



ZAKAT INSTITUTIONS IN INDONESIA AND THEIR ROLE IN ENHANCING THE EFFICIENCY AND SOCIAL IMPACT OF ZAKAT

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ABSTRACT

Poverty and unemployment remain significant challenges for the nation of Indonesia, with the poverty rate reaching 9.36% as of March 2023. The potential for zakat in Indonesia is considerable, given that the country has the world's second-largest Muslim population. This study aims to examine the role of zakat institutions in enhancing the efficiency and social impact of zakat in Indonesia. It employs a descriptive qualitative method, conducted through a literature review of various sources, including scholarly journals, books, and documents related to the research topic. The data collected are analyzed using triangulation techniques. The findings indicate that institutionalizing zakat in Indonesia is crucial for improving its effectiveness, efficiency, and transparency while delivering significant social impacts, particularly for the poor (mustahik). Through well-structured and efficient zakat institutions, it is expected that zakat contributions can be optimized to alleviate poverty and improve the welfare of Indonesian society.

Keywords: The role of zakat institutions; enhancing efficiency; social impact of zakat

1. INTRODUCTION

Based on data from the Central Bureau of Statistics (BPS), the poverty rate in March 2023 stood at 9.36%, with the urban poverty rate at 7.29% and the rural poverty rate at 12.22%. The total number of impoverished individuals in urban and rural areas was recorded at 25.898 million people (Badan Pusat Statistik (BPS), 2023). Meanwhile, the open unemployment rate was 4.91%. However, the proportion of full-time workers declined to 68.0% in August 2024, compared to 68.92% in the same month in 2023. On the other hand, the proportion of underemployed workers saw a significant increase, rising to 8% in August 2024 from 6.68% in August 2023 (BPS, 2024).

Indonesia, as the country with the second-largest Muslim population in the world after Pakistan, has considerable potential to optimize its resources. One such potential lies in the

effective management and empowerment of zakat. Zakat, as one of the main pillars of Islam, plays a crucial role in achieving social justice and reducing economic inequality. The development of zakat has paralleled the growth of the economy. As economic conditions, particularly income levels, improve, the potential for zakat in a region or country also increases (Ernawati, 2018). However, zakat distribution has often been conducted individually or through zakat collection agencies without a clear institutional framework.

This situation can lead to inequity and uncertainty in zakat distribution, as well as a lack of transparency in its management. To enhance the effectiveness and transparency of zakat management, several countries, including Indonesia, have implemented zakat institutionalization. The institutionalization of zakat aims to organize and manage zakat more systematically, ensuring its benefits are felt more broadly by the community. Zakat is not merely a religious obligation but also a social instrument with immense potential to reduce economic disparities and enhance community welfare.

The institutionalization of zakat refers to the establishment of institutional structures specifically designed to handle the collection, distribution, and management of zakat funds. This process involves the government, Islamic financial institutions, and the community as key stakeholders. With the increasing complexity of social and economic developments, zakat institutionalization has become an urgent necessity to ensure the efficiency, transparency, and sustainability of the zakat system. Efforts to build organizations, systems, processes, regulations, and zakat governance, along with the development of individual capabilities and the strengthening of organizational and institutional capacity, represent key strategies for enhancing zakat management through institutional systems (Rachman & Nur Salam, 2018).

The institutionalization of zakat also plays a crucial role in balancing the roles of the government and society in managing zakat. The government can act as a regulator and supervisor, while society takes an active role in the process of collecting and distributing zakat. By establishing a strong foundation for zakat institutionalization, it is expected that an efficient, equitable, and sustainable zakat system can be realized. This means that zakat is not merely an individual act of worship but also a collective instrument to achieve broader social welfare goals within the community.

2. METHODS

This study designed by using qualitative descriptive research, conducted through a literature review method. The analysis is based on various reference sources, including scientific journals, reference books, and documents related to zakat institutions and their management in Indonesia. The data used is secondary data obtained both offline and online from sources such as the Indonesian National Zakat Agency (BAZNAS), the Central Bureau of Statistics (BPS), and other relevant sources. Data management is conducted using data triangulation, particularly source triangulation, by synthesizing various secondary data sources such as journal articles, official reports, books, and online databases. The information is then elaborated with insights from other sources, including articles or works by different authors, to ensure the consistency of the data and information obtained.

3. RESULTS AND DISCUSSION

a. The Condition of Zakat Institutions in Indonesia

Zakat institutions are entities responsible for managing zakat funds collected from muzakki (donors), either individuals or businesses, in accordance with Islamic principles. These funds include zakat fitrah, zakat on wealth, and other forms of charitable contributions such as infaq and sadaqah (Holil, 2019). These funds are distributed to eligible recipients (the eight categories of asnaf), either for consumption or for productive purposes such as economic empowerment.

