procedures for Calculation of Zakat Mal and Zakat Fitrah and Utilization Zakat for Productive Business, as a technical rule of Law Number 23 Year 2011 concerning Zakat Management. However, the existing regulations have not touched the technical level of carrying out Productive Zakat distribution to achieve its main goal, namely empowering people who are classified as mustahiq on an ongoing basis.

In general, the policies related to the Zakat management are more related to state institutions that are authorized to manage and regulate the collection and distribution of Zakat through the establishment of BAZNAS and provide space for the public to be able to establish a Zakat-based Amil Zakat Institution. Although the regulation also regulates the procedures for distributing Zakat for productive businesses, it has not touched the technical level of guidelines for how the distribution of productive zakat should be carried out, so that it can achieve its main goal, namely empowering people who are classified as mustahiq on an ongoing basis.

This results in the absence of general standards for both Amil Zakat Agency (*Badan Amil Zakat/BAZ*) and Amil Zakat Institution (*Lembaga Amil Zakat/LAZ*) which are authorized to collect and distribute Zakat, in implementing the Productive Zakat. In fact, the context of Productive Zakat as part of the worship rituals of the Muslim community which is then used as a way to empower and develop community abilities is closely related to the learning process for the community, so that they can independently make efforts to improve their quality of life, not only in this world, but also in the hereafter [13]. This means that the process of distributing productive zakat really requires technical guidelines that become standards in the implementation process to achieve the goals of productive zakat itself. This study tried to analyze the models of productive zakat utilization carried out by several Zakat Institutions in West Java Province.

## 2. Method

This study was conducted at ten zakat institutions in West Java province, namely BAZNAS in West Java province, Rumah Zakat, Sinergi Foundation, DT Peduli, Rumah Amal Salman, LAZNAS BSI, LAZ BPRS HIK Parahyangan, Pusat Zakat Umat (PZU), LAZISMU, and LAZISNU.

This study used a qualitative method with an analytical descriptive approach by applying two sources of data, namely primary data and secondary data. Primary data was obtained through Focus Group Discussions (FGD) and interviews with leaders and staff of zakat institutions, and beneficiaries (mustahiq), while secondary data was obtained through documentation, in the form of institutional profile documents and other supporting documents.

The data that had been collected was analyzed using the triangulation method by comparing the results of FGD through a series of direct interviews in the field to the management staff of different zakat institutions from those present at the FGD. Data analysis was carried out in the following stages: data collection, data reduction data verification, and drawing conclusions.

## 3. Finding

Based on the results of the Focus Group Discussion (FGD) and field investigations, several things were found as follows:

Of the 11 samples of Zakat Institutions in West Java (LAZISMU (Muhamadiyah), PZU (Persis), LAZISNU (NU), Synergy Foundation, Zakat House, Salman Amal House, Dompot Dhuafa, DT Peduli, LAZNAS BSI, HIK Parahiangan and BAZNAS in Java Province West), basically the zakat institutions can be divided into four clusters, namely management groups based on religious organizations (Muhamadiyah, NU, Persis), community-based managers who establish Islamic philanthropic institutions (Rumah Zakat, Synergy Foundation, etc.), financial institution-based managers (LAZNAS BSI, HIK Parahiyangan), and management groups representing central and local governments (BAZNAS),

The four groups above have their own characteristics; zakat managers based on religious organizations generally target mustahiq (beneficiaries) who come from members of their organizations (jamaah), this allows managers to monitor and control the zakat funds distributed more easily; community-based managers have various programs that are very different from each other, according to the creativity and innovation of each institution; Financial institution-based managers generally do not have independent

programs directly with mustahiq but collaborate with other institutions in distributing their productive zakat.

Management of productive zakat is carried out by BAZ and LAZ. However, at the implementation level, there are no detailed regulations governing the utilization of this productive zakat. Therefore, each zakat institution innovates with its own creativity in utilizing this productive zakat.

