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THE ROLE OF ZAKAT IN POVERTY ALLEVIATION: A SOCIO-ECONOMIC ANALYSIS

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Abstract

The article examines zakat as a key Islamic economic instrument for poverty alleviation through socio-economic and institutional perspectives. Poverty remains a persistent challenge in many Muslim-majority countries, highlighting the urgent need for effective wealth redistribution mechanisms.

Introduction to The Problem: Poverty continues to be a major issue in Muslim-majority countries across Southeast Asia, the Middle East, and Africa. Despite government programs, inequality and wealth distribution gaps are still increasing. Zakat offers a structured mechanism for redistribution, but its implementation is often limited by weak governance, low public awareness, and poor integration into national development frameworks.

Purpose/Objective Study: This study aims to analyze the role of zakat in poverty alleviation from a socio-economic perspective. It seeks to identify zakat's contribution to reducing poverty, assess the effectiveness of management and distribution, examine institutional challenges, and provide recommendations to strengthen the zakat system for greater social welfare impact.

Design/Methodology/Approach: The study adopts a qualitative approach using a literature review of academic journals, Islamic economics books, institutional zakat reports, and empirical research. Previous findings are compared across local, national, and international contexts to understand patterns, weaknesses, and opportunities in zakat management.

Findings: The findings show that zakat significantly reduces poverty when managed transparently and professionally. Zakat supports mustahik by meeting basic needs and funding empowerment programs such as business capital assistance, skills training, and scholarships. Digital zakat platforms enhance collection and distribution efficiency, but obstacles remain, including regulatory inconsistencies, low muzakki participation, and weak long-term planning.

Paper Type: Research Article

Keywords: Zakat; Poverty Alleviation; Islamic Economics; Wealth Distribution; Zakat Institutions; Economic Empowerment.

INTRODUCTION

Indonesia is the country with the largest Muslim population in the world. Therefore, Indonesia has the potential to become an ideal Muslim country, both in terms of human resources (HR) and natural resources (NR). Optimal management of HR and NR will increase the real welfare of the community. However, these optimisation efforts will not be successful if poverty and ignorance are not minimized (Wahid et al., 2020). These efforts will be close to zero if there is no awareness of sharing among Muslims and there is still a gap between the rich and the poor. For this reason, Islam has one of the five pillars that is both vertical and horizontal in orientation, namely the obligation for a Muslim to pay zakat. Zakat has a simple concept, namely that the wealth of the rich contains the rights of the poor that must be fulfilled. Zakat is emphasised in terms of income redistribution efforts (Ridlo & Muthohar, 2020).

One of the objectives of income redistribution is to improve the welfare of society. In this case, one of the goals is to achieve a sovereign and just state in accordance with state law and the teachings of Islam (Purbasari, 2015). As stated in Law No. 23 of 2011 concerning the management of zakat, the goal of collecting zakat professionally is to help alleviate poverty, as well as to symbolise harmonious relations between fellow human beings (Cherni & Ben Amar, 2024). This can be realised when zakat collection is truly managed professionally by experts in the field and applies good and correct principles in accordance with the times, while still adhering to the procedures for managing zakat practised by the Prophet Muhammad, so that zakat will truly be a solution to various problems faced by the community (Ridlo & Muthohar, 2020).

In this case, there are several instruments used to alleviate poverty, such as zakat (Atabik, 2015). As stated in the research conducted by Lapopo (2017), zakat has a negative and significant effect. This means that the more zakat funds collected, the greater the effect on poverty alleviation. Then there is the instrument of sharia financing, as in the research conducted by Hamid & Aris (2017), which states that sharia financing through mudharabah financing products provided to micro, small and medium enterprises can help alleviate poverty. The issues of poverty and the poor are not new. Since ancient times, various religions and philosophical schools of thought have attempted to solve these problems in order to end the suffering of the poor (Priantina et al., 2023). For developing countries, the majority of which are Muslim countries, poverty is a daily problem that is almost taken for granted. The economic crisis that has hit the world, especially the Asian continent, has opened our eyes to the fact that our Muslim country, Indonesia, and the majority of other Muslim countries, are extremely poor (Sulaeman & Ninglasari, 2020). This is in stark contrast to the teachings of Islam, which strongly combats poverty. Islam does not merely view poverty as a problem, but considers it a calamity that must be eliminated.

