

# PRODUCTIVE ZAKAH AND MSMEs FINANCIAL PERFORMANCE

## (Study in BAZDA JEMBER, INDONESIA)

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### Abstract

***Productive Zakah is a treasure given to mustahiq that is not spent directly, but is developed to help mustahiq business so that it can meet the necessities of life continuously. If zakah is managed properly, it can increase the welfare of mustahiq. One of the institutions implementing productive zakah in Jember Regency is Badan Amil Zakat Daerah (Bazda). Bazda carries out management functions in carrying out productive zakah, namely planning, implementation and supervision. There are obstacles in the implementation of productive zakah, namely the process of supervision and assistance. Actions that can be taken to overcome these obstacles include forming a special team to oversee and assist MSMEs in running their businesses.***

***Keyword: zakah, MSMEs, productive, Bazda.***

### 1. INTRODUCTION

Data from the Central Statistics Agency (Biro Pusat Statistik) states that in 2017 Indonesia's population is 261,890,900 people. Large population certainly brings benefits, but if not supported by good government policies, it will only bring negative impacts on Indonesia. Some negative impacts that arise include the problem of poverty and economic inequality. The government has made various efforts to overcome these problems, among others by promoting the real sector through Micro, Small and Medium Enterprises (MSMEs). The development of MSME is the right way to improve the welfare of the community through employment. The growth of MSMEs in Indonesia and particular in Jember district, is still unsatisfactory. This is due to the

limited number and quality of business development institutions and the pattern of guarantees in credit. One instrument that can help MSMEs to access capital by providing productive utilization is productive zakah.

Zakah is a worship that plays an important role in building the welfare of the people. If zakah is managed properly and trustworthily, it helps increase morale. It is also as an economic equitable tool. The benefits of zakah will only be felt for a short amount of time for the recipient of zakah (mustahiq), if it is not used productively. The distribution of zakah for consumption must be reviewed and changed into the form of productive zakah, so that it can provide more benefits for the recipients of zakah.

Earning Zakah is a method of delivering zakah funds to the target in a broader sense according to the spirit and purpose. How to give effective, effective benefits with a versatile and productive system in accordance with the message of the Shari'a and the role and socio-economic function of zakah. Zakah or funds given to mustahiq are not spent directly on the consumption of certain needs, but are developed and used to help their businesses, so that with these efforts they can meet the necessities of life continuously.

According to data from the National Amil Zakah Agency (Badan Amil Zakat Nasional -BAZNAS), the potential for zakah in Indonesia is 270 trillion rupiahs in 2014. But the realization is only Rp 2,5 trillion rupiahs. The great potential of zakah if properly managed it can improve the welfare of the community. Channeling of zakah proceeds will provide more change if channeled through productive ventures. Productive zakah is expected to help the growth of MSMEs. The growth of MSMEs is expected to absorb the workforce and ultimately improve the welfare of mustahiq.

The zakah management institution that applies the productive zakah utilization system is Bazda. Jember District Bazda contributes to managing zakah productively with the hope that the people who were originally mustahiq (zakah recipients) can become muzaqi (zakah givers). However, there is no comprehensive information related to the effectiveness of the management terms of productive zakah its impact on the financial performance of MSMEs. The aim of this paper is to explore the utilization of productive zakah models and the financial performance of MSMEs at BAZDA in Jember Regency.

## **2.LITERATUR REVIEW**

### **2.1. Definition of Zakah**

Zakah when viewed in terms of language has several meanings, namely al-barakatu (blessing), an-namaa (growth and development), ath-thaharu (holiness), and ash-shalahu (order). Zakah means significant growth and development by giving zakah to the poor and those who are entitled, there will be a circulation of money in the community which results in the development of the function of money in the economy in the community.

