

Zakat in the Contemporary Islamic World: Islamic Economics of Philanthropy and Community Welfare in Indonesia

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Location of fieldwork: Indonesia, Malang

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● Research Background

Islamic philanthropy incorporates the practices of *zakat* (mandatory donation), *sadaqa* (voluntary donation) and *waqaf* (religious endowment). The institution of *zakat* is one of the most important sources of Islamic philanthropy and its good social welfare effectiveness for poverty alleviation, especially in Indonesia, the country with the biggest Muslim population in the world.

The Indonesian government oversees several poverty reduction programs, including *Raskin*, a project that provides subsidized rice to low-income households, and *Jamkesmas*, a social assistance program that provides healthcare and financial assistance for the poor and the near poor. In spite of this, 11.66% of the population are still living below the poverty line and suffer from poverty related problems, so it is quite common to find philanthropy and community welfare services such as *zakat* operated by the community or the government itself.

Domestic politics have resulted in *Zakat* Act No. 38/1999, which was subsequently amended by *Zakat* Act No. 23/2011. This latter Act mandates stronger integration of *zakat* management across the country. Nevertheless, *zakat* is still collected by numerous private organizations and strongly relates to the community itself.

This study focuses on Islamic philanthropic organizations in Malang, Indonesia and reviews the theories practice of *zakat* payers (*muzakky*) and *zakat* institutions (*al-'amilin 'alayha*). It also attempts to review the circumstances and treatment of *zakat* recipients (*mustahik*) in the modern era.



↑ YASA's office (Malang, August 8, 2014)

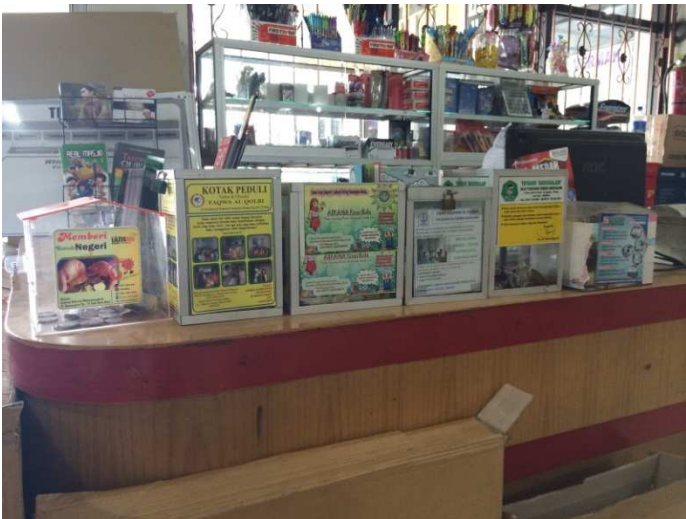


↑ Orphanage run by YASA(Malang, August 20, 2014)

● Research Goals

In the initial stage, the purpose of the research is to explore the operational aspects of *zakat* management as performed by *zakat* institutions in Malang, East Java, Indonesia. In particular, this study will focus on the following operational aspects:

- how *zakat* agencies (al-‘amilin ‘alayha) collect *zakat* funds from *muzakki* (*zakat* payers),
- methods of distribution of *zakat* funds to *mustahik* (*zakat* recipients) through programs and activities,
- problems and challenges faced in managing the *zakat* funds, and the procedures of apply to *zakat* funds



↑ Islamic charity boxes (Malang, August 30, 2014)



↑ Bank Indonesia (Jakarta, September 22, 2014)

- Results and Accomplishment

I conducted fieldwork in Malang, Indonesia, from August 5, 2014 to October 12, 2014. I interviewed representatives of several Islamic philanthropic organizations, including YASA, BAZNAS, RZ and Nurul Hayat. I determined that community-based *zakat* fund can still operate successfully under the new Act, unless the government will seek to mandate collecting *zakat* for the national BAZNAS fund. I theorize that this is so because *zakat* in Indonesia has historically been community-managed, and it is challenging to force a government mandate to revise this *modus operandi*. However, I also found that BI (Bank Indonesia) and state operated *zakat* fund BAZNAS and IDB (Islamic Development Bank) are struggling to build trust and cooperation between Indonesian Muslims and the state in incorporating the new *zakat* core principles. In conclusion, I suggest a balance between the state and community in *zakat* management.

- Implications and Goals for Future research

In this fieldwork, I was able to conduct several interviews among representatives of many Islamic philanthropic organizations, including BAZNAS and RZ. However, I was unable to secure cooperation from LAZ, which is the largest private *zakat* fund in Indonesia. Therefore, to broaden my knowledge and understanding of *zakat* management in Indonesia, I would like to obtain additional information from LAZ in the next research visit.