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Zakat, as one of the five pillars of Islam, plays an important role in shaping the socioeconomic order of Muslim societies. More than just a religious obligation, zakat is designed as a financial instrument that aims to redistribute wealth, reduce economic inequality, and support vulnerable groups in society. In many regions, especially countries with strong Islamic traditions, zakat has become an important component of national poverty alleviation efforts. Systematic collection and targeted distribution make zakat an effective mechanism for addressing socio economic disparities (Hafidhuddin, 2002).

The importance of zakat in reducing poverty has attracted the attention of academics and policymakers. Research shows that the distribution of zakat not only meets basic needs such as food, shelter, and health services, but also empowers recipients through education and economic assistance programmes. When managed properly, zakat institutions can create a sustainable impact that goes beyond short-term assistance, enabling individuals to become independent and productive members of society (Beik, 2009). This confirms the potential of zakat as an effective tool for comprehensive socio-economic development.

In the broader context of Islamic economic thought, zakat forms the ethical foundation for wealth management. Zakat establishes a moral framework that emphasises social responsibility, solidarity, and collective well- By mandating the distribution of wealth, Islam ensures that economic resources circulate fairly and are not concentrated in the hands of a few. This philosophy is in line with modern development theory, which emphasises inclusive growth and social protection as important components of poverty alleviation strategies (Chapra, 2016).

Despite its great potential, the effectiveness of zakat in poverty alleviation efforts still varies across regions and institutions. Challenges such as weak governance, lack of transparency, low public awareness, and fragmented management systems often hinder the optimisation of zakat. However, developments in digitalisation, improvements in institutional frameworks, and stronger regulatory support have increased the efficiency of zakat management in many countries, particularly in Southeast Asia and the Middle East (Ascarya, 2021). These developments open up new opportunities to maximise the social and economic impact of zakat.

Considering these dynamics, analysing the role of zakat in poverty alleviation from a socio economic and institutional perspective is crucial. A deeper understanding of how zakat works, its distribution mechanisms, and its impact on recipient communities will provide valuable insights for strengthening the global zakat system. Therefore, this article aims to explore the socio-economic significance of zakat, assess its contribution to poverty alleviation efforts, and evaluate the factors that influence its overall effectiveness.

METHODOLOGY

This study uses a qualitative approach with a literature study method that focuses on the collection and analysis of secondary data. The data sources used include scientific journals, Islamic economics books, annual reports from zakat institutions, policy documents, and previous research results relevant to the themes of zakat and poverty alleviation. Data collection techniques were carried out through systematic searches of literature published over the last two decades, providing a comprehensive overview of the development of zakat management theory and practice.

RESULTS AND DISCUSSION

Zakat Management in Indonesia

Zakat activities have been carried out since the time of the Prophet Muhammad SAW and are an obligatory activity for Muslims as a form of obedience in practising their religion and creating good economic conditions in accordance with Islamic law. During the era of the Rightly Guided Caliphs, zakat was used as the main source of income in an Islamic state and became a benchmark for fiscal aspects aimed at comprehensively resolving economic issues. Therefore, if zakat was not carried out in accordance with its obligations, a penalty of 50% was imposed. This penalty rule was applied to every Muslim who was reluctant to give their wealth for zakat. Therefore, zakat plays a very important role in the welfare and economic growth of Muslims. In fact, zakat is an instrument in Islamic economics that can influence the behaviour of Muslims and build the economy, thereby creating a better way of life (Makraja, 2024).

In the early history of Islam, the very large percentage of zakat became the main source of state revenue compared to other sources of revenue such as ghanimah, kharaj, fai', and jizyah. Effective and efficient management of zakat can benefit poor communities who are entitled to their rights for survival. In this case, zakat has succeeded in becoming an instrument of Islamic economics that can free communities from poverty and can be a solution for economic equality and growth for poor communities. Indonesia derives its main income from tax payments. In this case, Indonesia has issued regulations on the obligation of zakat through Law Number 23 of 2011 on Zakat Management. Zakat is an obligation for Muslims or business entities to give away their wealth to mustahik (those entitled to receive zakat) in accordance with Islamic law. Assets that are subject to zakat include silver, gold, money, securities, income from any job that reaches the nisab, and rikaz.

