

Utilization of Zakat as a Means Empowering People In Indonesia

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Abstract

Indonesia is one of the countries that has considerable population potential that can be used to support the achievement of national development goals and regional economic development. One of the main objectives of economic development is the reduction in the number of poor people. This is because poverty in some regions in Indonesia is still relatively high. One of the policies that can be taken is the utilization of zakat to finance MSMEs to improve people's welfare. The analytical method used is descriptive explorative. The data used is secondary data. The results are supported by optimal and systematic empowerment of MSMEs with sources of funding from zakat which are expected to overcome income inequality and economic development. Empowerment of MSMEs who stand on the cooperative system will influence the partnership very closely. The government should participate so that poverty can be resolved immediately.

Keywords: List the Zakat; Poverty; Economic Growth; MSME; Cooperatives

Introduction

Regional economic development is a process of creating cooperation between the government and the private sector (community) so that existing resources can be managed to create new jobs that have the effect of stimulating economic development (increasing economic growth) in the region (Arsyad, 2010). Based on these definitions, it can be seen that regional economic development policies implemented by local governments must actually be able to maximize all the potential of existing resources (human / population and natural resources) effectively and efficiently to create and

stimulate the development of all economic activities in increasing regional economic growth as expected and can reduce the number of poor people.

Indonesia is a country that has a large population potential (human resources) that is useful to support the achievement of national development goals and regional economic development. One of the main goals of economic development is the reduction in the number of poor people. Poverty is a condition of the economic inability to meet basic needs in the form of food and non-food measured from the expenditure side, if there is a population that has an average expenditure per capita per month below the poverty line then the population is classified as poor (BPS, 2019) . The development of the percentage of poverty levels in 34 provinces in Indonesia from 2007-2017 experienced fluctuations. Therefore in implementing poverty alleviation programs, strategic policies with formulations that are appropriate to the development of socio-economic conditions in each region are very much needed. Strategic and targeted policies are expected to reduce poverty levels to the lowest so that the welfare of the people in each region can be increased. The development of the percentage of poor people in 34 provinces in Indonesia in 2007-2017 can be seen in Table 1.1 below:

Table 1.1 Percentage of Poor People in Indonesia on 34 ProinsYear 2007-2017

Provinsi	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ACEH	26,65	23,53	21,80	20,98	19,57	18,58	17,72	16,98	17,11	16,43	15,92
SUMATERA UTARA	13,90	12,55	11,51	11,31	11,33	10,41	10,39	9,85	10,79	10,27	9,28
SUMATERA BARAT	11,90	10,67	9,54	9,50	9,04	8,00	7,56	6,89	6,71	7,14	6,75
RIAU	11,20	10,63	9,48	8,65	8,47	8,05	8,42	7,99	8,82	7,67	7,41
JAMBI	10,27	9,32	8,77	8,34	8,65	8,28	8,42	8,39	9,12	8,37	7,90
SUMATERA SELATAN	19,15	17,73	16,28	15,47	14,24	13,48	14,06	13,62	13,77	13,39	13,10
BENGKULU	22,13	20,64	18,59	18,30	17,50	17,51	17,75	17,09	17,16	17,03	15,59
LAMPUNG	22,19	20,98	20,22	18,94	16,93	15,65	14,39	14,21	13,53	13,86	13,04
KEP. BANGKA BELITUNG	9,54	8,58	7,46	6,51	5,75	5,37	5,25	4,97	4,83	5,04	5,30
KEP. RIAU	10,30	9,18	8,27	8,05	7,40	6,83	6,35	6,40	5,78	5,84	6,13
DKI JAKARTA	4,61	4,29	3,62	3,48	3,75	3,70	3,72	4,09	3,61	3,75	3,78

