

## POST COVID, ZAKAT FINANCIAL INSTRUMENTS AS AN ALTERNATIVE FOR NATIONAL ECONOMIC RECOVERY

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### ABSTRACT

Covid-19 has affected Indonesia, but the existence of zakat remains unaffected, and the enthusiasm for fulfilling zakat has even increased. The potential for zakat is high, amounting to IDR 327.6 trillion, but the actual amount collected is only IDR 14 trillion. This qualitative research explores the topic of *Post-Covid: Zakat Financial Instruments as an Alternative for National Economic Recovery*, aiming to investigate what zakat institutions should do in the aftermath of the Covid-19 pandemic and how zakat strategies can be applied for distribution post-pandemic. Additionally, it examines whether zakat financial instruments can be used to boost the national economy. In the post-pandemic era, society is striving to revive the economy. Zakat institutions are working hard to assist citizens and encourage efforts to stimulate the national economy. The research findings show the following results: Zakat funds have successfully improved welfare and alleviated poverty. Zakat funds contribute to enhancing national economic growth. Zakat funds are used to drive programs aimed at reviving the national economy.

**Keywords:** The Existensi of Zakat, Post Covid, National Economic Recovery

### INTRODUCTION

The Covid-19 pandemic is a phenomenon that has garnered global attention because it has made human life increasingly absurd. The sectors of economy, society, and health that have been affected have become very important problems that need to be solved (Herianingrum et al., 2024). The breakdown of relationships concerning decentralization between the central government and regions in managing the sectors of economy, society, and health is making the condition of a country increasingly chaotic (Al Farid Uddin et al., 2024). It has an impact on income distribution among regions in countries severely affected by Covid-19 (Ferreira, 2021). In Indonesia, the Covid-19 pandemic had a negative impact on international trade relations and foreign investment. This influence affected the national economic growth rate, which decreased from 5.02 percent in 2019 to 2.97 percent in 2020. As a result, the national unemployment rate increased from 5.28 percent in 2019 to 7.07 percent in 2020 (Melati, 2023).

The situation has impacted specific economic sectors, resulting in income inequality within Indonesian society. However, there are sectors that have maintained stability amidst the economic downturn, such as the zakat distribution sector. The existence of zakat as a financial instrument is one of the core means of achieving equitable welfare distribution among the community amid economic sluggishness (Ascarya, 2022; Ayuniyyah et al., 2022; Mawardi et al., 2023; Umar et al., 2022). The effectiveness and efficiency of zakat distribution remain intact despite the economic slowdown in other sectors (Hassan et al., 2024). Quoting from the National Amil Zakat Agency (BAZNAS) website published on January 1 2021, it was recorded that despite the national economy being affected by the Covid-19 pandemic, the collection of Zakat, Infaq, and Shadaqah (ZIS) still soared by 30 percent compared to the previous year. This increase is evidenced by the rise in ZIS collections from IDR 296 billion in 2019 to IDR 385.5 billion in 2020 (baznas.go.id, 2021). This is due to the integration between digital financial economy and zakat and waqf institutions, which is considered to have facilitated the community in paying zakat (Beik et al., 2024; Mawardi et al., 2023; Mutmainah et al., 2024). Collaborating zakat institutions with various parties through digital transformation is a wise step in leveraging the 73 percent of the world's population active on social media and the 87 percent using smartphones as their tool (Masterchand & Rating, 2018).

The advancement of digital technology provides benefits to users, enabling them to access and monitor various activities easily (Ansori, 2016; Muhaimin, 2017; Rohimah, 2019). The data on internet users in Indonesia, quoted from the Indonesian Internet Service Providers Association (APJII), shows a growth of 10.12 percent, reaching 171.17 million people. This result indicates that 64.8 percent of Indonesia's population is now using the internet (Pratomo & Yusuf, 2019). The data is supported by research conducted by We Are Social in collaboration with Hootsuite, which found that active internet and social media users in Indonesia reached 150 million out of a total population of 268.2 million (Riyanto, 2019). Responding to this phenomenon, Indonesian Vice President KH. Ma'ruf Amin, through his official Twitter account, has called on the National Amil Zakat Agency (BAZNAS) to innovate and make breakthroughs to increase the number of people paying zakat or muzakki. He highlighted this as a strategy because the number of muzakki is still relatively small compared to the total number of Muslims in Indonesia (Hana, 2021).

