

## Research Article

# The Role of Sharia Economy in Poverty Reduction in Indonesia

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## Abstract.

This research aims to analyze the role of Sharia economics in alleviating poverty in Indonesia. The method used in this research is a literature study, which is a series of activities relating to methods of collecting library data, reading and taking notes, as well as processing reading material into research data. Some of the literature that researchers use as data sources are books, journal articles, and news related to the role of Sharia economics in reducing poverty rates in Indonesia. One of the goals of religion is to encourage people from being left behind economically. Poverty is a serious problem that must be sought immediately for a solution because it can have very dangerous impacts, including disturbing one's faith or it could even disappear and that person becomes a disbeliever. The potential for *ziswaf* in Indonesia is extraordinary. If it can be managed professionally, it will have an impact on the welfare of society. How to overcome poverty can be done with various steps and strategies. The thing that must be done from the start to overcome the poverty that grips our society is to create an economic order that allows for a fair distribution system to be born, encouraging the birth of concern from people who have (aghiya) toward the needy, poor, dhu'afa' and mustard 'affine. One form of concern for Aghniya' is his willingness to pay zakat and issue sadaqah.

**Keywords:** ZISWAF, poverty alleviation, economic Sharia

## 1. Introduction

Social welfare is the answer to the objectives of the Islamic financial system. People who are not prosperous or poor are not fully interpreted as lazy people. However, those who do not have access to a better life. The Islamic financial system is the most suitable financial system for alleviating poverty in the world. Not only Muslims, this Islamic financial system can also be used by non-Muslims around the world. The Islamic financial system does not aim to collect as much wealth as possible. But, how can a better life be achieved together? Seeing the largest number of Muslims in the world, especially in Indonesia, is the biggest asset for the collection and development of cash waqf. If cash waqf can be implemented, there will be potential funds that can be used for the benefit of the people [1]. Poverty is a central issue for every country in the

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world, especially for developing countries, alleviating poverty and creating prosperity for the people is the ultimate goal of a country [2]. Poverty is not a new problem for Indonesia, it has become a classic phenomenon and has not been resolved to date. According to the United Nations (UN), it is recorded that every ten seconds, one soul dies due to hunger or lack of fulfillment of basic needs such as clothing, food, and shelter [3]. Increasing poverty knocks our awareness to participate in overcoming the problem. Without realizing it, poverty turns out to have a big impact on the wider community, both those who experience it and the people who live around it. Cash waqf exists not only as an option but also as a provider of solutions to the problems of poverty that occur. Therefore, it is necessary to research the role of sharia economics in alleviating poverty in Indonesia, to see how the position of sharia economics can reduce the poverty rate in question.

## 2. Literature Review

### 2.1. The Foundation Of The Quran and Hadith

Described in the following verses about wealth and poverty in Islam, as well as the solution: Have faith in Allah and His Messenger and spend (in the way of Allah) some of the wealth that He has made you his ruler (trust). So those who believe in you and spend (their wealth in the way of Allah) will receive a great reward. QS Al-Hadid: 7 which means, "And those who keep gold and silver and do not spend it in the way of Allah, then give them the good news, (that they will get) a painful punishment." (34) "(Remember) the day when gold and silver were heated in Hellfire, then their foreheads, stomachs, and backs were ironed with it (while it was said) to them, "This is the property that you kept for yourself, so feel (the consequences of from) what you keep it." (35) Qs At-taubah: 34-35. Verily, those who have a lot of wealth are those who will have little (good) on the Day of Resurrection, except for those whom Allah gave wealth to those who are on his right, on his left, in front of him, and behind him. He did well with his wealth. HR. Bukhari no. 6443, Muslim no. 94

## 3. Methods

The method used in this research is a literature study. The literature study method is a series of activities relating to methods of collecting library data, reading and taking notes, as well as processing reading material into research data. Some of the literature

that researchers use as data sources are books, journal articles, and news related to the role of Sharia economics in reducing poverty rates in Indonesia. Data search can be a combination of variables, or from each variable. The steps that researchers took were literature study, data collection, concepts studied, conceptualization, analysis, and conclusions. Then in the data analysis section, the researcher did several things. Starting with research results material that is considered sequentially from the most relevant, relevant, and quite relevant. Another way could be, for example, by looking at the research years starting from the most recent, and gradually going back to older years. Read the abstract of each study first to assess whether the problems discussed are by what is to be solved in the research. Note important and relevant parts of the research problem. To avoid being trapped in plagiarism, researchers should also note sources of information and include a bibliography. If the information comes from other people's ideas or research results. Make notes, quotes, or information that is arranged systematically so that research can easily be retrieved if necessary.

