

The Role of Zakat in the Islamic Economy: A Case Study on Zakat Literacy in Parepare, Indonesia

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Abstract

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Zakat is not only an act of worship to Allah but also a vital instrument for enhancing social welfare when managed effectively. In Ajatappareng, the potential for zakat is substantial; however, actual collections have yet to meet targeted levels. This shortfall is largely attributed to limited understanding and awareness among potential payers. This study aims to examine the collaborative governance process in zakat management by BAZNAS Ajatappareng. The research adopts the collaborative process framework of Ansell and Gash, which includes four dimensions: initial conditions, leadership, institutional design, and collaborative process. A qualitative phenomenological approach was employed, with data collected through observation, interviews, and supporting documents. Informants were selected via purposive sampling, and data analysis followed three stages: reduction, presentation, and conclusion drawing. Findings indicate that while BAZNAS Ajatappareng has engaged in collaborative efforts with multiple stakeholders, certain aspects particularly human resource capacity and impact assessment remain suboptimal. The study recommends adopting best practices from other BAZNAS branches with proven success in zakat collection to strengthen future collaborative strategies.

1. Introduction

Zakat comes from the following words: an-namaa, which means growth and development, ath-thaharatu, which means purity, al-barakah, which means blessing, katsrah al-khair, which means the abundance of goodness, and ash-shalahu, which means order. Zakat can purify our souls and property and hope to be a blessing for us and others. Zakat is one of the five pillars of Islam that must be carried out by all Muslim people. In the Qur'an, the command to give zakat is mentioned 28 times, and is usually combined with the command to pray. Zakat remains very difficult to give.

Zakat itself means giving part of one's wealth to the eight asnaf of zakat, depending on the nisab, and leaving it behind. Zakat is generally considered to be one of Islam's ways of giving away some of one's wealth with social and economic benefits. Zakat can increase consumption of poor people to reduce economic inequality. This will increase overall consumption and purchasing power. Zakat can function as a tool to increase economic growth

as well as a solution to poverty alleviation efforts if managed and administered correctly. In surah Al-Baqarah, one of the foundations of zakat is found in the Al-Qur'an and hadith: 195

It means:

"And spend (your possessions) in the way of Allah, and do not throw yourself into destruction, and do good because indeed Allah loves those who do good."(RI, 2019) **(Q.S Al-Baqarah: 195)**

The verse above shows how important zakat is because Allah SWT loves people who do good. Zakat is an example of good deeds. Zakat is intended to create a just and just society, reduce economic disparities, and enable less fortunate people to gain abilities. Zakat can be an option for current economic development because it can help solve economic problems, such as equalizing economic disparities. However, zakat collection in Indonesia is not yet ideal, one of which is in the Parepare City area.

BAZNAS in the area is BAZNAS Parepare City. BAZNAS itself is an official non-structural institution established by the government.

According to Presidential Decree of the Republic of Indonesia Number 8 of 2011, BAZNAS is tasked with collecting and distributing zakat, infaq and shadaq funds. At the regional level, BAZNAS is responsible for planning, implementing, collecting, distributing and utilizing zakat, as well as reporting its responsibility for zakat management in the area. BAZNAS's mission is to increase the distribution and optimal use of zakat to reduce poverty, improve community welfare, and help the government and society sustainably in efforts to end poverty and underdevelopment.

The city of Parepare itself is a city with intermediate status located in South Sulawesi with a population of 153 people recorded at the Central Statistics Agency (BPS) of Parepare City as of 2018-2021. (Parepare, 2022) With the number of Civil Servants (PNS) within the scope of the Parepare City Regional Government totaling 3,654 people. If all civil servants in Parepare City pay zakat, the amount of zakat that should be recorded at the Parepare City Amil Zakat Agency will reach IDR 328,860,000,-

Data from the Parepare City National Zakat Amil Agency (BAZNAS), in the last five years 2019, 2020, 2021, 2022, up to 2023 in July, zakat collection was recorded at 700 million. Meanwhile, according to the BAZNAS Strategic Studies Center, the potential for zakat in Parepare City is IDR 77,307,463,373.-. This amount is the potential zakat income which is zakat originating from the income of the people of Parepare city.