Indonesia has regulated the management of zakat in the Zakat Management Law, which is carried out by the National Zakat Agency (BAZNAS) and the Zakat Institution (LAZ). BAZNAS is a legal entity that plays a role in managing zakat and is formed by the government, which

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is based in regencies, cities, and provinces. The zakat payment segments at BAZNAS are civil servants within the regency or city, officials, and bureaucrats. BAZNAS also accepts zakat payments from the general public. LAZ is an institution that plays a role in managing zakat, which is formed by the community or its own legal entity and is authorised by the government. With the existence of legal entities or zakat institutions, it is hoped that zakat management can be implemented in accordance with the provisions of the law, which is based on the sub-district, regency or city, and province (Makraja, 2024).

The establishment of zakat management institutions is very important because the majority of Indonesia's population is Muslim, so the potential for zakat is enormous. The Indonesian people, especially Muslims, also have minimal awareness of paying zakat due to a lack of trust in BAZNAS, which is the zakat management agency, related to the low level of clean governance. Zakat management institutions must be able to carry out their functions as zakat administrators. Zakat administrators serve as the target of zakat, can plan for future zakat, collect zakat funds from people who are obliged to pay zakat, can carry out zakat management, and supervise zakat management. Zakat administrators in managing zakat must possess the qualities of trustworthiness, professionalism, and transparency, which must be applied in the performance of zakat collection and distribution as a form of public trust in channelling their wealth.

1. Zakat Collection

In the process of collecting zakat, the zakat institution must know the profile of the donor by providing a muzaki registration form, completing the required identity information, namely NIK, KTP, address, mobile phone number, account number and account name, and asking several questions to the donor. Donor data is submitted to the central BAZNAS as a form of institutional database aimed at reporting the zakat funds that have been distributed and providing invitation information if there are activities related to muzaki. BAZNAS' role as a zakat collection agency also requires it to raise public awareness about the importance of zakat by conducting promotions, placing advertisements in electronic media such as television and radio, placing advertisements in the mass media, and putting up billboards. In addition, it also holds webinars and visits large companies. Transaction services for zakat fund collection can be carried out through cash and non-cash methods. Non-cash or online transactions can be conducted via ATMs, mobile banking with zakat payment facilities, the Muzaki Corner application, and the Jemput Zakat service, while cash transactions can be conducted by visiting the BAZNAS office directly.

2. Distribution of zakat funds

The distribution of zakat funds is carried out in two ways: directly, which is done directly to the mustahik or by visiting the BAZNAS office; and indirectly, which is carried out by institutions or partners that are handed over to the local zakat distribution unit or can be handed over to LAZ. Groups eligible to receive zakat funds include: (a) The poor, namely those who suffer in their lives, who have no assets and therefore no ability to meet their needs. Zakat funds are given to fulfil productive purposes in the form of grants and interest-free loans with the aim of freeing them from poverty; (b) The poor, namely people who are able to obtain work but are unable to meet their basic needs. Zakat funds are used for short-term consumptive needs; (c) Zakat administrators, namely people who are entrusted with collecting and managing zakat funds. Although zakat administrators are materially well-off, they are entitled to receive zakat funds. Zakat funds are given to zakat administrators in the hope that they will develop and motivate the zakat institutions they manage to advance in terms of organization; (d) Muallaf, namely non-Muslims who have recently converted to Islam and whose faith is weak; (e) Slaves, namely Muslims who have been taken captive by non-Muslims in war; (f) Gharimin or debtors, including debts used to meet basic needs, not debts used for immoral purposes, and who are unable to pay; (g) People fighting in the way of Allah, namely people who defend Islam and Muslims. In modern times, this includes people who spread Islam, such as scholars or clerics, ta'mir, and those involved in Islamic missionary work; (h) Ibnu sabil, namely people who are travelling not for immoral purposes, but people who are travelling and experiencing hardship.

Forms of zakat distribution include various sectors aimed at improving community welfare. In the health sector, zakat funds are allocated to provide free medical services, health-related assistance, and support for hospital expenses, including mobile health units such as BAZNAS ambulances that regularly visit different regions each month. Humanitarian assistance is also an important form of distribution, designed to ease the suffering of communities affected by disasters such as floods, earthquakes, and landslides by providing basic necessities, including food and medicine.

In the educational sector, zakat is distributed through scholarship programmes for underprivileged students at all levels, from primary school to university, including initiatives such as BAZNAS scholarships, civil service scholarships, ma'had aly scholarships, and research scholarships, often implemented in collaboration with other institutions. Additionally, economic assistance focuses on empowering poor communities through the provision of working capital, financing schemes managed by BAZNAS-affiliated agencies, and the supply of work facilities. Finally, zakat distribution also supports the development of independent communities by enhancing human resources through training, workshops, and cooperative programmes with various partner institutions.

