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## **ISLAMIC ECONOMIC PERSPECTIVE ON THE IMPLEMENTATION OF ZAKAT IN PROMOTING ECONOMIC GROWTH**

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Information	Abstract:
<b>Article History:</b>  Received : 27.02.2024 Revised : 18.05.2024 Accepted : 25.05.2024  <b>Keywords:</b> Zakat, Economic Growth, Islamic Perspective	<i>This study aims to explore how the implementation of zakat promotes economic growth. The research employs a qualitative method with a descriptive approach, utilizing library research techniques for data collection. To enhance economic growth within the community, BAZNAS must prioritize the function of zakat. Several factors inhibit the implementation of zakat in boosting economic growth, including inadequate dissemination of knowledge about the importance of zakat and a lack of trust among muzakki in amil zakat's management. Additionally, zakat contributes to economic growth by increasing the purchasing power of mustahiq, boosting company production. This increase in production capacity can significantly enhance the country's economy.</i>

## **A. INTRODUCTION**

Islam encourages every individual to play an active role in improving the quality of life and establishing a process of social togetherness, one of which is through zakat (Fathurrahman, 2012). Zakat, as one of the pillars of Islam, has an important role in the real world. With this zakat facility, there will be a more obvious income distribution if it is connected and implemented properly and correctly. Zakat in Islam has two dimensions: worship and socio-economic (Fitriasari, 2013).

Another important thing is that zakat does not eliminate the circulation of wealth; it eliminates the balance in the distribution of wealth among human activities. However, these ideals are still far from reality. If zakat is managed with professional management, it will have a positive impact, zakat has become a source of state financial income that has a very important role, including as a means of developing Islam, developing the world of education and science, developing infrastructure, and providing assistance services for the benefit of social welfare of underprivileged communities such as the poor, as well as other assistance (Romdloni, 2017). Yusuf Qardhawi stated that zakat has a role in alleviating poverty and other community problems, such as social, political and environmental. The function of zakat is more specifically to alleviate economic problems (Amirudin, 2021).

Islam guides alleviating poverty and socio-economic inequality through the obligation to strive earnestly, work hard, and zakat, infaq, sadaqah and waqf. The distribution of zakat, infaq, sadaqah and waqf is a means to narrow the gap and differences in society so that social inequality and security disturbances will not occur in society (Rozaq, 1985). Islamic economics aims to realize the happiness of Muslims in the world and the hereafter, creating preparations in the community (Urif et al., 2020).

The potential of zakat funds in Indonesia is very large. Many studies have been conducted to inform people about the potential of zakat. Two of them are research conducted by Firdaus, Beik, Irawan, and Juanda in 2012, revealing a potential zakat of Rp. 217 trillion, and BAZNAS research 2015 stated that the potential for zakat in Indonesia reached Rp. 286 trillion. The latest data on national ZIS fundraising by OPZ is official; in 2017, ZIS fundraising only reached around Rp. 6 trillion (Publication and

Network Division of PUSKAS BAZNAS, 2017) (Hamdani et al., 2019). From these data, it is very clear that serious problems cause the gap between potential and reality to be so far away. This paper aims to determine how implementing zakat encourages economic growth and what factors hinder it.

## **B. LITERATUR REVIEW**

### **The Concept of Zakat**

Zakat is *maliyah* worship that has social and spiritual values (Shobrom, & Masruhan, 2017). Etymologically, zakat has the meaning of the words flourish (*an-namaa*), purify (*at-thaharatu*) and blessing (*albarakatu*). While terminologically, zakat means issuing some assets with certain conditions to be given to certain groups (Mustahik) with certain conditions as well (Hafidhuddin, 2002). Zakat is a concept of worship taught by Islam that provides various benefits from *muzakki* and *mustahiq* (Tho'in & Prastiwi, 2017).

According to Darajat, zakat comes from "*zakka*", which means holy, blessings, growing and praiseworthy. In terms of the term zakat is a certain amount of property required by Allah SWT which is handed over to people who are entitled to receive it, in addition to meaning spending a certain amount itself (Romdloni, 2017). While the zakat institution is a suggestion of wealth distribution that has a collective obligation to the economy of Muslims (Gamal, 2004).

