



The Weak Empowerment Performance by Amil Zakat Institutions in Achieving SDG

No. 1: Perspective of Intellectual Capital

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ABSTRACT

Amil zakat (zakat management) organizations in Indonesia are expected to help the government reduce poverty per the Sustainability Development Goals (SDGs) No 1. This research aims to formulate the role of *amil zakat* institutions in empowering *mustahiq* (zakat beneficiary) to reduce poverty, as seen from the intellectual capital (IC) perspective. A case study was conducted in micro-, small-, and medium-scale enterprises (MSMEs) mentored by the Indonesian National Board of Zakat (Baznas), Muhammadiyah-owned *amil zakat* organization (Lazismu), and LAZ Yatim Mandiri located in Gresik, Mojokerto and Pasuruan Regencies. This research used in-depth interviews and focus group discussion (FGD) with administrators of this *amil zakat* organizations, observation, and documentation to strengthen the data validity. The study found that most *amil zakat* organizations merely distributed the funds rather than empowering the *mustahiq*. While both are spreading the fund and assigning *mustahiq* were the two roles that the *amil zakat* organizations should play, simply distributing the *zakat*, *infaq* (voluntary alms), and *sadaqah* (voluntary charitable donation), from now on ZIS, would only lead the *mustahiq* to be a wasteful individual. Meanwhile, the ZIS fund could empower the *mustahiq* by providing them with working capital, equipment, tools, training, facilitation, and support. When empowerment was the dominant activity, *Mustahiq's* economy would possibly be better and, thus, poverty would decrease, consistent with SDG No. 1. To empower the *mustahiq*, the IC perspective could be employed, i.e., by optimizing the integration between human capital, structural capital, and relational capital. From this research, it is recommended that *amil zakat* organizations mostly empower their *mustahiq* in an appropriate and well-planned manner because it will help turn *mustahiq* into *muzakki* (zakat payer) and reduce poverty. Finally, it is recommended for administrators of *amil zakat* organizations to employ IC perspective in empowering their *mustahiq*.

Keywords: Empowerment, Amil Zakat Organization, Poverty, Intellectual Capital

1. INTRODUCTION

Poverty has always been the main focus for problem-solving worldwide, including in Indonesia. Through the Sustainability Development Goals (SDGs) No. 1, i.e., no poverty, the poverty rate is expected to decrease as time goes by. The data from Indonesia Statistics (BPS) in March 2021 shows that 27.54 million Indonesians are poor. Meanwhile, in the same month in 2020, the country's poverty rate was only 1.12 million. And in September 2020, its poor population percentage decreased by 0.01%. [1]

The attempts to reduce the poverty rate fall under the responsibility of the government and the community, including *amil zakat* organizations. Even without being asked by the government, it has been the *amil zakat* organizations' responsibility in Indonesia to play a role in reducing the poverty rate. This is because, in Islam, there are eight *sap* [2] (*zakat* recipients) who should be given funds and empowered by it to allow them to eventually turn from a *Mustahiq* (*zakat* beneficiaries) into *muzakki* (*zakat* payers).

However, it could be more challenging because *amil zakat* organizations have not optimally absorbed the enormous potential of *zakat* in Indonesia at IDR327 trillion in 2023. The large number of *mustahiq* at 10.7 million individuals also desperately needs spot-on *zakat* fund distribution and empowerment. For this reason, modern management is required to manage the *amil zakat* organizations. One of this modern management involves intellectual capital (IC).

IC is an organization's asset, which, when optimally used, will mobilize every potential it has to reach its performance and excellence [3]. IC can also improve performance, innovation, and empowerment in organizations, whether profit-oriented, non-profit, or public [4]–[6]. IC consists of three components, namely human capital (HC),

structural capital (SC), and relational capital (RC). Both in a separate and integrated manner, these IC components can improve an organization's innovation, empowerment, and performance.

The current research is different from the previous ones. While both share the same topic, i.e., *zakat*, one of these previous studies discusses the behavior of *amil zakat* officers in utilizing productive *zakat* to eradicate poverty and empower *mustahiq* to be *muzakki* [7]. Another previous study evaluates the *mustahiq* empowerment-based poverty reduction program in *amil zakat* organizations [8]. Still, another previous research investigates the role of the Indonesian National Board of Zakat (Baznas) in managing social finance as an attempt to reduce poverty [9].

