

# The Empowerment of Micro, Small Medium Enterprises (MSMEs) Bussiness Through Productive Zakat as an Effort to Alleviate Poverty and Unemployment in Indonesia

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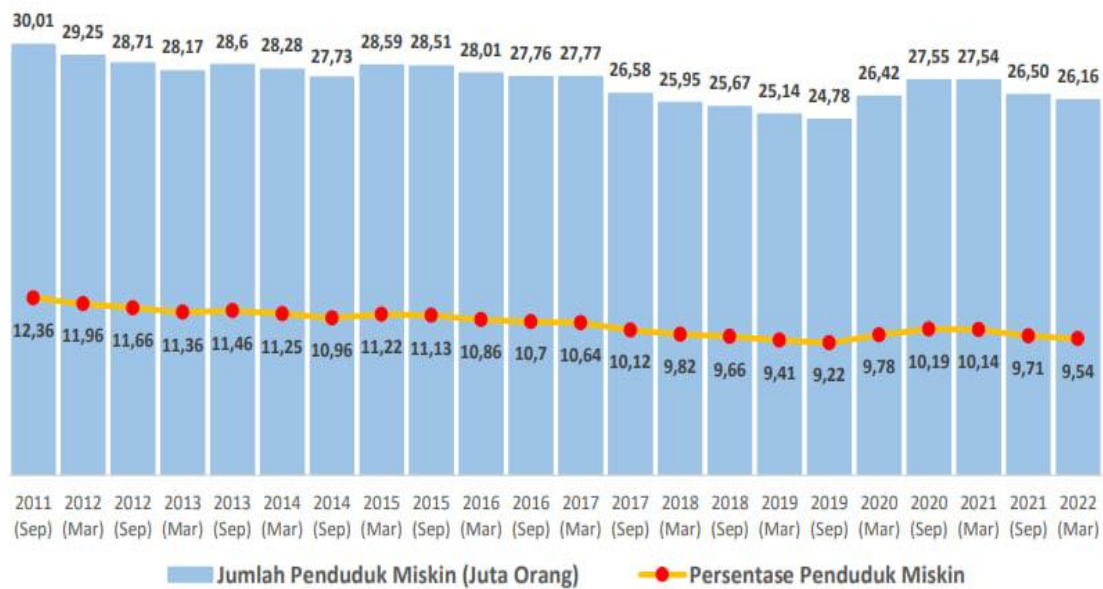
## ABSTRACT

*Indonesia become a country with the largest Muslim population in the world in 2022. This is in line with the number of MSMEs in Indonesia. MSMEs have a major role in economic growth and reducing poverty in Indonesia. So MSMEs become the biggest contribution to poverty alleviation and employment in Indonesia. Therefore productive zakat is an appropriate, alternative and profitable instrument for developing MSMEs as well as breaking the cycle of poverty and unemployment in Indonesia. The purpose of this study is to determine the potential of productive zakat in empowering MSMEs businesses to alleviate poverty and unemployment in Indonesia. This research is a descriptive qualitative research by describing that zakat productive MSME businesses are able to alleviate poverty and absorb labor. The data sources used are primary data and secondary data. The data collection technique used is library research (library research), namely collecting or compiling data by using written materials regarding productive zakat and MSMEs. The results of this reserch is show that the presence of productive zakat is able to overcome the constraints on the lack of capital faced by MSMEs. This is supported by the large number of Muslim communities in Indonesia. MSMEs empowerment is carried out by providing assistance and coaching to help people with low education in developing their knowledge and skills. Then, it is hoped that it can help alleviate poverty and absorb labor so that it can increase economic growth in Indonesia.*

## Introduction

The macroeconomic problems faced by Indonesia are poverty and unemployment. The poverty rate in Indonesia in March 2022 was 26.16 million people or around 9.54% of the total population based on data from the Central Statistics Agency (BPS). This number is still quite large, although it has experienced a slight decrease compared to September 2021 (Finaka 2022).