Previous research on the role of zakat in fostering and revitalizing economies in various countries worldwide has been extensively published in national and international journals. For instance, study Purwanti (2020) found that zakat has an influence on economic growth in Indonesia. Suprayitno (2019) reported that zakat contributes positively to economic improvement in Malaysia at a macro level. Additionally, Ben Jedidia & Guerbouj (2021) discovered that zakat distribution contributes to increased consumption and investment in countries such as Senegal, Sudan, Qatar, UAE, Kuwait, and Saudi Arabia.

From various previous studies conducted on different locations, there are notable differences compared to the current research. The novelty of this study lies in its in-depth analysis of the role of zakat as a financial instrument in revitalizing the national economy amidst the paralysis of various economic sectors due to the Covid-19 pandemic. As we know, zakat is a financial instrument that plays a role in improving the economic welfare of communities. Therefore, the author aims to explore what needs to be done by zakat institutions post-Covid-19 pandemic, strategies for zakat fund distribution post-pandemic, and whether zakat financial instruments can be utilized to enhance the national economy.

## LITERATURE REVIEW

### The concept of zakat

Zakat, as the third pillar of Islam, has several meanings etymologically, such as blessing, growth, cleanliness, purity, and righteousness. From these definitions, we can derive the meaning that zakat is to purify wealth to gain the pleasure of Allah SWT. Allah SWT says in Surah At-Taubah, verse 103:

خُذْ مِنْ أَمْوَالِهِمْ صَدَقَةً تُطَهِّرُهُمْ وَتُزَكِّيهِمْ بِهَا وَصَلِّ عَلَيْهِمْ إِنَّ صَلَاتَكَ سَكَنٌ لَهُمْ وَاللَّهُ سَمِيعٌ عَلِيمٌ (التوبة/9: 103)

The meaning is: "Take zakat from their wealth to purify and cleanse them, and pray for them. Indeed, your prayers are a comfort for them. Allah is All-Hearing, All-Knowing." (Quran, Surah At-Taubah, verse 103) (At-Taubah/9:103).

Zakat is an integral pillar of Islam that plays a crucial role in human life because it obliges individuals to give a portion of their wealth or specified goods to certain designated recipients. This directive refers to a portion of one's wealth that Allah SWT has commanded to be distributed to those eligible to receive it. In the Qur'an, Allah SWT mentions the word "zakat" 30 times and pairs it with "salat" 27 times. The frequent pairing of zakat and prayer in the Quran underscores the importances of zakat for individual piety and the welfare of the community (Qardawi, 2004). In Islam, zakat is considered equally obligatory as salat (prayer). Zakat is directly related to establishing relationships among human beings (hablum minan nas), fostering brotherhood among people. Meanwhile,

salat pertains more to the relationship between humans and Allah (*hablum minallah*), signifying human devotion to the Creator (Khasanah, 2023).

In addition, the importance of zakat is seen in its contribution to the economic field as a source of welfare for the community (Rouijel & Marzouki, 2018). According to Metwally, zakat is a crucial source within the structure of Islamic economic finance. This is because Muslims whose wealth reaches the minimum threshold (*nisab*) are required to give a portion of their wealth to be distributed to the poor and those in need (*asnaf*) (Khasanah, 2023). The regulation impacts the wealth among societies, thus creating a peaceful and happy life as intended by the *maqasid al-sharia* (Cherkaoui & Haouata, 2017).

### **Optimizing the Role of Zakat through Digital Financial Utilization**

Considering the relatively young and progressive demographic dynamics of Indonesia, it is highly possible that Indonesia could become a global center for digital economic growth in the future. Given Indonesia's large population and the limited job opportunities, issues like unemployment could be addressed through advancements in technology. Technology development serves as one solution for tackling unemployment and poverty in Indonesia. This solution is evident in the way people are utilizing digital instruments for employment, such as through online motorcycle taxis. Additionally, many institutions are leveraging digitalization to implement policies, one example being the National Amil Zakat Agency (BAZNAS). In the management of national zakat, BAZNAS has its roles and functions in accordance with Law No. 23 of 2011 on Zakat Management, which includes the collection, distribution, utilization, and reporting of zakat.

According to Vice President KH Ma'ruf Amin, the number of zakat payers is still minimal, which is why BAZNAS must innovate. Out of the national zakat potential of IDR 233.84 trillion in 2020, only IDR 8 trillion was collected, which is just 3.5% of the expected potential. An analysis of the total zakat potential in Indonesia in 2020 shows that it amounted to IDR 233.84 trillion, with the largest contribution coming from zakat on income, totaling IDR 139.07 trillion, followed by agricultural zakat at IDR 19.79 trillion, livestock zakat at IDR 9.51 trillion, and zakat on wealth at IDR 58.76 trillion. The largest percentage of zakat sources is still dominated by zakat on income (Pusat Kajian Strategis BAZNAS, 2019).