The novelty of the current research lies in the disclosure of *amil zakat* organizations' activities. It investigates whether they distribute the fund or empower the *mustahiq* more. It also tries to reveal the reason they do it. Furthermore, it also formulates *amil zakat* organizations' role in distributing funds and empowering *mustahiq* to achieve SDG No. 1, No Poverty.

This research aims to analyze the role played by the *amil zakat* institutions or organizations in the fund distribution or beneficiary empowerment program and to formulate the part they need to play to allow the empowerment to reduce poverty as per SDG No. 1. This research contributes to the evidence that the activities performed by *amil zakat* organizations so far still revolve around fund or assistance distribution, and only a fragment deals with empowerment. In addition, it formulates the role of *amil zakat* organizations in fund distribution and assignmen.

2. METHOD

This research is a case study [10], [11] in micro-, small-, and medium-scale enterprises (MSMEs) mentored by Baznas of Mojokerto Municipality, MSMEs mentored by Lazismu of Gresik Regency, and MSMEs mentored by Yatim Mandiri of Pasuruan Municipality. The data were collected using in-depth interviews, focus group discussions (FGD), observation, and documentation [12]. The in-depth interviews and observations were carried out with MSME actors in each city. Meanwhile, the FGD was performed with administrators of *amil zakat* organizations, intellectual capital experts, and *zakat* experts. Finally, the documentation was done by requesting data from administrators of *amil zakat* organizations and through their respective websites.

During the research, the data were validated and analyzed qualitatively. The data was validated using credibility and transferability tests [13]. For the analysis, the data were processed through some stages: data collection, reduction, display, and conclusion drawing.

3. RESULT AND DISCUSSION

3.1. *More Amil Zakat Organizations Distributed Funds, Rather Than Empowering Mustahiq*

More *amil zakat* organizations distributed the funds directly rather than empowering the community. This was confirmed during the in-depth interview and FGD with administrators of *Amil Zakat* organizations. According to a key informant (Mr. MI), this was because of society's everlasting needs and demands. For example, when natural disasters occur, some people fall ill and thus cannot work, or others are involved in accidents, and some *mustahiq's* basic needs should be met immediately, then the funds should be promptly distributed. These *amil zakat* organizations still implemented the empowerment program, yet its proportion needed to be more significant. According to another key informant (Mr. MM), while the number was not high, some still performed the empowerment program, such as the Independent and Prosperous Mothers or *Bunda Mandiri Sejahtera* (BISA) program. The data were validated using triangulation, i.e., by cross-checking the documentation, in-depth interviews, FGD, and observation through field visits to MSMEs mentored by Yatim Mandiri of Mojokerto and Pasuruan Municipalities. It was found that the empowerment program was indeed implemented, and it had some economic effect. For example, Yatim Mandiri's BISA program in Pasuruan Municipality increased Mrs. NF's income. She sold her merchandise simply by putting it on the floor of her house. When she received training and facilitation from the BISA program, she could now build a kiosk in front of her home. Likewise, the community empowerment BISA program organized by Yatim Mandiri in Mojokerto Municipality increased the income of those women producing Moringa leaves tea. Baznas of Mojokerto Municipality implemented another successful MSME empowerment program with its Z Chicken and Getuk Keboan programs. For its empowerment program, Lazismu of Gresik Regency mentored MSMEs specializing in fish crackers and fried fritters sellers.

These empowerment programs were examples of success stories from *Amil Zakat* organizations in the three cities. The number, however, was not proportional to the total amount of distributed funds. A critical informant, Mr. IF, acknowledged this and said that the economic empowerment programs organized by *amil zakat* organizations were still insignificant and mostly revolved around fund distribution. All informants from the *amil zakat* organizations were aware of and admitted it because many Indonesians were still poor. The data showed that in 2022, 9.5% of Indonesians lived under the poverty line, and it was worsened by the effects of the Coronavirus Disease 2019 (COVID-19) [14], [15].

