

The Transformation of Mustahiq as Productive Zakat Recipients in Surabaya

Muhamad Nafik Hadi Ryandono¹ and Aditya Surya Nanda²

ABSTRACT

There are still numerous less active zakat institutions carrying out the programs that direct the *mustahiq* (zakat recipients) to empower their economy. Zakat institutions tend to focus more on spiritual coaching. The fact, exploring *mustahiq*'s prospect and directing them is an essential effort in generating and developing their economic power. Therefore, this research aimed to discover how the transformation of *mustahiq* as recipients of productive zakat applied as venture capital at *amil zakat* institutions in Surabaya. This qualitative research employed a descriptive method with the interview as data collection techniques. The main interviewees were the *mustahiq*, who received productive zakat for venture capital.

ملخص

عدد قليل فقط من مؤسسات الزكاة النشطة هي التي تنفذ برامج تعنى بتمكين مستحقي الزكاة اقتصاديا. فعادة ما تركز مؤسسات الزكاة في عملها على الجانب الروحي لدفع الزكاة. وفي الواقع، يعد استكشاف إمكانات مستحقي الزكاة وتقديم التوجيه اللازم لهم من العناصر الجوهرية التي قد تساهم بصورة كبيرة في إبراز وتنمية قدراتهم الاقتصادية. لذلك تتوخى هذه الورقة البحثية استكشاف كيف حصل التحول على مستوى مستحقي الزكاة بصفتهم مستفيدين من الزكاة المنتجة وتسخير هذه الزكاة كرأس مال المساهمة الأولى على مستوى المؤسسات العاملة على الزكاة في سورابايا. واعتمد هذا البحث النوعي منهجية وصفية قائمة على أساس المقابلات الشخصية كتقنية لجمع البيانات. ويتمثل الأشخاص الذين أجريت معهم المقابلات في مستحقي الزكاة المستفيدين من الزكاة المنتجة كرأس مال المساهمة الأولى.

¹ Department of Islamic Economic, Universitas Airlangga, Surabaya, Indonesia.

E-mail: muhammadnafik@feb.unair.ac.id

² Magister of Science in Islamic Economic, Universitas Airlangga, Surabaya, Indonesia.

E-mail: adityasurya@uwp.ac.id

ABSTRAITE

De nombreuses institutions de zakat, moins actives, poursuivent les programmes qui incitent les *mustahiq* (bénéficiaires de la zakat) à renforcer leur économie. Les institutions de la zakat ont tendance à se concentrer davantage sur la guidance spirituelle. Le fait d'explorer la perspective de *Mustahiq* et de les diriger est un effort essentiel pour générer et développer leur pouvoir économique. Par conséquent, cette recherche visait à découvrir comment la transformation des *mustahiq* en bénéficiaires de la zakat productive s'appliquait comme capital-risque dans les institutions de zakat amil à Surabaya. Cette recherche qualitative a utilisé une méthode descriptive avec l'interview comme technique de collecte de données. Les principales personnes interrogées étaient les *mustahiq*, qui ont reçu la zakat productive pour le capital-risque.

Keywords: Productive Zakat, *mustahiq*, transformation, *amil zakat*, *zakat* institution

JEL Classification: A13, I38, G23, L21, Z12

In contrast, the supporting interviewees were the heads of *amil zakat* institutions who ran programs of productive zakat for venture capital. This research employed a triangulation technique to test the validity of data by obtaining information from other sources. This study found that the *mustahiq* of productive zakat for venture capital tended not to show significant changes. The changes that *mustahiq* perceived were on the increased income, their mentality in running their business, and their character. The transformation could not be achieved quickly since the transformation process would indicate the *mustahiq*'s performance in managing their business. Hence, the problems faced by the *mustahiq* included the unavailability of venture capital, their mentality, and the education organized by the *amil zakat* institutions.

1. Introduction

Zakat serves as a double purpose religious practice, a personal religious practice, and a practice supporting collective lives (Rahman, 2014). *Zakat* helps collective lives by elevating the prosperity level of the *mustahiq*, who belong to the eight groups of *asnaf* (zakat recipient groups). The principle of *mudarabah* or profit-sharing is represented in some *zakat* interpretations (Possumah, Ismail, and Shahimi, 2013). However, some

Islamic social scholars argued that there was insufficient evidence that zakat had ever eradicated poverty and performed as economic redistribution to the *ummah* (the people). Moreover, when the Prophet stopped by Medina in a short time, zakat was never effective in decreasing poverty (Abbas, 2005).