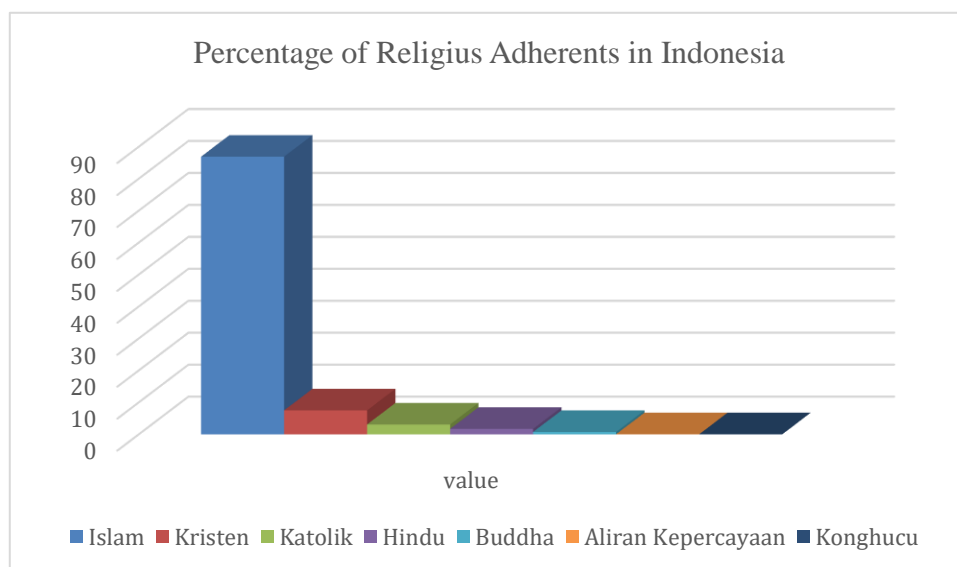
Based on the poverty and unemployment data, it is necessary to have instruments that can reduce poverty and improve the welfare of the Indonesian people, one of which is zakat (Norfairuz, 2020). Zakat is considered capable of overcoming poverty because it prevents accumulation of wealth in the hands of a small group of people where those who have excess assets are required to give some of their wealth to those who need it more.



Picture 1. Number and Percentage of Poor Population, September 2011–March 2022

Sumber: Badan Pusat Statistik 2022

Therefore, there will be an equal distribution of wealth in society (Afni, 2020). The stability of zakat can be guaranteed if Indonesian people who are predominantly Muslim have the awareness to pay zakat which is required in the pillars of Islam. The size of Indonesia's Muslim population can be seen from the following data:

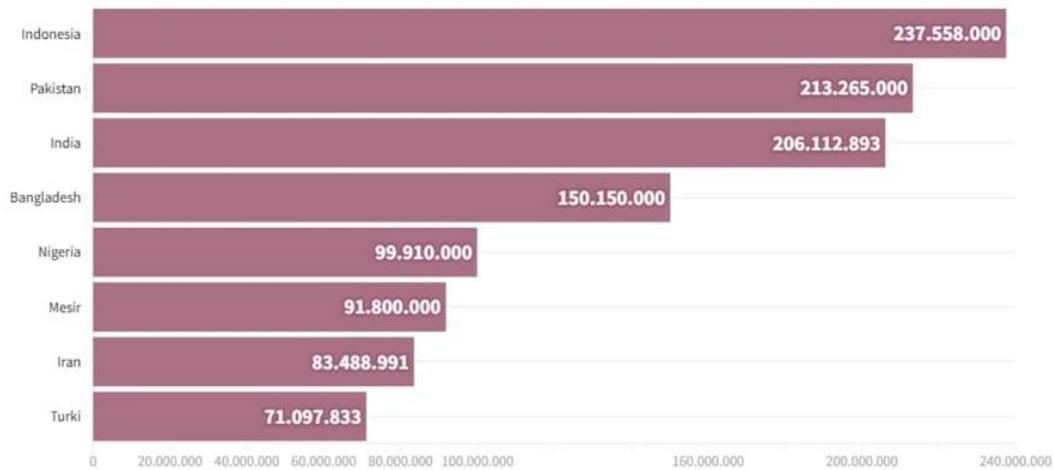


Picture 2. Percentage of Religious Adherents in Indonesia

Sumber: databoks.katadata.id

The majority religion of Indonesia's population is Islam. This is evidenced by data obtained from the Directorate General of Population and Civil Registration (Dukcapil) of