In Indonesia, zakat institutions are generally categorized into two types based on legislation, Government-Run Institutions, Managed by the National Zakat Agency (BAZNAS), which operates at the national level, with 34 provincial units and 514 regency/city units. And community-run Institutions: These include National Zakat Agencies (LAZNAS) and local zakat agencies (LAZ) operating at the provincial, regency, or city levels, as well as Zakat Management Organizations (OPZ). Community-run institutions consist of 34 national-level units, 28 provincial-level units, and 51 regency/city-level units (Republik Indonesia, 2011) (Pusat Kajian Strategis – Badan Amil Zakat Nasional, 2023).

b. Factors Driving the Institutionalization of Zakat in Indonesia

The institutionalization of zakat is essential, as mandated by the Qur'an in Surah At-Taubah: 60, which specifies that zakat is for the poor (fakir and miskin) and those who manage it (amilin). The term amilin refers to zakat administrators, as was practiced during the Prophet Muhammad's time and the era of the Khulafa' Ar-Rashidun, where zakat was managed by amil through an institution called Baitul Maal. In the context of Indonesia, zakat is managed by zakat institutions, such as BAZNAS and LAZNAS. Several fundamental factors drive the institutionalization of zakat in Indonesia:

The First, Significant Zakat Potential. With a large Muslim population, Indonesia has immense potential for zakat as an economic redistribution instrument. Establishing a clear structure to manage zakat funds ensures their effective allocation according to societal needs. Institutionalization is expected to optimize and equitably distribute the benefits of zakat.

Second, Economic Inequality and Poverty. High levels of economic disparity and poverty in some regions motivate the increased role of zakat as a wealth redistribution tool to reduce economic inequality. Zakat institutions help distribute wealth and prevent its concentration among a few individuals. Fair and equitable zakat redistribution ensures the community avoids social disparities between the wealthy and the poor (Holil, 2019).

Third, Demand for Transparency and Accountability. There is growing public demand for transparency and accountability in zakat management. Institutionalizing zakat ensures that funds are managed according to Islamic principles and real community needs. This highlights the need for institutions to oversee and ensure zakat implementation aligns with Islamic guidelines. Zakat management should adhere to Islamic law, trustworthiness (amanah), benefits, justice, legal certainty, integration, and accountability (Bastiar & Bahri, 2019).

Fourth, Collaboration with Islamic Financial Institutions. Institutionalizing zakat fosters closer collaboration with Islamic financial institutions, such as Islamic banks and microfinance institutions, to enhance the efficiency and effectiveness of zakat management. The development of Islamic financial systems and institutions has laid the groundwork for zakat institutionalization. Innovations in Islamic financial instruments offer opportunities to improve zakat collection and distribution. Islamic financial institutions can act as intermediaries between the public and zakat management.

c. Objectives of Zakat Institutionalization in Indonesia

The management of zakat in Indonesia is governed by Zakat Law No. 23 of 2011, which aims to enhance the effectiveness and efficiency of zakat services and to increase the benefits of zakat in achieving social welfare and poverty alleviation (Zakat law No. 23 Tahun 2011). The objectives of zakat institutionalization in Indonesia include; Improving Zakat Management and Distribution. Zakat institutionalization aims to enhance professionalism in managing and distributing zakat funds, ensuring that their benefits are more effectively felt by the community in need.

The next, Encouraging Innovation in Islamic Finance. Institutionalization is expected to spur innovations in Islamic finance, optimizing zakat's role as an instrument for poverty alleviation and economic empowerment. Then, Ensuring Program Sustainability. Beyond distributing zakat funds, institutionalization focuses on strengthening the security functions of zakat fund management to improve societal welfare and the utility of zakat (Sakinah & Nurfiana, 2022); And, Increasing Public Awareness and Participation. Zakat institutionalization aims to raise awareness about the importance of zakat and encourage active participation in poverty alleviation efforts.

d. The Role of Zakat Institutions in Enhancing Zakat Efficiency and Social Impact

Zakat institutions such as the National Zakat Agency (BAZNAS) and Amil Zakat Institutions (LAZ) play a vital role in managing and distributing zakat funds in Indonesia. They are responsible for collecting, distributing, and utilizing zakat funds in compliance with Islamic principles. These institutions also implement zakat, infaq, and sadaqah (ZIS) programs to improve societal welfare. For instance, BAZNAS, established under Law No. 23 of 2011, has a strategic role in managing zakat in Indonesia. Through their efforts, zakat is expected to become a fiscal instrument with a positive impact on the economy and societal well-being.