Productive in the big Indonesian dictionary comes from English, which is productive, which means it is able to produce (in large quantities), or able to produce continuously and is used regularly to form new elements (online.kbbi). According to Dagun (2000: 893) productive means producing goods or works in large quantities that can be used continuously. So productive zakah in general can be interpreted as the utilization of zakah productively whose understanding is more on how or methods of delivering zakah funds to the target in a broader sense, in accordance with the objectives. Productive zakah is defined as zakah in the form of assets or zakah funds given to mustahiq that are not spent directly on the consumption of certain needs, but are developed and used to help their businesses, so that with these efforts they can meet the necessities of life continuously.

### **2.2. Zakah Requirements**

Ali (2012: 41) states that according to Islamic jurists there are several conditions that must be fulfilled so that the obligation of zakah can be imposed on assets owned

by a Muslim, including certain ownership, develop, exceeds basic needs, clean of debt, reaching nisab and achieve haul.

### **2.3. Kind of Zakah**

1. Zakah Maal (Treasure)  
Part of the assets of a person (also a legal entity) that must be issued to certain groups of people after being owned for a certain period of time in a certain minimum amount.
2. Alms Fitrah  
Expenditures must be made by every Muslim who has the advantage of reasonable family needs on the nights and Eid al-Fitr.

### **2.4. Use of Productive Zakah**

Utilization can be interpreted as the effectiveness of the ability to bring results and benefits; efficient; appropriate. Utilization itself is often interpreted as an effort to be able to bring results and benefits. (online.kbbi) Based on this understanding, it can be concluded that the utilization in the context of zakah means that the collected zakah is then managed into an effort to be able to bring in results, uses, and benefits in accordance with the purpose of zakah distribution, which is to produce fixed income and alleviate poverty. Utilization of zakah has been stipulated in Law No. 23 of 2011 concerning zakah concerning the collection, distribution, utilization and reporting, article 27, namely :

1. Zakah can be utilized for productive business in the framework of handling the poor and improving the quality of the people.
2. Utilization of zakah for productive business as referred to in paragraph (1) is carried out if the basic needs of mustahiq have been fulfilled.

According to Mubasirun (2013) in distributing productive zakah, it can be done with several distribution models, including the following:

1. In Kind system  
Zakah funds are given in the form of production tools needed by mustahiq who want to

produce, both those who have just started their businesses and who have tried to develop existing businesses.

2. Qardhul Hasan System  
Provide business capital loans by returning the principal without additional services. The principal of the loan or capital is returned by mustahiq to amil zakah institutions, but that does not mean that capital is no longer the right of the mustahiq. This means that capital can still be returned to the relevant mustahiq to be developed again, or it can also be rolled out to other mustahiq.
3. Mudharabah System  
Business investment with profit sharing consequences. This system is almost the same as the qardhul hasan system, but there is a difference that lies in the division of profit sharing from the business between mustahiq and amil.

### **2.5. Zakah Management Institution**

According to Sudirman in Ali (2014) Bazda function is as a financial intermediary. Amil acts as a liaison between muzaqi and mustahiq. As a financial intermediary, Amil is required to apply the principle of trust. The second function is utilization. Through this function, Amil strives to make muzaqi more fortunate and his peace of life secure. On the other hand, Amil also strives that mustahiq does not always depend on giving even in the long term is expected to turn into a new muzaqi. Law number 23 of 2011 market 7 mentions four main functions of the establishment of BAZDA, namely:

1. Planning the collection, distribution and utilization of zakah.
2. Carry out collection, distribution and utilization of zakah.
3. Control the collection, distribution and utilization of zakah.
4. Reporting and taking responsibility for the implementation of zakah management.

### **3. RESEARCH METHODS**

This research is a field research using a qualitative method and a case study approach by exploring the model of productive zakah utilization and financial performance of MSMEs at BAZDA in Jember Regency. According to Creswell (2017: 4) qualitative research is methods to explore and understand the meaning that a number of individuals or groups of people ascribe to social or humanitarian problems. The researcher plays an important role in this research where the researcher is involved in ongoing and continuous experience with the informants. Researchers collect various types of data and use time as effectively as possible to gather information at the study site.