Based on the realization report of zakat collection by Lazismu Nasional from 2019 to mid-2020, it amounted to Rp 239.003 billion. This indicates that zakat collection realization has not been optimal, highlighting a gap between zakat potential and actual income. Haedar Nashir, Chairman of PP Muhammadiyah, mentioned that such gaps often occur not only in zakat and charity but also in many aspects, including daily religious behaviors where verbal commitments may not always translate into action. According to a Bank Indonesia study in 2018, aside from internal and external factors and zakat management systems, one of the reasons for the suboptimal zakat collection in Indonesia is the low understanding or literacy of the community about zakat itself. In terms of economic behavior (*muamalah*), for instance, the quantity of Muslims does not always correlate with quality. The Muslim community at that time was likened to an inverted pyramid economically, predominantly in the lower to middle-class segments. When discussing wealth, for every 100 wealthy individuals, only about 10 are Muslims, while among the poor, Muslims could make up to 90 individuals. This disparity affects the representation of the quantity of Muslims when it comes to fundraising efforts. These conditions underscore one of the main factors contributing to the weakness of the ecosystem. When the economy is weak, it impacts various aspects, including politics. Therefore, studying the contribution of cognitive aspects (knowledge) in the decision-making process of zakat among the community remains relevant and requires deeper exploration (Ascarya & Yumanita, 2018; Supriyanto, 2021).

### **The Contribution of Zakat to The National Economy**

Muslims have an obligation to fulfill zakat as a means of purifying wealth. Zakat serves as one of the solutions to improve the well-being of the poor and needy, helping them meet their basic needs. Therefore, zakat plays a significant role in alleviating poverty in Indonesia. According to the Zakat Outlook 2021 from the National Amil Zakat Agency (BAZNAS), the total zakat potential in Indonesia is IDR 327.6 trillion. This zakat potential can be used as an instrument for national economic recovery and to assist around 27.55 million people classified as poor in Indonesia (<https://www.kemenkopmk.go.id/>, 2021).

According to research conducted by BAZNAS, the zakat potential of IDR 327.6 trillion has only been realized at IDR 71.4 trillion, or approximately 21.7%. Of this amount, IDR 61.2 trillion was not collected through BAZNAS. This situation calls for official zakat collection institutions to play a more active and innovative role in zakat collection efforts. Such a call can be addressed through various methods including education via outreach, lectures, and the use of social media. Therefore, there is a need for trained and professional zakat collectors to realize the full potential of zakat collections ([kemenkopmk.go.id/](https://www.kemenkopmk.go.id/), 2021). In addition, innovative zakat collection methods that leverage digital technology are one way to enhance national-scale zakat collection (Handayani, 2019).

The General Chairman of the Indonesian Association of Preachers, Syarif Hidayatullah, stated that healthcare workers during the Covid-19 pandemic are among those eligible to receive zakat as they are considered part of the *fi sabilillah* group. This is because the current situation has continuity with the conditions of warfare during the time of Prophet Muhammad SAW, albeit in a different context. According to the management of the Social Trust Fund (STF) social organization, during the Covid-19 pandemic, zakat can be converted into medical equipment such as masks and special protective clothing for handling the outbreak (Irham, 2020).

BAZNAS member Emmy Hamidiyah stated that there is no difference in the payment of zakat before and during the COVID-19 pandemic. As long as the conditions are met, every Muslim is obliged to pay zakat. For wealth zakat, if the conditions are fulfilled and the time has come, it is mandatory to pay zakat. According to the latest accessible data, as of February 2019, BAZNAS had received zakat, infaq, and sadaqah from the community amounting to IDR 36.9 billion. The funds disbursed reached IDR 21 billion. In 2018, BAZNAS reported that the total funds collected by zakat management organizations in Indonesia amounted to IDR 8.11 trillion, with disbursements reaching IDR 6.8 trillion. The absorption of these funds was 83.77% that year. Reflecting on the history of zakat management during the era of Prophet Muhammad (PBUH), in the second year after the hijrah in Medina, the Prophet established Baitul Mal as a place for managing zakat and appointed zakat administrators. The structure of zakat administrators at that time consisted of several bodies: *katabah*, responsible for recording those obliged to pay zakat; *hasabah*, tasked with calculating and assessing zakat; *jubah*, responsible for collecting zakat from muzakki; *khazanah*, responsible for gathering and maintaining zakat funds; and finally, *qasamah*, which was in charge of distributing zakat to the *mustahik* (those eligible to receive zakat).