In general, all zakat institutions not only manage zakat funds, but also infaq, alms, and waqf funds. This is because the allocation of zakat funds is very clear both in the sources of Islamic teachings and other existing laws and regulations. Detailed rules in the management of zakat, especially in the amount of percentage that must be issued according to the group of asnaf recipients of zakat (mustahiq), cause distribution with productive schemes that require operational funds such as assistance for developing mustahiq skills, will not be maximized. and must use sources other than zakat, namely infaq, shadaqah, waqf, and others.

Each Zakat Institution has a different model of productive zakat utilization. However, basically the form of zakat-based productive economic empowerment program carried out by the Zakat Institution in West Java has almost the same characteristics, namely business capital assistance and capital goods assistance such as livestock.

## 4. Discussion

### 4.1. Clustering Zakat Institutions in West Java

This study was conducted at 11 Zakat Institutions in West Java consisting of LAZISMU (Muhamadiyah), PZU (Persis), LAZISNU (NU), Sinergi Foundation, Rumah Zakat, Rumah Amal Salman, Dompot Dhuafa, DT Peduli, LAZNAS BSI, HIK Parahiangan dan BAZ-NAS in West Java province. Basically, zakat managers in their implementation can be divided into four clusters, namely religious organizations-based management groups (Muhamadiyah, NU, Persis), public-based managers who establish Islamic philanthropic institutions (Rumah Zakat, Sinergi Foundation, etc.), financial institution-based managers (LAZNAS BSI, HIK Parahiangan), and management groups representing both central and regional governments (BAZNAS), as stated in the Table 1.

Those four groups above have their own characteristics in distributing productive zakat with creativity and various innovations that are adapted to the character and background of the establishment of zakat institutions in accordance with the cluster. Religious organizations-based zakat managers generally target mustahiq (beneficiaries)

TABLE 1: Clustering Zakat Institutions in West Java.

No.	Cluster	Amil Organization
1.	Religious Organizations-based Zakat Managers	Pusat Zakat Umat (Persis) LAZISMU (Muhamadiyah) LAZISNU (NU)
2.	Community-based Zakat Managers	Rumah Zakat Sinergi Foundation DT Peduli Rumah Amal Salman Dompot Dhuafa
3.	Financial Institution-based Zakat Manager	LASNAZ BSI LAZ BPRS HIK Parahyangan
4.	Government Representative Zakat Manager	<i>Badan Amil Zakat</i> (BAZNAS) West Java Province

coming from members of their organizations (congregations), so that they automatically receive coaching in the form of business skills and increase their religiosity. This also allows managers to supervise and control the distributed zakat funds more easily. Meanwhile, the general community-based managers have various programs that are very different from each other, creative and innovative, relying on the depth of the management system and character.

Meanwhile, financial institution-based managers generally do not have independent programs directly with mustahiq but cooperate with other institutions in distributing their productive zakat. For example, BAZNAS with a deeper understanding of various regulations related to zakat management, is more careful in distributing zakat productively, such as in the percentage of funds that can be managed for the purposes of zakat utilization by mustahiq, which does not exceed 12.5% in accordance with the rules. Besides that, direct contract fulfillment with mustahiq as the party entitled to receive zakat is also very concerned, so that for operational purposes, assistance, and others take from sources of infaq, alms, and waqf funds.

#### 4.2. Model of Productive Zakat Utilization by Zakat Institutions in West Java

UU Number 23 Year 2011 concerning Zakat Management Chapter III article 27 explains that zakat can be used for productive businesses. With the distribution of zakat funds for productive businesses, it is hoped that the recipients can produce something continuously through the funds they receive. The funds are not spent but will be developed and used for their business, so that they can meet their daily needs. The productive zakat management is carried out by BAZ and LAZ. However, at the implementation level, there are no detailed regulations governing the utilization of this productive zakat. Therefore, each zakat institution innovates with their own creativity in utilizing this productive zakat.

In general, all zakat institutions do not only manage zakat funds, but also infaq, alms, and waqf funds. This is because the allocation of zakat funds is very clear both in the sources of Islamic teachings and other existing laws and regulations. The detailed rules in the zakat management, especially in the number of percentages that must be issued according to the asnaf group of zakat recipients (mustahiq), cause distribution with productive schemes requiring operational funds such as mentoring mustahiq skills development, which will be not optimal and must use sources other than zakat, namely infaq, shadaqah, waqf, and others.

