

The Role of Zakat in the Economy and Poverty Alleviation

Hilyati Inayah^{1*}, Rafika Chudriana Putri², M. Shabri Abd. Majid³, Isnaini Harahap⁴

¹ STEBIS Al Ulum Terpadu, Medan, Indonesia.

² Universitas Islam Negeri, Sumatera Utara, Indonesia.

³ Universitas Syiah Kuala (USK), Banda Aceh, Indonesia.

⁴ Universitas Islam Negeri, Sumatera Utara, Indonesia.

*Corresponding Author:

Email: hilyatinayah@gmail.com

Abstract.

The main task of every government is to strive for the welfare of its entire population. According to data from the Indonesian Zakat Outlook, Indonesia has 600 networks of Zakat Management Organizations (OPZ) spread across the entire territory of the Republic of Indonesia. These networks are part of 34 National Zakat Management Bodies (BAZNAS) at the provincial level, 500 BAZNAS at the district and city levels, 24 Provincial Zakat Amil Institutions (LAZ), 14 LAZ at the provincial level, 32 LAZ at the district and city levels, and 136 Zakat Collection Units (UPZ). The research method used in this study is descriptive qualitative research, where the researcher describes the findings of the study. The research objects include relevant books and journals. The study reveals that BAZNAS and other zakat managers achieved a 1.76% poverty reduction rate in 2022.

Keywords: Zakat, Economy and Poverty Reduction.

I. INTRODUCTION

The primary task of every government is to strive for the welfare of its entire population. In Indonesia, creating prosperity has been a primary goal since the struggle for independence, as explicitly stated in Article 33 of the 1945 Constitution, which declares that Indonesia's economic system is based on mutual cooperation and aimed at achieving a prosperous society. In this context, the poverty level is reflected in the Indonesian government (BAZNAS, 2022). According to data from the Indonesian Zakat Outlook, Indonesia has 600 networks of Zakat Management Organizations (OPZ) spread across the entire territory of the Republic of Indonesia. These networks are part of 34 National Zakat Management Bodies (BAZNAS) at the provincial level, 500 BAZNAS at the district and city levels, 24 Provincial Zakat Amil Institutions (LAZ), 14 LAZ at the provincial level, 32 LAZ at the district and city levels, and 136 Zakat Collection Units (UPZ). As a result, Indonesia holds the record for having the highest number of OPZ in the world (BAZNAS, 2022: 130). In essence, zakat is an effort to reallocate assets and wealth so that all layers of society can benefit (Firmansyah, 2013). In Islamic teachings, zakat plays a dual role, serving not only as a spiritual-ritual act that strengthens the relationship between humans and God (*habl min Allah*) but also as a social-horizontal act (*habl min an-nas*) that plays a crucial role in empowering disadvantaged communities and is strategic in economic empowerment for the less fortunate (*islah al'amali*). The main focus of zakat is on the impoverished and needy members of society (Ahyani, 2021). Given the current high poverty rate and the predicted increase in poverty, stakeholders emphasize the adoption of strategies to address this issue. In this context, zakat is expected to play a role in reducing poverty, especially in Indonesia.

Theoretical Study: Definition of Zakat: Zakat, etymologically, means "growth," "increase," or "nourishment." Other derivatives of the term imply purification. Therefore, zakat means "growth," "increase," or "purification." Zakat helps cleanse the soul of selfishness, self-centeredness, desires, and greed for wealth (Chaudhry, 2012: 254). According to Hakim in his book titled "Zakat Management," zakat is defined as a specific portion of wealth that Allah obligates to be given to eligible recipients (*asnaf zakat*), which include the poor, the needy, zakat collectors, converts to Islam, those in bondage, debtors, those striving in the cause of Allah, and wayfarers (Hakim, 2020: 3). Zakat is a distinctive feature of the Islamic

economic system, as it represents one of the implementations of justice in Islam. In addition to regulating human consumption, Islam also encourages spending for the benefit of others, especially the poor and needy. In fact, Islam is the only religion that mandates spending for the needs of others, in the form of zakat (Nasution, 2007: 84). Zakat is mentioned in the Quran in Surah Al-Baqarah: 43.

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ

"And establish prayer, give zakat, and bow with those who bow [in worship]."

The distribution of zakat in Islam is clearly stated in Surah At-Taubah, verse 60, which translates as follows: "Indeed, the zakat is only for the poor, the needy, zakat collectors, those whose hearts are to be reconciled, for [freeing] slaves, those in debt, in the cause of Allah, and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise." Ibn Taymiyyah argued that the allocation of zakat funds does not have to be distributed among all eight eligible groups (mustahik) in equal measure, but the distribution should prioritize those who are in dire need, as indicated by the order in the Quran, which shows the sequence of priorities (R. A. G. Noor, 2013).

