

Muzakki and *Mustahik's* collaboration model for strengthening the fundraising capacity of Islamic social finance institutions during COVID-19

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Abstract

Purpose – This study aims to examine how muzakki (zakat donator) and mustahik (zakat recipients) collaborated to strengthen the fundraising capability in Islamic social finance institutions (ISFIs) during the COVID-19.

Design/methodology/approach – This study uses a descriptive qualitative method in conjunction with interview techniques. Interviews with muzakki of various professions were conducted, as well as data from field documentation, to develop a collaborative model of muzakki and mustahik in strengthening the fundraising capacity of ISFIs.

Findings – The findings indicate that muzakki employed as civil servants, BUMN (state-owned enterprises) employees and entrepreneurs continue to pay zakat through ISFIs and support mustahik, whereas muzakki affected by the COVID-19 pandemic reduce their zakat spending. Consequently, with the collaboration of mustahik and muzakki, a framework can be developed to strengthen the strategy for raising funds for ISFIs. By empowering mustahik with businesses, ISFIs can increase the collection of zakat funds.

Research limitations/implications – The collaboration model would strengthen ISFI's ability to raise Islamic philanthropic funds and optimize their management. The basis for the regulation is contained in Law No. 23 of 2011 which allows collaboration between institutions and other stakeholders. In addition, the role of ISFIs does not end with the collection and distribution of funds, they also maintain the muzakki and



mustahik's cooperation, so a significant role is required in involving muzakki and mustahik for them to collaborate and synergize, as well as improving the quality of human resource from Amil (zakat collector) to implement the strategy.

Originality/value – Few studies have been conducted in collaboration with Muzakki and Mustahik to develop models or frameworks for strengthening fundraising capabilities in ISFIs. Most of these studies are illustrative. Through collaboration between Muzakki and Mustahik, this research establishes a new model for enhancing the strategy of Islamic social finance fund raising to establish a sustainable system for ISFIs.

Keywords Collaboration model, COVID-19, Islamic social finance institutions, Partnership for the goals

Paper type Research paper

1. Introduction

The COVID-19 pandemic devastates the economy and various business sectors. Restrictions on community mobilization and social interaction reduce economic activity, thereby reducing the production of goods and service (Mofijur *et al.*, 2021). This adverse economic impact is estimated to require a longer period of recovery than the 1998 and 2008 economic crises (Pitoyo *et al.*, 2020). With the government being forced to impose a lockdown policy, resulting in aggregate demand and supply shocks due to a disrupt in the distribution of goods and services, thereby eliminating a surplus in the economy (Ascarya, 2021). In addition, the COVID-19 pandemic generated negative externalities that could trigger an economic crisis, as evidenced by the 2.4% decline in global gross domestic product in the first quartile of 2020, according to OECD data (Irawan and Alamsyah, 2021). During the COVID-19 pandemic, the workforce was reduced to improve production efficiency, resulting in decreased labor demand and increased unemployment. The pandemic's long-term impact increases the number of people living below the poverty line (Umar *et al.*, 2021).

To contain the virus's spread, the government has taken desperate measures such as closing schools and workplaces in addition to imposing social restrictions on the community, all of which impose enormous economic and social costs (Zaremba *et al.*, 2021). In this case, the government has made extraordinary efforts to address economic and public health concerns, with one of the programs provided is the Direct Cash Assistance, which is intended for communities affected by COVID-19 and is part of the government's social safety net policy (Roziqin *et al.*, 2021). Nevertheless, the government has not channeled this fund extensively in recent months, as the government's current focus is on vaccine spending, which is intended to be distributed to all Indonesians, which also faces distribution challenges (Aziz *et al.*, 2021). On the other hand, government intervention in the business sector takes the form of capital assistance in addition to facilitation and relaxation of the financing process (Roziqin *et al.*, 2021). However, government assistance alone has not been sufficient to address these issues; therefore, the community's role or support from community institutions or organizations, including Islamic social finance institutions (ISFIs), is required.