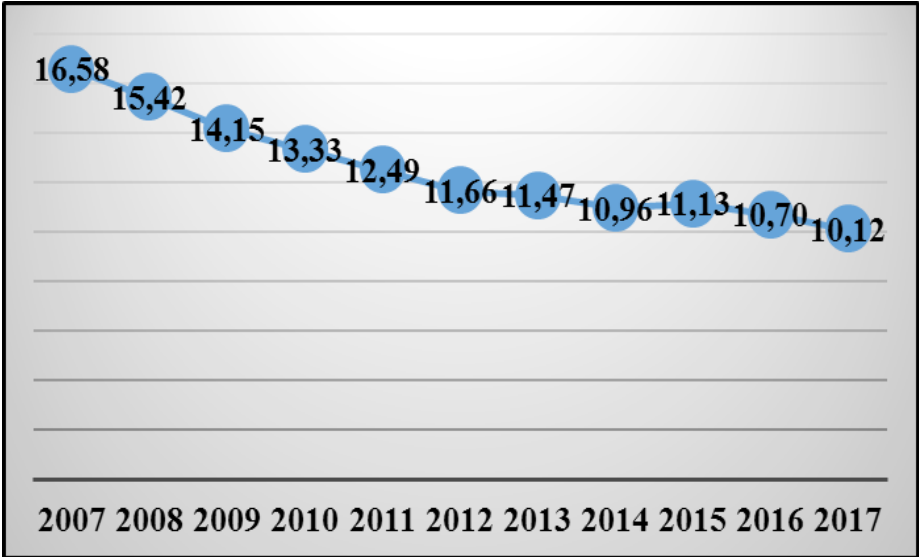
Provinsi	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
JAWA BARAT	13,55	13,01	11,96	11,27	10,65	9,89	9,61	9,18	9,57	8,77	7,83
JAWA TENGAH	20,43	19,23	17,72	16,56	15,76	14,98	14,44	13,58	13,32	13,19	12,23
DIY	18,99	18,32	17,23	16,83	16,08	15,88	15,03	14,55	13,16	13,10	12,36
JAWA TIMUR	19,98	18,51	16,68	15,26	14,23	13,08	12,73	12,28	12,28	11,85	11,20
BANTEN	9,07	8,15	7,64	7,16	6,32	5,71	5,89	5,51	5,75	5,36	5,59
BALI	6,63	6,17	5,13	4,88	4,20	3,95	4,49	4,76	5,25	4,15	4,14
NUSA TENGGARA BARAT	24,99	23,81	22,78	21,55	19,73	18,02	17,25	17,05	16,54	16,02	15,05
NUSA TENGGARA TIMUR	27,51	25,65	23,31	23,03	21,23	20,41	20,24	19,60	22,58	22,01	21,38
KALIMANTAN BARAT	12,91	11,07	9,30	9,02	8,60	7,96	8,74	8,07	8,44	8,00	7,86
KALIMANTAN TENGAH	9,38	8,71	7,02	6,77	6,56	6,19	6,23	6,07	5,91	5,36	5,26
KALIMANTAN SELATAN	7,01	6,48	5,12	5,21	5,29	5,01	4,76	4,81	4,72	4,52	4,70
KALIMANTAN TIMUR	11,04	9,51	7,73	7,66	6,77	6,38	6,38	6,31	6,10	6,00	6,08
KALIMANTAN UTARA*	-	-	-	-	-	-	-	-	6,32	6,99	6,96
SULAWESI UTARA	11,42	10,10	9,79	9,10	8,51	7,64	8,50	8,26	8,98	8,20	7,90
SULAWESI TENGAH	22,42	20,75	18,98	18,07	15,83	14,94	14,32	13,61	14,07	14,09	14,22
SULAWESI SELATAN	14,11	13,34	12,31	11,60	10,29	9,82	10,32	9,54	10,12	9,24	9,48
SULAWESI TENGGARA	21,33	19,53	18,93	17,05	14,56	13,06	13,73	12,77	13,74	12,77	11,97
GORONTALO	27,35	24,88	25,01	23,19	18,75	17,22	18,01	17,41	18,16	17,63	17,14
SULAWESI BARAT	19,03	16,73	15,29	13,58	13,89	13,01	12,23	12,05	11,90	11,19	11,18
MALUKU	31,14	29,66	28,23	27,74	23,00	20,76	19,27	18,44	19,36	19,26	18,29
MALUKU UTARA	11,97	11,28	10,36	9,42	9,18	8,06	7,64	7,41	6,22	6,41	6,44
PAPUA BARAT	39,31	35,12	35,71	34,88	31,92	27,04	27,14	26,26	25,73	24,88	23,12
PAPUA	40,78	37,08	37,53	36,80	31,98	30,66	31,53	27,80	28,40	28,40	27,76

Source: BPS, 2018. Processed.

