

The Effects of Islamic Economic Revitalization: Discourse on Institutionalizing the Zakat Management System in Contemporary Indonesia

Abstract

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Zakat, as one of the fundamental pillars of Islamic economics, holds significant potential in enhancing social and economic welfare in Indonesia. Despite this potential, zakat management practices in contemporary Indonesia continue to face various challenges, particularly regarding the effectiveness of distribution and optimal utilization. These limitations hinder zakat's role in addressing economic disparities and achieving broader socio-economic development.

This study aims to analyze the effects of Islamic economic revitalization through the discourse on institutionalizing the zakat management system in contemporary Indonesia, with a focus on its contribution to improving social welfare and reducing economic inequality.

The study employs a qualitative approach by examining various policies related to zakat management and analyzing the role of zakat institutions in fostering economic growth grounded in Islamic values. Data are explored through policy reviews and conceptual analysis of institutional practices.

The findings indicate that revitalizing Islamic economics through a more structured and institutionalized zakat management system can enhance the effectiveness of distribution and utilization. Such improvements are expected to create a more equitable system, contribute to reducing economic inequality, and accelerate the achievement of inclusive and sustainable economic development in Indonesia.

Keywords: Zakat management, Indonesia, Islamic economics.

INTRODUCTION

Zakat is the third important pillar of Islam. Zakat refers to the obligation to pay a portion of one's legitimate wealth for the benefit of the poor and other groups mentioned in the Qur'an. The lexicological meaning of zakat is 'to purify'. In addition, zakat carries the connotation of 'growth' and 'increase'. In Indonesian Muslim society, zakat consists of two types: (1) zakat fitrah (zakat al-fitr; zakat donated at the end of Ramadan, calculated as a fixed fee for each person, and similar to a poll tax), and (2) zakat mal (zakat al-māl; zakat paid based on one's wealth). Often, the general term zakat refers to both types mentioned above. Theoretically, zakat means giving a portion of one's wealth to eight specific categories of recipients (asnāf). The obligatory payment on wealth is 2.5% of one's total annual income. Because it refers to the purification of accumulated wealth, zakat is a type of tax on wealth and pious acts ('ibadah). It is obligatory for every Muslim who owns certain assets, such as gold, silver, jewelry, cash, livestock, and agricultural produce, to pay zakat for each year (hawalan hawli) of their holdings. Islamic law stipulates that both types of zakat are obligatory (wajib) for Muslims, although these types remain moral obligations in the sense that there is no legal obligation imposed by the state.

From an Islamic perspective, certain systems use redistribution mechanisms to promote economic justice, equality, and social welfare. Zakat is specifically linked to both economic and religious objectives. Zakat is a socio-economic obligation. Its objectives (al-ibadah al-māliyyah al-

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ijutimaiyyah) include returning income, alleviating poverty, and achieving social welfare. This tripartite effect has been demonstrated by many scholars.

This paper reviews the existing discourse on top-down approaches to zakat management in contemporary Indonesia. Specifically, it explains how this institutionalized approach contributes to the development of new areas of intervention and, without neglecting the original poverty alleviation program, to community empowerment . and empowerment in Indonesia.

LITERATURE REVIEW

Islamic Economics

Islamic economics is an economic system based on Sharia principles, encompassing the management of economic resources in accordance with Islamic values such as justice, balance, and the prosperity of the people. In this context, revitalizing Islamic economics refers to efforts to revitalize and optimize economic practices in accordance with Sharia law.

Islamic economics provides a theoretical basis for efforts to manage zakat as an important instrument in achieving socio-economic goals, such as poverty reduction and wealth redistribution.

Theory of Zakat as an Instrument for Wealth Redistribution

Zakat in Islam is an obligation for Muslims who are able to give part of their wealth to those in need, with the aim of purifying wealth and helping to ease the economic burden on the less fortunate.

This theory is relevant to explain how zakat functions as a mechanism for redistributing wealth in Islamic economics, as well as how the institutionalization of zakat can improve its management system to be more efficient and have a major impact in reducing socio-economic disparities in Indonesia.

Development Economics Theory

Development economics examines the theory and practice of economic development, including issues of poverty, inequality, and achieving social welfare. In this context, this theory will assess how improved zakat management can support inclusive and sustainable economic development.