Zakat institutions in Indonesia play a crucial role in collecting, managing, and distributing zakat to improve the welfare of those in need. This role encompasses various functions, including the collection of zakat funds, effective distribution, and the development of programs and innovations to enhance its social impact. Research conducted by Ahmad Suwandi and Yenni Samri found that proper zakat management can have a positive impact on the social life of the community (Suwandi & Samri, 2022). The roles of zakat institutions in improving the efficiency and social impact of zakat include:

Zakat Fund Collection. Zakat institutions facilitate the collection of zakat funds from the public through various channels and mechanisms, making it easier for people to contribute. This includes both zakat maal (on wealth) and zakat fitrah (obligatory charity during Ramadan); **Efficient Management and Distribution of Zakat.** Zakat institutions ensure that zakat funds are

managed transparently and efficiently. They identify eligible recipients (the eight asnaf), assess their needs, and distribute funds fairly in accordance with Islamic social justice principles (Azmat & Aslam, 2016);

Economic and Social Empowerment. Beyond direct financial assistance, zakat institutions run programs to empower recipients economically. These programs include skills training, business capital, and other forms of support that enable beneficiaries to achieve economic independence (Qardhawi, 2010). This transformation aims to shift recipients (mustahik) into donors (muzakki), or at least active contributors of infaq and sadaqah.

Education and Zakat Awareness. Institutions work to raise awareness about zakat as a religious obligation. They organize educational campaigns, seminars, and social programs to promote better understanding of zakat. Increased awareness encourages wealthy individuals (muzakki) to fulfill their zakat obligations according to their nisab (minimum wealth threshold) and haul (time period). And

Transparent reporting. Zakat institutions are expected to provide annual reports detailing the collection and expenditure of zakat funds. Transparent reporting builds public trust and ensures accountability, encouraging more individuals to channel their zakat through these institutions (Wahab & Mahalli, 2016). By fulfilling these roles, zakat institutions in Indonesia are expected to become significant agents of change in reducing poverty, empowering the economy, and reinforcing social justice. Ultimately, they aim to ensure that mustahik experience improved economic conditions and a better quality of life.

e. Challenges in Managing Zakat Institutions in Indonesia

Zakat, as one of the main pillars of Islam, plays a crucial role in alleviating poverty, reducing social inequality, and strengthening social solidarity. In Indonesia, where the majority of the population is Muslim, zakat is an integral part of the Muslim community's life. Despite its significant potential to contribute to collective welfare, there are still numerous challenges in the management of zakat, both in its collection and distribution.

First, economic growth and social inequality. Indonesia, as a developing country with rapid economic growth, continues to face issues of inequality and social disparity. While there has been economic progress, a portion of the population still struggles to meet basic needs. Institutionalizing zakat becomes essential to optimize its contribution to reducing social inequality and improving economic welfare.

Second, lack of transparency. Inefficient management and a lack of public trust in zakat management institutions are often major obstacles. Institutionalizing zakat can provide a more structured and accountable framework, enhance public trust, and ensure that collected zakat is effectively distributed to those in need.

Third, technological advancement and innovation. The progress in information and communication technology offers significant opportunities to enhance the efficiency of zakat management. Institutionalizing zakat can leverage technology to facilitate the collection, distribution, and monitoring of zakat more transparently and accurately.

Fourth, public expectations for welfare. The Indonesian public, particularly those in need, have high hopes for zakat's role in improving their welfare. Institutionalizing zakat is expected to provide better solutions in addressing community needs, especially in times of crisis and natural disasters.

Fifth, alignment with sustainable development goals. With the adoption of the Sustainable Development Goals (SDGs), zakat has the potential to become an instrument supporting the achievement of various development targets. Institutionalizing zakat can help align zakat contributions with SDG targets, ensuring that zakat not only focuses on individual welfare but also contributes to sustainable development as a whole.

4. CONCLUSION

Based on the explanation above, it can be concluded that the institutionalization of zakat in Indonesia is crucial for improving its effectiveness, efficiency, transparency, and social impact, particularly for the underprivileged (mustahik). Through well-structured zakat institutions, zakat contributions are expected to be optimized in alleviating poverty and enhancing the welfare of Indonesian society. However, there are various challenges in managing zakat institutions in Indonesia. These include economic growth and social inequality, lack of transparency, inefficient management, limited public trust, advancements in technology and innovation, public expectations for welfare, and alignment with the Sustainable Development Goals (SDGs).

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