Note: Regional expansion, so that in 2007-2014 there is no data.

Based on table 1.1, it can be seen that the percentage of poor people in 34 provinces in Indonesia in 2007-2017 tended to fluctuate. The development of the percentage in each province has a different level of poverty, there is one province that has a high percentage of poverty and there is also one province that has a low percentage of poverty. However, the percentage of poverty levels at the national level in Indonesia in 2007-2015 tends to decrease. However, the tendency of decreasing the percentage of poverty level when viewed nominally is still relatively high. Therefore, it is still necessary to have a targeted policy so that the percentage of poverty level can be reduced to a minimum. The development of the percentage of poor people in Indonesia in 2007-2017 can be seen in the following graph 1.1:

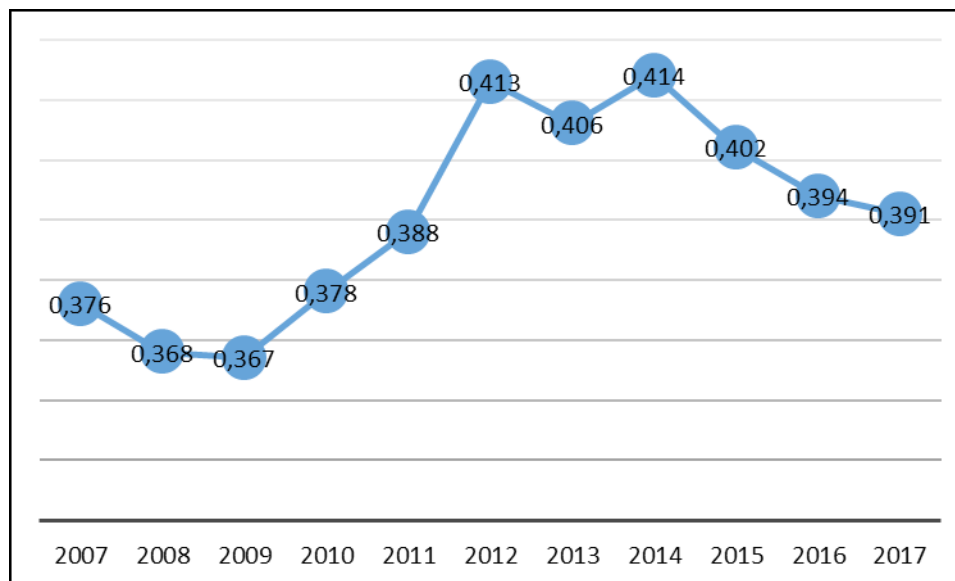
Graph 1.1 Percentage of the Poor in 2007-2017 in Indonesia



Source: BPS, 2018. Processed.

Based on graph 1.1, it can be seen that during the period of 11 years (2007-2017) the development of the percentage of poverty levels in Indonesia tends to decrease. The percentage of poverty in Indonesia in 2007 was 16.58% and decreased until 2017 which was 10.12%. Even though the trend of poverty rate tends to decrease, the development gap between regions is still rather high and tends to fluctuate, so a solution is needed. Development disparities between regions can be measured using the Gini ratio. The development of the Gini ratio in Indonesia in 2007-2017 can be seen in the following graph 1.2:

Graph 1.2 Development of the Gini Ratio in 2007-2017 in Indonesia



Source: BPS, 2018. Processed.

Poverty is one of the problems faced by the Indonesian government since the early days of independence. However, so far the government has not been able to resolve the issue. This condition was worsened during the 1998 economic crisis, which had a direct impact on the rapid growth of the poor population in Indonesia. Therefore, the central and regional governments have launched various poverty reduction efforts aimed at reducing the growth rate of poverty (reducing the number of poor people).

