

THE ROLE OF INFAQ AND SADAQAH TO IMPROVE COMMUNITY ECONOMIC DEVELOPMENT

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Abstract

In the Indonesian context, the role of zakat, infaq, and shadaqah (collectively known as ZIS) has gained significance in seeking government assistance for the economy. These contributions have the potential to address poverty and improve the overall economic well-being of the people. To effectively utilize the benefits of ZIS, a well-structured management body is essential to oversee the collection and distribution of these charitable funds. This management body should be capable of efficiently and transparently managing the funds, ensuring that contributions are directed towards the right causes and effectively utilized to uplift the community's economy. This study aims to explore the impact of zakat, infaq, and shadaqah in seeking government assistance for the Indonesian economy. The study also highlights the importance of ZIS, which represents a form of love for Allah and can alleviate poverty. Therefore, a competent management body is necessary to oversee zakat, infaq, and alms, ensuring proper management and promoting economic improvement in the community. The methodology employed in this article involves a literature review, which includes collecting relevant articles guided by the researchers. Through the analysis of these articles, the researcher draws conclusions to be presented in this paper.

Keywords: LAZISNU, ZIS, Economy, Indonesia.

1. INTRODUCTION

According to Islamic belief, it is important for individuals to have a thorough understanding of zakat, *infaq*, and *sadaqah* (charity) (Amirullah, 2020). These terms are closely related to each other. Islam prioritizes the improvement of the ummah's welfare (*falah*) rather than materialistic aspects in its economic practices. Zakat, *infaq*, and *sadaqah* are practices aimed at achieving this goal. Zakat holds a significant position in Islam and is considered as important as prayer. It has a profound impact on the welfare of Muslims and is a mandatory obligation for all Muslims to fulfill. Zakat is a prescribed form of charitable giving that is required to be paid by wealthy individuals who meet the prescribed threshold of *nisab* in a year (Mardiantari et al., 2019). It serves as an important resource for the State to ensure equitable distribution of economic welfare in society and is considered the most strategic form of funding to improve the welfare of the people. The importance of zakat is emphasized in the Qur'an, which emphasizes the need for collecting and distributing it to the entitled recipients or *mustahik* (Putri & Yusrani, 2019). Targeted assistance to those entitled to receive zakat is crucial to ensure its effective utilization in improving their livelihoods. Overall, zakat plays a vital role in promoting social and economic justice and reducing disparities in economic opportunities and outcomes.

Infaq is the act of utilizing a portion of the wealth that all believers possess, regardless of the amount, for the purpose of empowering human welfare (Hisn et al.,

2020). Unlike zakat, *infaq* does not have a *nisab* requirement. *Sadaqah*, on the other hand, is a concept that extends beyond *infaq*. While it can be interpreted as any giving in the hope of receiving something in return from Allah SWT, *sadaqah* is a way for a servant of Allah SWT to demonstrate unwavering faith (Wahyuni & Chintya, 2017). This belief takes the form of material and immaterial sacrifices without expecting anything in return. Islam follows the sunnah, which states that sincere acts of charity are rewarded, whereas insincere acts do not yield any rewards (Lubis & Latifah, 2019).

Based on the information above, the religious practices of zakat, *infaq*, and *sadaqah* alleviate poverty and social inequality stemming from disparities in wealth ownership. These practices not only serve as social activities in Islam, but also address social problems such as the suffering of the weak. Consequently, all three practices share the goal of prospering humanity without seeking rewards from anyone except Allah. While zakat is limited to eight *asnaf*, *infaq* and *sadaqah* can be given to anyone in need.

The objective of this study is to explore the role of zakat, *infaq*, and *sadaqah* in seeking government assistance for the economy in Indonesia. The study aims to contribute to the understanding of how these forms of charitable contributions can address poverty and improve the overall economic well-being of the people. Additionally, the study seeks to highlight the importance of a well-structured management body to effectively utilize these funds, ensuring transparency and efficient distribution. By conducting a literature review and analysis, this study will provide valuable insights and contribute to existing knowledge on leveraging zakat, *infaq*, and *sadaqah* for economic development and poverty alleviation. Furthermore, it will emphasize the significance of these practices as expressions of love for Allah and their potential impact on social and economic justice.

2. RESEARCH METHOD

The research method employed in this study involves conducting a literature review. The literature review utilizes a collection technique where the researcher gathers relevant articles to guide the preparation of the study. The objective of this literature review is to design a comprehensive piece of writing. To obtain qualitative data, various sources were utilized to gather relevant articles. The author then analyzed and drew conclusions from a selection of these articles to be presented in the study.

3. RESULTS AND DISCUSSION

Islam has always fostered a sense of brotherhood and promoted a high level of tolerance within society (Safi'i, 2022). When making charitable donations, it is important to adhere to certain guidelines and requirements. Firstly, the donated item should be easily identifiable and possess some sort of value or monetary worth. Secondly, the item must belong to the person making the donation, and ownership must be transferred to the recipient. These specific stipulations ensure that donations are utilized properly and have a meaningful impact on the lives of those in need.

The religious understanding of fiqh regarding zakat, *infaq*, and *sadaqah* must adhere to principles of good governance. This religious understanding does not interfere with the intent of the law. Zakat, *infaq*, and *sadaqah* are not solely obligations of the wealthy; they also serve as answers to human problems. Currently, the management of

zakat, *infaq*, and *sadaqah* funds primarily focuses on two areas: zakat distribution and empowerment. The charitable aspect is used to address short-term community needs, particularly those of the impoverished. By offering Islamic financial products and services that fulfill the trust of Muslim customers, the establishment of zakat, *infaq*, and *sadaqah* institutions within the Islamic financial sector, rather than relying on banks, presents a solution that will have a profoundly positive impact on the welfare of Muslims in the long run.

