

# Islamic Social Entrepreneur Organization of Zakat Management in Empowerment of Socio-Economic *Mustahiq* in Indonesia

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**Keywords:** Social Entrepreneurship, Organization of Zakat Management (OPZ), Empowerment, Zakat.

**Abstract:** This study aims to develop a model of social entrepreneurship in a national Zakat Management Organization (OPZ) in zakat management and socio-economic empowerment. By using a descriptive qualitative approach - case study strategy, it successfully found the right model, in order to maximize the social economic development by identifying the state so that it can be given proper handling. Zakat, *infaq*, and alms funds for productive purposes need to be holistically designed from distribution, coaching and supervision, to establishing success indicators so as to have a sustainable impact on the socio-economic life of the *mustahiq*. Finally, this research will be beneficial for improving the nation's competitiveness through optimal utilization of zakat.

## 1 INTRODUCTION

Social entrepreneurship is generally defined as a business activity with a social purpose (Palesangi, 2012). This does not mean social entrepreneurship does not require a profit optimization. Profit (operating profit) obtained will be channeled for the development of community welfare (Ayob et al, 2013).

Social entrepreneurship in Islam has grown since the beginning of Islam. In Islam, it is taught that people are forbidden to accumulate wealth without thinking of others (read: zakat, *infaq*, alms, or waqf) as it is written in Al-Qur'an surah At-Taubah: 103 and 60. Zakat is a very important instrument of social entrepreneurship in Islam because it is one of the pillars of Islam.

The management of zakat today is also not limited to meeting the needs of the *mustahiq*. But also with the spirit of empowerment and welfare goals, many Zakat Management Organizations (OPZ) are starting to mobilize productive zakat programs. Productive zakat is defined as zakat in the form of treasures or zakat funds given to *mustahiq* not spent directly for consumption of certain purposes, but developed and used to assist their business, so that with effort they can meet the needs

of life continuously (Asnaini, 2008). Thus, the purpose of productive zakat is the giving of zakat which can make the recipients produce something continuously with the treasure of zakat it receives.

The potential of large zakat funds can be used for productive activities. This will be more optimal if implemented by the Zakat Management Organization (OPZ) that has been inaugurated by the government, because the OPZ both BAZ and LAZ as a trusted organization for the allocation, utilization, and distribution of zakat funds, do not give zakat, provide guidance and training so that the zakat funds are actually used as working capital so that the recipient of zakat is earning a decent and independent income (Saifulloh, 2012).

### 1.1 Amil Zakat

Qurtubi in Hafidhuddin (2002) states that Al-Amil is the people assigned (by the priest/government) to take, write, count, and record the zakat he took from the *muzakki* to be given to those who were entitled to receive it. According to Dimasyqi (2005), the definition of amil zakat according to the terminology of fiqh is the people appointed by the imam (government) to manage the zakat business, which covers the process of collecting, recording, distributing, and so forth. The management of zakat

by zakat management institutions, especially those having formal legal power, will have several benefits (Hafidhuddin, 2002), namely:

- a) Ensure the certainty and discipline of zakat payment.
- b) Maintain low self-esteem of *mustahiq* zakat when faced directly with receiving zakat from *muzakki*.
- c) Achieve efficiency and effectiveness, as well as appropriate targets in the use of zakat property according to the priority scale that exists in a place.
- d) Shows the syiar of Islam in the spirit of Islamic governance.

## 1.2 Zakat Institution Performance in Empowerment of Zakat

Gibson in IZDR (2011) defines performance as “the declared success rate of the motivation and ability function”. While Mulyasa in IZDR (2011) defines performance as “implementation of work, achievement of work, results of work and performance”. The performance of zakat institutions will be seen in the zakat institution’s strategies in optimizing collection, distribution, and utilization. Amanah on Law (Act) no. 23 of 2011 on the Management of Zakat described how in order to improve the usability and useful results zakat must be managed in an institutional manner in accordance with Islamic Shari’a.