Zakat is divided into zakat fitrah (soul) and zakat mal (treasure). First, zakat fitrah is a compulsory expenditure carried out by every Muslim with reasonable family advantages and needs on the eve and feast of Eid al-Fitr. This zakat is issued before the 1st of Shawwal (Eid al-Fitr) or some claim to be zakat given in connection with the completion of the *siyam* (fasting) that is *fardhu*. Its distribution is prioritized only for two groups: the poor and the poor. The size of *zakat fitrah* everybody issued is one sha' (3.5 liters) of staple food or can be in the form of money whose value is comparable to the size/price of food or staple food (Hervina & Umiarso, 2015).

People who are entitled to receive zakat fitrah and zakat mal are stipulated by Allah Almighty in the Qur'an, which means: "Indeed, alms (zakat) are only for the poor, the Poor, the managers of zakat (*amil*), those who have been persuaded by their hearts (*muallaf*), To free slaves who have been promised to be freed, those who owe

money (*gharim*) for the way of Allah (*sabilillah*) and for the traveller (one who is on the way). Such is Allah's decree" (Q.S. At-Tawbah: 60). Let us look at the explanation of the verse above about those who are entitled to receive zakat, namely: 1) *Fakir* - Those who have almost nothing and cannot meet basic needs. 2) *Poor* - Those with property but insufficient to meet basic needs. 3) *Amil* - Those who collect and distribute zakat. 4) *Mu'allaf* - Those who have recently converted to Islam need help adjusting to their new circumstances. 5) *Riqab* - The servant of Sahaya who wants to liberate himself. 6) *Gharim* - Those who owe money for lawful needs cannot fulfill them. 7) *Fisabilillah* - Those who fight in the way of Allah (e.g. preachers, people who fight for the defense of religion and homeland etc.). 8) *Ibnus Sabil* - Those who run out of expenses on the way (Chaniago, 2015).

According to El-Madani, there is wisdom in the compulsory zakat, which is as follows: 1) Zakat can accustom someone who fulfils it to have a generous nature while eliminating stingy and miserly nature. 2) Zakat can strengthen the seeds of brotherhood and increase the sense of affection between fellow Muslims, both rich and indigent. 3) Zakat is one of the efforts to overcome poverty in Muslim communities. 4) Zakat can reduce unemployment and its causes. For this reason, zakat proceeds can be used to create new jobs for the unemployed. 5) Zakat can purify the soul and heart from resentment and eliminate envy and envy between the rich and the poor. 6) Zakat can also grow the economy of Muslims, leading to the prosperity of their society.

### **Economic Growth**

Economic growth is the most important economic policy in any country or economic system. Overall, it can be assumed that economic growth will lead to economic opportunity and equity (Muttaqin, 2018). From an Islamic perspective, economic growth is related to increasing the volume of goods and services and aspects of morality and moral quality, as well as a balance between worldly goals and *ukhrawi* (Bahrudin et al., 2022). The measure of success of economic growth is not solely seen in terms of material achievements but also in terms of improving religious life; certainly, this growth is not under Islamic economic principles (Beik & Arsyianti, 2019).

Economic growth is defined as a development in the economy that causes the increase of goods and services produced in society, accompanied by increased community prosperity (Sukirno, 1999). Economic growth is a condition of GDP development that reflects the growth of per capita output and the increase in people's living standards. That means economic growth can be seen from the real GDP growth produced by a country in a certain time. GDP, or at the regional level, is called Gross Regional Domestic Product (GDP), the amount of goods or services produced by an economy in one year and expressed in market prices. GDP is the final value of goods or services produced by various units of production in the territory of a country within a year. GDP can be used to determine economic growth from year to year by using constant price GDP data (Murni, 2016).

In Islamic economics, some factors influence economic growth, namely the distribution of zakat funds, infak and alms. The distribution of these funds is a driver of economic growth. In Islam, it is obligatory to issue zakat, which forces a person to make his property productive and rotating. With this always productive property, it will increase output (economic development and growth), labor absorption, income and community welfare and so on (Ryandono, 2008).

### **C. METHODOLOGY**

This study employs a qualitative research approach with a descriptive-analytical method to explore the Islamic economic perspective on the implementation of zakat and its impact on economic growth. Data is collected through primary sources, such as semi-structured interviews with Islamic economics experts, zakat administrators, and zakat recipients, as well as secondary sources, including relevant literature, academic journals, reports from zakat institutions, and economic statistics. The analysis involves thematic qualitative analysis of interview and observational data and descriptive analysis of statistical data to elucidate the relationship between zakat implementation and economic growth indicators. Triangulation and peer review are used to ensure data validity and reliability, while ethical considerations, such as confidentiality and informed consent, are strictly adhered to.