Philanthropic institutions must play a critical role in responding to the global COVID-19 pandemic (United Nations, 2020). The pandemic, however, has reintroduced new challenges for ISFIs. In Indonesia, the gap between the potential of zakat and the actual amount collected by zakat institutions is still quite large. Zakat has a potential of IDR 327tn (BAZNAS, 2021b), but the collection in 2020 is only IDR 385.5bn (BAZNAS, 2021a). ISFIs, which are expected to assist the government in overcoming poverty, unemployment and other adverse economic consequences, also encountered difficulties during the COVID-19 pandemic. This is because the number of *muzakki* has decreased while the number of *mustahik* has increased in lockstep with poverty. This decline was partly a result of *muzakki*, *wakif* (*wakaf* donator) and almsgiver's diminished capacity to spend their social

expenditures. This decline was also sparked, among other factors, by a lack of enthusiasm for the economy, which caused their businesses to stagnate and possibly fail. In addition, the majority of *muzakki* of Islamic social institutions are middle-class individuals (Republika, 2020). Accordingly, ISFIs must identify, classify and collaborate *muzakki*, *wakif* and almsgiver with the needy who receive assistance from Zakat Institutions, Baznas (national and micro Waqf banks). Optimizing the collection of philanthropic funds by ISFIs in Indonesia, the world's largest Muslim country, is critical for mitigating the pandemic's multifaceted impact (Kholidah and Hakim, 2021).

The collaboration model proposed is an attempt to optimize the collection of philanthropic funds. As a result of the pandemic, ISFIs will continue to receive sufficient funds to be distributed to *mustahik* and newly impoverished people. In addition, through the intermediary of ISFIs, a mutually beneficial synergy is established between *muzakki* and *mustahik*. Al-Fatih and Aditya (2017) previously stated that one way to strengthen productive zakat management is through collaboration with Islamic finance institutions in the collection and distribution of zakat as well as public education on Islamic economics, but the collaboration in question is not further explained in terms of form or model. Furthermore, based on Law No. 23 of 2011, Chotib (2021) conducted research on the concept of zakat management in accelerating economic recovery, while Ninglasari and Muhammad (2021) offered the use of digitalization in collecting and distributing zakat through a SWOT analysis. Prior research has concentrated on conceptual theory and descriptive analysis without providing a model or framework; therefore, additional research is needed to develop a model for strengthening the capacity of ISFIs to collect funds, particularly during the pandemic. The purpose of this research is to examine how the model of cooperation between *Muzakki* and *Mustahik* can help ISFIs strengthen their fundraising capacity. The findings of this study are expected to be a reference and applied by policymakers, particularly in ISFIs, to strengthen philanthropic funds' fundraising capacity.

To accomplish the study's objectives, descriptive qualitative research method was employed. Primary data were gathered through interviews with *muzakki* and ISFIs, while secondary data were gathered through documentation that substantiated the study's findings. Later, using the data gathered, a model for collaboration between *mustahik* and *muzakki* will be developed to bolster the organization's ability to raise philanthropic funds.

This essay is organized as follows. To begin, the introduction provides context for the research problem. Second, a review of the literature is described. Thirdly, the research methodology entails the method, use of instruments to collect and analyze data. Fourth, a summary of the data collection and analysis, followed by conclusions and recommendations.

2. Literature review

2.1 Zakat institutions

Zakat institutions are social and charitable organizations tasked with the responsibility of collecting zakat funds from the community, managing them, and distributing them to the eight *ashnaf* (group of people worthy of receiving zakat). In Indonesia, zakat management institutions are regulated by Law No. 23 of 2011, which can be classified into two institutions: the National Amil Zakat Agency (BAZNAS), which is a national/government zakat fund management institution, and the Amil Zakat Institution (LAZ), specifically, a community-based institution charged with assisting in the collection, distribution and utilization of zakat funds. In light of the COVID-19 pandemic's impact on the economy, the existence of zakat management organizations assists the government in anticipating a slow economy growth and enhancing public health (BAZNAS, 2021b).