IZDR (2011) measures the economic performance of zakat institutions or the Zakat Management Organization (OPZ) in several indicators, namely: first, the existence of criteria and identification mechanism mustahik. Secondly, the growth of the *mustahik* amount empowered by zakat. Third, the growth of the number of *muzakki*. Fourth, innovation of a zakat empowerment program. Fifth, distribution of zakat distribution area. Sixth, responsiveness to humanitarian emergency. Seventh, utilization of zakat for productive economic activity. And the eighth is the intensity of utilization of zakat for community development and empowerment activities.

## 1.3 Empowerment *mustahiq*

Empowerment is closely associated with the function of *amil* zakat institutions in utilizing zakat. In the utilization of zakat, it is necessary first to identify and extract information on the *mustahiq* so that the proportion of funds given is in accordance with the intact. Zakat institutions must provide

transparency reports so that all can be known by the *muzakki* and society as a whole.

Empowerment is expected to optimize the benefits of zakat management. It is as stated by Qardhawi (2010) that the benefits of zakat for (beneficiaries of zakat), among others, are to help meet the necessities of life and it can eliminate the nature of hate and envy of the rich grubs, and in aggregate zakat it will have a positive impact on society because if the zakat can be managed to economic value, then it will realize the function of treasure as a means of struggle to uphold the religion of Allah (*jihad fii sabilillah*), and realize the social economic justice of society in general.

## 1.4 Social Entrepreneurship

Social entrepreneurship is generally defined as a business activity with a social purpose (Palesangi, 2012). The definition of a social entrepreneur by Moore et al. (2010) is someone who provides an innovative solution to the urgent needs, problems, and opportunities in society. While Scarborough (2014) defines a social entrepreneur as one who mobilizes skills not only for profitable business activities but also for achieving economic, social and environmental objectives in order to realize the welfare of society.

In the development of social entrepreneurship collaboration is required. Collaboration can be built through an interaction that rests on the principle of rearing, the principle of sustainability, and openness. The collaboration is built into a collaborative strategy. Collaborative strategies include its stakeholders, collaborative prerequisites, and steps. (Nulhaqim, 2011).

## 1.5 Social Entrepreneurship of Zakat Institution

Zakat institution as a social institution that has the main activity of receiving and distributing zakat. Zakat institutions that have a value of social entrepreneurship should be able to run business activities to generate added value, and once business activities have added value it will be reused to assist the main activities of the zakat institution.

Business activities can be run by zakat institutions with the establishment of business units as a form of real social entrepreneurial activity. A socially oriented institution is capable of implementing social entrepreneurship by having business units. Social institutions have business activities so as to develop business units whose

profits and benefits are dedicated to supporting its social services (Juwaini, 2011).

## 2 RESEARCH METHOD

### 2.1 Research Approach

This research takes a qualitative approach. According to Bogdan and Taylor in Moleong (2005) a qualitative methodology is a research procedure that produces descriptive data in the form of written or oral words of people and observable behavior. This study uses a qualitative approach because it will examine the practice of social entrepreneurship in zakat management organizations in Indonesia to produce data that is non-statistical, but a written narrative.

### 2.2 Research Scope

The scope of this research is to include two national Zakat Management Organizations (OPZ), each consisting of a single representation of the OPZ Government and the community. OPZ from the government is the National Amil Zakat Agency (BAZNAS), while the OPZ coming from the community is Al Azhar Peduli Umat.

### 2.3 Sources and Data Types

The type of data used in this study is primary and secondary data. Primary data is obtained from individuals, such as the results of interviews, documentation, and direct observation from the field so that the data are many tangible actions of the object of research. Secondary data in research obtained by looking for information in the form of data related to research which is being done, both data are related to zakat literature, social entrepreneurship and empowerment and documentation data from *Al Azhar Peduli Umat* and BAZNAS institution.

### 2.4 Data Collection Process

The data collection techniques that the researcher uses in this study include:

- a) Observation method, observation is a systematic observation and recitation of the phenomena investigated (Hadi, 1991).
- b) FGD (Focus Group Discussion) is the method of data collection or research to understand the attitudes and behavior of audiences. Usually

consisting of 6-12 people who are simultaneously collected, interviewed with guidance by moderators (Kriyantono, 2006).