## D. RESULT AND ANALYSIS

### Inhibiting Factors of Zakat Implementation on Economic Growth

Although zakat has been collected and distributed compared to its potential, it is far different; several factors must hinder it. The inhibiting factor of zakat development is the very minimal public attention to zakat due to several things:

1. Lack of understanding of the purpose of zakat prescribed in Islam seen from its implications for the social economy. In fulfilling the obligation of zakat, the muzakki only aim to keep their property clean from *mustahiq* rights, which are analogous to 'dirt' without thinking about how the zakat treasure can benefit mustahiq.
2. The busyness of *muzakki* in his life activities has occupied his attention, so it is very difficult to focus on distributing zakat
3. The *muzakki* still channels more zakat individually, not handed over management to amil zakat.
4. The belief in amil zakat in the management of zakat is still minimal.
5. Knowledge about zakat has not been well socialized, so many do not understand its purpose and purpose (Amelia, et.al., 2022).

### Strategies For BAZNAS to Optimize the Role of Zakat

To optimize and solve various problems regarding zakat management in optimizing the role of zakat.

1. Implementation of Good Corporate Governance of Amil Zakat Institution. The principles of Good Corporate Governance can also be applied in the management of zakat organizations. BAZNAS and LAZ, as non-profit organizations, can also adopt the concept of Good Corporate Governance, which includes the principle of transparency, the principle of accountability and the principle of responsibility and the principle of independence. First, the principle of transparency is an openness in conveying information about the zakat planning system and the monitoring system for zakat distribution. The second principle of accountability is a certainty of the use of funds through a zakat reporting system. The application of the principle of responsibility to the

Amil Zakat Institution means that every Amil Zakat institution must always pay attention to compliance with applicable laws and regulations. The four principles of independency are that the institution of amil zakat must be managed independently so that each organ of the company and its ranks must not dominate each other and cannot be intervened by any party. The government and other institutions must not interfere in regulating the policies of LAZ programs, both in terms of planning, collecting, distributing and utilizing ZIS funds.

2. Digitization of Zakat Management System. Digitalization of zakat management will facilitate the implementation of zakat, facilitate the management of zakat funds in zakat institutions, and facilitate the distribution of zakat to those who are entitled. Digitalization of the zakat system can also increase transparency, effectiveness, and efficiency in zakat management.
3. Synergy, collaboration and cooperation between institutions are very important to be carried out as a form of strategic instrument for the development of national community welfare. Amil zakat institutions need to collaborate with various e-commerce platforms in Indonesia, for example in the context of raising funds and optimizing community empowerment programs. Collaboration with various business platforms, Amil Zakat institutions can ensure standardized coaching products, prerequisites, market quality and volume can continue or continuity and can ensure awareness in *Zakat* institutions to glance at a wider market network (Dzikrullah & Permata, 2019).

### **Implementation of Zakat in Encouraging Economic Growth**

The motives for consumption in Islam are *mashlahah*, necessity, and obligation. Consumption activities also aim to increase worship and faith in Allah SWT. In discussing individual Muslims' consumption behaviour, zakat's characteristics have been seen to influence consumption figures positively. Because the consumption rate is very dependent on the distribution of zakat. The more *mustahik* receive zakat distribution, the more their purchasing power and consumption rates increase. So, it can be said that the discussion of zakat and its relation to macroeconomics cannot be

separated from the main function of zakat as a variable for increasing the demand side of the economic system (Fajrina et.al., 2020).

Economically, zakat assistance given in the form of consumptive to *mustahik* will increase the purchasing power of an item that is needed. Increasing the purchasing power of an item will impact a company's production, which means there will be an increase in production capacity and can add to the country's economy aggressively. Zakat can be directed to create equity for the community so that the economic standard and people's lives can be improved. Zakat can be engaged in the economic sector and in dealing with education and health problems (Khaf, 1997).