Efforts to reduce poverty and development inequality can be implemented through optimizing the role of zakat in the community. Zakat can be used in the economic empowerment of the people, one of which is through the Micro, Small and Medium Enterprises (MSME) program. This can be done by giving zakat to those who are entitled and right on target, so that zakat can be used as a means of poverty alleviation and income distribution. Therefore, in writing this paper I am interested in discussing the role of zakat in dealing with problems in the socio-economic arena, especially the problem of poverty and development inequality.

PROBLEM FORMULATION

According to the background that I have described, there are two formulations of the problem in the preparation of this paper as follows:

1. What is the meaning of zakat?
2. How is the description of zakat management that can be used as a means of empowering the people?

OBJECTIVE

In accordance with the formulation of the problem that I have described, there are two objectives in the preparation of this paper as follows:

1. Analyzing the notion of zakat; and
2. Analyzing the description of zakat management which can be used as a means of empowering the people.

BENEFITS

The preparation of this paper is expected to provide a variety of benefits as follows:

1. The results of the preparation of this problem are expected to be a reference for the development of science at the tertiary level of education in Indonesia;
2. The results of this study are expected to provide an overview for the readers regarding zakat which can be used as a means of empowering the people; and
3. This research is expected to be able to apply significantly from several theories that have been put forward by experts.

Methodology

Basically this research is exploratory in nature. The data used are secondary data.

Results and Discussion

Understanding Zakat

Hafidhuddin (2002 :) revealed that zakat is one of the pillars of Islam and its implementation is in accordance with the hadith of the prophet so that its existence is considered *ma'luum minad-in bidh dharuurah* (known automatically and is an absolute part of one's Islam). Zakat is a form of worship that is *maaliyyah ijtima'iyah* which has a strategic position in terms of religion and the development of the welfare of the people.

As revealed by Hafidhuddin (2002 :) shows that zakat in terms of language has the meaning of *al-barakatu* (blessing), *al-namaa* (growth and development), *ath-thaharu* (holiness), and *ash-shalahu* (impression). As for the terms, zakat is a part of the property that Allah SWT commands its owner to be handed over to those entitled to receive it and in collecting and dividing it according to the terms / conditions set.

Hafidhuddin (2015) states that zakat is imposed on a person (*muzakki*) who already has a certain level of assets, where the asset has been obtained correctly, legally, lawfully. As for those who are entitled to receive zakat can be classified into eight groups, namely: the indigent, the poor, the administrators of zakat (*amil*), people who have recently converted to Islam (*converts*), people who liberate slaves, people who are in debt, people who are on the path of Allah SWT (*fisabilillah*), and people who are on their way (*traveler*).

Ali (1988) revealed that zakat can be divided into two kinds, namely zakat fitrah (soul) and zakat mal (treasure). Zakat fitrah is imposed on every soul or body, while zakat mal is imposed on assets that have reached a certain dose and have been owned for a certain period of time. Zakat Fitrah can be done since the beginning of the month of Ramadan, but the most important thing is on the eve of Eid al-Fitr (the end of Ramadan) and no later than the morning of the 1st day of Eid before Eid prayer begins. As for the wealth that must be issued zakat includes: (a) gold, silver, and money; (b) merchandise; (c) livestock; (d) products of the earth and sea; and (e) mining goods and findings. Hafidhuddin (2002) adds that as economic development becomes more modern, the sources of zakat also develop. The sources of zakat in the modern economy include: (a) professional zakat, (b) corporate zakat, (c) securities zakat, (d) currency trading zakat, (e) zakat of livestock being traded, (f) zakat honey and animal products, (g) property investment zakat (factories, buildings, and the like), (h) zakat sharia insurance, (i) zakat for orchid plants, bird's nests, swallows, ornamental fish, and the modern sector others of the same type, and (j) zakat in the modern household sector.