On the other hand, some other scholars argued that people could live a better life by utilizing zakat to come out from difficulties and economic problems. Therefore, *the zakat* system is required for poverty reduction and compensates for the state's incapability to provide the appropriate social welfare for the people (Kuznetsova and Round, 2014). Ryandono (2008) claimed that *zakat* held the ability to push the short-term and long-term economy. Zuhayli (2000) stated that the obligation to pay *zakat* was an essential way to resolve the social gap. Following the calculations made by Mohsin (2013), in which zakat was collected and used as explained in the Quran, the poverty in Muslim countries could be abolished. Based on its history, the *zakat* and sharia banking industry had caused significant changes from the 1980s to 2012 (Choiruzzad, 2013).

To reach the aim of zakat in social welfare, it needs zakat institutions' efforts to carry out *mustahiq's* economic activities. Counseling was conducted so that economic activities could yield good quality and value and also become beneficial for *mustahiq*. This program was expected to pull the *mustahiq* out of poverty and to cause them to run their business independently. In other words, zakat institution institutions provided productive *zakat* to the *mustahiq*. Productive *zakat* is the *zakat* given to the *mustahiq* as venture capital to run a business or an economic activity. This type of *zakat* would provide good outcomes and positive impacts on *mustahiq's* life. The expectation is that they can perform a transformation, a series of processes aimed at achieving the socio-economic welfare of the *mustahiq* to escalate them into *muzakki* (zakat donors). Thus, the unemployment rate will decrease along with the increase in people's purchasing power on either goods or services.

There are various *mustahiq* success stories in transforming their lives. Some *mustahiq* earned productive zakat yet unsuccessful in managing the *zakat* funds initially used for working capital. On the other hand, some others successfully transformed their lives with the zakat, where their lives developed and empowered well. This phenomenon was due to the shift in the zakat practice, which was initially a mere financial, religious

practice into a socio-economic/political system (Latief, 2010). For instance, several previous studies, the one carried out by Arskal Salim (2008), found that zakat was a step towards society's Islamization, especially in Indonesia. As with Jahar's (2015) explanation, Dompot Dhu'afa tried to build a *zakat* system based on modern and Islam principles to contribute to social development.

Nevertheless, there are still numerous zakat institutions that less active in carrying out the direct economic empowerment programs to the *mustahiq*. In Indonesia's case as a Muslim majority country, especially West Java, it was found that zakat institutions had not led to measurable and directed efforts to empower the society's economy (Dzikron, Nasrullah, and Shofi, 2005). Moreover, zakat institutions tend to focus more on spiritual counseling. Exploring *mustahiq*'s potential and directing them is essential in generating and developing *mustahiq*'s economic power. Besides that, only a few empirical research talked about the productive zakat program to *mustahiq* economic-social transformation.

This study aimed to understand how *mustahiq* managed and survived in running their business from the productive *zakat* they received based on their background. This study of the transformation on the *mustahiq* as the recipients of productive *zakat* for venture capital from *amil zakat* institutions in Surabaya was limited by measuring the *mustahiq*'s business success and failure.

2. Literature Review

Based on Wahab & Abdul Rahman (2012), zakat institutions are trusted bodies that manage zakat in Muslim countries. In Indonesia, the government *zakat* management is known as BAZNAS (the National *Amil Zakat* Agency). Besides that, there are *zakat* management institutions established by the communities are referred to as LAZs (*Amil Zakat* Institutions). Both institutions solicit the community to regularly give zakat, allocate, empower, and distribute the *zakat* funds.

Zakat fund can be deliver as charity purposes and empowerment program. As stated by Sarasi et al., (2019), in doing their task, zakat institutions should focus on empowerment based program for poor people, one of them is by providing needed capital to empower poor people. This is because zakat empowerment programs will raise the low income, their

capital, and increases their ability to make income (Abdelmawla, 2014). The best part of these *zakat* empowerment have carried out is by providing directions and counseling the *zakat* receivers to be appropriately distributed (Buehler and Muhtada, 2016). Within this empowerment programs, poor people will have an access to physical and financial capitals that enable them to reach welfare. Based on Nurzaman (2017), traditional *zakat* distribution like charitable and consumptive fund are no longer sufficient to liberate humankind from the downturn.

