



Journal of Internet Banking and Commerce

An open access Internet journal (<http://www.icommercecentral.com>)

Journal of Internet Banking and Commerce, April 2019, vol. 24, no. 1

PATHWAY OF WELFARE AND PROSPERITY: DOES ZAKAT IMPLEMENTATION REACH INDONESIAN TO ECONOMIC SUSTAINABILITY?

BASSEM ISMAIL

**Accounting Department, Faculty Economic and Business, Airlangga
University, Surabaya, Indonesia**

Tel: +0097366625324

Email: ismabassem77@gmail.com

OUSMAN JALLOW

**Accounting Department, Faculty Economic and Business, Airlangga
University, Surabaya, Indonesia**

HAMIDAH ANSAR ABBAS

**Accounting Department, Faculty Economic and Business, Airlangga
University, Surabaya, Indonesia**

Abstract

Zakat is considered a financial resource in addition to being a cult. It is one of the most important acts of worship and hence its dual role as a cult and a development tool Islamic economics is a remedy for the disruption of wealth distribution by human societies Income, and the extent to which this regular financial instrument is absent

and that there is no surplus. The purpose of this study is to study the role of the Zakat in economic sustainability in order to reach welfare and prosperity for citizens of Indonesia. The researcher uses the method of qualitative and qualitative research, reviewing traditional and contemporary Islamic sources to clarify the importance of Zakat as an institution, and the detailed impact of Zakat on the economics of the prosperity Indonesian as the main subject of the study. The studies are important in creating awareness about the role of Zakat from economic and investment side, and to encourage further research on the impact of Zakat on the prosperity of the Islamic society worldwide and in Indonesia especially as a model for other Muslim country.

Keywords: Zakat; Prosperity; Welfare Society; Economic Sustainability

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INTRODUCTION

Islamic religion came as a solution to all the problems faced by man on the difference and extension of the ages, through its integrated and sophisticated system with evolution Human, and without fault, and among the problems faced by human problem Economic problems and their derivatives, which are characterized by scarcity of resources and a large number of needs Other problems such as poverty, unemployment, redistribution of income, etc. All this is included in a major issue under the name of economic development, to a large extent Development on social and political reality [1], and through this introduction emerges a fundamental question What this study will answer what is the role of Zakat in achieving prosperity of nations and economic sustainability?

Many studies have discussed the objectives of establishing a healthy society and improving social welfare and economic sustainability. Although the concept of their views regarding the objectives of zakat varies according to the area of interest of the book, they concluded that if zakat is regularly guaranteed, Zakat will play an important role in achieving welfare and nation prosperity.

Zakat is one of the 5 Pillars of Islam

Zakat is the worship of Allah is to take out a part that is obligatory in sharia for a particular community or sect [2]. Zakat is one of the five pillars of Islam which is a ritual of worship that framework of Muslim life which is affirmed in Quran and Sunnah, Allah says:

“Of their wealth, take alms, that so thou mightiest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who hearth and knoweth (Al-Quran. Al-Taubah 9:103)".

In addition it has a distinctive character that basis on financial function. Zakat has been received when it is imposed, indicating the parties to which it should be disposed, which is linked to revenue by expenditure. And this is a major guarantee of the rationality of channeling resources and permanent care for certain social groups, whatever The nature of the ruler who governs the state and whatever the temporal and spatial circumstances, as long as it is the right of God Almighty [1].

Research Hypotheses

H₀ Effective implementation of zakat improves the welfare and prosperity of citizens.

H₁ Effective implementation of zakat does not improves the welfare and prosperity of citizens.

Research Objective

The study aims to bring together different aspects of Zakat, implementation and its economic sustainability into a fluent process; discuss and comment on the different areas of Zakat. The main objective of the study is to find out whether Zakat implementation helps Indonesians to a better economic sustainability.

Research Question

In order to achieve the aim and objective of the study, the research is focused on assessing and evaluating the research question, which have been developed from a detailed review of literature. This study will answer what is the role of Zakat in achieving prosperity of nations and economic sustainability?