the Ministry of Home Affairs which shows that in June 2021 as many as 236.53 million people or around 86.88% of Indonesia's population are Muslims. This number is a very large number (Kusnandar 2021).



**Picture 3.** Eight countries with the largest Muslim population

*Source: The Royal Islamic Strategic Studies Centre (RISSC)*

Based on the data above, it is reported that in 2022 Indonesia will still occupy the first position with the largest Muslim population in the world. When compared globally a report by The Royal Islamic Strategic Studies Center (RISSC), that the number reaches 12.30% of the entire world Muslim population, which is only 1.93 billion people (Rizaty, 2022).

This is in line with the number of MSMEs in Indonesia. MSMEs have a major role in economic growth and reducing poverty in Indonesia. MSMEs are also the backbone of the Indonesian economy. This is in line with the large number of MSMEs that are developing in Indonesia. The influence of MSMEs is enormous for economic growth and poverty alleviation because they are able to create new jobs. It was proven that after the 1997 and 1998 crises, only MSMEs were able to survive. In addition, during the 2008 crisis, it was able to play a rescue function in several sub-sectors (Lubis, Silalahi, and Irama 2022). MSMEs are also the biggest contributor to employment in Indonesia. However, there are still various obstacles faced by MSME actors, including business capital. Therefore productive zakat is a profitable alternative instrument for developing MSMEs as well as breaking the cycle of poverty and unemployment in Indonesia (Norfairuz, 2020). Because the main purpose of productive zakat is to change people who receive zakat (mustahiq) into people who give zakat (muzakki).

The opportunity for productive zakat as an instrument that can restore the national economy is enormous in view of the potential for zakat which reaches IDR 327 trillion in 2022. This significance is further supported by easy access to digital financial services (Ekon, 2022).

In practical terms, zakat is an act of worship that has a socio-economic dimension. In its application, zakat serves as a tool to help community members who experience

difficulties in socio-economic terms. Zakat is also a means for people to work together and acts as a social security guarantor for others (Fitri, 2017).

This makes the great potential of productive zakat given the large population of Indonesia, which is predominantly Muslim. Productive distribution of zakat in MSME financing will have a good impact on the development of the MSME itself and in absorbing labor in Indonesia so as to reduce the unemployment rate in Indonesia.

One way to reduce poverty is through an independent business programme, based on previous research conducted by Latifatul Mahmudah (2022), namely the analysis of management and productive zakat in empowering MSMEs at LAZIS Muhammadiyah (LAZISMU) Lamongan Regency. This programme aims to improve the economic wellbeing of the community through MSMEs, helping those who lack capital to meet their daily needs.

Then, research conducted by Zakiyatur Rohmah on the analysis of the effect of productive zakat empowerment and the amount of zakat received on the increase of mustahik micro-enterprises (study at LAZNAS Nurul Hayat Semarang) states that the productive zakat empowerment programme supported by the amount of zakat received has proven to be able to increase mustahik micro-enterprises as seen by the increase in their business income.

Therefore, the uniqueness of this research is the relationship between productive zakat on poverty alleviation and employment in Indonesia. Which is the level of poverty and unemployment is still very high and a big problem that has not been able to be resolved by the government.