Not to mention other zakat that has not been registered at BAZNAS Parepare City, namely zakat for agriculture, livestock, savings and deposits and also zakat for companies. Starting from a situation that did not meet expectations, this motivated the author to analyze further regarding "Zakat as a Pillar of Islamic Economics (Case Study: Zakat Literacy in Parepare City.

2. Literature Review

2.1 Strategy Theory

John A. Bryne describes strategy as the basis of ongoing and planned goals, competitors, market-organization interactions, resource deployment, and environmental factors.(Kasmir, 2019)

Strategy, according to Tjiptono, is a tool to show the business path to a chosen environment and is a guideline for resource allocation and organization. According to Kotler, strategy is a game plan to achieve business goals using strategic thinking.(Tjiptono, 2017) By considering the definition above, it can be concluded that when formulating a strategy it is necessary to consider the conditions and changes in the company's environment, both internal and external, so that the strategy can be achieved. Strategy is defined as efforts made to achieve long-term goals. The definition of strategy according to experts is very diverse and varied:

- a. "Strategy is an art that involves the ability of intelligence or thought to bring all available resources to achieve goals by obtaining maximum and efficient profits," according to Martin-Andreson.
- b. Therefore, according to Onong Uchjana Efendy, strategy is planning to achieve goals. However, to achieve this goal, the strategy must be able to demonstrate its operational tactics.(Efendy, 2018)
- c. According to Stephen Robbins, strategy is setting long-term goals for a company to decide what to do and getting the resources necessary to achieve them.(P.Robbins, 2015)

So, based on experts' definitions, strategy is a planned method or tactic to achieve the desired goal by considering opportunities and threats. Stephen P. Robbins and Mary Coulter say that the strategy process is a collection of actions that combine planning, implementation and evaluation. Although implementation and evaluation are as important as planning, both are equally important. If management does not implement or evaluate strategies properly, even the best strategies can fail.(Philipkotler, 2015).

The strategy process uses commas to simplify the situation. This process is centered on an interconnected and unified system, so that planning without evaluation and leadership will fail and not run well. As a result, companies must implement a three-process strategy:

a. Strategic planning

Strategic planning is the right action to achieve company goals. Strategic planning covers the scope of the future (Vision) and is established as the highest leadership decision (Fundamental and principal decisions) to enable the organization to interact (Mission), identify external opportunities and threats, measure and determine internal strengths and weaknesses, and set long-term goals.

a. Strategy implementation

After selecting and formulating a strategy, the next step is to implement it. Otherwise, the strategy creation and analysis process will just be wishful thinking. Resources must be distributed and organized to implement the strategy through the implementation of an organizational structure and leadership mechanisms that are adapted to the company culture.

b. Strategy evaluation

The final process of the strategy is evaluating its implementation. This is done because evaluation serves as a benchmark for strategies that will be reused by the organization and is very important to ensure that the set goals are achieved.(David, n.d.) There are three categories of strategies, viz:

a. Management strategya

In the management strategy category, management can develop strategies with a focus on developing macro strategies, such as product development strategies, pricing strategies, acquisition strategies, market development strategies, financial strategies, and so on.

b. Investment strategy

This strategy is investment oriented. For example, a company may use an aggressive growth strategy for market penetration, a

survival strategy, a divestment strategy, or the creation of a new division.

c. Business strategy

Because of its focus on management work functions, this business strategy is often referred to as a functional business strategy. For example, marketing strategy, production or operational strategy, marketing strategy, production or operational strategy, distribution strategy, organizational strategy, and financial strategy.(Morissan, 2016)