Significance of the Study

This study has the potential of improving the awareness of the general public about the importance of effective zakat implementation, thereby giving an opportunity for the public to appreciate the practices of zakat. The research helps in understanding how individuals can give little while making a big difference in the sustainability of the economy. It is of great benefit to academicians; students and researchers in the face of little empirical literature available in this area of study in Indonesia. The study also contributes to Islamic Finance literature. The findings should also interest practitioners in the area of zakat administration and other stakeholders such as regulatory bodies and standard setters.

NATIONS PROSPERITY AND ZAKAT

Zakat from Economic Variables Perspectives

Zakat helps to effectively achieve economic development in the Muslim community through increased production, investment and employment in the national economy, due to motivation Strong faith, as Zakat is a religious duty and a tool for the redistribution of income, and also through Its contribution to the fight against unemployment and inflation, so we can mention in this article the following aspects of zakat that can be achieve in Indonesia:

The role of Zakat through its impact on consumption inclination: The disbursement of Zakat in its banks increases the amount of income which is designed by Allah in Quran Allah says:

“Indeed, [prescribed] charitable offerings are only [to be given] to the poor and the indigent, and to those who work on [administering] it, and to those whose hearts are to be reconciled, and to [free] those in bondage, and to the debt-ridden, and for the cause of God, and to the wayfarer. [This is] an obligation from God. And God is all-knowing, all-wise. – Al-Tawbah, 9:60”

Furthermore zakat create new purchasing power, and considering that the volume of consumption increases As income increases and decreases, they increase their consumption, Because they always need to satisfy their desires, their needs are necessary, and m to rise Total consumer demand in the market [3]. Zakat

will therefore be channeled to a community where marginal funding increases For consumption, this will increase the actual demand for consumer goods and increase Production in various areas with high operating levels. The decision to consume and the tendency towards it can take only two ways: spending Consumption and investment spending [1].

The role of Zakat through its impact on the tendency of self-sufficiency and liquidity preference: The application of Zakat makes wealth can only pass through two channels two, They are the channel of spending on welfare and good society, and channel investment in activity Economic, there is no room in the Islamic economy for the accumulation, and supported by the abolition of the price Interest, which makes savings equal to investment, every saving becomes an investment [4].

The liquidity preference is also reduced to the lowest possible level, including an increase in liquidity The demand for investment is increasing as the total demand in society continues to increase through Increase consumer demand for zakat banks which offers favorable opportunities for profitable investment, Increased production, supported by population growth and the trend towards better technical levels in the field Production.

The implementation of the Zakat obligation reduces the chances of crises Economic growth caused by surplus savings on investment, and avoids the Islamic economy The consequences of this situation of economic cycles detrimental to the level of economic activity, Through the payment of frozen funds to the areas of investment and development as in Figure 1, in order to Preserving the money so that you do not eat zakat permanently or reduce its share, the latter who In the event of its decline plays a role in activating the potential energy to contribute to the processes Productivity and economic and social movement [5,6].

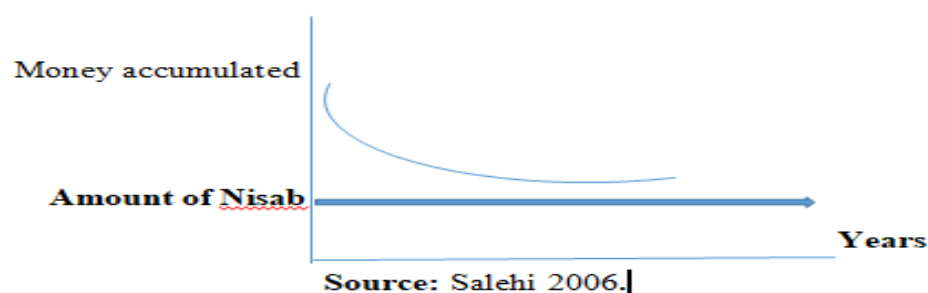


Figure 1: Economic activity.