According to Article 6 paragraph 1 of Law No. 38 of 1999, zakat funds are managed by the Amil Zakat Agency (BAZ), which was established by the government, and the LAZ, which was established and is managed by the general public, accumulated in various Islamic organizations (community organizations), foundations or other institutions. The BAZ is an institution that manages zakat funds that is fully formed by the government to carry out a series of activities such as collection, distribution and also utilization of zakat funds in accordance with Islamic provisions, whereas the LAZ is an institution that manages zakat funds that is fully formed by the community and then allowed by the government to assist in the collection, distribution and utilization of zakat funds in accordance with Islamic provisions.

2.1.1 Zakat. Zakat is one of the social economic instruments used in the community to ensure an equitable distribution of income (Hafidhuddin, 2007). Zakat will also serve to prevent the accumulation of wealth on one party and to encourage people to invest on the other. Zakat can both directly and indirectly encourage investment. With the imposition of zakat on all types of wealth, wealth owners will be encouraged to invest rather than leave their wealth in the form of savings, as wealth stored for an extended period (*haul* limit/the minimum period of wealth, which one year) will eventually deplete (up to the *nishab* limit/the minimum amount of wealth) and due to the continuous collection of zakat. Numerous studies have established the importance of zakat in supporting the socioeconomic aspects, particularly during the COVID-19 pandemic. Purwanto *et al.* (2021) discovered that zakat plays an important role in providing direct cash assistance to the poor who are affected by COVID-19 and unable to meet their *dharuriyat* requirements (basic necessities). On the other hand, Mursal *et al.* (2021) stated that the role of a zakat institution in addressing the impact of COVID-19 can take many forms, including the distribution of necessities, health masks, the assistance of orphaned children and the assistance of schools for students from impoverished backgrounds.

Zakat as Part of Infaq and Sadaqah

From general perspective, Zakat is part of Infaq and Sadaqah. The definition of Infaq is giving up a treasure for a virtue that has been ordered by Allah *Subhanahu Wata'ala*. Zakat is also known as Infaq, as it is a form of property surrender in exchange for the virtues prescribed by Allah SWT. One example of the word Infaq being used to demonstrate the meaning of zakat is as described in the Verse 34 of Surah At-Taubah as translated below.

O you who have believed, indeed many of the scholars and the monks devour the wealth of people unjustly and avert [them] from the way of Allah. And those who hoard gold and silver and spend it not in the way of Allah – give them tidings of a painful punishment.

The words *yunfiq* has meaning of infaq as it points the obligation of moesleem to spend their wealth in the form of zakat.

In addition, Sadaqah is a gift made with the primary intention of drawing closer to Allah SWT. Zakat is also known as Sadaqah, as one of the primary objectives of zakat is to draw closer to Allah *Subhanahu Wata'ala* (Hafidhuddin, 2007). It is mentioned in Surah At-Taubah verse 103 as translated below.

Take, O, Muhammad, from their wealth a charity by which you purify them and cause them increase, and invoke (Allah's blessings) upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing.

However, from the specific view, Zakat is also different from Infaq and Sadaqah. Specifically, Infaq and Sadaqah are optional (non-obligatory) for Muslims, in contrast to Zakat, which is mandatory (Aji, 2020).

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2.2 Zakat management

Law No. 23 of 2011 states that zakat management is an activity of planning, implementing, coordinating the collection, distribution and utilization of zakat. Zakat management in Indonesia is carried out with a decentralized zakat management system where the government zakat institution (BAZNAS) is the regulator, coordinator and executor of the national zakat management (Mutamimah *et al.*, 2021). Not only management for meeting the consumptive needs of mustahik, but zakat can be used for productive activities on the condition that the basic needs of mustahik have been met. In general, the utilization of zakat has five program dimensions, namely, economic, social, da'wah, education and health (Puskas BAZNAS, 2019). In the management of zakat for empowerment, there are two main elements, namely, independence and participation (Puskas Baznas). The collection of Zakat Funds, which is part of zakat management, is the activity of collecting zakat funds from zakat payers to zakat organizations to be distributed to those who are entitled to receive them according to their size (Maghfirah, 2021). The collection of zakat, infaq and alms funds carried out by zakat institutions is by receiving or taking directly on the basis of notification of zakat payers. In the COVID-19 pandemic, zakat management is very necessary. Mursal *et al.* (2021) stated that the role of a zakat institution in addressing the impact of COVID-19 can take many forms, including the distribution of necessities, health masks, the assistance of orphaned children and the assistance of schools for students from impoverished backgrounds.