Company management strategies are used to utilize the company's ability to adapt to environmental changes so that the company can achieve its goals and objectives. This strategy is adapted to changes in the situation and environmental conditions faced, especially changes in former strategies, customer desires and satisfaction, as well as changes in regulations. Berney said that strategic work is a pattern of distributing resources that a company needs to maintain or improve its performance. A good strategy is one that neutralizes threats and seizes current opportunities by harnessing the power of fear and correcting weaknesses.(Tjiptono, 2018)

Strategi dapat digunakan sebagai alat untuk mencapai tujuan jangka panjang perusahaan. Tujuan-tujuan ini dapat mencakup diversifikasi, ekspansi geografis, akuisisi, pengembangan produk, penetrasi pasar, pengurangan bisnis, hibridasi, kolaborasi, dan pengurangan bisnis. Tindakan strategis mungkin membutuhkan keputusan manajemen tingkat atas dan sumber daya perusahaan yang signifikan.(Kotler, 2020)

In addition, strategy has an impact on the company's prosperity in the long term, especially in 5 years, and in the future. Apart from needing to consider internal and external factors, strategy must consider consequences that have various functions and dimensions. In product marketing, strategy is very important. Whatever segmentation of the target market or market position is carried out, it will not be successful if the right strategy is not followed.

2.2 Collaborative Governance Theory

Collaborative governance is a process in which various organizations work together to achieve common goals and improve each other's capabilities. This process helps actors understand the problem by involving various relevant stakeholders. Although this does not apply to all types of organizations that exist, this definition usually focuses on cooperation between organizations to achieve goals.(Hartman, 2004)

According to other experts, collaborative government consists of multipartner government that includes the civil community, public sector, and private sector, as well as government and non-government stakeholders. Government cooperation also depends on synergistic stakeholder roles and plans, similar to public-private and private-social cooperation. This is a shift from command to teamwork.(Widiarto, 2018)

Robertson and Choi stated that government cooperation is an egalitarian process where everyone participates and has an important role in decision making. Everyone who participates is given an equal opportunity to consider their wishes.(P.Robins, 2015)

The process in which various organizations work together to achieve common goals and enhance each other's capabilities is known as collaborative governance. This process helps actors understand the problem by involving various relevant stakeholders. Although this does not include all types of organizations involved, this definition usually focuses on cooperation between organizations to achieve desired goals.(Hartman, 2004)

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The relationships between the pillars of governance, which form a series of formal and informal relationships, are where collaborative governance develops, according to Donahue and Zeckhauser.(Eppel, 2013)

In the early stages of the study of politics and government, the terms "government" and "governance" referred to formal political institutions recognized by the constitution. However, as ideas about democracy and the study of civil society developed, the scope began to include elements of society. In the early 1990s, this idea evolved into broader governance ideas.(Eppel, 2013)

One of the most fundamental differences between "government" and "governance" is the way political, economic, and administrative authorities manage the nation's affairs. The more dominant role of government is called "governance," which includes the way government authorities divide power and manage society's resources and problems. In other words, government must be fair, transparent, democratic, based on law, involve various parties, and work together. Government is the way political, economic, and administrative authorities manage the affairs of a nation. The more dominant role of government is called "governance", which includes how the government divides power and manages society's resources and problems. In other words, government must be fair, transparent, democratic, based on law, involve various parties, and work together.(Halim, 2019)

The term "Governance" was first used in France in the 1400s. Despite the fact that it was still considered simple, it was only considered the seat of government. Governments regulate markets, states, societies, and the relationships between them. This idea came from a World

Bank report which suggested conducting research on countries in sub-Saharan Africa. In 1989, the term "Governance" was known by several countries.