The management of zakat during the time of Prophet Muhammad (PBUH) was carried out with promptness and discipline. The appointed *amil*s (zakat administrators) performed their duties with honesty, trustworthiness, and accountability. Zakat management was optimized so effectively that it became a foundational step towards creating peace within the social and economic structure of Medina. The economy of Medina became stable, the gap between the rich and the poor narrowed, and the crime rate decreased. The performance of zakat management conducted by Prophet Muhammad serves as a model for zakat management today. Prophet Muhammad did not delay the distribution of zakat; whenever zakat was received in the morning, it was distributed to the *mustahik* (those eligible to receive zakat) before noon (Irham, 2020). The use of digital technology can open strategic communication channels for outreach and marketing. Additionally, the

utilization of digital technology will impact the existence of zakat institutions and can contribute to the welfare of the community. Furthermore, it will enable the inclusion of resource roles in enhancing the influence of technology and achieving competitive advantages (Ellitan, 2003; Turmudi, 2015). Empirical data from several donor countries can advance the nation's economy (Satriana & Faridah, 2018). The role of zakat institutions can also serve to improve the economy (Ahmad et al., 2015).

As an example, the calculation of the *had kifayah* shows that the average *had kifayah* in Indonesia amounts to IDR 3,011,142.00 per family per month. Meanwhile, the *had kifayah* per capita is IDR 715,088.00 per person per month. Thus, with proper coordination, there could be a positive and sustainable influence, especially concerning the *had kifayah* issues in Indonesia (Pusat Kajian Strategis BAZNAS, 2018). However, not all results of digitization lead to significant positive changes. The use of digital knowledge management, ontology, and rule-based inference machines can enhance human activities (Stalidis & Karapistolis, 2014). Although its impact does not always significantly increase the pace of the economy, zakat institutions are more focused on Zakat via Payroll System (ZPS), while digital zakat is limited to Fintech for zakat payments, crowdfunding platforms, and artificial intelligence (Monjelat & Siti, 2018; Pusat Kajian Strategis BAZNAS, 2019).

According to BAZNAS Secretary Ahmad Zayadi, Law No. 23 of 2011 details the distinctions between the National Zakat Agency (BAZNAS) as a Non-Structural Government Institution (LNS), private zakat management institutions (LAZ) that function as partners and extensions of BAZNAS, and Zakat Collection Units (UPZ). The substance of the law includes detailed regulations concerning the planning, collection, reporting, and utilization of the management of infaq, almsgiving, and other religious social funds (DSKL), as well as the sources of operational funding for zakat management institutions. BAZNAS has the authority for national zakat management. The law can serve as a guide for directing the centralization of zakat management, with the government playing the role of regulator and manager (Zayadi, 2022). The law provides protection and legal certainty for the entire management of zakat. Some strategic issues in optimizing national zakat management include: 1) Effectiveness of leadership in zakat management organizations; 2) Management/governance systems of organizations; 3) Capacity and competence of zakat administrators; 4) Coordination and consolidation of organizations; 5) Innovation in the use of information technology; 6) Public awareness for paying zakat; 7) Practices and regulations of zakat.

Functionally, the benefits of zakat in Indonesia align with the new economic movement proposed by KH Ma'ruf Amin, which offers a direction for the development of the ummah's economy, namely: Emphasizing a national economic system that is fair, equitable, and independent in addressing economic disparities; Accelerating the redistribution and optimization of natural resources in a wise and sustainable manner; Strengthening human resources to be competent and highly competitive, based on science and technology, innovation, and entrepreneurship; Mobilizing cooperatives and Micro, Small, and Medium Enterprises (MSMEs) to become actors in the national economy; Establishing equal partnerships between large businesses and cooperatives, micro, small, and medium enterprises in an integrated production and market system; Mainstreaming Islamic economics within the national economy, while remaining within the framework of Pancasila, the 1945 Constitution, Unity in Diversity, and the Unitary State of the Republic of Indonesia (NKRI); Institutionalizing the supervision of the New Economic Movement of Indonesia's economy.

