

THE MECHANISM FOR MANAGING ZAKAT, INFAQ, AND SADAQAH FUNDS IN ISLAMIC BANKS AS AN IMPLEMENTATION OF THE SOCIAL FUNCTION OF BANKS

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Article history

Received date : 11-9-2024
Revised date : 12-9-2024
Accepted date : 28-11-2024
Published date : 31-12-2024

To cite this document:

Setyawati, D. P., Zebua, S., Hidayat, F., Lia Nuraliah, Fauziah, & Sinta Puspita (2024). The mechanism for managing zakat, infaq, and sadaqah funds in Islamic Banks as an implementation of the social function of banks. *Journal of Islamic, Social, Economics and Development (JISED)*, 9 (68), 346-353.

Abstract: *The background to this research is that zakat is very important in life and development. Zakat is an obligation of Muslims. Every Muslim will pay zakat because it is an obligation. So, the potential for receiving zakat funds will be very large. With such large funds. Zakat Management Institutions play a very significant role in people's lives. The aim of the research is to determine the mechanism for managing zakat, infaq and shadaqah funds in sharia banks as an implementation of the bank's social functions. The method in this research uses field research using descriptive qualitative methods, using observation, interview, and documentation techniques. The research results show that Zakat Funds and Virtue Funds are recorded as entrusted funds until the funds are handed over to the channeling institution or mustahiq. With its status as a deposit fund before the funds are used it will increase the sharia bank's assets. ZIS fund management is focused on collection and distribution. ZIS funds collected at the Bank come from banks/companies, zakat funds from outside the bank (including zakat customers), employees and administrators. Distribution of zakat is channeled through banks or through other institutions that adhere to a productive and consumptive system. Compensation, namely consumer compensation, is received directly by mustahik for their needs, while obtaining compensation is carried out through a venture capital program.*

Keywords: *Zakat Fund, Infaq and Shadaqah, Sharia Bank.*

Background

The growth of assets and transactions in Islamic banks over recent periods has shown significant progress. Asset and transaction growth serve as key indicators for measuring a bank's expansion. This growth also impacts other sectors within the Islamic finance industry, particularly the zakat sector. Islamic banks actively participate in social activities, such as collecting zakat funds from customers and paying zakat on their commercial transactions. These activities reflect the active role of Islamic banks in supporting social initiatives, which indirectly contributes to asset growth. Social funds that are temporarily unallocated are retained and accounted for as part of the bank's assets.

Indonesia's zakat potential is estimated to reach IDR 217 trillion annually. This estimate stems from a 2011 study titled *Economic Estimation and Determinations of Zakat Potential in Indonesia* conducted by Bogor Agricultural University (IPB), the National Zakat Agency (Baznas), and the Islamic Development Bank (IDB). However, the realization of zakat collection remains significantly below its potential, with only about 1% of the potential being collected nationally (Ali, 2008).

Zakat, as a socio-economic religious obligation (*ibadah maaliyah ijtimaiyyah*), holds a strategic and vital role, both in Islamic teachings and in advancing community welfare. Beyond its status as an individual religious obligation (*fardhu 'ain*), zakat and other voluntary charitable acts (*sadaqah*) represent economic potential that can contribute to economic growth and equity. If managed with integrity, professionalism, and optimal systems, zakat can substantially reduce the socio-economic gap between the wealthy and the poor (Zumrotun, 2016).

Zakat plays an essential role in life and development. As a mandatory act for Muslims, zakat has the potential to generate significant funds. These funds, managed by zakat organizations, play a crucial role in improving societal welfare by:

1. Supporting economic development for underprivileged communities.
2. Establishing free public facilities, such as schools and hospitals, to provide free services (Toriquddin, 2014).

The emergence of Islamic financial institutions, particularly zakat management organizations, as relatively new entities presents significant challenges. Experts in Islamic law and accounting must develop unique standards for financial reporting that differ from those of conventional banks and financial institutions.

Reporting social funds in the financial statements of Islamic banks is mandated under Financial Accounting Standards (PSAK) No. 101. Proper implementation of this standard could significantly increase the amount of social funds collected annually by Islamic banks. According to Bank Indonesia data from 2015, there were 13 Islamic commercial banks and 21 Islamic banking units in the country. With this number of institutions and their high volume of commercial transactions, Islamic banks are expected to play a more substantial role in collecting social funds, whether from internal or external sources (Armiadi, 2020).