2.3 Collaborative zakat management

Collaborative governance in zakat institutions is a series of arrangements when zakat institutions directly involve stakeholders in formal policymaking processes and in implementing zakat institution programs (Geiyono *et al.*, 2018). This is in accordance with Law Number 23 of 2011 article 7 paragraph 2 that Zakat Institutions can cooperate with related parties in accordance with the provisions of the legislation. In implementing Law Number 23 of 2011 regarding zakat management, BAZNAS Indonesia can establish a zakat collection unit (UPZ) to facilitate the collection of zakat funds in collaboration with various kinds of informal community organizations such as mosques. In addition, a simple collaboration model in zakat management in Indonesia is also established between government zakat institutions and private zakat institutions (Mutamimah *et al.*, 2021). Collaboration in zakat management is reflected in decentralization in the management and distribution of zakat, infaq and alms. Decentralization shows the level of zakat organization both in the region and the region that coordinates the entire existence of LAZs under the auspices of the organization (Rosadi and Athoillah, 2016).

Numerous studies on collaboration between ISFIs have been conducted. Hassan *et al.* (2012) examined the LAZ's collaboration with microfinance institutions by empowering *mustahik* to generate their own income. Geiyono *et al.* (2018) examined the collaboration between zakat, *infaq* and alms management at LAZ LAZISMU (Amil Zakat Institution Muhammadiyah) and BAZNAS Tanjungpinang City, but concluded that it was not optimal due to regulatory obstacles and knowledge constraints possessed by members of the organization. Collaboration is a five-step process that includes face-to-face communication, trust building, commitment to the process, shared understanding and the attainment of intermediate outcomes. Al-Fatih and Aditya (2017) stated that strengthening the role of

zakat institutions as ISFIs can be done, one of them is by synergizing with Islamic commercial finance institutions. Islamic Commercial Finance Institutions can assist in the collection of zakat, *infaq* and alms funds. [Ulpah \(2021\)](#) also conducted research on corporate fundraising strategies for zakat, *infaq* and alms at LAZISMU Jakarta, where one of these strategies was implemented in collaboration with several retail companies in donating consumer change, collecting the zakat profession of the employee, engaging in CSR activities and collaborating on creative campaigns. This can improve the efficiency of zakat fund collection, including the collection of *muzakki* from various types.

3. Research methodology

The approach used in this research is a descriptive qualitative approach. This study took a sample of ISFIs in East Java based on a purposive sampling technique with several criteria including:

- the Amil Zakat Management Institution which has collaborated with *mustahik* and *muzakki* from various professional backgrounds, namely, civil servants, employees of state-owned enterprises and entrepreneurs;
- providing empowerment programs for *mustahik* businesses affected by COVID-19; and
- located in the capital city of East Java.

Infaq Management Institution (LMI) was selected from these criteria. The study's findings include recommendations for a model of cooperation between various stakeholders aimed at promoting the growth of zakat accumulations which is based on Law Number 23 of 2011 article 7 paragraph 2 that Zakat Institutions can cooperate with related parties in zakat management.

The data collection technique used in this qualitative research is a structured interview, which allows researchers to communicate directly with informants who have been given a list of questions to answer in addressing this study's objective. The researcher used a structured interview method in this study because interview guidelines had been created prior to the interview ([Sugiyono, 2013](#)). In addition, documentation is used as a secondary data source, including letters, daily notes, photographs or daily or monthly reports.