## METHODS

In accordance with the issues addressed in this study, the research adopts a social paradigm. This paradigm not only explores causal relationships but also seeks a deeper understanding of social facts. Weber refers to this as *verstehen*, which is an effort to gain

a deeper understanding of social reality. This approach involves a comprehensive and profound understanding of causal relationships, meanings, values, and in-depth knowledge of zakat. Qualitative research collects data from a quantitative perspective but also delves into the underlying social phenomena being studied. The issue of zakat is more appropriately examined through a qualitative approach to obtain profound answers rather than focusing solely on the breadth of the study. Although a quantitative approach is also used to analyze zakat collection figures, it is employed to understand aspects such as the amount of zakat funds collected, the percentage of zakat distribution to eligible recipients (asnaf), and the number of zakat administrators spread across research locations, both those that have and have not yet implemented sharia principles. The strategy for validating data in qualitative research, as outlined by Guba in Moleong, involves ensuring that materials from academics and practitioners are considered valid if they are selected, categorized, and tested for consistency with primary data to complement information for scientific generalization. Moleong also describes the process of reviewing and documenting collected data as a source for validation. Some methods for testing data validity include: first, researchers discuss the findings with other researchers, especially those who are interested in the studied issues. Second, the data is reviewed by a number of experts (Moleong, 2018).

Zakat bodies and institutions are divided into two categories: modern and traditional. Modern zakat institutions operate based on principles of modern management, organization, and administration, while traditional zakat institutions adhere to conventions and compliance with community elites' values. For zakat bodies and institutions to achieve optimal performance, zakat management that focuses on the economic empowerment of the ummah requires state intervention to facilitate coordination, integration, and synchronization. In qualitative research, hypotheses are different from those in quantitative research. In qualitative research, the hypothesis is more of a working hypothesis, formulated during the data collection process rather than being predetermined. The working hypothesis is refined as data collection progresses. Hypothesis testing in qualitative research involves data reduction; data collection supports the hypothesis and eliminates data that does not support it (Moleong, 2018). In contrast, hypotheses in quantitative research involve exploring relationships between variables or examining the relationship between two variables. This type of research is referred to as explanatory because it explains the relationships between variables. Explanatory research can use experimental and survey formats (Faisal, 2005).

## RESULTS

### **Digital Zakat is Unaffected by COVID-19 and Can Alleviate Poverty**

Public trust in zakat management institutions continues to increase, and these institutions are becoming increasingly beloved by the community. This indicates that zakat management institutions have been driven by effective promotion in the community, and zakat is now received positively as a call to action that enhances generosity among people. According to the World Giving Index (2020), zakat is one of the drivers of public generosity. Zakat management institutions are strong supporters of zakat campaigns in Indonesia. These institutions actively participate in various programs under the UN to promote this spirit of generosity. Since COVID-19 struck Indonesia and the government implemented PSBB (Large-Scale Social Restrictions) to protect the population, zakat institutions faced challenges in distributing ZIS (Zakat, Infaq, and Shadaqah). However, BAZNAS adopted a cash assistance approach for beneficiaries and provided aid safely by adhering to COVID-19 protocols, without diminishing its core mission of combating poverty. On the other hand, its operations increasingly utilized digital financing. Throughout 2020, BAZNAS successfully assisted 1.5 million people through various programs, including flagship programs in various regions in Indonesia and abroad.

According to Irfan Syauqi Beik, leveraging financial technology (fintech) in the process of zakat digitization can enhance the enthusiasm for giving zakat. In fact, digitization can increase zakat collection, as demonstrated by his own experience in managing zakat at the National Zakat Agency (BAZNAS). He served as the Director of Zakat, Infaq, and Sadaqah (ZIS) Distribution and Utilization at BAZNAS Central. Evidence that the digitalization of zakat can boost public interest is reflected in the early indicators of BAZNAS's digital-based efforts in 2016, which initially stood at only 1 percent, but by 2020 had risen to 24 percent. The digitalization process covers everything from collection to distribution. In terms of collection, BAZNAS has developed digital fundraising methods such as virtual zakat assistants. However, the aspect of zakat synergy should not be underestimated. Synergy in policy, institutional collaboration, and program coordination will have a positive impact on the zakat sector (Indiraphasa, 2021).