The role of Zakat through its impact on investment: The existence of zakat requires that the marginal rate of profit for the private sector should not fall on the necessary ratio; to keep the wealth at least in any normal situation for economic movement that is the wealth of the individual in the private sector is decreasing due to the payment of zakat, if he wants to keep his wealth from disappearing because of this the minimum revenue that he or she can accept is at least as much as is guaranteed maintaining the stability of the volume of wealth, and this marginal rate of profit is equal to the total rate of Zakat in case . Balance the economic decision of the owner of wealth [7].

The role of Zakat through its impact on the monetary cycle: The continuity and permanence of Zakat, and its renewal all around the moon, will have an effect on the completion of the course Cash in the Islamic economy, because Zakat represents a constant stream of frequency between the haves and who they do not have, they may add or expand but they never stop. Such a trend is a guarantee of the risks of economic recession, and an effective factor in the continuation of the popularity of the completion of the cash cycle, what happens In the hands of those who do not have to spend in the purchase of goods and services are the production of haves, redeem them Invest it again, and so the community and its total expenditures in a circular motion is continuing, which Protects the economy from exposure to recessions and ensures its prosperity with balance, away from Courses and economic crises. We also find that the direct investment by the state as one of the Zakat banks has the effect of raising operating levels, consumption and rise in the level of economic activity in order to compensate for any laxity It may happen by individual investors, and an atmosphere of disquiet and trust is encouraged to maintain a high level of economic activity and not to stagnate [8].

RESEARCH METHODOLOGY

Kothari defines Research methodology as a science of studying how research is done scientifically. In it, the study of various steps is generally adopted by a researcher in studying the research problems along with the logic behind them. This

research employs qualitative type of research. In addition, this study also employs partly quantitative research method, since this research intends to find hypotheses that would explain the relationship of one variable with another variable through qualitative elements in research. Data was gathered through a collection of different related articles from different journals [9].

In this study, a secondary data collection technique is mostly used. It is used because it is more suitable and appropriate considering the scope of the research. Secondary data collection technique saves time and is cost effective with ready available data.

RESULTS AND DISCUSSIONS

No	Reference	Place of the study	Findings
1	Ali and Hatta [10]	Case Study of Bangladesh, Malaysia, and Indonesia	<ol style="list-style-type: none"> 1) Academicians, practitioners, policy makers and funders attention has been gaining increase in faith based organizations (FBOs¹) by having discussion about poverty reduction by using zakat. 2) It was also discussed that zakat collection, distribution and successful implementation in Indonesia, Malaysia and Bangladesh has become model for many countries. Because, zakat is spiritual obligation of wealthy Muslims therefore, recognition of zakat is high. Due to this certainty, poverty reduction program can be ensured for a longer period of time. 3) It was concluded that development of human capital, resourcefulness of poor people, providing them resources, enhancing their

			survival skills and capabilities in multidimensional ways is required in multi-layered nature of poverty.
2	Unicef [11]	Annual Report Indonesia by the UNICEF	<ol style="list-style-type: none"> 1) Only water and sanitation facilities were integrated in schools as part of governmental educational management information system by the UNICEF's tech-support. 2) Spending's of \$413,598.21 were spent for hygiene and water sanitation
3	Hamidah, et al. [12]	East Java	<ol style="list-style-type: none"> 1) By the great influence on peoples' lives in many sectors, zakat has significant effects on the economy 2) Negative relationship between ZIS² funds to the growth of MSMEs³ has been identified. 3) Relationship between IFIs funds distribution to the growth of MSMEs units is a positive and significantly effects directly the growth of MSMEs units.
4	Al Parisi and Parisi [13]	Forecasting Zakat in Indonesia	<ol style="list-style-type: none"> 1) The management of zakat management is the biggest challenge alone 2) A gap between zakat collection and its actual potential has been observed. 3) Evaluation of management practice is necessary for future forecasting of zakat collection. 4) No extra effort from government is required for achieving the target of zakat collection due to the nature of organic study.
5	Ayuniyyah, et al. [14]	National Zakat Board of Indonesia (abbreviated as BAZNAS)	<ol style="list-style-type: none"> 1) Poverty alleviation and reduction of income inequality among people who take zakat has significant role as it has been conducted by BAZNAS⁴ in their program