Meaning, among the eight mustahik groups mentioned, the ones mentioned first are the ones in dire need of zakat assistance, namely the poor and the needy, compared to the ones mentioned later. Context of Zakat in the Economy: The awareness of fulfilling the obligation of zakat for every Muslim is the key to creating a prosperous community. This is because the obligation to pay zakat is the main axis in the Islamic financial (fiscal) system, and it is in line with the principle of distribution in Islam to ensure wealth is spread among the entire population. Zakat has social, moral, and economic dimensions, and it serves as the first social guarantee in all existing civilizations. Zakat has many meanings and dimensions. In the social dimension, zakat is a social obligation that is also an act of worship. It is imposed on individual wealth and distributed to society to fulfill needs and alleviate poverty. In the moral dimension, zakat erodes the greed and avarice of the rich, while in the economic dimension, zakat prevents the accumulation of wealth among a few individuals, which would eventually have an impact on the overall economy. Zakat is in line with the main principle of distribution in Islamic teachings, which is "so that wealth does not circulate only among the rich among you." This principle serves as the main rule to be followed, as ignoring it would create a deep gap between the poor and the rich, leading to economic injustice in society (Noor, 2013: 98-100). From a macroeconomic perspective, zakat has several important economic implications, including its impact on allocative efficiency, macroeconomic stabilization, social security, income distribution, and economic growth. In an economy that lacks mandatory income transfer mechanisms and where a significant portion of the population is poor, the real needs of the people often do not reflect in market demand. Essential goods and services, such as food, shelter, clean water, health, and basic education, are often underproduced.

By transferring income to the poor, zakat increases the demand for goods and services required by the poor. In this context, we can view zakat's allocative function, which reallocates resources from the rich to the poor, as an effective way to combat poverty. Zakat also has a stabilizing effect on the economy within the framework of the Islamic socio-economic institutions through its influence on investment and savings. This is because both savings and unused funds result in a decrease in wealth levels if investment is not integrated. However, zakat rates remain constant when savings follow investment, with the ratio of profit-sharing and project returns serving as indicators of wealth levels. Thus, investment opportunities and expectations are positively related to savings. If investment expectations are low, savings will also be low, leading to increased consumption. As a result, overall demand increases, and investment expectations improve. The decision to save is an integral part of investment in the economy, and stability is an automatic goal made by this mechanism. Zakat functions as a specific public spending that is effectively allocated to the poor, making social security systems crucial within the framework of Islam. In Islam, social protection for the poor has three layers. The first layer, as mentioned in Quran verse 233, is the family and relatives, the next layer, as mentioned in Quran verse 19, is from the entire Muslim community, and the final layer, as mentioned in Quran verse 60, is from the collected zakat funds. Instruments like zakat, infak, and wakaf form this protective layer, and the crises experienced by a group of the poor make the Islamic system responsive, preventing poverty from turning into a humanitarian tragedy. Zakat's retributive function through factorial and personal income distribution is a significant aspect of zakat. This is because the potential for wealth to

grow includes both financial capital and physical capital, such as buildings, and others. Factor owners promote zakat implementation, especially for capital as a scarce and expensive factor in real production and investment, as well as sharing risks with labor factor owners.

Not only as a retribution for income, zakat also assists the income of the poor by diverting income from the rich. Through direct payment transfer (negative income-tax) to the poor, zakat serves as a retributive mechanism. Furthermore, zakat can retribute the provision of public goods needed by the poor, such as health facilities and basic education, and it has a strong redistributive impact. Overall, zakat contributes positively to economic growth in both aggregate demand and aggregate supply. In terms of consumption, zakat has a positive impact, as the consumption of the poor increases through zakat funds. This automatically leads to an increase in the production of goods and services. This will have an impact on the overall economy, including the demand for factors of production such as labor, physical capital, energy, and raw materials, as well as the basic demand for products and services produced by domestic producers. Through the aggregate supply channel, zakat's contribution to economic growth can be seen through the creation of jobs and production as a positive impact of zakat. Through facilitating business partnerships by prohibiting usury and implementing zakat, it encourages job creation within Islamic teachings. Financial factors in Islam are prohibited from receiving fixed interest, and unused funds will be subject to zakat as a form of penalty, thus directing financial capital owners to invest in the real sector. Mudharabah and musyarakah are the partnership frameworks in Islamic teachings for financial capital owners investing in the real sector (Wibisono, 2015: 14-22).