## 4. Results and Discussion

### 4.1. Sharia Economics and Poverty

According to Dr. Mardani, a Sharia economy is a business entity either from individuals or groups that aims to meet commercial or non-commercial needs, and is incorporated or not incorporated by applying Sharia principles. The Sharia economic system is also known as the Islamic economic system which is based on Islamic laws in its implementation. Islamic economics or Sharia economics is the first economic system on earth and was carried out by the Prophet Muhammad SAW with the nature of trading that is honest, fair, and correct [4].

Conceptually, poverty is defined as a condition of life that is deficient in fulfilling basic human needs. Operationally the poverty criteria are determined by measuring the poverty line. Poor people are groups of people who are below the poverty line [3]. From the perspective of Islamic Sharia, the definition of poor can be interpreted as a person who already has a job but is not sufficient. So definitively the meaning of poverty can be very flexible and depends on the result that remains after fulfilling basic needs. Based on research conducted by Dompot Dhuafa, looking at it from another perspective, the limit for professional zakat is people who earn at least IDR 2,610,000/month. In this case, basic needs have not been included in the calculation. It could be for people

who have large family dependents, this amount is not enough. So in the end it can be included in the *mustahik* category if in the end, it is not sufficient [4][5][6].

If poverty were a man, I would kill him. This was a statement made by Sayidina Ali bin Abi Talib, who was the fourth caliph after the death of Rasulullah SAW. From this statement, it is implied that poverty is a very important problem that requires special attention to handle it.

## 4.2. Poverty in Indonesia

Economic experts classify forms of poverty into various forms. The first, namely a form of poverty that is caused by a mindset and culture that encourages a lack of character to improve its economy, this can be called structural poverty. The second is a form of poverty that is caused by a systematic existence that causes the poor to be separated from what is their right [7]. One of the big problems faced by big cities in Indonesia is poverty [8].

In Indonesia, there are quite many people whose lives are below normal standards. This large number can be reduced significantly if the available job opportunities are very wide and easy so that people can work. Of course also with optimal income and convenience in fulfilling the necessities of life and allowances. In other words, poverty is said to arise as a result of economic infrastructure that is not optimal so that it is unable to accommodate existing resources [9].

## 4.3. Poverty Alleviation Through the Sharia Economic System

Indonesia's economic conditions are still concerning, even though natural and human resources are extraordinary, they cannot do much regarding economic growth. Waqf can be a significant solution to empower the community's economy.

Even though the potential of waqf is extraordinary. The potential for waqf assets owned by the Indonesian nation is 2,686,536,565.68 m<sup>2</sup> spread across 366,595 locations. But unfortunately, this potential has not been managed properly as has been exemplified by several countries in the Middle East, so it will have an impact on increasing economic growth which will create prosperity for the community. The real form of professional use of waqf is Al-Azhar University in Cairo, Egypt. Waqf in Cairo can finance free education for all students who come from all over the world. Third, professional management of *infaq* and alms will have a positive impact on the wider community. Management of *infaq* and alms with zakat is not much different, the difference is only

in legal cases. Zakat becomes obligatory when it reaches the predetermined *nisab* and *haul*, while the law of *infaq* and alms is sunnah. Institutions engaged in *infaq*, alms, zakat, and waqf must synergize with Islamic financial institutions to maximize the collection of *infaq* and alms. The existence of support from non-formal institutions such as prayer rooms, and mosques is very supportive in raising *infaq* and alms funds which are collected and managed nationally by BAZNAS [10].

In ZISWAF management, society is the most important structure. Because in society there is a rotation process between the giver and beneficiary in the management of *ziswaf*. Muslim society is a giver and Muslim and non-Muslim communities can be recipients of these benefits. As has been explained Islam is a religion that has various solutions and outlooks on life for all human life. In the economic field, Islam does not position individual and material aspects as its main goal, because Islam positions economic activity as an activity for achieving success and mutual prosperity (*falah*) [7].

#### 1. ZISWAF (Zakat, Infaq, Alms, Waqf)

##### 2. Definition of Zakat

According to the term, zakat is an obligation ordered by Allah SWT to issue a portion of (certain) assets and be given to people who are entitled to receive it, with certain levels and haul also fulfilling the conditions and pillars. Zakat is worship that has vertical and horizontal values, vertically, namely *hablum minallah* or relationship with Allah SWT, and horizontally, namely *hablum minannas*, human relations. This means that if someone always pays zakat then it can increase faith and devotion to Allah SWT, besides that it can foster a sense of social care, and build social relationships [3][11].

##### 1. Meaning of Infaq

According to some fiqh scholars, *infaq* is all kinds of expenses (spending) either for personal, family, or other interests [3].