Purposeful sampling was applied to identify informants based on specific criteria. The sample size is determined by the point at which the data collected no longer adds new information to the problem. The study surveyed *muzakki* at the Amil Zakat Institute LMI Surabaya who worked in a variety of occupations, including civil servants, employees of state-owned enterprise, advanced entrepreneurs with working wives, unstable entrepreneurs with nonworking wives and small entrepreneurs. The informant is someone with extensive knowledge of the research subject, according to [Yin's \(2018\)](#) theory. In addition, these occupations were chosen for their distinct revenue streams. Civil servants and employees of state-owned enterprise typically earn a fixed income that is rarely affected by the business cycle, whereas entrepreneurs typically earn a fluctuating income that is affected by the business cycle. From the results of the sample selection, six informants with various occupations were selected. In addition, Indonesia has a greater potential for corporate zakat and zakat on profession, with 144.5 trillion for corporate zakat and 139.07 trillion for income zakat, respectively, according to the National Zakat Outlook ([BAZNAS, 2021b](#)). This potential collection of zakat from both types of zakat sources needs to be optimized.

This study uses a data analysis process based on [Miles et al. \(2014\)](#), namely:

- Data reduction: summarizes the results of data collection, selects and sorts the primary data according to the discussion of the research.
- Data presentation, specifically by displaying each data result in the form of tables, graphs or the like. With data presentation, the collected data can be seen in the pattern's arrangement, which is hoped to make it more understandable.
- Withdrawing from conclusions and verifying findings is the final stage of data analysis. The preliminary conclusions that can be advanced are tentative and are likely to change as new evidence becomes available.

Validation of research data is a process that must be carried out on each piece of research data to ensure that it is valid, objective and reliable ([Sugiyono, 2013](#)). The researchers used two distinct triangulation techniques in this study: source triangulation and technical triangulation. Triangulation of sources was performed in this study derived from the information gathered from LAZ, BAZNAS and the Micro Waqf Bank. In addition, it uses triangulation techniques that incorporate the findings of interviews and documentation. The accuracy of the research findings is contingent upon the analytical technique used and the researcher's analytical ability. The researcher uses data explanation analysis techniques, specifically analytical techniques via narrative explanations that aim to explain and also analyze the object or case under study in a logical manner to obtain valid results ([Yin, 2011](#)).

4. Result and analysis

4.1 Description of the research findings

The results of data collection via interviews will be summarized in [Table 1](#) below.

According to [Table 1](#), six informants have been selected and have various professions which are civil servants, employees of state-owned enterprise and even

No.	Informant	Question	Answer
1	Civil servants	Support to <i>Mustahik</i> Distribution of ZIS	It is still carried out because <i>muzakki's</i> income, which is relatively stable, does not decrease Relatively not reduced because the income of <i>muzakki</i> does not decrease
2	Employees of state-owned enterprise	Support to <i>Mustahik</i> Distribution of ZIS	It is still carried even with a decrease in income Pay zakat and distributed to <i>Mustahik</i>
3	Advanced entrepreneur	Support to <i>Mustahik</i> Distribution of ZIS	It is still carried out because <i>muzakki's</i> income, which is relatively stable, does not decrease Relatively not reduced because the income of <i>muzakki</i> does not massively decrease
4	Unstable entrepreneur (1)	Support to <i>Mustahik</i> Distribution of ZIS	Decreased due to reduced <i>muzakki's</i> income Slightly reduced because <i>muzakki's</i> income is reduced
5	Unstable entrepreneur (2)	Support to <i>Mustahik</i> Distribution of ZIS	Decreased due to reduced <i>muzakki's</i> income Slightly reduced because <i>muzakki's</i> income is reduced
6	Small entrepreneur	Support to <i>Mustahik</i> Distribution of ZIS	None Infaq only without zakat (because the requirements of zakat (<i>nishab</i> and <i>haul</i>) are not fulfilled)

Source: Authors' compilation (2022)

Table 1.
Description of the
research findings

entrepreneurs. We can see the answers to the same questions in each group of muzakki. According to the current situation, the *muzakki* do not cease alms to *mustahik* through ISFIs. Although some *muzakki* have been infected with COVID-19, they remain zealous in their charitable giving and donations through ISFIs. The informant from a civil servant stated:

Since revenues did not decrease during COVID-19, spending on ZIS donations did not decrease. Concern for affected neighbors and family members continues to grow. Alms in the form of food are being distributed more aggressively to neighbors affected by COVID-19. Providing food, side dishes, and financial assistance to neighbors who are ill with COVID-19 and confined. To families as well, transferring funds to family members or friends who have been impacted by the COVID-19 disaster, whether through layoffs or contracting COVID.