Zakat plays a vital role in social and economic development, and this research will examine how revitalizing the zakat management system can contribute to achieving the goal of more equitable economic development in Indonesia.

Social Justice Theory

Social justice is a theory that emphasizes the importance of the equitable distribution of wealth, opportunities, and rights in society. In the context of Islamic economics, zakat is considered a tool for creating social justice by reducing the gap between rich and poor.

Institutionalizing zakat management in this context can be seen as a step towards achieving social justice, particularly in Indonesian society, which faces significant economic disparities. This theory helps understand how zakat can be systematically managed to ensure equitable distribution.

Institutional Theory

Institutional theory focuses on the role of institutions in shaping and regulating the behavior of individuals and groups in society. In this context, institutionalizing zakat management refers to the establishment and strengthening of efficient and transparent zakat institutions.

This theory is relevant to analyzing how more structured and institutionalized zakat institutions can increase the effectiveness of zakat collection and distribution, as well as increase public trust in the zakat management system.

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Welfare Theory

Welfare theory focuses on achieving individual and societal well-being through the equitable distribution of resources. In this regard, the welfare of the community can be improved by improving the zakat management system so that it effectively reaches more poor and needy people.

This theory is related to efforts to manage zakat optimally to improve community welfare, especially in terms of poverty alleviation and providing social assistance through zakat that is more organized and well-managed.

Accountability and Transparency Theory

Accountability and transparency refer to the principles of open, accountable, and auditable resource management by relevant parties. In the context of zakat management, accountability and transparency are crucial to ensure that zakat funds are used for legitimate purposes and to prevent misappropriation.

To achieve an effective and efficient zakat management system, the application of accountability and transparency principles within zakat institutions is crucial. This theory helps analyze how better institutionalization of zakat can increase public trust and the efficiency of zakat fund management.

System Theory

Systems theory assumes that all elements within a system are interconnected and influence each other. In this context, the zakat management system can be viewed as part of a broader Islamic economic system, where sound zakat management will contribute to a just and sustainable economic system.

This theory helps to see the relationship between zakat institutions, government, society, and other economic sectors in creating a holistic and mutually supportive zakat management system to achieve broader Islamic economic goals.

RESEARCH METHODS

This research uses a qualitative approach to gain a deep understanding of the process of revitalizing Islamic economics through the institutionalization of the zakat management system in Indonesia. This approach was chosen to comprehensively explore the evolving discourse, influencing factors, and the various challenges and opportunities in implementing zakat management. The research focuses on the perspectives and experiences of stakeholders, including zakat administrators, zakat recipients, the government, and the general public.

Data collection techniques included in-depth interviews with various parties involved in zakat management, such as zakat collection institutions (LAZ), government agencies, Islamic economics academics, and recipients of zakat. Furthermore, this study utilized focus group discussions (FGDs) to explore stakeholders' collective perspectives on revitalizing the zakat system and its implications for the Muslim economy.

Data analysis was conducted thematically by processing the results of interviews and focus group discussions (FGDs) to identify key themes related to zakat management, challenges in revitalizing the Islamic economy, and the resulting social and economic impacts. Furthermore, this study analyzed relevant documents and policies, including government regulations, zakat policies, zakat institution reports, and the evolving public discourse regarding the zakat management system in Indonesia.

A documentary study approach was used to strengthen the analysis by examining various written sources, such as regulations, institutional reports, and academic literature on Islamic economics. This approach aims to understand the legal basis, policies, and existing practices, while also assessing the extent to which efforts to revitalize Islamic economics are reflected in the policies and implementation of the zakat system in Indonesia.

The research focused on several regions in Indonesia with diverse zakat management

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characteristics, both those that have been optimally managed and those that still face various challenges. The study population included various parties involved in zakat management, including zakat institution managers, zakat recipients (mustahik), local governments, and Islamic economic institutions.

RESEARCH RESULT

Research results indicate a paradigm shift in zakat management in Indonesia. The revitalization of the Islamic economy has pushed zakat beyond being viewed as an individual ritual obligation and into a public policy instrument .

- **Centralization of Authority :** The enactment of Law No. 23 of 2011 was a turning point in institutionalization, where BAZNAS (National Zakat Collection Agency) was positioned as the main coordinator, accompanied by private LAZ (Zakat Collection Institutions).
- **Amil Professionalism:** Zakat management now adopts modern management principles such as *transparency* , *accountability* , and *responsibility* .