## **Metode**

This research is a descriptive qualitative research, namely analyzing the data that has been collected by incorporating knowledge, opinions, Sharia guidelines, state regulations in the implementation of productive Zakat in Indonesia. Sources of data obtained from primary and secondary data relating to productive zakat. In addition, previous research is used as a consideration of information regarding and its correlation with MSME business empowerment in Indonesia. In this study, productive zakat is used as an instrument for MSME financing to improve people's welfare so that it can have a significant impact on alleviating poverty and unemployment. If these two big problems are reduced little by little it will have an impact on the development of the Indonesian economy (Riyadi *et al.* 2021).

## **Result and Discussion**

### **Productive Zakat for MSMEs Development and Labor Absorption**

In an effort to develop the Indonesian economy, MSMEs have a very important role, namely being the spearhead of the national industry and absorbing a large number of workers which has an impact on reducing the number of unemployment. Not only people with higher education, MSMEs are also able to absorb workers with low education. According to (BPS, 2022) the Open Unemployment Rate (TPT) in Indonesia is 5.86% in August 2022.

Based on the ASEAN Investment Report released in September 2022, Indonesia has the most micro, small and medium enterprises (MSMEs) in the ASEAN region.

**Table 1.** Number of MSMEs in ASEAN countries 2021

No	Country	Value/Bussiness Unit
1	Indonesia	65.465.500
2	Thailand	3.134.400
3	Malaysia	1.226.000
4	Filiphina	996.700
5	Vietnam	651.100
6	Kamboja	512.900
7	Singapura	279.000
8	Laos	133.700
9	Myanmar	72.700

Source. ([Ahdiat, 2022](#))

In the report, it was noted that in 2021 the number of MSMEs in Indonesia would be around 65.46 million units. This number is much higher than neighboring countries as shown in the graph. The large number of MSMEs is able to absorb 97% of the workforce, 60.3% of the Gross Domestic Product (GDP) and contribute 14.4% to national exports. Meanwhile, in neighboring countries, MSMEs are only able to absorb labor in the range of 35-85%. This means that the largest proportion of labor absorption by MSMEs is Indonesia compared to countries in ASEAN.

However, MSMEs in Indonesia still face obstacles, one of which is venture capital. Many government efforts have been made but many people have not felt the assistance. For this reason, an important instrument so that the poor can access capital is productive zakat. Funds obtained through productive zakat can be used by recipients to produce something in a sustainable manner so that they can meet their basic needs in life ([Khairani Miftahul, 2017](#)). Meanwhile, according to Abdurrahmah Qadir productive zakat is zakat given to mustahiq as capital to carry out economic activities to develop the economic level and productivity potential of mustahiq ([Qadir, 1998](#))

Yusuf Al-Qardawi, a contemporary ulema who is known to specialise in the field of zakat, in his book "Fiqhuz Zakat", argues that zakat should be given in a productive form. The purpose is so that zakat recipients (mustahiq) can feel the sustainable benefits of the zakat they receive ([Amirah, 2024](#)).

Zakat has great potential if managed properly, so that it can be a very significant source of funding. Thus, zakat is able to become a driver of people's economic empowerment and assist in income distribution ([Amrullah, 2023](#)).

This is in line with the objectives of Law no. 20 of 2008 concerning MSMEs Namely: (UU RI No. 20 Tahun 2008 Tentang Usaha Mikro, Kecil, Dan Menengah, 2008)

- a. realizing a balanced, developing and just national economic structure;
- b. growing and developing the capabilities of Micro, Small and Medium Enterprises to become strong and independent businesses;
- c. increasing the role of Micro, Small, and Medium Enterprises in regional development, job creation, income distribution, economic growth, and alleviating people from poverty.



In Indonesia, organisations that manage zakat are divided into two types, namely the National Amil Zakat Agency (BAZNAS) and the Amil Zakat Institution (LAZ). BAZNAS and LAZ have the main task to collect, distribute, and distribute zakat in accordance with religious provisions (Fitria, Setyowati, dkk, 2023).