The process of data analysis in this study began with data collection. Researchers conducted interviews with selected informants and directly observed Bazda and MSMEs. Researchers record and record important information obtained from informants. Furthermore, researchers reduce and select important information and data obtained in the field to be presented in this study. The next step is to conclude temporarily based on the data obtained. Researchers return to the field to ensure the data obtained is correct and appropriate.

### **4. DISCUSSION**

Bazda Jember is an official institution established by the government that functions to collect and distribute zakah, infaq and alms (ZIS) in Jember Regency. Jember Bazda was inaugurated in August 2018. Jember National Jember has a work program in five fields including education, health, preaching, humanitarian and economic. The economic sector through productive zakah is the main focus for Bazda Jember. Jember Bazda views that productive zakah has a good social impact for the community

- a. Vision, Mission and Objectives of Jember National Committee in Jember

Jember Bazda vision is to become an organization that manages zakah, infaq and sodaqoh which upholds professionalism. Bazda mission is to collect ZIS with an awareness approach and to distribute and utilize proportionally and accountably.

- b. The goals of the Bazda are:

1. Improve the socio-economic function for the management of zakah
2. Increase community awareness in creating social care
3. Being a buffer for the poor.

Bazda Jember distributes funds obtained from muzaqi to selected mustahik in the form of venture capital. Business capital is given in the form of goods or business equipment such as carts, business equipment and also in the form of money. According to Mr. Fauzan Adhim as the caretaker of Bazda Jember, Bazda views that productive zakah has a good social impact for the community in general and mustahik recipients of productive zakah in particular therefore Bazda focuses the distribution of zakah funds on productive zakah. But the productive zakah carried out by Bazda is still very minimal. This is because Jember Bazda is still newly established. Since its inauguration in 2018, Bazda has provided productive zakah assistance to 6 MSMEs in Jember Regency. The system of utilizing productive zakah in Bazda uses an in kind system where the assistance provided is not in the form of money but rather goods and equipment to start a business up to the operational costs of starting a business. The in kind system does not require the mustahik to return the funds received. Aid in the form of equipment is considered more effective than money.

MSME recipients of productive zakah must meet the criteria determined by Bazda. The criteria for earning zakah is a mustahik who has creativity. Mustahik who does not have creativity is not a target recipient of productive zakah. Bazda faces several obstacles in the implementation of productive zakah. The most felt obstacle occurs in the process of supervision and coaching. This is because HR or the number of Bazda management are limited so that Bazda cannot carry out maximum supervision of the effectiveness of MSME businesses. Based on the results of research on the Jember District of Jember, it is known that there are 6 MSMEs that have received productive zakah funds for their businesses.

**Table 1. MSME recipients of productive zakah**

|       | MSMEs                    | Location |
|-------|--------------------------|----------|
| Bazda | Cricket Farm             | Ambulu   |
| Bazda | Barokah Meatballs        | Bangsai  |
| Bazda | Barokah Pecel            | Pakusari |
| Bazda | Pecel noodles (Asa cafe) | Ajung    |
| Bazda | Barokah Meatballs        | Ajung    |
| Bazda | Barokah Meatballs        | Kalisat  |

*Source : data processed*

Until this research was written, not all MSME recipients of zakah were actively running businesses. Many MSMEs that are not actively running their businesses are caused by various things. According to information provided by Mr. Kahirudin as a Jember Bazda instructor and UMKM Supervisor Pecel Pincuk and Ajung Chicken Noodle (Café Asa), the business which was initially managed by youth in the local village who did not have a job (unemployed) was no longer running because of constraints in the absence of manager or executor. The executor or management previously had a disaster and at the same time faced the month of Ramadan. A different matter was expressed by Mr. Rofik Kian, the Jangkrik Animal Husbandry SMEs. The business, which began in January 2019, was originally just a trial and error. According to Mr. Rofik, the profits obtained from the results of his business ranged from 50% - 60%. However, in early May 2019, Mr. Rofik's business was halted because his cricket cage was hit by a rainstorm.