The fact that these *amil zakat* organizations mainly distributed the funds rather than empowering the community indicated the need for more innovation among them. This was because the distribution was based more on the request from *mustahiq* to them. It means that the attempts to empower the *mustahiq* were lesser. This constituted a criticism

for *amil zakat* organizations since they should be the party who licensed the *mustahiq* to enable them to turn into *muzakki* later. Merely distributing the funds would only make these *amil zakat* organizations a traditional, rather than a modern, philanthropic institution [16], [17].

3.2. The Role of Amil Zakat Organizations in Empowerment Program to Reduce Poverty for Achieving SDGs No 1.

Amil zakat organizations were expected to improve their *mustahiq's* economic level and turn them into *muzakki* [18]. This attempt was expected to eventually reduce poverty per SDGs Number 1 [19]. However, as discussed earlier, the activities of *amil zakat* organizations were still focused on distributing the funds as a charity, and only a fragment of them were meant to empower their *mustahiq* economically. Figure 1 explains Amil Zakat organizations' role in distributing funds and empowering the community and their impacts on SDG Number 1.

In the figure, *muzakki* or *zakat* payers entrusted their funds to *amil zakat* organizations. Then, the funds were distributed to *mustahiq* and used to empower them. When distributed, the fund would serve only as a charity. Thus, the recipients could only buy things for consumption, and the funds would eventually be used. This would make the *mustahiq* still need improvement.

On the contrary, when the fund to empower the *mustahiq* was increased and their productivity was boosted, such as by providing them with working capital and equipment, training their skills, and facilitating and supporting them, then slowly but surely, they would turn from *mustahiq* into *muzakki*. This would reduce the poverty rate and, therefore, contribute to achieving SDGs No 1, i.e., without poverty. When they are economically better, they could be directed to be *muzakki* by paying their *zakat* to the *amil zakat* organizations.

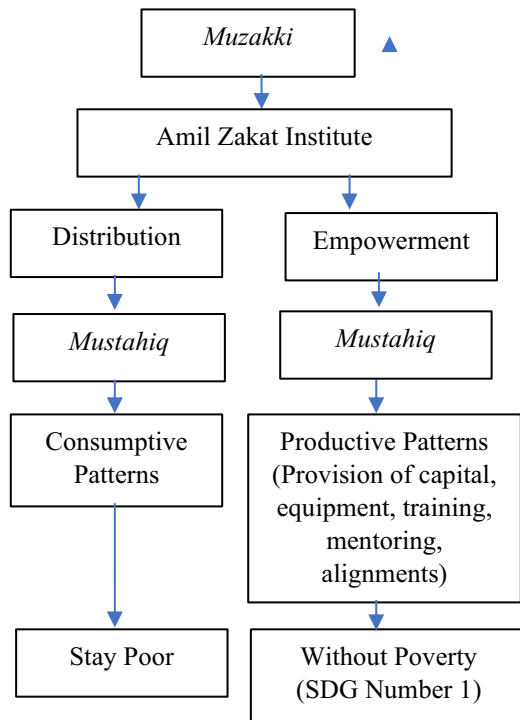


Figure 1. The Role of Amil Zakat Organizations in the Fund Distribution and Community Empowerment and Their Impacts on SDGs No 1.

Baznas of Mojokerto Municipality had applied such empowerment in their Z Chicken program. This program was intended to empower MSMEs running their businesses selling fried chicken. The franchise started by providing Z Chicken stall, equipment, and raw materials (chicken, flour, and ingredients). Furthermore, training in cooking and marketing was also offered to allow them to cook delicious and crunchy fried chicken as per the standards and to market their product effectively and efficiently. Facilitation and support were also provided by Baznas Mojokerto by involving the MSMEs in the events organized by the Municipal Government of Mojokerto. One of the events was Blessed Friday, where the government would order food from the Z Chicken MSMEs. The facilitation was done by monitoring the sales movement of each stall daily. The researchers triangulated the data by cross-checking each Z Chicken MSMEs' sales document and found that it was true. The Baznas of Mojokerto Municipality also had cold storage to store the raw materials such as chicken meat, flour, and ingredients ready to be distributed to the 23 Z chicken MSMEs. This was one form of well-prepared support and empowerment. However, not every MSME of these 23 Z chicken MSMEs runs well

and performs highly. Some struggled and underperformed. This was admitted by the empowerment staff of Baznas of Mojokerto Municipality, Mrs. FN.