On a broader scale, the concepts of zakat, infaq, and sadaqah are believed to have profound socio-economic impacts. Interestingly, similar ideas have emerged in the West in recent years, such as the *sharing economy* or *gift economy*, where economic activities are driven by a spirit of sharing and giving. Yochai Benkler, a professor at Yale Law School, emphasized that sharing is a vital resource for boosting productivity. He suggested that organizations fostering a culture of sharing among their members achieve greater efficiency than those that do not. For instance,

employees who receive bonuses are generally more motivated than those who do not (Beik, 2013). The synergy between Islamic banks and zakat organizations in advancing Islamic finance demonstrates how large-scale social funds can strengthen the capital base of Islamic banks.

Based on the aforementioned issues, the researcher was motivated to conduct this study with the aim of offering improvements in the distribution of zakat funds. The focus of this research is titled: *The Mechanism for Managing Zakat, Infaq, and Sadaqah Funds in Islamic Banks as an Implementation of the Social Function of Banks*.

Research Methodology

This study aims to analyze and describe the mechanisms for managing zakat, infaq, and sadaqah funds in Islamic banks as an implementation of the banks' social functions. The research adopts a descriptive analysis method. According to Haris (2023), descriptive analysis involves an empirical investigation of specific phenomena or occurrences in real-life settings. The study relies on primary and secondary data sources for analysis.

The research employs a qualitative approach. Bogdan and Taylor, as cited in Arifudin (2023), define qualitative research as a method that generates descriptive data in the form of written or spoken words from individuals and observable behavior. Rahayu (2020) outlines the process, which includes transcribing data, coding field notes, and interpreting the data to draw conclusions.

The study uses qualitative research with a field research method. Kartika (2020) highlights that this approach aligns with the primary objective of describing and analyzing the mechanisms of zakat, infaq, and sadaqah fund management in Islamic banks as part of their social functions. This method is designed to effectively address the research questions (Kartika, 2023).

The accuracy of a study depends significantly on the appropriateness of the data collection techniques employed. This research uses observation, interviews, and documentation as data collection techniques. Techniques are tools to conduct technical tasks systematically and thoughtfully, with the aim of achieving research objectives. While the study falls within the scope of scientific inquiry, it systematically collects realistic data to ensure accuracy.

Research methodology serves as a means to address specific research problems. The researcher collected information on zakat, infaq, and sadaqah fund management mechanisms in Islamic banks from books, articles, journals, theses, dissertations, ebooks, and other sources (Rusmana, 2020).

Given the need for extensive library resources, this study incorporates a literature review. The researcher utilized books, scholarly articles, and other relevant literature, both print and online, related to the research topic and issues under investigation (Arifudin, 2020).

Amir Hamzah, as cited in Kartika (2021), notes that data collection involves systematically gathering information related to the research topic. The researcher employed library research to gather data, beginning with materials from libraries, including books, dictionaries, journals, encyclopedias, papers, periodicals, and other resources relevant to the mechanisms for managing zakat, infaq, and sadaqah funds in Islamic banks.

Further, Amir Hamzah (Kartika, 2022) asserts that data collection encompasses efforts to compile facts related to the subject being studied. These details can be found in academic literature, research studies, dissertations, theses, and other scholarly documents. Arifudin (2021) emphasizes that data collection can occur in various contexts, using multiple sources and techniques.

Observation is a direct research process involving the phenomena under study (Nasem, 2018). This method allows the researcher to experience the environment and conditions of the research subject firsthand (Arifudin, 2019). This study observed the mechanisms for managing zakat, infaq, and sadaqah funds in Islamic banks as part of their social functions.

The interview method employed is structured interviews, where pre-determined guidelines are followed. Questions are designed to obtain specific information and uncover empirical data (Juhadi, 2020).

Documentation involves collecting data through written materials or records. Documentation, derived from the term "document," refers to written objects. This method includes examining written materials such as books, magazines, meeting minutes, and diaries. Moleong, as cited in Ulfah (2021), describes documentation as a method of collecting information through archival and document examination. It is also a data collection technique presented to the research subjects, used to gather data about the institution (research object), specifically the mechanisms of zakat, infaq, and sadaqah fund management in Islamic banks.

Muhadjir, as cited in Tanjung (2020), explains that data analysis involves organizing and systematically compiling findings from observations and interviews, enabling the researcher to focus on the study. The findings are then processed, edited, classified, and presented for further use.

Result and Discussion

Indonesia, as a developing country, faces significant economic challenges, including income distribution disparities and poverty. Poverty must be addressed urgently, as Islam views it as a threat to faith (Fauziah et al., 2021).

In Islam, social funds aim to reduce societal inequality and enhance community welfare. Zakat, a pivotal act of worship, plays a strategic role in alleviating poverty by creating employment opportunities (Fauziah et al., 2021). This establishes zakat as a potential financial resource to be developed further.