The distribution of zakat in Indonesia is distributed in several sectors, namely the economy, education, da'wah, health, and social sectors. Among these sectors, the social sector has the highest allocation at the national level, with almost half of the total zakat funds, which is 41.27 percent or almost Rp. 1 trillion. About half of that, especially 20.35 percent or almost Rp. 500 billion is allocated to the education sector. This is followed by the economic and da'wah sectors, with allocations of 15.01 percent or around Rp. 340 billion and 14.87 percent or around Rp. 330 billion, respectively. In addition, the smallest proportion of zakat distribution is 8.5 percent or around Rp. 200 billion is allocated to the health sector (Iswanaji et al., 2021).

The role of zakat in promoting economic growth has generated considerable debate among scholars. Zakat, one of the Five Pillars of Islam, mandates Muslims to give a portion of their wealth to the needy, and its potential impact on economic growth is analyzed from various perspectives. Proponents of Zakat as a Catalyst for Economic Growth: Dr Abdullah Al-Khatib, an Islamic Finance Scholar, argues that Zakat can significantly contribute to economic growth by redistributing wealth and increasing the purchasing power of the poor. He posits that zakat can reduce poverty levels and stimulate consumption, increasing demand for goods and services. This demand, in turn, can drive production and create jobs, fostering economic growth. Al-Khatib cites empirical evidence from countries like Malaysia and Indonesia, where structured zakat systems have contributed to poverty alleviation and economic development (Al-Khatib, 2020). Furthermore, a Development Economist, Ayesha Siddiqui supports the argument that zakat can promote economic growth by funding small and medium enterprises (SMEs). She emphasizes that zakat funds can provide



much-needed capital for entrepreneurial ventures among the poor, leading to business creation and expansion. This can enhance economic productivity and diversify the economic base. Siddiqui points to case studies where zakat-funded microfinance programs have successfully lifted people out of poverty and contributed to economic growth in regions like South Asia and the Middle East (Siddiqui, 2019).

On the other hand, critics of Zakat's impact on economic growth come from Johnson, a Public Policy Analyst, who raises concerns about the practical implementation of Zakat as a tool for economic growth. He argues that the lack of standardized zakat collection and distribution mechanisms can lead to inefficiencies and mismanagement. Johnson points out that without proper governance and accountability frameworks, zakat funds may not reach the intended beneficiaries or be used effectively to stimulate economic growth. He stresses the need for better coordination between religious authorities and governmental bodies to harness zakat's potential (Johnson, 2018). In addition, Fatima Noor, a Social Anthropologist, critiques the integration of zakat into economic growth strategies from a cultural and social perspective. She argues that zakat is a religious obligation primarily intended for social welfare and spiritual fulfilment, not economic growth. Noor suggests that focusing too much on the economic aspect of zakat may undermine its spiritual and communal essence. She also highlights the variability in zakat practices across different Muslim communities, which can affect economic growth (Noor, 2021).

The academic debate on zakat and economic growth reveals potential benefits and challenges. Proponents highlight Zakat's ability to reduce poverty, stimulate consumption, and support entrepreneurial ventures, thus promoting economic growth. Critics, however, emphasize the need for robust governance, standardized mechanisms, and cultural sensitivity to realize zakat's economic potential fully. Based on that, the recommendations for future research and Policy are establishing standardized mechanisms and developing standardized zakat collection and distribution systems to ensure transparency, accountability, and effectiveness in promoting economic growth. Public-Private Partnerships: Encouraging collaboration between religious institutions, governments, and non-governmental organizations to leverage zakat for economic development projects. Also, balancing spiritual and economic Goals: Ensuring economic strategies involving zakat does not compromise

its religious and spiritual significance. Furthermore, empirical research will be conducted to evaluate the impact of zakat on economic growth across different contexts and regions. Lastly, the role of zakat in economic growth underscores the need for a balanced approach that leverages zakat's potential for poverty alleviation and economic development while maintaining its spiritual and communal essence. Future research and policy initiatives should focus on creating effective frameworks to harness zakat for sustainable economic growth.

#### **E. CONCLUSION**

From the description above, it can be concluded that the implementation of zakat can encourage economic growth because providing zakat assistance in the form of consumptives can increase the purchasing power of *mustahiq* according to its needs and increase demand or increase purchasing power for an item; this will have an impact on improving the production of a company which means there will be an increase in production capacity and can add to the country's economy aggressively. In Indonesia, the potential for zakat is very large, but the amount of zakat obtained is very far different from its potential. This is due to knowledge about zakat that has not been properly socialized to the community and the lack of public trust in zakat management institutions.

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