So that, *zakat* institution management should be required to empower the *mustahiq* (entitled to receive *zakat*) to become *muzakkī* (*zakat* payer) and empower humanity (Baidhawiy, 2015). Research of Ryandono & Wijayanti (2019), stated that one effective, efficient, and productive way of *zakat* management to increase *mustahiq* welfare and independence is by providing empowerment that applies social entrepreneurship principles. Social entrepreneurship principles are has a social mission and goals, empowerment, business ethics principles, social impact, and sustainability. This program aims to build the independence of *mustahiq* so that they can be separated from the dependence on *zakat* funds one day. In contrary, *Zakat* institutions that do not succeed in distribution management, would not reach the maximum primary mission of *zakat* obligation as stated in QS At. Taubah verse 60. In other aspects, *zakat* will not have a positive and significant impact on poverty's socio-economic problems (Ryandono & Wijayanti, 2019).

3. Data and Methodology

The method applied in this research was qualitative by employing a descriptive approach and case study strategy. In this study, the research subjects were the *muzakki* (*zakat* receivers) who received productive *zakat* and had been free from poverty. The collected data was primary data in the form of a direct open interview and secondary data in the forms of documentation, recording archives, and other physical items relevant to the study's objects. The data validity technique utilized in this research was the data source triangulation. This study applied the purposive method to determine the interviewees. The main interviewees in this study were the *mustahiq* who received productive *zakat* for venture capital from *amil zakat* institutions in Surabaya through empowerment program and were randomly chosen according to interviewees' availability.

In contrast, the supporting interviewees were the leaders or managers of *amil zakat* institutions in Surabaya. The reason for selecting the *mustahiq* who received productive *zakat* for venture capital was to view if *zakat*'s role in transforming their lives in the long-term. Meanwhile, the supporting interviewees were selected to determine how *amil zakat* institutions transformed the *mustahiq* and discovered their programs.

4. Results and Discussion

Some of the *mustahiq* thought to upgrade their business or even challenge themselves to start a business to pull themselves out of poverty. They did not want to live a sedentary life. They wanted to give the best outcome for their family and keep the business running well to fulfill their family needs. Though their business background and basic was initially inadequate, the *mustahiq* did not give up easily. They continued to look for ways to keep them thriving and gave the best outcome for their lives. Having passed some processes, there was no transformation in most *mustahiq*'s conditions. Only a few *mustahiq* improved. There were even two *mustahiq* who were no longer in the group of *zakat* recipients as their economy was so much better than before receiving *zakat*. Hence, it took a long period of managing the business, focusing on running it, and maintaining the *amil zakat* institutions' trust in utilizing the productive *zakat* for venture capital.

The ultimate goal of this *mustahiq* transformation was to generate new *muzakki* who contribute to the remaining *mustahiq* through *zakat* management institutions. It was undeniable that *mustahiq* possessed great potentials when optimally managed, *mustahiq* would influence the success and the progress of the nation in eradicating poverty.

The *mustahiq* variously understood the concept of transformation since each of them had different ways of thinking. Most *mustahiq* perceived transformation as a process where *mustahiq* gained better business conditions. This perspective formed the transformation that leads to an economic dimension, which was a crucial part of the impact resulting from productive *zakat*. However, some *mustahiq* defined the transformation as a manifestation of inner peace. This opinion was a manifestation of the gratitude dimension. Although they had different ideas, it could be concluded that the transformation concept was an

improvement perceived by the *mustahiq* in various dimensions, such as gratitude, politics, religious practice, and so on.

Two reasons were underlying the *mustahiq* to survive in running their business and in transforming themselves. First, they tightened the relationship with the surrounding community to ease them from living their lives, including information about productive *zakat*, especially for business capital. Second, they had experienced difficulties and poverty, which made them want to change their fate because they felt how unfortunate it was to be poor. Islam teaches people always to make efforts, pray as much as possible, and not forget to worship. No matter how hard our condition is, we still have to face it whole-heartedly. By getting closer to God, it will calm people's souls so that there will be no doubt about His sustenance that will be obtained. When running a business without counterbalanced with *tawakal* (trusting God), the company will not run well. The businessmen will always feel lacking because they are not close enough to Allah SWT.

