

The Effectiveness of Zakat and Islamic Social Finance Management in Enhancing the Economic Well-being of the Prepare City Community

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ABSTRACT

ZIS, or zakat infaq and shadaqah, is one tool used to combat poverty and advance social welfare. Planning, organizing, executing, and monitoring zakat, infaq, and shadaqah are all parts of good financial management (ZIS). Funds (ZIS) are managed in BAZNAS Parepare City with the goal of boosting the local economy via the use of and distribution of business capital to the underprivileged. The community is greatly impacted by the distribution of money (ZIS) at BAZNAS thanks to good administration and efficient use. The purpose of this study is to ascertain the efficiency of fund management (ZIS) in enhancing the local economy of Parepare City. This study employs phenomenological qualitative research techniques while gathering data using field research techniques. Primary data from Parepare City BAZNAS personnel and secondary data, namely mustahik data from recipients of funds (ZIS) on the efficiency of fund management (ZIS) in boosting the local economy, were the sources of information used in this study. Interviews and documentation are the two data gathering techniques employed in this study. The findings demonstrated that: 1. The use of funds (ZIS) at BAZNAS is carried out using a business capital empowerment program to create enterprises from the community in Parepare City. 2. The business capital initiative at BAZNAS Parepare City has produced highly good distribution results for (ZIS) money to boost the local economy.

Keywords: Effectiveness, Fund Management (ZIS), Economy, Society.

INTRODUCTION

The potential of zakat, infaq and shadaqah (zis) is enormous as an instrument to reduce poverty and improve the welfare of society. ZIS management is an activity that includes planning, organizing, implementing, and monitoring zakat, infaq and shadaqah.¹ To be accountable, the handling of ZIS money must be documented. The documentation of ZIS fund administration serves as a tool of public and muzakki accountability. Every user of financial statements has to comprehend accountability in the form of financial statements. As a public institution, trust is essential, and it can only be attained if the conditions for its growth - professionalism and trustworthiness - are met. These conditions are demonstrated by the accuracy of the recording and distribution of ZIS funds, which is done in accordance with the principles of transparency and accountability. It is not just their efficiency and efficacy that distinguish ZIS fund management firms from conventional businesses; it is also how closely they abide by sharia.² In zakat institutions, collection is referred to as fundraising, which is the process of gathering money that is then given to the neighborhood.³

It is still challenging to find a solution for the problem of poverty in the city of Parepare itself, but the management of the finances at Baznas Parepare can be observed in the improvement of the economy. In

2020, there were 7.96 thousand poor individuals living in Parepare City, or 5.44% of the entire population. When compared to the circumstances in 2019, when there were about 7.62 thousand poor individuals, or 5.26% of the population, the number of poor people grew by 0.18%, or 340 persons. Parepare's urban poverty rate in 2021 was 7.93 thousand people, or 5.40% of the entire population.

When compared to the circumstances in 2020, where 7.96 thousand or 5.44% of the population were living in poverty, the number of poor persons in 2021 has declined by 0.04%. In comparison, there were 7.96 thousand more persons in 2020, and lastly, that number dropped to 7.93 thousand in 2021. As a result, the Zis fund work program from BAZNAS in 2021 consists of three parts: Parepare cerdas, where recipients in the social field of education receive Zis funds; Parepare sejahtera, where recipients in the social economic field receive Zis funds; and Parepare sehat, where recipients in the social field of health receive Zis funds.

METHOD

Research methodology is a field of study that examines or challenges the procedures for carrying out research, including the actions of finding, documenting, formulating, and analyzing data before creating reports based on scientific facts or symptoms. The research utilized to produce this article is descriptive qualitative research, which focuses on information gathered in the form of photographs and verbally stated information, such as the outcomes of interviews between the author and informants.⁴ In a field study, a researcher should carry out research by actually viewing the thing under investigation. This will allow the researcher to directly observe and interview the object under study and collect the necessary data. Research that aims to correctly describe a phenomenon or a group, people, or circumstance is sometimes referred to as descriptive research.

RESULTS

Since research findings are used as a reference in other studies, they can be regarded as the essence of research. The use of funds (ZIS) to the community is that it provides business capital empowerment assistance to people who are involved in handicrafts, for instance by processing sea shells into useful items that have a market value like flower pots, tissue holders, and mirrors. It also offers assistance to people who are involved in making shredded fish, vegetable vendors, and business assistance for small workshops with capital assistance from BAZNAS business.