This MSME empowerment model with Z Chicken by Baznas of Mojokerto Municipality could be a benchmark for other *amil zakat* organizations to get out of the trap of merely distributing the fund as a charity and grabbing the opportunity to empower the community. When implemented well, empowerment will reduce poverty as per the SDGs Number 1, that is no poverty. Furthermore, this *mustahiq* will turn into *muzakki* by placing their pennies into the donation cans prepared by the *amil zakat* organizations. This was what Baznas of Mojokerto Municipality, Lazismu of Gresik Regency, and Yatim Mandiri of Pasuruan and Mojokerto Municipalities did.

Regarding the fact that more *amil zakat* organizations played the fund distributor role rather than community empowerment, it could be analyzed from IC and modern philanthropy perspectives. From the IC perspective, those *amil zakat* organizations still focus more on charity and fail to optimize the integration between HC, SC, and RC. In terms of HC, the failure was in the *amil zakat* officers' inability to use their knowledge and skill to create an empowerment program. It was worsened by their little relational capital, as shown by the limited good relations with the stakeholders. This is because any organization capable of making good use of IC would be able to innovate and improve its performance, competitiveness, and welfare [20]–[23]. The term performance includes the performance in empowering the community, which should also be carried out since it serves as the key performance indicator of *amil zakat* organizations [24], [25].

Also, from an IC perspective, *amil zakat* organizations need to improve their HC through *amil* certification for *zakat* executive management [26], [27]. It would even be better if the *amil* officers in fundraising and utilization program departments held Bachelor's degrees in sharia to enable them to understand Islamic rulings on *zakat*, *infaq*, and *sadaqah* completely. Regarding SC, the *amil zakat* organizations should have an organizational culture, innovation culture, and management and technology information systems to allow them to perform digital fundraising [28], [29]. This ability will enable them to reach more people, prepare real-time financial statements, and empower the community effectively. Regarding RC, *amil zakat* organizations need connections with many parties, from the government to companies to non-government organizations to social and religious organizations. It is also necessary for them to have well-planned empowerment programs.

The practical implications of this research are that *amil zakat* organizations need to carry out more empowerment programs for their *mustahiq* to significantly effect poverty reduction to achieve the target of SDGs No. 1. IC perspective can be used for empowerment attempts by optimizing the HC, SC, and RC.

The theoretical implication of this research lies in the resources-based theory, i.e., the utilization of *amil zakat* organizations' resources to improve the innovation of *amil* officers to allow them to empower the *mustahiq* effectively. The theories in this research also provide the meaning of sustainability and performance to make *amil zakat* organizations remain trusted by *muzakki* in managing the ZIS fund from the *ummah* (Muslim community).

4. CONCLUSION

The first conclusion of this research was that the *amil zakat* organizations in Gresik Regency and Mojokerto and Pasuruan Municipalities, East Java, mainly just distributed the *zakat* fund rather than empowering its recipients. This was because many Indonesians still lived below the poverty line, making it inevitable to merely distribute more ZIS funds as a charity rather than for empowerment purposes.

The second conclusion was that for *amil zakat* organizations to play the empowerment role, they need to start with interacting with and educating *muzakki* to allow the circulation of funds from *muzakki* to *amil zakat* organizations. Later, the empowerment can be provided by capital, equipment, training, facilitation, and support. This will enable *mustahiq* to have economic power and slowly reduce poverty as per SDGs No. 1 and turn them into *muzakki*.

5. AUTHORS' CONTRIBUTIONS

Sigit Hermawan, Kumara Aji Kusuma, and M Abror are the leading researchers who designed and conducted the research and wrote the article. Prasetyo Utomo and Amelia Nugraha Dini are the researcher assistants tasked to transcribe the interviews and document the research data.

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