Meanwhile, Adiwarmarman Azwar Karim, President Commissioner of Bank Syariah Indonesia, states that the use of digital technology is not limited to the zakat sector alone; the optimization of financial technology should also be applied to micro business owners. Advances in fintech have significantly altered business competition. Therefore, the use of fintech is very important and relevant for the advancement of Micro, Small, and Medium Enterprises (MSMEs). In addition to providing convenience through technology, entrepreneurs should aim to offer even greater benefits. Lastly, the success of a person's business development is often linked to the support of others. Therefore, it is important to express gratitude as a form of our thankfulness to Allah. According to the President Director of BAZNAS, M. Arifin Purwakananta, the use of digital financial technology by the National Zakat Agency (BAZNAS) has successfully collected zakat totaling around IDR 130 billion. This digital achievement represents an approximately 80 percent increase compared to the same period last year, which was IDR 70 billion. While zakat typically increases by an average of 40 percent, during the COVID-19 pandemic, the generosity of the beneficiaries increased by up to 80 percent. BAZNAS also improved its service level, making the community more inclined to channel their zakat to BAZNAS as a trusted place for their contributions.

It is predicted that zakat funds collected during this period across Indonesia by BAZNAS and other zakat management institutions will reach IDR 2 trillion. Until now, many people still perform zakat payments in a conventional manner by visiting zakat administrators or giving directly to beneficiaries in their local neighborhoods. This practice has been a long-standing habit for the majority of the Indonesian population. In response to the COVID-19 pandemic, BAZNAS has provided a digital method for paying zakat, starting from the official website [baznas.go.id/bayarzakat](http://baznas.go.id/bayarzakat) and through various platforms such as Tokopedia, Bukalapak, Shopee, and Kitabisa.com. BAZNAS also offers multiple online payment options, including GoPay, DANA, OVO, LinkAja!, Jenius Pay, Bank Transfer, PayPal, and Credit Cards.

Operationally, BAZNAS carried out its programs through a Work-from-Home (BDR) system, implementing and testing a quality management system that proved effective in managing administration. This approach enabled BAZNAS to collect national zakat funds reaching IDR 12.5 trillion in 2020. BAZNAS reported zakat collection results that met expectations. The zakat management institutions adopted a digital service enhancement strategy to mitigate the impact of the economic crisis experienced by businesses and middle-class zakat payers. This situation led to a decrease in both donations and donors, which was offset by numerous small donations through various digital channels managed by the zakat institutions. The collection of ZIS through Zakat Collection Units (UPZ) at ministries and companies also strengthened BAZNAS's collection efforts this year. In the area of ZIS distribution and utilization, BAZNAS allocated 88.7% of the collected funds. This figure indicates that BAZNAS's ZIS distribution is operating effectively. Of this amount, 85% of the ZIS distribution was used for programs addressing the impacts of the pandemic, including medical aid, non-medical assistance, and economic activities. The success of zakat management institutions in collecting ZIS also demonstrates that these

institutions implemented an effective ZIS management strategy by anticipating the challenging conditions caused by the pandemic throughout 2020. Through the theme “Semesta Kebajikan Zakat” (The Universe of Zakat Charity), featuring the image of Noah’s Ark navigating the waves of the sea, BAZNAS was inspired to develop risk mitigation plans for the existing conditions.

From an operational perspective, BAZNAS has successfully maintained its ISO 9001:2015 management system and has also added ISO 37001 for anti-bribery and developed ISO 27001:2013 for data and information security. BAZNAS has also implemented a COVID-19 safety system by registering COVID-19 protocols at the BAZNAS office to ensure that zakat payers, guests, and zakat administrators can work in a safe environment. Additionally, BAZNAS has received reports of oversight and legal enforcement from the Ministry of Religious Affairs and the police against parties suspected of mismanaging zakat. BAZNAS has collaborated to implement effective controls, so that in the future, the public can safely perform their zakat, infaq, and sadaqah obligations.

### **Zakat Funds Contribute to National Economic Growth**

According to the Indonesian Sharia Economic and Financial Master Plan document, President Joko Widodo has established zakat as a crucial pillar in the strategic economic development plan in Indonesia. Sharia economics and finance serve as a fundamental foundation in efforts to empower individuals and communities, promote an entrepreneurial culture, invest in the real and sustainable economy to benefit Indonesian society and its economy (Zayadi, 2022). According to the Zakat Potential Mapping Indicator (IPPZ), the zakat potential in Indonesia was estimated at IDR 327.6 trillion as of 2020. However, the year-end 2021 report on national zakat collection recorded only IDR 14 trillion. Although this represents a significant increase, there remains a substantial gap between the potential and actual zakat collection. Therefore, there is a need for optimization in the zakat collection process to ensure that zakat contributions continue to increase, particularly to improve welfare and alleviate poverty.