Islam teaches that wealth, beyond serving personal needs, has a social function for the benefit of religion, society, and family. Wealth should be distributed equitably across all societal groups and should not remain a commodity for the affluent alone (Amalia, 2020). The act of distributing wealth through zakat ensures that resources circulate within society, reducing significant wealth gaps. By facilitating the distribution of wealth and income equality, zakat serves as an economic stimulus (Atiya, 2020).

In addition to zakat, Islam also recognizes other social funds, such as infaq and sadaqah. Together, zakat, infaq, and sadaqah (ZIS) significantly contribute to income redistribution and poverty eradication. These funds also empower the community economically. In modern contexts, the management of ZIS is implemented through institutions that collect and utilize

these funds effectively. Economically and socially, ZIS serves as a mechanism to enhance societal income. Strengthening the income of economically disadvantaged groups enables increased market activity, proving ZIS's importance in the economy.

The establishment of ZIS institutions in Indonesia is governed by Law No. 23 of 2011. Zakat management is defined in Article 1, Paragraph 1, as the planning, execution, and organization of zakat collection, distribution, and utilization. ZIS institutions can positively impact national economic growth when funds are distributed equitably and responsibly (Holil, 2019). This underscores the need for professional and accountable management of ZIS funds in compliance with Islamic law and statutory requirements to ensure these institutions effectively promote social welfare and justice.

The sources of ZIS funds collected by banks include corporate zakat, customer zakat, and employee zakat (Asnaini, 2008).

1. **Corporate/Bank Zakat**

Corporate zakat refers to the zakat deducted from a bank's annual profits. The calculation is based on the balance sheet method, which deducts current liabilities from current assets. At the end of the fiscal year, 2.5% of the company's wealth is allocated as zakat.

2. **Customer Zakat**

Customer zakat involves deductions from customer accounts based on their consent. Customer zakat is categorized into two types:

- **Savings Account Customers:** Zakat is deducted from bonuses earned on customer savings, as agreed upon when the account was opened.
- **Deposit Customers:** Deposits, which serve as fixed-term investments, are subject to zakat when they reach the nisab (85 grams of gold) and have been held for one year. The zakat rate is 2.5%.

Building trust between zakat givers and recipients is crucial. Zakat is only provided to those genuinely eligible, verified through inquiries with credible individuals or institutions. Zakat distribution aims to address poverty not only through consumptive measures but also through productive strategies such as scholarships, religious education, and healthcare assistance. Individual recipients are guided and provided with sufficient business capital to become self-reliant and transition into future zakat contributors (Mukhan, 2021).

Forms of ZIS Allocation

ZIS funds are distributed to beneficiaries (mustahik) in the following forms:

1. **Productive Zakat:** Providing capital or support for small traders, such as street vendors near the bank.
2. **Consumptive Zakat:** Direct assistance to vulnerable groups, including the elderly, orphans, and religious institutions (e.g., schools, mosques). Support may also include scholarships, health aid, and contributions to Islamic festivities (Saripudin, 2017).

ZIS Distribution Strategies

The distribution of ZIS funds involves strategies such as direct bank involvement or collaboration with other entities. Key approaches include:

1. **Inviting Mustahik:** Banks invite local beneficiaries, including orphans and the underprivileged, to receive aid.

2. **Local Distribution:** Prioritizing recipients within the bank's immediate vicinity (muzakki area).
3. **Employee-Based Distribution:** Employees distribute ZIS funds to beneficiaries in their respective areas, either directly or through institutions.
4. **Regional Distribution:** Funds are allocated to beneficiaries in areas associated with the bank's directors or commissioners (Nafiah, 2015).

Conclusions and Recommendation

Based on the research findings and discussion presented, it can be concluded that the emergence of Islamic financial institutions, particularly those managing zakat, as relatively new organizations, presents significant challenges. Islamic scholars and accounting experts must establish a foundation for applying and developing accounting standards that differ from those used by conventional banks and financial institutions, as traditionally recognized. The management of ZIS funds focuses on collection and distribution. The ZIS funds collected by the bank come from the bank/company itself, external zakat sources (including customer zakat), employees, and administrators. Zakat distribution occurs either through the bank or through other institutions that employ both productive and consumptive systems. Consumptive compensation is directly received by mustahik for their personal needs, while productive compensation is channeled through venture capital programs.

The recommendations from this study suggest that there should be an expansion of environmental or ecological awareness programs within the organization's work initiatives. Since organizations physically exist on Earth, it is essential to incorporate distribution models that reflect corporate responsibility for environmental sustainability, aligning with Islamic values in the management of ZIS funds. Additionally, the organization should consider expanding employee benefits programs, as employees contribute to the organization and are entitled to receive welfare from it.

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