In government studies, government can be seen as a power relationship related to public affairs. Public affairs has two definitions. First, something is considered a public matter if it affects other people or society as a whole. Second, public affairs cannot be considered private or private affairs, and people cannot manage them themselves.(Masudi, 2005)

According to Dwiyanto and Noerhaeni, government theory is divided into three dimensions. The first dimension relates to institutions, which describes government as a system involving various stakeholders. Both the private and government sectors are involved in various activities to solve problems and meet public needs. The second dimension focuses on public administration values, such as effectiveness and efficiency. The third dimension focuses on government ratios.(Roziki, 2019)

Public sector governance also addresses the relationship between the state, civil society, and the market sector. However, there are times when other components, namely informal media, are not noticed or considered at all. The two levels of relationship are horizontal and vertical. Informality operates horizontally in relation to specific agendas and issues.(Potucek, 2017)

The new paradigm in government structure is called governance, which consists of three main pillars: government, private sector, and society. This paradigm is different from the previous government management paradigm, which determined the government as the sole organizer. The governance paradigm emphasizes cooperation and equality between government, the private sector and civil society. To achieve effective management, the government must be able to rely on other parties and requires collective performance from various parties.

According to Bovaird, a government partnership is simply a government system

based on reciprocal, over and above commitments. One type of public-private contract (PPP) or public-private partnership is a contract that allows organizations in the public sector and organizations outside the public sector to work together to achieve common goals by leveraging the resources, expertise and innovation of each party.(Dwiyanto, 2011)

According to Bovaird's definition, a partnership is more than just a cooperative contract; it involves cooperation between business and government that addresses issues beyond the scope of formal contracts. Privatization, outsourcing, and work contracts are examples of cooperation that fall into this category. However, this partnership is not the same as cooperation between business and government. The government collaborates with institutions outside the government in various ways, such as collaboration between internal institutions and business, government institutions and business, and government institutions and civil society. However, there are institutions that handle cross-sector public services, which require collaboration between institutions.

Collaboration between government and business emerged earlier than collaboration between government and society, according to the literature. Most people believe that business has better practices and standards for efficiency and innovation than government. Government and business often work together to achieve a "positive image" and improve the efficiency and responsiveness of public service delivery. These partnerships are used as policy tools and political symbols to demonstrate the government's interest in improving the efficiency of public services. Instead, businesses work with governments to gain access to resources that can help them address local problems.(Dwiyanto, 2011).

3. Research Methods

In this research, the method used is qualitative descriptive research. Qualitative research is research that is in the process of

producing findings without using statistical procedures or forms of calculation (Basrowi & Surwardi, 2008). The type of research carried out is field research. Field research is a type of research that directly observes events in the field (Arikunto, 2013).

The data used in this research are primary data in the form of direct interviews with recipients of direct cash assistance for extreme poverty in Tambolongan village and secondary data in the form of books, journals and literature related to the research topic. The data collection technique in this research was carried out in several stages. The first stage is to make direct observations of the resource person. Next, conduct in-depth interviews with sources who receive direct cash assistance for extreme poverty. Apart from that, the data obtained is also supported by data in the form of journals, books and literature relevant to the research topic.

4. Results and Discussion

Zakat is one of the main pillars of the Islamic religion that must be carried out by every Muslim person. Zakat can help people for the common good. Zakat is considered a way to purify one's wealth by giving a portion of their wealth to those who are entitled to it. All types of assets, including cash, gold, savings, investments, professions, agriculture, plantations, mining and others, must be counted as 2.5% of wealth. However, to calculate zakat, wealth must be owned for one year, or 85 grams of gold. Where this is the provision of zakat, namely haul (year) and nisab (amount of wealth owned). People who are entitled to receive zakat are called mustahiq, while people who must receive it are called "asnaf". discussed in Q.S At-Taubah: 60

It means:

"Alms is only for poor people, people in need, zakat administrators, converts to Islam, for (freeing) slaves, people who are in debt, for the path of Allah and people who are on a journey, as a provision that determined by Allah SWT. Allah is knowing and wise." (RI, 2019)

Zakat is usually given directly to mustahiq, but some people collect it through official zakat collection institutions. The Parepare City National Zakat Amil Agency (BAZNAS) is one of them. However, people still often pay zakat through mosque piggy banks. This is common because it has become a community habit.