The practice of zakat management in Indonesia has a long history, from the introduction of Islam in the archipelago to the present day. Zakat, one of the Five Pillars of Islam, has been practiced in Indonesia for centuries. Snouck Hurgronje noted that the process of Islamization in Indonesia was carried out peacefully. Zakat practices in Indonesia have not been viewed as a form of religious tax or a political tribute to the government. In the past, mosques and Islamic educational institutions were the main bodies responsible for zakat management. It was not until 1999 that zakat management underwent significant changes, motivated by the reform movement and economic crisis. The establishment of Law No. 38 of 1999 provided the regulatory framework for zakat management in Indonesia. Subsequently, Presidential Decree No. 8 of 2001 was issued on January 17, 2001, establishing the National Zakat Agency (BAZNAS) under President KH Abdurrahman Wahid. Since the enactment of Law No. 23 of 2011 on Zakat Management, Law No. 38 of 1999 on Zakat Management was repealed. Law No. 23 of 2011 outlines the roles of the National Zakat Agency (BAZNAS), Zakat Management Institutions (LAZ), and Zakat Collection Units (UPZ) as the entities responsible for zakat management. It is only natural for the state to strive for public welfare and to ensure that zakat management is effective and efficient. Functionally, the benefits of zakat should align with national economic development efforts, as emphasized by Vice President KH Ma’ruf Amin, whose core objective is to build the nation’s economy.

Zakat is a fiscal instrument in economic practice that has been used since the time of Prophet Muhammad (SAW). Historically, zakat has played a role in the income distribution mechanism within the economy. This role can be realized if the potential of zakat is effectively and productively explored. The Master Plan for Sharia Economy and Finance positions sharia economy and finance as a driving force for Indonesia to harness its economic dynamics, rather than merely being a religious argument. Over time, this will



foster the growth of the sharia economy and finance to build a national economy that aligns with sharia objectives and Indonesian government priorities. Sharia economy and finance have been officially present for two decades. The growth of the sharia economy and finance relative to the national economy has been positive, but it is still smaller compared to the conventional financial industry. The Ministry of Religious Affairs plays a role in providing primary data and information on the development of zakat in the country during the process of drafting the Indonesian Sharia Financial Architecture Master Plan. It also provides guidance to zakat management organizations (OPZ). Zakat is a sector of Social Religious Funds in the landscape of the sharia financial industry in Indonesia, playing a crucial role in the map of sharia economy and finance development and dynamics. It is imperative for zakat instruments to contribute more effectively to the movement of the sharia economy and finance in Indonesia.

Since March 2020, when the World Health Organization (WHO) declared the Covid-19 pandemic, the national economy has experienced a drastic decline. Currently, efforts are being made to create new job opportunities to boost the national economic recovery. Zakat can play a role in this by fostering collaboration among institutions to create a positive impact on the revival of the national economy. Regular innovation, applying the concept of Observe, Imitate, and Modify (ATM), along with collaboration and upholding the principles of honesty, are key factors for success in business. The importance of zakat in driving the national economy is highlighted by the zakat potential in Indonesia, which according to data from Puskes Baznas reaches IDR 327 trillion. This includes zakat from income, services, livestock, and other sectors aimed at helping the poor and those in need. The empowerment initiatives carried out by BAZNAS and the government serve as instruments for accelerating economic growth and improving the quality of Human Resources in Indonesia. As a higher education institution producing entrepreneurial graduates and providing a foundation of Islamic leadership for conducting business for the welfare of the community, this collaborative alignment is hoped to serve as a positive catalyst for bridging movements and enhancing national economic development.

### **Zakat as a Driver of National Economic Recovery**

The contemporary zakat movement began among Muslims in the 1990s. In other words, from 2018 to 2021, there have been significant changes in the zakat movement. Several important and crucial roles have emerged through the reinterpretation and reform of zakat utilization for the welfare of the community. Previously, during the independence era, zakat experienced a long period of stagnation. The national zakat movement began to revive through the Islamic community's awareness of zakat and the introduction of collective zakat management and its productive utilization. With professional and modern management of zakat funds based on good management principles and organizational governance, the national zakat potential has begun to emerge, and its impacts have become broader and more significant. Initially viewed merely as charitable acts, zakat has now transformed into a significant socio-economic force that can help revive the economy in the aftermath of the Covid-19 pandemic.