In-depth interviews, in-depth interview w aims to collect information about the complex, most of which contains opinions, attitudes, and personal experience (Basuki, 2006). In-depth interview method is done on the management of zakat institution Al Azhar Peduli Umat and *Yatim Mandiri*.

### 2.5 Data Analysis Techniques

Researchers use a descriptive research model that aims to make in-depth study a systematic, factual, and accurate description of the phenomenon or the relationship between the phenomena studied. The phenomenon in question is all activities related to the empowerment *mustahiq* with a social entrepreneurship approach run by Al Azhar Peduli Umat and *Yatim Mandiri*.

## 3 RESULTS AND DISCUSSION

### 3.1 Description of Research Results

#### 3.1.1 Informant 1

The first informant is director Executor of Yatim Mandiri. Yatim Mandiri is one of the zakat amil institutions in Indonesia concerned with empowering orphaned poor children through the management of zakat funds, infaq, shadaqah, and wakaf (ZISWAF). Yatim Mandiri's flagship program consists of three sectors: education, health, and economic empowerment. Yatim Mandiri carries out a model of social entrepreneurship through the qardhul hasan scheme of providing interest-free loans to MEC's graduate children to start entrepreneurship. The empowerment model of Yatim Mandiri is as follows:

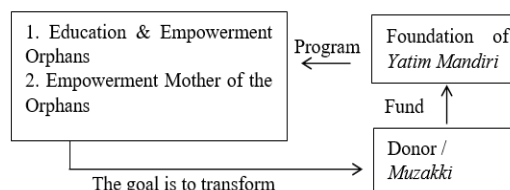


Figure 1: Caption Model of Yayasan Mandiri Empowerment

### 3.1.2 Informant 2

The second informant is Head of Representative of Al Azhar Peduli Ummat East Java. The empowerment strategy of Al Azhar is to approach personally. Al Azhar has a DASAMAS program (Da'i Sahabat Masyarakat) that provides guidance on the potential that exists in the community to be developed. Then, it will set up a local institution called KSM (Kelompok Swadaya Masyarakat). Empowerment programs of Al Azhar are poverty alleviation and empowerment of rural communities through Zakat Pride and Indonesia Gemilang programs; Alleviation of unemployment of productive age through Rumah Gemilang Indonesia (RGI); Economic empowerment, infrastructure, and environmental conservation consisting of infralink and million power programs. Improving the living conditions of orphans and dhuafa through my heart for orphans program; disaster management and volunteer network through the FORMULA program.

### 3.1.3 Informant 3

BAZNAS explained some programs from BAZNAS East Java; one of them is Jatim Makmur, the BAZNAS program that aims to improve the economy of mustahiq. BAZNAS distributes productive activities for mustahiq businesses where those who run the business are mustahiq themselves. While the amil institution acts only as a guide.

YDSF describes the form of social entrepreneurship that YDSF is currently undertaking by establishing a Community Business Group (KUM) whose funding comes from infaq and alms funds and YDSF is a companion and coach of the business group.

Yatim Mandiri explain their focus on the handling of poor orphans. The two mustahiq that were targeted by Yatim Mandiri were orphans and mothers of orphans. The coaching process conducted is boarding education, then over 90% of the targeted children are self-sufficient.

Nurul Hayat explained the importance of becoming an independent community institution, by having its own business units, and as for the economic empowerment of mustahiq.

Rumah Zakat has empowerment programs related to socio-economics in productive agriculture, and livestock production.

Dr. Imron Mawardi, SP., M.Sc. explains that not all can be directed to become entrepreneurs. For those who do not have skills and entrepreneurial spirit, they can be given consumptive zakat.

Characteristics that can be empowered generally are those who have good social activities and aged 22-45 years.

Different is Al-Azhar, Sigit Iko Sugon my dosel director The executive LAZ AL-Azhar explains that amil zakat institutions are not allowed to establish business units using zakat funds, infaq, and alms. Social entrepreneurship is an attempt to alleviate poverty through an entrepreneurial approach.