On the other hand, in terms of muzakki who work in state-owned companies, he says:

Revenue during COVID-19 decreased due to a massive salary cut from the company, however we still conduct zakat, infaq and alms even though it was reduced.

Then, based on informants who work as entrepreneurs and whose income fluctuates according to business conditions, there are distinctions between stable entrepreneurs and entrepreneurs who are still small and just getting started. The following are statements made by entrepreneurs who are classified as stable:

During the COVID-19 pandemic, it did not have a major effect on income so that the amount of zakat, infaq, alms, and waqf given through zakat institutions did not decrease.

Meanwhile, entrepreneurs who tend to be unstable said:

Income has decreased as a decrease of the pandemic, and as a result, alms and infaq are also struggling. In terms of zakat, they have yet to issue any because they are deemed to have failed to meet their requirement (to meet haul and nishab).

Collaboration (support to) with *mustahik* takes a variety of forms, depending on the profession of the informant. If the informant is a civil servant, he collaborates with *mustahik*, who runs a microbusiness, by purchasing *mustahik's* merchandise and adding social benefits for home-based household assistants. On the other hand, informants who work as entrepreneurs report that:

Cooperation with mustahik is accomplished by purchasing and assisting in the sale of mustahik's merchandise, as well as by employing mustahik to assist in his business.

Meanwhile, in terms of entrepreneurs who are unstable and affected by COVID-19, he said:

As incomes decline, the *mustahik* employed by businesses reduce their working hours or work only when necessary, such as when a large order is placed.

Due to the nature of their business, small entrepreneurs have not yet issued zakat, only *infaq*, and have not collaborated with *mustahik*.

4.1.1 Discussion. The LAZ plays a critical role in reviving today's society's economy, including by establishing zakat as an instrument, particularly zakat mal, which can be issued at any time and distributed to those in need to meet their basic necessities (Saputra et al., 2020). As one of the ISFIs, the LAZ is critical to a sustainable Islamic social finance ecosystem (Jouti, 2019). That is, the distribution of Islamic philanthropy requires a properly managed institution. While LAZ has the potential to save the Indonesian economy, these social finance institutions will still require the assistance of third parties to collect and manage zakat funds to deal with COVID-19. Synergy, strengthened regulations and sound

governance are critical components of mitigating the impact of COVID-19 (Arfah *et al.*, 2020). Baitulmal MAIWP Malaysia is the country's first zakat institution, which assisted the government in dealing with the COVID-19 crisis through a program called "COVID-19 Anxiety Zakat Assistance" (Hambari *et al.*, 2020). When integrated and combined, Islamic economic instruments can be used to solve problems during and after a pandemic (Shirazi *et al.*, 2021).

According to previous research, despite the deterioration of economic conditions as a result of COVID-19, the majority of *muzakki* are still able to provide benefits and cooperate with *mustahik* via various distribution channels. *Muzakki* with a stable income can assist more people affected by the pandemic and *mustahik*; these *muzakki* work as civil servants. Then, state-owned enterprises employees can assist *mustahik*, but not as much as they could before COVID-19 due to the company's salary cuts. In addition, *muzakki* who work as traders or entrepreneurs have a variety of abilities to assist *mustahik* due to their precarious circumstances.

Muzakki who works as a civil servant can assist numerous individuals, including *mustahik*, by giving their zakat and other donations through Islamic finance institutions. Similarly, state-owned enterprises employees face salary cuts, reducing the ZIS and assistance to neighbors and their families. Entrepreneurs also contribute to *mustahik*'s survival during the COVID-19 pandemic, but only for businesses that are quite advanced and large, as opposed to small businesses that are unable to conduct zakat. They continue to issue ZIS in such circumstances because they have a strong belief that Allah will provide for their needs and safeguard their wealth through alms. This is what motivates *muzakki* to be consistent in his almsgiving. According to the research findings, the cooperation and contribution of *muzakki* to *mustahik* will appear as follows, see Table 2.