The pandemic caused millions to lose their jobs, with poverty rising from 24.8 million people (9.22%) in September 2019 to 27.6 million people (10.19%) in September 2020. In the face of this calamity, the Islamic community exhibited a remarkable spirit of charity and a heightened interest in donating. Throughout various regions, community initiatives emerged, demonstrating mutual support and solidarity to tackle the pandemic independently from government assistance. Zakat Management Organizations (LAZ), for instance, have been at the forefront of efforts to address the Covid-19 crisis. The poor families affected by the pandemic experienced a decrease in income, disruptions in family food needs, job losses, declining health levels, and neglected children's education. Zakat institutions have undertaken various efforts to help them cope with these challenges. Economically, they have been supported through social assistance for poor families and other forms of aid. Zakat is managed by the National Amil Zakat Agency (BAZNAS), a government-established body responsible for planning, collecting,

distributing, and reporting on the use of zakat from the community. Through BAZNAS's role in zakat collection, distribution, and utilization, communities can also establish Amil Zakat Institutions (LAZ). As of April 21, 2020, the official BAZNAS website (baznas.go.id) listed 74 officially registered LAZ institutions at the national, provincial, and municipal levels. Management does not differentiate between zakat payments before and during the COVID-19 pandemic. According to the regulations, every Muslim is required to pay zakat. For example, zakat on wealth is obligatory for someone who meets the necessary conditions. Since February 2019, BAZNAS has received zakat, infak, and sadaqah amounting to IDR 36.9 billion from muzakki (zakat donors). Of this amount, IDR 21 billion has been distributed. In 2018, BAZNAS collected zakat amounting to IDR 8.11 trillion and distributed IDR 6.8 trillion, resulting in a utilization rate of 83.77 percent for that year.

In order to stabilize and improve the economy, the Ministry of Religious Affairs (Kemenag) has collaborated with BAZNAS to boost the economic development of rural communities. They launched the Kampung Zakat program, which is a collaborative initiative between the Directorate General of Islamic Community Guidance of the Ministry of Religious Affairs and BAZNAS (National Amil Zakat Agency), along with various Amil Zakat Institutions (LAZ). The Kampung Zakat program was introduced by the government in 2018 as an effort to alleviate poverty and enhance the economy of the community in various regions across Indonesia, including the 3T (Frontier, Outermost, and Disadvantaged) areas through the utilization of zakat. Various zakat management institutions have now established 514 Kampung Zakat, with plans to expand this number to 1,000 Kampung Zakat by 2023. If successful, this initiative will support the government's efforts to reduce poverty through the establishment of Kampung Zakat by the community. The goal of the Kampung Zakat program is to improve the welfare of the people by developing community-based economic opportunities in the region, such as agriculture and fisheries. The program aims to ensure that at least one Kampung Zakat is established in each regency or city

### CONCLUSION

Based on several analyses of zakat, the following conclusions can be drawn: Zakat, which is one of the pillars of Islam, can develop in Indonesia due to the community's generosity. Zakat management institutions strongly support zakat campaigns in Indonesia. Despite the COVID-19 pandemic, the existence of zakat institutions was not disrupted, and the enthusiasm of muzakki (zakat payers) to fulfill their zakat obligations actually increased during the pandemic. Zakat institutions adhered to health protocols by utilizing digital financial services. In 2020, these institutions were able to collect national zakat funds amounting to IDR 12.5 trillion. Zakat institutions effectively managed the COVID-19 response and ran programs to alleviate poverty.

The potential for zakat in Indonesia is valued at IDR 327.6 trillion, while the actual national zakat collection reached IDR 14 trillion. Although there has been significant growth in zakat collection, there is still a larger potential to be tapped. The collected funds are used to improve welfare and alleviate poverty. In Indonesia, zakat is not viewed as a form of religious tax or political tribute to the government. Mosques and Islamic educational institutions are two main entities that manage zakat to promote national economic growth.

As a result of the pandemic, millions of people lost their jobs, and the poverty rate increased from 24.8 million people (9.22 percent) in 2019 to 27.6 million people (10.19 percent) in 2020. Alongside this disaster, there was a significant rise in the spirit of donation among Muslims. Poor families affected by the pandemic faced disruptions in their food needs, and zakat institutions took various measures to help them cope economically through social assistance and other forms of support. BAZNAS is responsible for planning, collecting, distributing, and reporting the use of zakat from the community. Through its role in the collection, distribution, and utilization of zakat, BAZNAS has established 74 LAZ institutions at the national, provincial, and municipal levels. All these institutions are working on programs to revive the national economy.

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