After conducting FGDs and interviews with the managers of Zakat Institutions in West Java, it is known that each Zakat Institution has different models of productive zakat utilization by carrying out creative ways in managing zakat productively to improve the welfare of mustahiq, hence producing to various forms of productive zakat-based empowerment programs. Nevertheless, basically, the forms of productive zakat-based economic empowerment programs conducted by the Zakat Institutions in West Java have almost the same characteristics, namely financial capital assistance for businesses and capital goods assistance, such as livestock.

In line with this, the results of study divided productive zakat into two, namely conventional and creative productive zakat. The former is given in the form of productive goods, in which that by using these items, mustahiq can create a business, such as providing support for goats, dairy cows, plowing fields, carpentry tools, sewing machines, and others. The latter is manifested in the form of revolving capital, both for social project capital, such as social development in the form of the construction of schools, health facilities, or places of worship, and business capital or development of traders or small entrepreneurs [14].

To ensure that the programs that are launched are successful and sustainable, assistance or support is provided for each conducted program. Mentoring is carried out to support the conducted business activities or programs and increase intellectual capacity (knowledge and skills), mental, and spiritual for amil and mustahiq. Mentoring is also carried out by an assistant who has been given capacity building to assist a program. The assistant is recruited and given operational costs by the Zakat Institution. The recruitment of prospective assistants is conducted openly and through the regeneration process for some. With the presence of assistants, it is hoped that the program can run smoothly and sustainably that then is expected to be able to improve the welfare of the mustahiq.

Assistance to mustahiq who manage productive zakat is needed, so that the funds are not used for consumption and managing the business without good management

[15], [16]. In a certain production cycle, zakat recipients will receive technical assistance and guidance from zakat management institutions, so that the plan to form a business unit is successful and they have a permanent source of income [17]–[19].

Based on the findings above, to obtain maximum results, the model of productive zakat utilization must be comprehensive and integrative, especially in terms of three following respects. First, in terms of regulation of zakat, infaq, alms, and waqf, there must be technical rules or guidelines as a model of governance and utilization of productive zakat. Second, the reliable Human Resources (HR) both as amil and companion must be fulfilled, therefore there must be a program to increase the capacity of amil and companion human resources to create a professional zakat management institution. Third, in terms of increasing intellectual capacity (knowledge and skills), mental, and spiritual mustahiq as beneficiaries, whom are not only empowered from an economic perspective, but also intellectual, mental, and spiritual capacities to become strong, excellent, and religious individuals.

This finding was in line with the results of study stating that economic empowerment based on ZISWAF must be carried out comprehensively and by integrating the following programs: capital assistance, assistance, capacity building, access to production facilities and cheap basic necessities, and access to marketing products. By implementing these four strategies, it is expected to cut the distribution chain of goods and business results, so that it can increase people's income and in the long run increase the accumulation of community capital. In the end, people who used to be mustahiq can transform into muzakki [20], [21]. Another study found that the efficient use of productive zakat through an integrated approach, namely community development, economy, education, health, environment and disaster preparedness programs, has a significant impact on poverty reduction in Indonesia [22], [23]. The program to increase capacity and mindset, access to capital, and market constraints has succeeded in overcoming the problems faced by mustahiq [10], [24].

## 5. Conclusion

Zakat management institutions in West Java can be divided into four clusters, namely religious organizations-based managers (Muhamadiyah, NU, Persis), general community-based managers who established Islamic philanthropic institutions (Rumah Zakat, Sinergi Foundation, etc.), and financial institutions-based managers (LAZNAS BSI, HIK Parahiyangan) and management groups representing both central and regional governments (BAZNAS). These four groups have their own characteristics in distributing



productive zakat, with creativity and various innovations that are adapted to the character and background of the establishment of zakat institutions according to the cluster.

To obtain maximum results, the model of productive zakat utilization must be comprehensive and integrative in terms of regulation of zakat with infaq, alms, and waqf, the availability of reliable Human Resources (HR) managers as amil and assistants, the increasing intellectual capacity (knowledge and skills), mental, and spiritual mustahiq as beneficiaries.

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