Zakat Management as a Community Empowerment Facilities

Islamic awakening in most Muslim countries has created the need for an integrative and clear picture of programs offered from the Islamic side to realize ideals and solve economic problems, for example: employment, meeting basic needs, alleviation

poverty, or reduce inequality (Chapra, 2000). Micro, Small and Medium Enterprises (MSMEs) are one of the most important economic actors in Indonesia because they can absorb labor significantly (Fajar ND, 2016). According to Kuncoro (2009), the development of MSMEs has three main reasons attached to them. The three reasons are as follows:

1. SMEs are the spearhead in alleviating poverty. MSMEs for rural residents can play a role as an additional means of income apart from the agricultural sector, while for the poor it can be a survival strategy in the midst of a crisis. Massive MSME empowerment, especially in rural areas, will be able to absorb labor and can encourage the empowerment of rural local natural resources so that it can reduce poverty in the region. It also can function as an equal distribution of income and rural economic development.
2. MSMEs play a very important role in non-oil and gas exports, especially in the manufacturing sector (garments, textiles and textile products, and shoes).
3. There is an urgency in a pyramid-shaped economic structure that shows the wide imbalance between small and large players in the Indonesian economy.

According to the first reason it shows that the empowerment of MSMEs properly and correctly can overcome the problems of poverty and equitable development (reducing inequality) in the region. MSME empowerment can also be integrated with the existing cooperative system, so that various kinds of convenience services (loan services for money / capital goods, procurement of raw materials, suppliers, and business coaching) can be used by the community in improving businesses in the MSME sector.

According to Fajar ND (2016), SMEs are part of the nation's economic pillars. UMKM is an integral part of the business world in the economic activities of the people which has a position, role and strategic potential in realizing the structure of the national economy based on economic democracy. This is because MSMEs can contribute more than 88% of employment. This strategic position is very important in realizing social stability and increasing economic growth.

UMKM empowerment is not progressing smoothly, but faces various kinds of problems that are fundamental. According to Kuncoro (2009), there are six problems faced by MSMEs as follows:

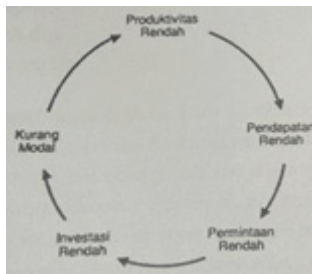
1. Having difficulty in gaining market opportunities and enlarging market share.
2. Having difficulties in the capital structure and limitations in obtaining capital resources.
3. Experiencing deficiencies in the development of organizational culture and implementation of human resource management
4. Experiencing the limitations of marketing information systems due to lack of collaboration between small entrepreneurs.
5. The business climate is less conducive due to the deadly competition.
6. Implementation of guidance that has been carried out is less integrated and less integrated. In addition, there is still a lack of community trust and concern for small businesses.

In accordance with the problems that have been described, I as the author would like to argue to solve / solve various problems in order to improve the lives of MSME entrepreneurs and to reduce the level of poverty and development inequality. The proposal that I propose is the empowerment of MSMEs by using the principle of cooperatives in order to create cooperation and integration between MSME entrepreneurs so that they can be stronger in the face of exposure and shaking of socio-economic problems that confront at any time. MSME empowerment certainly requires a variety of venture capital. The venture capital should be sourced from zakat funds. This is because these funds are quite large funds in the community and have not been much glimpsed for massive empowerment. The provision of venture capital is expected to cut the vicious cycle of poverty that is wrapped around business actors in the MSME sector.

The theory was *vicious circle of poverty* first put forward by Nurkse. Nurkse (in Jhingan, 2013: 33-35) states that “*Satan’s circle implies a circular row of forces that one another acts and reacts in such a way as to place a poor country in a state of poverty. The poor, for example, always lack food; due to lack of food; his health became poor; because physically weak work capacity is low; because his work capacity is low, his income is low, and that means he is poor, eventually he will not have enough to eat; etc. If this condition is associated with the country as a whole it can be packaged into an ancient proposition: ‘a country is poor because it is poor’* “. According to the theory, the circle of poverty is divided into three types, as follows:

1. Viewed from the perspective of demand

Low income causes the level of demand to be low. Low demand causes a low level of investment. Low investment level, causing a low amount of capital. Low amount of capital causes low productivity, and so on.