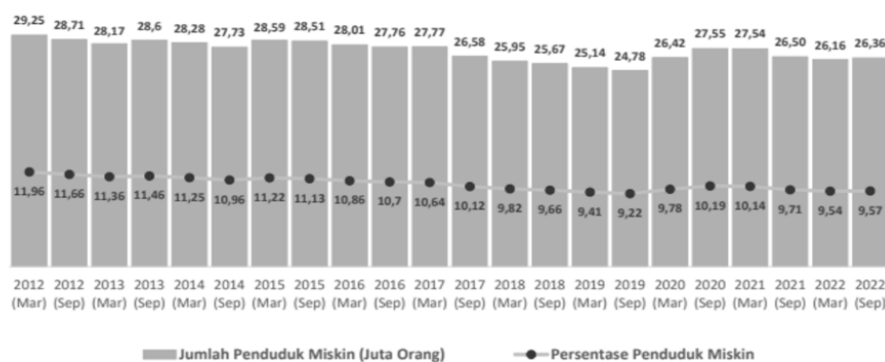
II. METHODS

This research method is descriptive qualitative research, where the researcher describes the findings of the study. The purpose of this method is to provide an overview, explanation, and validation of the research object (Ramdhan, 2021). This study also employs a literature review as a data collection technique, using lecture notes, books, literature, and various regulations related to the research object (Rukajat, 2018). The literature review for this research uses relevant books and journals.

III. RESULT AND DISCUSSION

The Contribution of Zakat in Poverty Alleviation

The burden on the government will be eased in creating equality and reducing poverty through the function of zakat. Zakat helps transfer some of these responsibilities to the community, not eliminating the government's obligation to create prosperity, especially for the families and neighbors of the individuals involved, thus reducing the government's burden (Suprayitno, 2005: 40). The current high poverty rate, especially in 2022, is at 26.36 million. This figure is higher than the previous year, as shown in Figure 1 below:



Gambar 1. Jumlah dan Persentase Penduduk Miskin, Maret 2012- September 2022

Sumber: BPS, 2023

Based on data from the Central Statistics Agency in 2023, the total number of poor people in Indonesia is 26.36 million as of September 2022. This number decreased annually by 140 thousand, but when compared to March 2022, it increased by 200 thousand people. Although Indonesia's poverty rate

decreased annually, the value as of September 2022 increased compared to March 2022. In September 2022, the percentage of poor people in Indonesia was 9.57%, showing a decrease of 0.14% compared to September 2021. However, this percentage increased by 0.2% in March 2022 (Zaenal, 2022: 3). Regarding zakat's contribution to poverty alleviation, it is 1.76%, and the low percentage is presented in Table 1.

	Jumlah Kemiskinan Dientaskan			Jumlah Orang Miskin	Rasio Kontribusi terhadap Pengentasan Kemiskinan Nasional
	2021	2022	%		
Pengentasan Kemiskinan (GK BPS)	397.419	463.154	16,54%	26.363.260	1,76%
Pengentasan Kemiskinan Ekstrem	n/a	194.543	n/a	10,860,000	1,79%

Table 1. National Zakat Contribution to Poverty Alleviation in 2022

In September 2022, based on calculations using the BPS poverty line standard of IDR 2,196,938 per poor household per month, zakat provided by BAZNAS and all other managers succeeded in alleviating poverty through zakat by 46%, or 463,154 individuals, an increase of 16.54% compared to 2021 with a total of 397,419 individuals among mustahik below the BPS poverty line. The zakat contribution ratio of BAZNAS and all zakat managers in September 2022 was 1.76% concerning national poverty alleviation. Meanwhile, in accordance with the mandate of the President of the Republic of Indonesia regarding the acceleration of extreme poverty alleviation, out of the 463,154 people who escaped poverty, 194,543 of them were in extreme poverty. This figure contributed 1.79% to national extreme poverty alleviation (Zaenal, 2022: 13). Indonesia, as one of the countries with the largest Muslim population in the world, considers zakat as an essential part of religious and social life in its territory, and zakat practices have been in place since the introduction of Islam to the archipelago. On the other hand, as a country with the largest Muslim population, Indonesia is also known for its generosity and has the highest volunteering rate in the world according to the Charities Aid Foundation in 2021. This indicates that Indonesia has great potential to collectively address poverty through zakat and volunteering, providing significant opportunities in reducing the poverty rate.