The issues of gathering and processing mustahik data must be taken into consideration first in order to ascertain how many mustahik will get it and define the priority scale, among other things, while considering and monitoring the usage of (ZIS). It is also crucial to remember that the success of amil zakat depends not only on the quantity of zakat donations raised and used, but also on how much mustahik can advance their economy and company. The way that the Zakat, Infaq and Shadaqah (ZIS) monies are used to improve the local economy in Parepare City is by giving the underprivileged access to business capital so that they may grow their enterprises and boost their income. As a town with a small business in need of funding, BAZNAS Parepare City's capital aid program is particularly beneficial and efficient since it can be utilized to purchase materials and equipment to boost output and raise daily revenue.⁵

The capital empowerment program offered by BAZNAS Parepare City is highly helpful and advantageous, especially for the impoverished. With the business capital supplied, the underprivileged may operate their businesses successfully and earn a higher income while also meeting their daily necessities. The financial support offered by BAZNAS Parepare City is extremely efficient, and BAZNAS Parepare City channels business money transparently and

in accordance with the demands of businesses.⁶

Through the small company capital empowerment initiative, the (ZIS) fund at BAZNAS has seen some impressive outcomes, particularly in 2021. helping small businesses so that they can become much better in the future. The number of people living in poverty in Parepare City is expected to significantly reduce by 2021, demonstrating the effectiveness of the (ZIS) fund.

DISCUSSION

1. The use of funding from BAZNAS's Zakat Infaq and Shadaqah (ZIS) program to boost the locals' standard of living in Parapare.

The management of zakat involves making use of it. The trickiest part of zakat optimization is figuring out how to use the monies in a way that makes them useful and precise. The appropriate usage refers to the program's capacity to address the issue of poverty. While the right target for receiving zakat funds is actually the rightful recipient, since the definition of zakat fund utilization is a process of optimizing zakat fund distribution to be more effective, useful, and efficient, a priority scale must be used to determine the pattern of zakat fund utilization (ZIS) by taking into account the community's needs and suitability. The ZIS at BAZNAS is operating well because it has been successful in enhancing community welfare, namely by boosting income and business growth through the provision of empowerment grants to the community. A potential source of money that might be used to raise welfare is funds (ZIS).⁷

Planning is the management method used in the usage of finances (ZIS) in BAZNAS Parepare City. Planning is included in zakat use, demonstrating its significance in zakat fund management. The first step in zakat usage activities is planning. At BAZNAS Parepare City, planning is divided into four fundamental phases:

a. Determine one or more goals. Setting goals is the initial phase of planning.

Without a specific objective, BAZNAS's use of its finances won't be efficient. BAZNAS establishes a mission that is quantifiable, doable, and timely in order for the use of money (ZIS) to be effective.

b. Examining the health of ZIS grant beneficiaries

c. Listing all resources and barriers. This is done to assess BAZNAS's potential for success. Therefore, it is essential to understand the internal and external environmental elements that might either support BAZNAS in achieving its objectives or provide challenges.

2. Create a strategy or list of actions to carry out the goals.

The zakat fundraising mechanism is also used in conjunction with BAZNAS. Fundraising is the action of obtaining money and other resources from members of the community, including both people and groups as well as organizations, businesses, and governments. Activities designed to educate, remind, and entice individuals to donate their zakat to BAZNAS are included in the fundraising efforts put out by BAZNAS. There are 2 fundraising strategies used by BAZNAS. The first is the direct fundraising strategy (Direct fundraising), which refers to strategies that use direct muzakki participation, specifically forms of fundraising where the process of interaction and accommodation power to the muzakki response can be done immediately (directly). With this strategy, if in muzakki there is a desire to make a donation after receiving a promotion. The second method of indirect fundraising, known as "Indirect Fundraising," uses strategies or tactics that do not entail direct muzakki participation, i.e., fundraising activities that do not entail giving direct accommodation power to the immediate muzakki response. This strategy, for instance, uses marketing techniques to build a strong institutional image without focusing on gift transactions at this time.

All fund collection operations (ZIS) revolve upon how the money is used. How to

convert mustahik into muzakki is the fundamental idea behind the use of zakat, infaq, and shaadaqah. Better usage yields better outcomes or advantages. In order to ensure that the program runs smoothly and that the distribution of funds (ZIS) is truly targeted and effective, BAZNAS uses several stages in the utilization of funds (ZIS). The first stage is the Survey of Useful Areas, while the second stage of the community survey aims to determine how much funding can be distributed as well as the type of business that the community engages in and the state of the community. The community will be briefed and given business capital assistance in accordance with the type of business. Following this, comes the Monitoring stage, where BAZNAS, as a collaborative partner, will conduct supervision to ascertain how business growth and community income increase.

BAZNAS employs many steps in the usage of funds (ZIS) in order to guarantee that the program functions without a hitch and that the distribution of funds (ZIS) is actually targeted and efficient. The Survey of Useful Areas is the first stage, and the second stage of the community survey is to ascertain the amount of funds that may be allocated as well as the nature of the businesses carried out in the community and its current status. According to the type of business, information will be provided to the community and business capital support will be supplied. The monitoring step follows next, where BAZNAS, as a participant in the project, will undertake oversight to determine how company growth and community income rise.