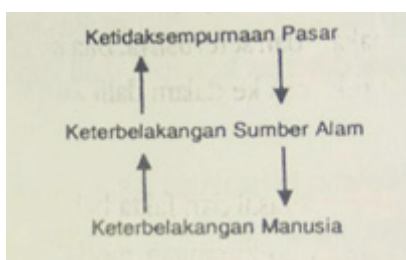
2. Viewed from the perspective of supply

Low income causes demand to be low. Low demand causes a low level of investment. Low investment level, causing a low amount of capital. Low amount of capital causes low productivity, and so on.



3. Seen from the backwardness of human and natural resources

Development of natural resources depends on the level of human productivity. If the quality of human resources is low (illiteracy, lack of technical skills, lack of knowledge and entrepreneurial skills), it causes management of natural resources is less than optimal even neglected or mismanaged. On the other hand, the backwardness of natural resources is both a cause and a result of human backwardness.



Based on this opinion it can also be understood that the implementation of the theory of the vicious cycle of poverty also occurs at the micro scale, namely at MSME companies. On that basis, it can be seen that an MSME is poor because it is poor. In addition, Paramitha (in Fajar ND, 2016) states that one of the characteristics of MSMEs in Indonesia is that it has a very limited capital structure and lack of working capital and is highly dependent on its own capital sources and personal environment. Therefore, one means of cutting the vicious circle of poverty is capital disbursement, one of which is from the zakat fund.

According to Chapra (2000), Islam has incorporated zakat into its pillar structure as social worship. A Muslim is obliged to think about his own destiny, but must not forget the fate of his poor brother. Zakat is a Muslim's commitment to think about rice and the lives of his siblings in the socioeconomic field. Zakat can be a means to improve the life of someone who is helpless to become someone who is more independent.

Zakat maal can be used to empower people. Hafidhuddin (2015), zakat has various similarities and differences with taxes. The similarity between zakat and tax can be seen from the aspect of coercion, the manager element, and from the objective side. The difference between zakat and tax can be seen in terms of name, legal basis and nature of obligations, as well as in terms of objects and percentage as well as utilization. In the development of welfare and empowerment of the people, zakat has a variety of objectives, including:

1. Building soul and spirit of mutual support and social solidarity among the Islamic community;
2. Aims to close and close the distance and socio-economic inequality in society. In this case it can be understood that zakat aims to reduce the level of poverty and development inequality;
3. Aiming to tackle various kinds of financing that might arise due to natural disasters and others;
4. Aiming to cover costs arising from conflicts and others;
5. Can be a tactical and special fund for handling unemployment, homelessness, social disability, and others.

Empowerment and management of zakat properly and correctly can encourage in improving the community's economy. We can take an example of one of the concepts

applied by the Sirojul Hida Mosque ta'mir to be effective and efficient. These concepts include: adjusting the scale of trade and industry with the conditions / limitations of the community, utilizing cultural and environmental potential in strengthening the social system of society, increasing the role of financial institutions in supporting capital and creating a conducive business climate, determining businesses that have economic impacts tangible and has a stake in improving people's welfare, strategic location and adequate raw materials, and businesses whose implementation is close to trade centers (markets). These concepts can be applied in all regions in Indonesia, namely the development of MSMEs based on local potential, capital from zakat funding sources, and its management in the form of cooperatives. Management in the form of cooperatives aims to enable MSMEs to cooperate with each other so that they can be strong in facing various kinds of obstacles and problems so that the ideals in poverty alleviation and the reduction of economic development inequality can be realized as well as possible.

Conclusion

Based on the results of the analysis that has been carried out, the following conclusions can be drawn:

1. Zakat is one of the compulsory worship included in social worship and its use can be used to solve social and economic problems;
2. Zakat is more useful and meaningful if its use is focused on the productive field of consumptive;
3. Zakat can be used to provide venture capital to MSME entrepreneurs who aim to alleviate poverty;
4. Empowering MSMEs optimally and systematically by using zakat funds, is expected to minimize income inequality and development that occurs in the community;
5. The optimal and systematic empowerment of MSMEs that are based on the cooperative system will lead to close collaboration between business actors, so that problems that occur can be easily resolved properly.

Acknowledgment

We present this simple work to our beloved parents, all family, friends and beloved universities.

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