Based on this discussion, the following synergy model of *muzakki* and *mustahik* can be proposed for raising funds in ISFIs:

Figure 1 explains that *muzakki* can help *mustahik* directly or indirectly in the form of zakat. Directly, *muzakki* can provide financial assistance, while indirectly in the form other than cash. However, suppose *muzakki* cannot distribute directly; in that case, ISFIs can help manage and distribute them to *mustahik* in all regions of Indonesia, especially those affected by COVID-19 and need help regarding the fulfillment of basic needs or *dharuriyat*. The form of zakat distribution is divided into four (Fitri, 2017), namely:

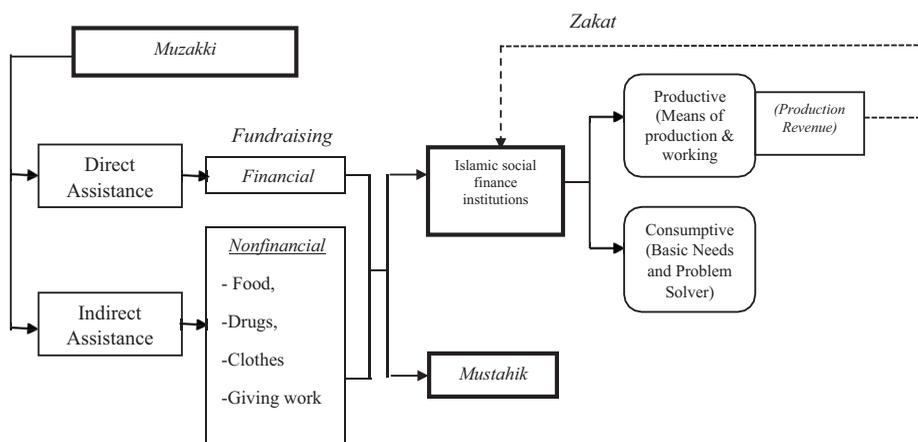
- (1) *Traditional consumption*: direct zakat funds distribution to meet *mustahik*'s basic needs. Zakat in cash can be a significant financial assistance to those affected by COVID-19 (Hassan *et al.*, 2021).

No.	<i>Muzakki</i>	Forms of cooperation			
		Trough LAZ	Provide direct financial assistance	Provide direct non-financial assistance (e.g. food, etc.)	Help provide work
1	Civil servants	✓	✓	✓	✓
2	Employees of state-owned enterprise	✓	–	–	✓
3	Advanced entrepreneurs	✓	–	✓	✓
4	Unstable entrepreneurs	✓	–	✓	–
5	Small entrepreneurs	–	✓	✓	–

Table 2.
Forms of cooperation
between *Muzakki*
and *Mustahik* by
type of profession

Source: Authors' compilation (2022)

Figure 1.
Mustahik and Muzakki
collaboration model
in strengthening
fundraising for
islamic social finance
institutions



Sources: Authors compilation (2022)

- (2) *Consumptive creativity*: the distribution of consumptive goods to assist *mustahik*, such as clothing, school supplies and scholarships, as well as aid for worship tools. In the midst of the COVID-19 pandemic, the community is in desperate need of medicines and medical equipment or devices for COVID-19 treatment, which *zakat* instruments can be used to procure (Budiantoro *et al.*, 2020).
- (3) *Conventional productive*: *zakat* in the form of manufacturing or production tools and goods that aid in the business process.
- (4) *Creative productivity*: *zakat* which are given in the form of capital for social projects and business development for micro- and small-scale businesses.

The distribution of *zakat* by ISFIs to beneficiaries can become new sources of Islamic social funds because if it is used for productive activities that generate profits, to purify assets, part of the profits can be returned to *zakat*.

According to the research findings, there are a significant number of *muzakki* who have been affected by COVID-19, but remain enthusiastic about assisting one another and sharing information, either directly or through the ISFIs. This spirit arises as a result of their memory of Allah's promises and safeguards for those who give charity QS. Al-Hadid verse 7 translates as:

Believe in Allah and His Messenger and spend out of that in which He has made you successors. For those who have believed among you and spent, there will be a great reward.