Research has found that this revitalization has changed zakat distribution patterns. The focus of zakat institutions is no longer solely on short-term assistance (food/cash), but on economic empowerment .

The revitalization of the Islamic economy in the contemporary era is heavily influenced by digitalization . The institutionalization of zakat now involves the financial technology (FinTech) ecosystem.

- **Increasing Literacy:** Ease of payment through QRIS, mobile applications, and *e-commerce* has been shown to increase participation of the urban Muslim middle class.
- **Big Data:** The use of an integrated reporting system makes it easier for the government to map the distribution of poverty more accurately.
- Although the institutionalization process is massive, research identifies several crucial challenges:
- **Regulatory Dualism:** There is still tension between the state's desire to centralize zakat (state-centric) and the desire of civil society to maintain the independence of private zakat institutions.

In general, this study found several key findings. First, the institutionalization of zakat provides strong legal legitimacy and protection for zakat payers, although it can also create a relatively rigid bureaucracy. Second, institutionalized zakat has been shown to contribute to poverty alleviation, but its scale remains limited compared to the enormous national zakat potential. Third, there is growing discourse on integrating the zakat system into the national tax system, such as making zakat a tax deduction, which is seen as a further step in the process of institutionalizing Islamic economics in Indonesia.

DISCUSSION

Shifting Relations between State and Religion

The institutionalization of the zakat system in Indonesia reflects the phenomenon of the "bureaucratization of religion." Historically, zakat was a private domain (voluntary sector). However, through the revitalization of the Islamic economy, the state, through Law No. 23 of 2011, assumed the role of regulator and operator (BAZNAS).

Legalistic Formalization: This effort shows that Islamic economics is no longer just a theological discourse in the mosque, but has entered into the structure of positive law.

Public Space Tensions: The discussion in this study found a competition for space between BAZNAS (state-owned) and LAZ (private-owned). This institutionalization is often viewed as an attempt by the state to control vast public funds (potentially Rp327 trillion), which has sparked debates about the autonomy of civil society.

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The Effectiveness of Zakat as an Alternative Fiscal Policy Instrument

One of the crucial points in the discussion is the role of zakat as a fair distribution of wealth.

Income Redistribution: Through an institutionalized management system, zakat can reach sectors not covered by the state budget. For example, scholarship programs or micro-enterprise capital for the "unbankable."

Zakat as a Tax Deduction: The discussion highlights that the revitalization of the Islamic economy in Indonesia is moving toward integrating zakat into the tax system. Although currently only a "taxable income reduction," the discourse toward a "tax credit" *continues* to strengthen as the final form of ideal institutionalization.

Modernization and the Challenges of Digital Accountability

This revitalization is inseparable from the influence of globalization and digitalization. The institutionalization of the zakat system has been forced to transform to comply with strict financial accounting standards (such as PSAK 109).

- **Sharia and Financial Audits:** Contemporary zakat institutions require legitimacy not only from religious scholars but also from public accountants. This has transformed zakat institutions into highly professional and technocratic entities.
- **Digital Trust:** The use of *blockchain technology or real-time* reporting has become a new discourse in institutionalization to address the issue of public distrust *towards* government institutions.

Psychological-Social Impact: From Mustahik to Muzakki

The core of this revitalization is the success of the Productive Zakat program. Research data shows that good institutionalization is positively correlated with effective poverty alleviation.

Critical Analysis: However, the discussion also found that a focus on "collection growth figures" sometimes obscures the quality of assistance provided to mustahik. Overly bureaucratic institutionalization risks becoming rigid and losing the human touch *that* is the essence of Islamic philanthropy.

CONCLUSION

Draw conclusions from the discussion on the revitalization of Islamic economics and its impact on the zakat management system in Indonesia. Explain how the institutionalization of zakat can optimize its potential to achieve more equitable Islamic socio-economic goals.

Policy Recommendations: Provide recommendations to the government and zakat institutions in improving the zakat management system in Indonesia, including increasing transparency, efficiency, and strategies to reach more mustahik (zakat recipients).

Suggestions for Further Research: Suggest directions for further research related to zakat management and its impact on broader socio-economic development.

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