The form of social entrepreneurship at LAZ is not by setting up a business unit for social purposes but how LAZ provides solutions to alleviate poverty through entrepreneurship. The form of economic empowerment program by LAZ aims to create income, convert income into more economic value, and recover income.

### 3.2 Model of Social Entrepreneurship Zakat Institution

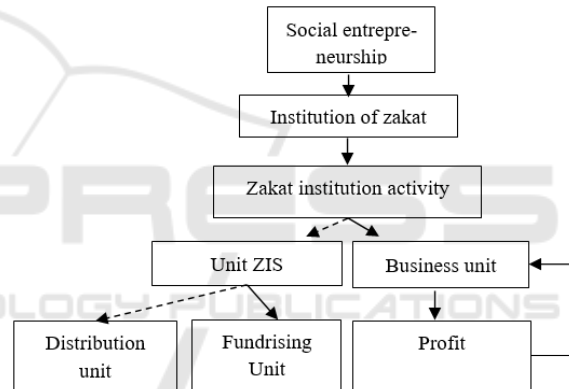


Figure 2: Model of Social Entrepreneurship Zakat Institution.

One of the redistribution instruments that can be used to reduce poverty is zakat (Fitriani, 2018). Then, social-entrepreneurship run by zakat management organizations should be conducted with different units. Zakat management organizations are not allowed to conduct business activities, so there needs to be another unit that handles entrepreneurial activities established by zakat institutions. The model of social entrepreneurship run by business units with the capital of institutional money and not derived from zakat funds is used to conduct business activities so as to generate profits.

A socially oriented institution is capable of implementing social entrepreneurship by having business units. Social institutions have business activities so as to develop business units whose



profits and benefits are dedicated to supporting its social services. A zakat institution is a social oriented institution able to run social entrepreneurship by having the form of business units. The presence of business units is an elaboration of the value set forth in the vision and mission held firmly to be run by zakat institutions. Each zakat institution has the vision to make the *ummah* independent and build the *ummah*. In addition, this will shape an entrepreneurial climate that is good for the environment (Gross and Campbell, 2015).

The results of the business units run by zakat institutions are able to sustain all the required operational funds. The concept of independence forces them to maximize the business unit to generate profit. Maximizing the profit earned means that it will increase the funds that can be used for the operational of zakat institutions. The value of an independent institution for zakat becomes the main input to run social entrepreneurship at zakat institutions as a social institution with a form of running a business unit first then to run social activity. Business activities are undertaken by zakat institutions so that profits will be able to sustain the social activities run by zakat institutions. While zakat funds continue to be used in accordance with Islamic rules so that zakat funds can have a positive impact on poverty reduction, enterprise development and economic empowerment as confirmed by Raimi, et al. (2014). However, this must be accompanied by zakat institutions so that empowerment can run optimally, both in terms of capital, courses or training, and knowledge (Muhamat, et al., 2013).

#### 4 CONCLUSION AND RECOMMENDATIONS

The social entrepreneurship model of LAZ is divided into several phases. The first phase is LAZ directly or through its representative plunge directly into the *mustahiq* to know its economic potential to be used as a source of livelihood for *mustahiq*. The second phase is to form a community business group to start an entrepreneurial activity in which the group is expected to become the forerunner of the establishment of a cooperative that can support the *mustahiq* economy. The third phase is LAZ acting as the coach and escort of the business group. LAZ provides mentoring ranging from production management, financial management to product marketing. LAZ's role is only as a companion, while

business activities are done directly by *mustahiq*. The fourth phase is if the business is undertaken by *mustahiq* well developed, then LAZ will release assistance to the business so that *mustahiq* can be more independent.

The advice given is that OPZ first identifies the position and circumstances in order to find the potential and provide action or appropriate treatment in order to make socio-economic empowerment so that later it can be independent or even transformed into *muzakki*. In addition, OPZ can work with professional institutions or academics to maximize potential to pioneer and pave the way for their business development. The distribution of zakat, infaq, and alms funds for productive matters needs to be holistically designed from distribution, coaching, supervision, to establishing success indicators so as to have a sustainable impact on the socio-economic life of the community.

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