At present, there have been many innovations in the development of productive zakat that have been carried out. MSME empowerment is carried out by providing assistance and coaching to help people with low education in developing knowledge and skills. In addition, it is also to monitor MSMEs that are being run by mustahiq so that the output produced is maximized (Mahmudah, 2022, pp. 127–128)

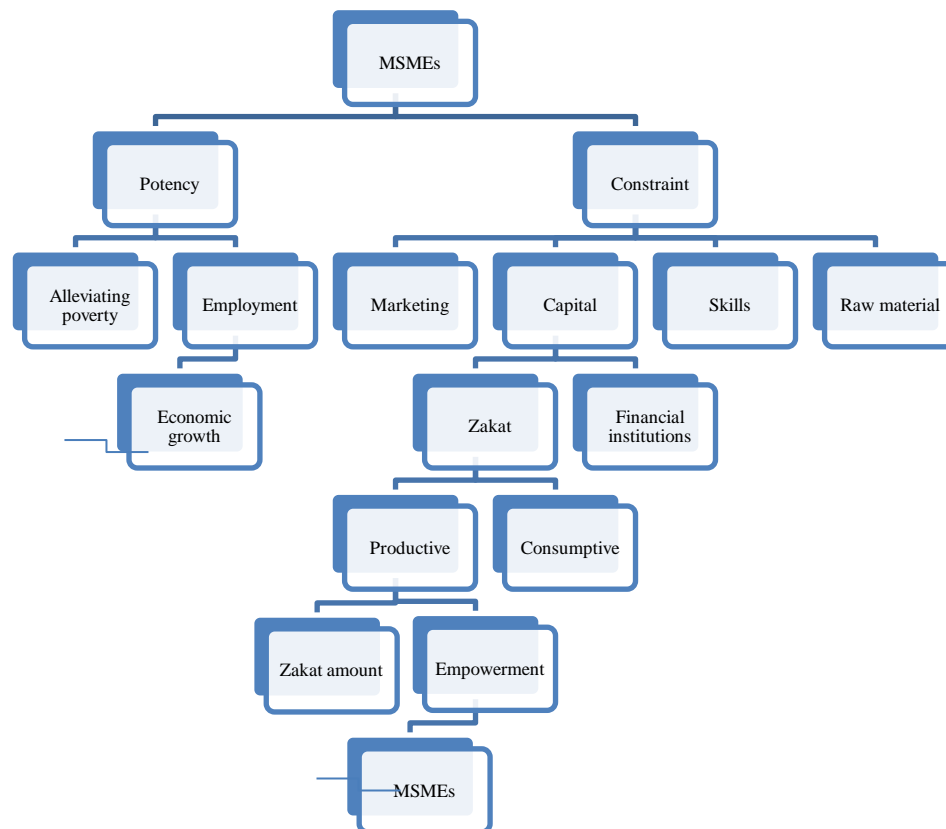
According to (Suharto, 2009) assistance is centered on four task areas, namely: providing facilities, strengthening, protecting, and supporting. One example of amil zakat that empowers productive zakat is LAZNAS Nurul Hayat Semarang. At LAZNAS there are several community empowerment programs. First, the Self Employment Creation Program (Independent Pillar) is a work program in the economic sector run by LAZNAS Nurul Hayat Semarang as an effort to produce zakat funds through working capital financing provided to assisted mustahiq who in this case are included in the poor category and have fulfilled qualifications as beneficiaries. Second, Prosperous Village Livestock (built village), which distributes zakat funds to mustahik assisted in the form of animals to be raised and fattened and these animals will later be sold during Eid Adha. (Rohmah, 2020).

The guidance provided by LAZNAS Nurul Hayat Semarang includes 3 sides, namely coaching from the mental, spiritual and organizational side.