Then, the problem was when receiving productive *zakat* for venture capital; the *mustahiq* spent it for consumptive activities instead. Supervision was essential to create the same vision and missions between the *zakat* institutions and the *mustahiq*.

4.1. The Characters of the Transforming *Mustahiq*

Mustahiq, who was capable of transforming, held particular characters in comparison to those who were not. The characters included (1) hard-working, (2) *Amanah* (trustworthy), (3) willing to cooperate, and (4) *istiqomah* (steadfastness).

Making efforts and struggling are obligations for every Muslim since more efforts and perseverance are required to achieve goals without forgetting the worship. The problem encountered by *mustahiq* was the lack of enthusiasm for working; meanwhile, most successful *mustahiq* were not lazy. Even though the business condition decreased, the successful *mustahiq* still worked as hard as possible and did not give up. They kept trying even though it was late at night so that they could complete their obligations. This achievement improved the *mustahiq*'s performance so that the obstacles and problems which were often encountered could be solved quickly. It was proven that the *mustahiq* who

worked harder were more successful in solving the often-occurring problems. The *mustahiq* who received productive zakat for venture capital had to be successful if they worked hard; thus, any problems could be smoothly solved. This hard-working character would generate people responsible for carrying out their duties as well as possible and the perseverance to obtain the best outcome.

Amanah is a character that reflects the trusts of others towards a person. Many *mustahiq* received productive zakat for venture capital, yet they misused it. Zakat should be used for venture capital for consumptive activities, causing the businesses to become undeveloped. However, for the *mustahiq*, capable of upholding the trust, they became capable of increasing the business capacity better than before receiving the productive zakat for venture capital. Some LAZ understood the *mustahiq*'s needs, so they continued to support any business carried out by the *mustahiq*. They did not interfere but reminded them if there was any misuse. Some other institutions did not care how the zakat was used because they believed that the *mustahiq* themselves *must* take the risk.

Mustahiq, who cooperated in solving problems, most likely, became more successful than those who worked individually. Working together would provide ease in all aspects, as long as it was within tolerable limits, and maintained the goodness to create a sustainable atmosphere towards all working conditions.

Istiqomah is a condition where people uphold their faith in everyday life. When facing difficulties, the person who is *istiqomah* will be patient while making efforts. *Mustahiq*, who was *istiqomah*, always struggled hard to achieve the best outcome. *Istiqomah* had positive impacts for *mustahiq* who received *zakat*. First, they became courageous. Muslims who hold *istiqomah* will not be afraid to face any tests God gives since the strong belief will form a tough character that is not easily worried about living life. The *mustahiq* who always held onto *istiqomah* still became the best ones. The second reason was inner peace. The *mustahiq* assumed that the wealth obtained in a *halal* way (righteous way) would bring inner peace and become the key to life perfection. Third, they became an optimist. *Mustahiq*, who received productive zakat for venture capital, tend to be courageous in living their lives. They felt happier because their businesses could develop well. Still, their lives became better since it was God's

repayment to those who obeyed Him and always be *istiqomah* in living their lives.

Fourth, giving charity. Many *mustahiq* set aside a part of their wealth, between Rp5,000 to Rp50,000, depending on the charity's income. The more frequently they gave charity, the better the business development was because the blessings they obtained would help develop their business either directly or indirectly. This religious command carried out by the *mustahiq* was a manifestation of their obedience to religion along with the solicitation proposed by LAZ to set aside their wealth for charity for good causes as a medium to cultivate the economy for those who were in need. Fifth, pray frequently. A manifestation of gratitude to God was by keep praying, which encouraged the *mustahiq* to be more devoted and be included as the pious ones. The eminence of people who frequently pray is that they gain the spirit to work and become capable of overcoming their life problems. The *zakat* institutions' spiritual guidance emphasizes the *mustahiq* not to forget praying, especially *salat* (the obligatory five-time prayers) because it would often bring positive impacts either directly or indirectly. A person's worship is reflected in the prosperity which he/she will obtain as the more frequent that worship, the more they will receive. Sixth, accepting change. Accepting the difference is a responsive character towards living conditions. People who hope to change their life will encourage themselves to keep making efforts and not giving up on the conditions they face. The *mustahiq*, who was capable of accepting the changes, gained satisfactory results from their efforts. Taking advantage of the opportunities was among the *mustahiq*'s strategies to improve their business. As information and technology development could not be avoided, it would help increase the business outcome if appropriately used.