The management of zakat, *infaq*, and *sadaqah* has developed significantly in Indonesia over time. *Infaq* and *sadaqah* were introduced directly to Indonesia and have been practiced there. In present-day Indonesia, zakat is managed by civil society, which initially focused on social charity but has now shifted towards economic development. *Infaq* is considered valid when the giver completes the handover process; if it is only expressed verbally and not handed over, it is considered invalid. Once a donated item has been received, the recipient is not allowed to request its return, unless it was given to a child by their parents. On the other hand, *sadaqah* (charity) is voluntary social service, either material or non-material.

Zakat holds a significant position in Islam and is considered as important as prayer (Jalili et al., 2022). It has a tremendous impact on the welfare of Muslims and is considered a mandatory obligation for all Muslims to fulfill. Zakat is a prescribed form of charitable giving to be paid by wealthy individuals who meet the threshold of *nisab* in a year. It serves as an important resource for the state to ensure the equitable distribution of economic welfare within society. Zakat is considered the most strategic form of funding to improve the welfare of the people. The importance of zakat is emphasized in the Qur'an, which stresses the collection and distribution of zakat to the entitled recipients or *mustahik* (Nasir & Rahman, 2020). This highlights the necessity of targeted assistance to those eligible to receive zakat, ensuring its effective utilization in improving their livelihoods. Overall, zakat serves as a vital tool in promoting social and economic justice, reducing disparities in economic opportunities and outcomes.

The role of zakat in improving the national economy is indeed significant, but many Muslims fail to understand its importance. Several factors contribute to this lack of understanding. Firstly, there is a low level of public trust in the zakat board, leading many individuals to directly channel their zakat to those in need (*mustahik*). In 2017, the main focus of LAZISNU Metro City's planning was centered on enhancing management practices to stimulate economic growth and provide continuous assistance to underprivileged and needy communities.

The organizational process involves developing an optimal structure based on the organization's goals, available human resources, and the external environment. Essentially, organizing is about creating a framework. The implementation of LAZISNU Metro City includes two crucial analyses: (1) an analysis of ZIS (zakat, *infaq*, and *sadaqah*) fundraising implementation, which focuses on promoting the program, engaging donors, and collaborating with companies, and (2) the development of fundraising strategies. As the program is still relatively new and requires further development, LAZISNU Metro City adopts a selective approach by establishing rules and requirements to ensure that funds are channeled to those who are eligible and in need. The organization collects data on eligible recipients from MWC administrators in each sub-district of Metro City and reviews the data to ensure it meets the established criteria.

The zakat distribution plan emphasizes four main areas: education assistance, health assistance, economic empowerment, and disaster response.

LAZISNU Metro City ensures effective supervision through supervisory analysis. This process involves collecting reports and distribution results from each local MWC in Metro City on a monthly and periodic basis. The organization utilizes relevant information systems to gather these reports, enabling LAZISNU Metro City to monitor the activities of all sections across the city. By monitoring and analyzing the distribution results, potential issues or areas that require attention can be identified promptly, allowing LAZISNU Metro City to take appropriate action when necessary. This approach ensures a high level of accountability and transparency in the organization's operations.

4. CONCLUSION

In conclusion, *zakat*, *infaq*, and *sadaqah* play a crucial role in enhancing the economic welfare of the Indonesian population. In order to alleviate poverty and elevate living standards, it is imperative for Indonesians to comprehend the significance of *zakat*, *infaq*, and *sadaqah*, and to apply their principles in accordance with Islamic law. By doing so, individuals can truly benefit from this system and attain economic prosperity.

One of the key findings is the importance of building understanding and trust in the management of *zakat*, *infaq*, and *sadaqah*. Many Muslims currently have reservations and lack confidence in the zakat board, leading them to directly distribute their contributions to those in need. It is essential for efforts to be made in educating the public about the proper mechanisms and processes for managing these charitable funds. By fostering a deeper understanding and establishing transparent and accountable management practices, individuals can have greater confidence in the system, resulting in increased participation and effectiveness.

Based on these findings, it is recommended that a comprehensive awareness campaign be undertaken to promote the understanding and importance of *zakat*, *infaq*, and *sadaqah*. This campaign should aim to educate the public on the proper channels for donation, the impact of their contributions, and the benefits that can be derived from the effective management of these funds. It should emphasize the potential economic growth and development that can be achieved through the collective efforts of individuals in fulfilling their religious obligations.

Furthermore, efforts should be directed towards improving the management practices of *zakat*, *infaq*, and *sadaqah* institutions (Zulianti & Aslam, 2022). This includes enhancing transparency, accountability, and efficiency in the collection, distribution, and utilization of these funds. Utilizing information systems and technology can aid in monitoring and analyzing the distribution results, ensuring that resources are allocated to those who are truly eligible and in need. Regular reporting and supervision mechanisms should also be implemented to maintain a high level of accountability throughout the process.

By strengthening the understanding, trust, and management of *zakat*, *infaq*, and *sadaqah*, Indonesians can unlock the full potential of these charitable practices in uplifting individuals and communities from poverty. The implementation of effective strategies and the collaboration between stakeholders, including religious institutions, government bodies, and civil society, will be crucial in realizing the positive impact of *zakat*, *infaq*, and *sadaqah* on the economic welfare of the Indonesian society.

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