Similarly, with this collaboration, *mustahik* will have the capacity and motivation to give alms and will be able to pay *zakat* in ISFIs with the assistance of *muzakki*. As mentioned in the theory that the *zakat* management regulations, Law no. 23 of 2011 has allowed cooperation between social finance institutions and other parties, which means that there is a regulatory basis for strengthening the collection of Islamic social finance funds by institutions. This collaboration, although not in the form of organizational decision making, still plays a role in the implementation of Islamic social finance management programs in collaboration with stakeholders, in this case *muzakki* and *mustahik*.

In addition, to raise funds in the current climate, zakat institutions must rely on digital technology to collect funds such as zakat, alms and savings from *muzakki*, donors, savers or *shohibul maal*, as the government has implemented a policy of restricting out-of-home activities. This is implemented by zakat institutions and Islamic banks. Zakat digitization has several advantages and disadvantages. The advantages include increased accessibility, increased knowledge about zakat from specific platforms and increased accuracy in calculating zakat (Ninglasari and Muhammad, 2021). In addition, the existence of technology facilitates the collection and monitoring of funds donated and/or saved during this pandemic (Muhammed, 2020). On the other hand, there are flaws, including an issue with unstable internet connections, some elderly *muzakki* who are unaware of how to use digital zakat services and a lack of public trust (Ninglasari and Muhammad, 2021).

Sulaeman (2020) proposed a crowdfunding platform based on Islamic donations for micro, small and medium enterprises (MSMEs) afflicted by COVID-19, which received a positive response from many people and, of course, has the potential to optimize the current MSMEs financing program. This means that technology has the potential to benefit both zakat institutions and those affected by the pandemic.

5. Conclusion and recommendation

The COVID-19 pandemic has resulted in increased poverty as economic activity has decelerated. Not only the government, but also the private sector, such as the LAZ, works to mitigate the pandemic's impact on poverty by managing Islamic social finance instruments. According to the study's findings, *muzakki* faced a variety of challenges during the COVID-19 pandemic, including their ability to spend on zakat as well as collaboration with *mustahik*. *Muzakki* whose income is stable or has decreased slightly but does not affect their ability to meet basic needs, such as government employees (PNS), employees of state-owned enterprises and advanced entrepreneurs, continue to conduct zakat and collaborate with the *mustahik* affected by the COVID-19 pandemic, whereas *muzakki* whose income has decreased, such as small entrepreneurs and entrepreneurs with unstable incomes, reduce their zakat and work in collaboration with the *mustahik*. This study proposes a model of collaboration between *mustahik* and *muzakki* in which zakat funds are distributed both in cash and noncash through ISFIs and then consumed and productively distributed to *mustahik*. The distribution of productive philanthropy will increase the income and profits of *mustahik* who own businesses, creating a new source of Islamic social funds for ISFIs.

This study contributes to theory and practice through the findings of the research. The theoretical contribution is that it is possible to renew the optimization strategy for the collection of zakat funds by ISFIs through collaboration between *muzakki* and *mustahik*. The model developed can also be used to suggest fundraising strategies for the accumulation of Islamic social funds. In practice, this model can be used by ISFIs to increase the efficiency of zakat fundraising. Naturally, the collaboration model requires a strong role from ISFIs, including tracking *muzakki* from various professions and *mustahik* who have the potential to collaborate, forming collaborations between *mustahik* and *muzakki* in a variety of forms, as illustrated in Table 2. In the case of *mustahik* business owners, this model can also empower them to become those who later transform into *muzakki* and from their business results they can become sources of Islamic philanthropic fundraising. Additionally, the role of ISFIs does not end with the collection and distribution of funds; they also maintain the *muzakki* and *mustahik*'s cooperation. However, a significant role is required in involving *muzakki* and *mustahik* for them to collaborate and synergize, as well as improving the quality of human resource capabilities from amil to implement the fundraising strategy.

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