4.2. The Implementation of Productive Zakat

Zakat distributions carried out by LAZ were manifested by providing *zakat* for venture capital addressed to the *mustahiq*, who had followed LAZ's spiritual coaching in a certain period to strengthen their faith. The spiritual guidance aimed to increase devotion to God so that the previously still lacking worship can be maintained and motivated in the *mustahiq*'s life. At that point, the institutions provided understanding and socialization about productive *zakat* for venture capital addressed for the

mustahiq, who had entrepreneurship skills to be independent and increase their business capacity.

The money earned from the *zakat* institutions could provide the opportunity for the *mustahiq* to manage it to become a source of capital so that the production increased, followed by an increase in their production capacity. The hawker carts given for the *mustahiq* were also expected to increase the business's value as the customers grew more convinced by the existence of the hawker carts. Besides, to look clean, the carts put a more luxurious impression than the previous venture. The blessings gained from it had caused the business run by the *mustahiq* improve, enabling them to transform better and get better income than the previous venture.

The use of capital for business aimed *mustahiq* to be more independent in running their business. In general, the money could be used optimally to meet the entrepreneurship needs without suffering from lacking. Many *mustahiq* recipients of productive *zakat* for venture capital used the *zakat* to fulfill the business needs as only a few of them used it for consumptive needs. The LAZs fully handed the productive *zakat* to the *mustahiq*, so they had to be capable of keeping the trust given by the LAZs to meet the commitment previously mandated.

Education was essential for the *mustahiq* so that they grew capable of utilizing productive *zakat* for venture capital efficiently and adequately. The LAZs' obligation was to provide education to the *mustahiq*, including delivering Islamic understanding through spiritual coaching, which was the foundation of everyday life. This spiritual coaching would increase the faith and devotion to God and growing confidence in the undertaken business. The LAZs always provided education to the *mustahiq*. The one which was frequently carried out was spiritual coaching. LAZs understood the importance of spiritual coaching. With such programs, the knowledge related to entrepreneurship included the one that would strengthen the *mustahiq's* ability to manage their business. However, there was a problem that often occurred. Not all LAZs paid attention to entrepreneurship education. Some LAZs tend to let go of the *mustahiq*, who had received *zakat* without giving any guidance so that the *mustahiq* had the ability that indicated development. Besides, many *mustahiq* could not participate in the education carried out by *zakat* institutions because of their activities in managing their business. Nevertheless, the LAZs

considered spiritual guidance as to the most prominent one that was used as a guide in sorting out the *mustahiq* to receive the fund ran their business.

5. Conclusion

Productive zakat aimed to transform the *mustahiq* to be free from poverty, be independent in entrepreneurship, and successfully improve their economic standards by using productive zakat obtained from the LAZs. Nonetheless, the productive zakat for venture capital provided by LAZ was relatively small, and they must wait for a certain period to get it, so the outcome could not meet the LAZs' expectations.

Most of the *mustahiq* spent the productive zakat properly to add their venture capital. However, there were a few zakat recipients who paid the productive zakat for consumptive needs. Most *mustahiq* encountered progress in their business because the productive zakat in venture capital could increase their business capacity. Nonetheless, the increase was not balanced with the guidance and further training from some LAZs. Thus, the *mustahiq* as recipients of productive zakat for venture capital tend not to show significant changes.

The transformation on the *mustahiq* who received productive zakat for venture capital in running business included (1) the increase in income, (2) the emergence of the characters of hard-working, *Amanah*, *istiqomah*, able to cooperate, diligent, high-principled as well as intense worship, and (3) eager to develop the business which could become the impetus in running independent business consistently.

The problems often encountered by the *mustahiq* included (1) the difficulty of capital due to the misuse of money, (2) incapability of maintaining their mentality, trust, and intention to remain focus on the business goals, and (3) the seemingly less effective education provided by the LAZs to transform the *mustahiq*.

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