6	Beik and Arsyanti [15]	Jakarta and Bogor Regency.	<ol style="list-style-type: none"> 1) Productive based system in Jakarta BAZIS DKI Jakarta and Dompot Dhuafa zakat program has major impact on lives of mustahik. 2) Government should make some serious efforts on economic policy and performance of zakat distribution institutes.
7	Mubarokah, et al. [16]	Central Java Province	<ol style="list-style-type: none"> 1) According to NZI⁵ central java province is fairly in good category of zakat conditions 2) Due to performance of BAZNAS in central java, zakat condition is good in micro dimensional aspect 3) Database of Zakat instructions required to be equipped in better way for working more effectively.
8	Adachi [17]	Indonesia	<ol style="list-style-type: none"> 1) Zakat management in present-day Indonesia with two homilies on the top-down approach has been discussed 2) First, Muslim Intellectuals and theoretical reconceptualization of zakat by combining the law objective of Islam 3) Second, Asutay (2012) and Nagaoka (2014) two Islamic economist who discussed Islamic Modal economy's growing interest linked to community development and social justice 4) The study emphasizes numerous significances of two discourses commonly. Both has emphasis on use of zakat as device of social welfare by charity, community development and empowerment of Muslim

			Society. Shortly, keep other sources in mind new horizon of poverty elevation programs and social empowerment can be created for Muslim community in present day Indonesia.
¹ Fbos: Faith-Based Organizations ² ZIS: Zakah, Infaq and Sadaqa ³ MSMEs: Micro, Small, and Medium Enterprises ⁴ BAZNAS: Badan Amil Zakat Nasional (BAZNAS) (or The National Board of Zakat) ⁵ NZI: National Zakat Index.			

H₀: Effective implementation of zakat improves the welfare and prosperity of citizens, Zakat as an Islamic financial instrument has a big role to play in the economy and in the improvement of welfare of citizen. Zakat serves as a tool to bridge the poverty gaps that exist between the rich and poor. Asnaini states that Zakat can be directed to the equitable distribution of the economy of society and create a balance of economic circulation of society [18]. Thus improving the citizens' welfare and prosperity with can lead to economic sustainability. Therefore we failed to reject the above hypotheses as there is a positive relationship between implementation of Zakat and the improvement of citizens' welfare and prosperity.

H₁: Effective implementation of zakat does not improve the welfare and prosperity of citizens. The Perception of zakat implementation will not improve the welfare of and prosperity of citizens has a very little direct influence. According to the Indonesia Masterplan Sharia Finance Architecture, the funds collected as zakat in Indonesia are estimated between Rp 11.5 to Rp 19.3 trillion this case will only be possible when there is an effective implementation of zakat in the economic [19]. Imaging this amount being giving to the poor and the needy, it will obviously improve the welfare, prosperity and standard of living of the citizen. Based on this we disagree and reject that, effective implementation of Zakat does not improve the welfare and prosperity of citizens.

CONCLUSION

Zakat is a very useful tool of removing poverty in Islamic countries like Bangladesh, Indonesia, and Malaysia. Effective Implementation of Zakat comes with responsibilities such as; setting good institutions in the view of making and enforcing good policies. It is of no doubt that there were a lot of research done in the area of Zakat and its relation to welfare, prosperity and sustainability. The government and policy setters have a greater share to blame in the implementation of Zakat for economic sustainability. The study has some limitations that includes; design not adequate as expected, especially in the area of validity and reliability of the instruments used. Taha, et al. viewed religiosity as the belief in God or other spiritual beliefs in defining the extent to which people fully meet their responsibilities and obligations, It is believed that the more religious a person is the more he is ready to share thus creating a room for Zakat implementation without being forced [20].

RECOMMENDATIONS

Governments should try to increase the capacities of Zakat collection institutions. It is also recommended that usefulness of zakat for poverty elevation, which can not only uplift the life of underprivileged people but economy of whole country. The effectiveness of system and management practices should also be increased maybe by rebuilding process of organizations so more collection of zakat in Indonesia can be done by this way.

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