Even though it is not prohibited, it would be better if potential zakat was recorded and distributed evenly through official institutions rather than through mosques. In the Islamic economic system, zakat is an obligation that must be fulfilled, and its implementation is carried out through official state institutions regulated by law. The Parepare City National Zakat Amil Agency (BAZNAS) is responsible for the collection, management and distribution of zakat. The provisions set by Allah SWT in every aspect of human life have two main goals: helping the Nafs and Jama'i respectively.

The same applies to the zakat system in Islamic economics, which functions as worship for those who pay zakat (Muzakki), providing benefits to society and encouraging them to work economically, thereby generating profits for everyone.

In addition, some Muslim scholars argue that investment in zakat funds as a whole is the most important thing according to the economy and production, especially to help the poor and people in need, and has an impact on certain sectors, such as employment and income. Thus, providing financial assistance to individuals who are entitled to receive zakat can reduce poverty in a sustainable manner. Thus, there will be more jobs and income as well as people's livelihood standards. "As a result, zakat collection will increase if more people are aware and pay their zakat at BAZNAS Parepare City."

Islamic principles such as Zakat, Infaq, and Sadaqah are economic variables that can be used as controls to prevent excessive consumption, which can cause economic problems such as inflation and inequality, and encourage investment that produces products and job opportunities. Apart from that, zakat,

infaq, and shadaq can also be used as policy variables to increase fair income distribution. In addition, it appears that an interest-free economic system has the potential to achieve economic stability in the long term.(Anwar, 2020)

Yusuf al-Qardhawi said that society's economic activities had developed rapidly compared to the time of Rasulullah SAW and his companions. Since there were no jobs available at that time, economic activity was still very limited. In contrast, the economy develops because there are lots of jobs. Nowadays, it is not only livestock or farming that makes money, but many jobs that require little effort but make a lot of money. To avoid undesirable things, this must be properly regulated through an Islamic economic structure.(Lmadani, 2019)

According to Law Number 23 of 2011, the Parepare City National Amil Zakat Agency (BAZNAS) operates well. carry out duties and responsibilities to BAZNAS South Sulawesi Province and the Parepare city government. Reports on the collection, management and utilization of zakat at BAZNAS Parepare City are sent to the regional government of Parepare City, BAZNAS South Sulawesi Province and Central BAZNAS every six months. This report shows and shows that this is true. Apart from that, BAZNAS supports community empowerment. Carrying out efforts in various programs that have been and are being implemented in various fields to educate and provide concrete evidence to the community regarding the management and distribution of zakat in development and improving their quality of life. You can see it on the Parepare City BAZNAS Instagram account. The Qur'an, Hadith and law regulate the management of zakat as a pillar of the Islamic economy by distributing our wealth (zakat) to people who are entitled to receive it.

This shows that everyone has a responsibility to create a just and equitable economic system. In practical terms, zakat which is regulated and distributed in a consumptive and productive manner is a way

of giving wealth to those who are poor. Specifically for zakat funds, zakat assets are distributed using a productive and consumptive model. BAZNAS hopes that zakat distributed productively will be a motivation and inspiration for those who were previously mustahiq (people who receive zakat) to change into muzakki (people who give zakat). BAZNAS continues to work to make zakat collection at BAZNAS better than possible. The more collections there are, the more programs can be implemented to empower a weakening economy.

5. Conclusion

Based on the analysis of this article, zakat as a pillar of Islamic economics is that zakat has a significant role in creating a just and sustainable economic system. Zakat is an obligation for Muslims that helps reduce economic disparities, promotes equitable distribution of wealth, and provides assistance to those in need.

Through proper collection, management and distribution of zakat, zakat can improve the social and economic conditions of society, increase collective welfare, and promote equality in access to resources. The Parepare City National Zakat Amil Agency (BAZNAS) shows that the implementation of zakat can be distributed well if the collection reaches optimal levels. For the mustahiq, they feel grateful to be cared for and helped and enthusiastic about no longer being down with their situation. Meanwhile, muzakki feel at peace and happy because of the wealth they give to those in need who are entitled to receive zakat..

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