## 5. MSME FINANCIAL PERFORMANCE

The evaluation of MSME financial performance in this study was conducted by looking at the level of sales within 2 months of observation. This is because the UMKM recipient of zakah is a small business that is still very simple and does not yet have financial records, so the calculation using financial ratios is not right. Based

on interviews and direct observations in the field, it is known that the level of sales obtained by MSMEs varies. The income earned by MSMEs in general does not have a positive influence on the improvement of their economy. This is caused by various things including the absence of separation between financial results of operations and finance to meet daily needs. SMEs also do not do financial records so they do not know how much profit they get. SMEs do not have the ability to manage finances. This condition requires treatment that must be done immediately. Bazda needs to collaborate with the Regional Government and Academics to provide training and assistance to MSMEs especially in financial management.

Based on the results of research on Bazda it is known that Bazda carries out management functions in carrying out productive zakah, namely planning, implementation and supervision.

a. Planning

Planning for productive zakah at Bazda starts with finding and selecting potential recipients of productive zakah (mustahik). The process of searching for mustahik in Bazda is done in 3 ways, namely proposal submission by mustahik, information about the surrounding community and search by Bazda. After getting information about mustahik, the next step is to assess the feasibility of mustahik. Whether the mustahik is worth assisting or not and whether the mustahik has expertise or not.

b. Implementation

The next step after determining the recipient of zakah (mustahik) is to identify the mustahik needs. Does the mustahik already have a business or not. If Mustahik already has a business, assistance can be given in the form of funds for additional business capital. However, if the mustahik does not have a business, assistance is given in the form of equipment to start a business in accordance with the skills possessed.

c. Supervision

After the business of mustahik was not released, Bazda still provided assistance to mustahik. Assistance is carried out especially in the first 3 months of the business. Does the sales proceeds according to the target given by Bazda or not. This was done so that the mustahiks were encouraged to run their businesses, and in the end the goal of Bazda to establish the mustahik was achieved.

Based on research results, data analysis and previous research references, the distribution model of productive zakah which should be used by Bazda is an in kind model where according to Mubasirun (2013) the in kind system is to provide assistance in the form of production tools needed by mustahiq who want to produce, both those who have just started their businesses and those who have been trying to develop existing businesses, so that it is unlikely that they have to use the zakah funds for other purposes.

Obstacles faced by Bazda certainly need special attention so that the productive zakah program can run effectively. Actions that can be taken to overcome these obstacles include forming a special team to oversee and assist MSMEs in running their businesses. Bazda can work with local governments and LPM to succeed in the productive zakah program. Efforts that can be implemented related to obstacles in the field of funding are socialization to the general public regarding the importance of zakah and the benefits of zakah for welfare. The higher the community's awareness of the importance of zakah, the amount of funds collected will increase as well and ultimately improve the welfare of the community.

## 6. MODEL OF PRODUCTIVE ZAKAH UTILIZATION

Based on the results of the study, the model of zakah utilization conducted by Bazda is shown in the figure below :



Pict 1. Model of The Use of Productive Zakah  
Source : data processed

The zakah empowerment model carried out by Bazda above has many weaknesses, including the weak supervision and assistance of Bazda towards MSMEs. The limited number of amil zakah causes the process of assistance and supervision to be not optimal. The second obstacle is in the field of collecting zakah due to the low awareness of the community in the collection of

zakah. Actions that can be taken to overcome these obstacles include forming a special team to oversee and assist MSMEs in running their businesses. Bazda can work with local governments and LPM to succeed in the productive zakah program.

## 7.CONCLUSION

The zakah management institution that applies the productive zakah utilization system is the Jember District of Jember. Jember District Bazda distributes funds obtained from muzaqi to selected mustahik in the form of venture capital in the form of funds and business equipment. Bazda carries out management functions in carrying out productive zakah, namely planning, implementation and supervision. But there are still many obstacles in the implementation of productive zakah. The most felt obstacle occurred in the supervision process and the limited amount of funds obtained. Actions that can be taken to overcome these obstacles include forming a special team to oversee and assist SMEs in conducting their business and socialization to the general public regarding the importance of zakah and the benefits of zakah for welfare.

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