IV. CONCLUSION

Based on the calculations in September 2022 using the BPS poverty line standard of IDR 2,121,637 per month per poor household, during 2022, BAZNAS and other zakat managers successfully reduced the poverty rate for 463,154 beneficiaries of the poor, and among them, 194,543 experienced extreme poverty. This figure contributed 1.76% to the national poverty alleviation effort (September 2022) reaching 26.36 million individuals. The value of 1.76% of poverty alleviation achieved by BAZNAS and other zakat managers in 2022 appears to be low compared to the data from the Outlook Zakat Indonesia 2022, which shows that Indonesia has 600 networks of Zakat Management Organizations. Therefore, it is hoped that zakat management organizations can optimize their efforts in poverty alleviation through zakat, so that the contribution of zakat in reducing the poverty rate can increase.

V. ACKNOWLEDGMENTS

I would like to express my heartfelt gratitude to my esteemed Macro Economics lecturer, Prof Shabri and Dr Isnaini, for their invaluable guidance and support throughout this course. Their profound knowledge and expertise in the subject of Macro Economics have greatly enriched my understanding of the complexities of the economy etc. Their engaging lectures, thought-provoking discussions, and real-world examples have made the learning experience both enlightening and enjoyable.

REFERENCES

- [1] Ahyani, S. (2021). Zakat dan Upaya Penanggulangan Kemiskinan dalam Perspektif Alquran. *Jurnal Hukum Ekonomi Syariah*, 4(2), 215. <https://doi.org/10.30595/jhes.v4i2.11159>
- [2] BAZNAS. (2022). *Outlook Zakat Indonesia 2022*. Pusat Kajian Strategis- Badan Amil Zakat Nasional.
- [3] Sri, R., Mahdi, F., Julkarnain, J., Kurnia, H. N. T., & Habibie, A. (2022). Intellectual capital and islamic corporate social responsibility on the financial performance of sharia commercial banks in Indonesia. In E3S Web of Conferences (Vol. 339, p. 05003). EDP Sciences.
- [4] Chaudhry, muhammd sharif (Ed.). (2012). *sistem ekonomi islam: prinsip dasar (fundamental of islamic economic system)*. prenadamedia group.
- [5] Firmansyah. (2013). Zakat sebagai Instrumen Pengentasan Kemiskinan dan Kesenjangan Pendapatan. *Jurnal Ekonomi Dan Pembangunan*, 21(2), 180. jurnalekonomi.lipi.go.id
- [6] Lubis, H., & Pratama, K., Safrida, S. (2022). HR related antecedes to sustainability reporting in Indonesian public listed firm: The mediating role of employee committeemen. *Cuadernos de Economía*, 45(128), 87-97.
- [7] Hakim, R. (Ed.). (2020). *manajemen zakat:histori, konsep dan implementasi*. kencana.
- [8] Nasution, mustafa edwin (Ed.). (2007). *pengenalan eksklusif ekonomi islam*. prenada media group.
- [9] Rahayu, S., Zufriзал, Z., Astuty, W., & Triastuti, H. (2020). Keputusan Hedging dan Faktor-Faktor yang Mempengaruhinya pada Perusahaan Pertambangan yang Terdaftar di Indeks Saham Syariah Indonesia (ISSI). *Institut Penelitian dan Kritis Internasional Budapest-Jurnal (BIRCI-Journal)* , 3 (4), 2662-2676.
- [10] Noor, ruslan abdul ghofur (Ed.). (2013). *konsep distribusi dalam ekonomi islam dan format keadilan ekonomi di indonesia*. pustaka pelajar.
- [11] Siregar, Z., Tarigan, N. M. R., & Sahnan, M. (2022). Strengthening Human Resources Through Introduction and Stunting Prevention. *East Asian Journal of Multidisciplinary Research*, 1(7), 1221-1228.
- [12] Noor, R. A. G. (2013). *Konsep Distribusi Dalam Ekonomi Islam Dan Format Keadilan Ekonomi Di Indonesia*. Pustaka Pelajar.
- [13] Suprayitno, E. (2005). *ekonomi islam*. Graha Ilmu.
- [14] Tarigan, N. M. R., Sasongko, W. D., & Abdullah, Y. (2021). Co-Creation Through Entrepreneurial Marketing: A Study At The Creative Industries. *Academy of Entrepreneurship Journal*, 27(5), 1-8.
- [15] Wibisono, Y. (2015). *Mengelola Zakat Indonsia*. Prenada Media Group.
- [16] Zaenal, M. H. (2022). *Laporan Zakat Dan Pengetasan Kemiskinan 2022*. Pusat Kajian Strategis- Badan Amil Zakat Nasional.