##### 2. Shodaqoh

While shadaqah is any form of giving wealth to be because of Allah SWT, includes two things, namely *waib* (zakat) and sunnah. In carrying out sadaqah there are no special restrictions and conditions that must be obeyed. Sadaqah can be realized in any form, such as a contribution of energy or thoughts, even just a smile, it doesn't have to be in the form of wealth (*maal*). Rasulullah emphasized in his hadith that "Your smile in front of your brother (fellow Muslim) is (worth) alms for you". (Sahih, HR Tirmidhi no. 1956) [3].

### 3. Definition of Waqf

According to Imam Syafi'i and Ibn Hanbal, waqf has the meaning of releasing the waqf property from the ownership of the waqif, the waqif may not do anything to the waqf property by transferring its ownership to another person either by exchanging or otherwise. If the wakif dies, the waqf property cannot become an inheritance.

### 4. Financial Institutions in Islam as One Solution for Poverty

One of the efforts to reduce the poverty rate in Indonesia is to equalize income between the well-off and the underprivileged. Islam has its instruments to solve the problem of equal distribution of income and poverty alleviation, known as Zakat, Infak, Sadaqah, and Endowments (ZISWAF). Ziswaf is worship that contains two dimensions, namely *hablummina Allah*, or the vertical dimension, and the horizontal dimension, or *hablum minannas* [10][12].

Overcoming poverty and economic downturn is by empowering ZISWAF (Zakat, Infaq, Sadaqah, and Waqf). This is none other than being used as economic empowerment for the people, not only for Muslims but also for adherents of other religions, as we know the formation of capital from this solution is not solely due to the utilization of existing resources but can be termed as a contribution that must be issued by people who have more needs. ZISWAF (Zakat, Infaq, Sadaqah, and Endowment) explained that of the four solutions, it is a form of contribution of the Islamic religion to the Unitary State of the Republic of Indonesia (NKRI) by contributing to the distribution of wealth to the state using an Islamic economic system [7].

Indonesia, the country with the world's largest Muslim population, also has hidden potential that must be utilized properly, carefully, and with full trust, namely social-religious funds, including zakat and waqf. If managed properly, these funds can contribute significantly to various government efforts to eradicate poverty and reduce income inequality so that the targets of the 2015-2019 RPJMN, TPB/SDGs, and the 2030 Agenda can be achieved.

Collection and distribution of ZIS in Indonesia are regulated in Law No. 23 of 2011 concerning the Management of Zakat. The regulation states that there are two main parties involved in zakat activities, namely *muzakkī*, and *mustahik*. First, *muzakkī* is a Muslim or business entity that is obliged to pay zakat. Second, *mustahik* are people who are entitled to receive zakat. Article 1 point 6 explains that there are eight groups of *mustahik (asnāf)* are people who are entitled to receive zakat as stipulated in Islamic law. The eight groups of *mustahik* are the needy, the poor, *riqāb* (freeing slaves), *gharim*

(people who are in debt), convert, *fi sabillah*, *ibnu sabil* (people who need money for provisions for their journey), and amil zakat [8].

## 5. Conclusion

Poverty is a serious problem that must be immediately sought for a solution because poverty can have very dangerous impacts, including disturbing one's faith or it could even disappear and that person becomes a disbeliever. The thing that must be done from the start to overcome the poverty that grips our society is to create an economic order that allows for a fair distribution system to be born, encouraging the birth of concern from people who have (aghiya') towards the needy, poor, dhu'afa' and mustard 'affine. If cash waqf can be implemented, there will be potential funds that can be used for the benefit of the people [1]."

Poverty is a central issue for every country in the world, especially for developing countries, alleviating poverty and creating prosperity for the people is the ultimate goal of a country." [2]. Islamic economics or Sharia economics is the first economic system on earth and has been carried out by the Prophet Muhammad SAW with the nature of trading that is honest, fair and correct." "One of the efforts to reduce the poverty rate in Indonesia is to equalize income between the well-off and the underprivileged. Islam has its instruments to solve the problem of equal distribution of income and poverty alleviation, known as Zakat, Infak, Sadaqah, and Wakaf (ZISWAF). ). ZISWAF (Zakat, Infaq, Sadaqah, and Waqf) explained that of the four solutions, it is a form of contribution of the Islamic religion to the Unitary State of the Republic of Indonesia (NKRI) by contributing to the distribution of wealth to the state by using an Islamic economic system." [7]. If managed properly, these funds can contribute significantly to various government efforts to eradicate poverty and reduce income inequality so that the targets of the 2015-2019 RPJMN, TPB/SDGs, and the 2030 Agenda can be achieved". Zakat as one of Islamic philanthropy in cleaning wealth for the welfare of both the world and the hereafter is very important for Muslims, especially in Indonesia, where the majority of its citizens are Muslims.

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