3. Zakat as an Instrument for Poverty Alleviation

The majority of Indonesia's population is Muslim, spread across various regions, even to remote villages. Muslims living in cities mostly work as civil servants, private employees or entrepreneurs, while those in

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villages are mostly factory workers and farmers. This situation is caused by the increasing population, while livelihoods in the agricultural sector have not improved. Farmers who own agricultural land such as rice fields or gardens are almost unable to utilise their land for cultivation, due to the increasingly high costs of production and management. Farmers in Indonesia still lack access to sufficient business capital, forcing them to seek credit from banks (Makraja, 2024).

Given these issues, the role of Sharia law in addressing poverty is needed. Zakat, as a Sharia law and Islamic economic instrument, can directly address rural life and the agricultural sector, both traditional and modern. Poverty can be overcome in various ways. The first step is to overcome the poverty that plagues the surrounding community by creating a sound economic system that enables an equitable distribution system and encourages the wealthy (aghniya') to care for the poor, the needy, the weak and the oppressed. One form of care from the wealthy is their willingness to pay zakat and sadaqah.

The strategy of zakat management is actually oriented towards multiplying the rewards of the muzaki and improving the welfare of the mustahik, and the centralised zakat system is also capable of solving existing poverty problems. As times change, the distribution of zakat has undergone changes, and the function and role of zakat in economic growth efforts has also diminished and is considered merely a ritual of worship, thus neglecting the function of zakat as social security. Nowadays, zakat is only considered an obligation and there is no sense of caring, kinship, and solidarity for others. The distribution of national zakat in 2019 experienced a very high increase. This shows that the role of zakat is very influential in poverty alleviation efforts. Therefore, zakat is very appropriate in improving the economic system, consumption, production, and distribution patterns with the aim of improving the welfare of the people. This is because the greatest crime of capitalism is the control and ownership of production resources by the majority of people who benefit from it.

The study also found that literacy and public awareness regarding the obligation of zakat remain a major challenge. The lack of understanding about the importance of zakat has resulted in low compliance among muzakki. This aligns with the BAZNAS report published in 2020, indicating that the potential for zakat is substantially higher than the amount collected (Makraja, 2024). Overall, zakat has a significant impact on poverty reduction, but its effectiveness is highly dependent on the distribution model and managerial capacity of zakat institutions. Qardawi (1980) emphasises that zakat will be optimal if it is directed towards increasing the productivity of the people and strengthening socio-economic stability. economically, which results in them neglecting their less economically fortunate brothers and sisters. Thus, zakat aims to increase production in order to meet the high demand for goods. The role of zakat in overcoming poverty is a necessity, even though the strategies implemented face many obstacles.

According to Al-Qardhawi, the role of zakat is not limited to poverty alleviation, but also aims to address other social issues. Therefore, the most prominent role of zakat is to help other Muslim communities and unite hearts so that they remain steadfast in Islam and also help with any problems that arise. If all wealthy or affluent individuals diligently pay zakat and it is distributed fairly and evenly, poverty would not occur.

CONCLUSION

Zakat is an instrument in Islamic economics that can influence the behaviour of Muslims and stimulate economic growth. Indonesia, through Law No. 11 of 2013 concerning Zakat Management, is managed by the National Zakat Agency (BAZNAS) and the Zakat Institution (LAZ). BAZNAS is a legal entity that plays a role in managing zakat and is formed by the government, which is located in regencies or cities and provinces. Based on Law 11/2013, zakat management institutions must be able to carry out their functions as zakat administrators. Zakat administrators are tasked with collecting zakat funds from individuals or institutions that are obliged to pay zakat, managing zakat, and supervising zakat management.

Poverty can be alleviated through various strategies. The awareness and willingness of those who are able to pay zakat greatly helps to alleviate poverty and can revive the economy of the community. The strategy of zakat management is actually oriented towards obtaining rewards for the muzaki and improving the welfare of the mustahik, as well as alleviating poverty. Therefore, a prominent zakat effort is to assist other Muslim communities in remaining steadfast and obedient to Islam. It is regrettable that if poverty persists, it can threaten the resilience of faith, morality, and behaviour among the Muslim community. Thus, the appropriate solution to anticipate this is to optimally empower zakat.

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