3. The outcomes of the funding (ZIS) distribution made possible by BAZNAS boost the local economy in Parepare City.

One of the most significant factors, in addition to the efficient use of zakat, infaq, and shadaqah funds, is the distribution of funds (ZIS). The distribution of zakat, infaq, and shadaqah funds requires a good management function in order to facilitate

distribution from those who give zakat (muzakki) to those who receive (mustahik), so that the funds distributed are precise with the aim of establishing equitable justice.⁸

When zakat is given to those who are eligible to receive it either consumptively or productively, it is said to be given or distributed. The initial phase in the distribution of zakat is to carry out local distribution or give mustahik in the near vicinity of zakat institutions priority over distribution to other regions. One of the initiatives that has a direct bearing on those who are struggling financially is zakat distribution. Distribution thus has a significant influence.

Zakat is said to be provided or dispersed when it is given to those who are qualified to receive it, either consummately or productively. When distributing zakat, the first step is to do it locally or to give mustahik in close proximity to zakat institutions preference over distribution to other areas. Zakat distribution is one of the programs that directly impacts people who are having financial difficulties. Therefore, distribution has a big impact.

The impoverished are given precedence when it comes to receiving zakat, even though the concept of fairness states that zakat be distributed equally among all ashnaf unless when it is minimal. The distribution of zakat can be directed to mustahik outside the area where the zakat institution is located even though the principle of territoriality states that it is given priority to be given to mustahik in the area where the zakat institution is located if there is still zakat available after all mustahik have received their share.

Distribution of zakat at BAZNAS. implementing a strategy to acquire the desired effects. In order for the distribution of zakat, infaq, and shadaqah (ZIS) plan to be successful, management, or managing and arranging, is a necessary component. The zakat distribution plan is used to make it easier and smoother for the zakat monies to be organized and distributed on time.

BAZNAS's approach to dispersing zakat is to optimize for a greater number of muzakki. To ensure that the process of distributing zakat monies to mustahik proceeds without hiccups and in line with applicable laws, a zakat distribution plan must be created. Identification of zakat objects is necessary in order to fully realize the potential of zakat. The socialization method used in the acceptance/collection process by BAZNAS personnel is crucial. This efficacy is also linked to internal management effectiveness, which includes the caliber and competence of amil zakat and openness in zakat governance.⁹

By gathering information, assessing the needy, and dividing them into productive distribution groups, BAZNAS Parepare City carries out its distribution. Zakat that is allocated productively produces zakat money invested in places with economic value. It is distributed for empowerment reasons. The administration of productive zakat is required under Law No. 2011, and it must be done after consumptive zakat has been used to meet the mustahik's essential requirements. Consumptive zakat has less value than productive zakat because it lacks the mustahik empowering connotation. With the help of productive zakat, the status of mustahik can transform into muzakki. This is because with the money a person has for a business, they can expand it, and if they are successful, they turn into someone who must pay zakat since their firm has surplus property.

The distribution of productive zakat in BAZNAS Parepare City is divided into two categories: traditional productive and creative productive. Zakat that is traditionally paid in the form of products that may be used to start a company is known as conventional productive. While capital is used to actualize zakat that is creative and productive. The productive zakat distribution system is set up to allow for the achievement and effectiveness of the goal.

Consumptive zakat's requirements can be satisfied by productive zakat's output.

BAZNAS Parepare targets the poor who run small enterprises but lack the resources to grow such firms because they recognize that there are still a limited number of zakat monies being received by BAZNAS. The distribution process used by BAZNAS to generate zakat income through investments is completed in a halal business environment and is handled in line with sound management practices. The amil actually monitors the distribution process with complete accountability and dependability. As a result, in order to distribute zakat monies effectively, human resources that are knowledgeable in both business and economics as well as zakat fiqh are required. Additionally, BAZNAS also publishes monthly reports, particularly to muzakki, to ensure that the handling of these funds is open and accountable and that BAZNAS Parepare can be trusted.

The achievement of zakat together with the aim of changing the recipient's condition from the mustahik category condition to muzakki may be viewed as the distribution outcomes attained at BAZNAS Parepare. This target is significant and not easily accomplished in a short period of time. Amil must work continuously to fulfill her duties as the supervisor and guide for the mustahik's fruitful zakat. Because the people who have received assistance already have their own money that they can utilize to support their daily life, the distribution outcomes that the funds (ZIS) from BAZNAS have been able to achieve are highly successful.

CONCLUSION

It is possible to draw the following conclusions from the summary of the study findings and discussion:

1. At BAZNAS Parepare, the use of Zakat, Infaq and Shadaqah (ZIS) monies to boost the local economy is particularly successful thanks to a program that empowers local entrepreneurs with financing.
2. The increased income of the community and the ability of their businesses to grow are proof that the effects of the

distribution accomplished by Zakat, Infaq and Shadaqah (ZIS) monies to boost the community's economy in BAZNAS Parepare are successful.

Declaration by Authors

Conflict of Interest: The authors declare no conflict of interest.

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