- 1) The mental side, which is carried out by involving entrepreneurs who are experts in their field with the hope that if those who provide knowledge and input are in the same field of business as mustahiq, then from a psychological perspective it will be easier for mustahiq to accept.
- 2) On the spiritual side, providing assistance to mustahiq by monitoring evaluations in order to increase faith and piety through weekly routine recitations as well as through mentoring for obligatory worship and sunnah worship of each mustahiq. With the hope that every mustahiq is not only world-oriented but also prepares provisions for life in the afterlife.
- 3) On the organizational side, forming administrators of empowerment groups and those administrators who will later assist LAZNAS Nurul Hayat in ensuring that the monthly coaching goes well. Monthly coaching is carried out by holding regular meetings with all mustahik assisted by each program. In the Mandiri Pillar program the group leader is tasked with collecting installments from each mustahiq then depositing it with LAZNAS Nurul Hayat, while in the Assisted Village program the group leader is given the task of buying livestock, collecting and sharing livestock products, returning loan funds to LAZNAS Nurul Hayat and provide feed for livestock. To help monitor the development of both the Mandiri Pillar program and the Assisted Villages, Nurul Hayat divided mentors for each group.

By channeling these productive zakat funds, mustahiq can meet their needs, run their business and be able to pay zakat obligations so that their status changes to muzakki or people who pay zakat.

This can be described in the following framework:



Based on the scheme above, it can be seen that the presence of zakat is able to overcome the constraints on the lack of capital faced by MSMEs. Through MSMEs, it can help alleviate poverty and absorb labor so that it can increase economic growth in Indonesia (Rohmah, 2020).

### Productive Zakat Fund Distribution Scheme for Mustahiq MSMEs

Productive zakat in its distribution can be divided into two types, namely: conventional productive and creative productive. The distribution of conventional productive zakat is by providing capital assistance in the form of productive goods that can be used to create a business, such as providing livestock, dairy cows or for plowing fields, carpentry tools, sewing machines and so on. While the distribution of creative zakat is manifested in the form of providing venture capital, for example small traders (Afni, 2020).

According to (Mufraini, 2006) there are two forms of distribution of productive zakat funds. First, the qardul hasan scheme, which is a form of loan that stipulates that there is no rate of return (return) on the principal of the loan. Second, the mudharabah scheme, where the amil institution acts as an investor (*mudharib/rabbu al-maal*) that invests funds collected from zakat to businesses owned by mustahiq.

## Conclusion

The economic sector in Indonesia is a sector that contributes a lot to job creation, especially MSMEs. Currently the problem faced by micro entrepreneurs is in accessing capital. With the development of small and medium businesses with capital originating from productive zakat, it will absorb labor and develop the business of mustahiq. In addition, with the assistance and coaching carried out for recipients of productive zakat funds in minimizing failures in building businesses so that they can provide maximum output. Zakat funds that are channeled in a productive direction through a revolving program for micro-entrepreneurs who are classified as mustahiq aim to develop the business so that it changes the mustahiq's economy. Namely the change in status from mustahiq to muzakki. Therefore, MSMEs are believed to be able to help alleviate poverty and absorb labor so that they can increase economic growth in Indonesia. Based on the explanation above, Productive zakat is seen as capable of alleviating poverty and absorbing labor by distributing it through MSMEs.

Despite the significant potential highlighted in this study regarding the role of productive zakat in empowering Micro, Small, and Medium Enterprises (MSMEs) and addressing poverty and unemployment in Indonesia, several limitations need to be acknowledged. Firstly, the study employs a descriptive qualitative approach and secondary data, which may not fully capture the actual conditions on the ground due to data limitations and potential biases in interpretation. Secondly, the research focuses primarily on empowerment through productive zakat without exploring other external factors that may also influence the success of MSMEs, such as government policies, macroeconomic conditions, and market access. Additionally, the study does not include a comparative analysis with other relevant financing instruments in the context of MSME empowerment. These limitations suggest the need for further research that includes quantitative approaches, more in-depth field studies, and comprehensive policy analysis to provide a more holistic view of the effectiveness of productive zakat in empowering MSMEs and alleviating poverty and unemployment in Indonesia.

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