

ENHANCING MUSTAHIK WELFARE THROUGH ISLAMIC SOCIAL FINANCE: AN INSTITUTIONAL PERSPECTIVE

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Abstract

This research aims to determine the efforts of Islamic social financing institutions in Palembang, including Baznas and LAZ, to improve the welfare of mustahiq. The key informants in this research are the leaders of Baznas and LAZ. Data analysis techniques using qualitative descriptive. Research findings show that several strategies used by Baznas in distributing zakat, infaq and alms funds to improve mustahik welfare include, meeting basic needs, economic empowerment through productive zakat, educational program scholarships, free health services, priority distribution in remote and underdeveloped areas, cooperation and partnerships with the government, Ramadan programs and community empowerment. Conclusions to improve the welfare of mustahik Baznas and LAZ provide support to Mustahiq in the form of programs and strategies in collaboration with the government

Keywords: *Islamic Social Finance Institutions, Mustahiq Welfare*

INTRODUCTION

Among the nations with the greatest concentration of Muslims worldwide is Indonesia. In 2020, there were 229.62 million Muslims living in Indonesia. There will be plenty of opportunity to collect zakat donations in Indonesia due to the sizeable Muslim population. The Islamic Development Bank (IDB) reported that Indonesia may have access to zakat funds worth IDR 217 trillion. Sadly, only IDR 10.22 trillion—or 4.4% of the maximum national zakat collection—have been collected in zakat funds (Baznas, 2020). In comparison to the potential for zakat, it may be claimed that the amount of zakat collected is still quite low.

One of the tenets of Islam, zakat is an instrument of Islamic economics that guarantees the equitable distribution of wealth and income (Widiastuti et al., 2021). Therefore, the implementation of zakat is crucial to guaranteeing equitable wealth distribution, enhancing the standard of living for those who receive zakat, and lowering the degree of income inequality (Ahmed et al., 2017; Wijayanti & Ryandono, 2020; Rini et al., 2020). Zakat can therefore be utilized as a strategic instrumental value for overall economic development and needs to be developed economically (Latifah et al., 2021). According to Ayuniyyah et al. (2020), zakat serves as a means of emancipating Muslims from the bonds of poverty and social injustice in addition to being a mandatory religious duty for Muslims.

Discussing poverty is not a novel issue. The true problem lies in how the state, local institutions, and private citizens start to care about initiatives aimed at eradicating poverty and enhancing community welfare. The Central Statistics Agency estimates that as of September 2022, there were 26.36 million impoverished individuals living in Indonesia in 2023. This figure rose by 200 thousand from March 2022 to March 2023, but declined by 140,000 individuals annually. The poverty rate in Indonesia has declined annually, although as of September 2022, it is higher than it was in March 2022. Moreover, there have been increases in the rates of poverty in 25 provinces. In March 2022, the proportion of

Indonesia's urban poor population was 7.50 percent; by September 2022, that number had risen to 7.53 percent. In the meantime, the proportion of rural impoverished individuals increased from 12.29% in March 2022 to 12.36% in September 2022.

In the meantime, the proportion of rural impoverished individuals increased from 12.29% in March 2022 to 12.36% in September 2022. Both rural and urban areas saw an increase in the percentage of the population living in poverty. Therefore, in urban and rural areas, price increases and job losses lead to an increase of the proportion of people living in poverty (Laporan Zakat Dan Pengentasan Kemiskinan 2022, 2022).

From a geographical standpoint, South Sumatra's poverty rate decreased by 0.84 percentage points from 12.79 percent to 11.95 percent between September 2021 and September 2022. Concurrently, there was a 61.62 thousand drop in the number of impoverished individuals, from 1,116.61 thousand to 1,054.99 thousand. In September 2022, South Sumatra's poverty rate rose by 0.05 percentage points from 11.90 to 11.95 percent in comparison to March 2022. Simultaneously, there was a 10.30 thousand increase in the impoverished population, from 1,044.69 thousand to 1,054.99 thousand. In September 2021, the percentage of urban poor was 11.9 percent; however, this percentage dropped to 11.23 percent in March 2022 and then increased to 11.37 percent in September 2022 (BADAN PUSAT STATISTIK PROVINSI SUMATERA SELATAN, 2023).

The Palembang Care Program is the main effort that has received the most significant financing of IDR 1,900,000,000. It is one of several programs that have been implemented as part of an economic empowerment strategy to improve the welfare of Mustahik. These funds are intended to support 6,785 people and organisations, with a focus on providing the economic and social assistance necessary to improve the standard of living in underprivileged areas. A total of IDR 446,000,000 was given to the Healthy Palembang Program, which helped 307 people and organisations. By providing medical assistance and making healthcare services more accessible, this program aims to address basic health needs. This support is essential for ensuring that people, especially those who are struggling financially, get the care they need.

At the same time, IDR 43,000,000 was allocated to 10 individuals/institutions for the Palembang Makmur Program. By supporting the development of skills and business capital, this program places a strong emphasis on economic empowerment. It is expected that the receivers of this aid will improve their economic capacities and achieve greater financial independence. A budget of IDR 76,000,000 was allotted to the Smart Palembang Program, which was intended for 12 people and institutions. By providing scholarships and other forms of educational assistance, this program aims to improve education. Through this program, BAZNAS hopes to improve underprivileged kids' access to education and help them reach their full academic potential. Then, 575 people and institutions were helped by the IDR 104,000,000 in funds that the Palembang Taqwa Program received. The growth of communal religious life and spiritual assistance are the main goals of this project. By providing this assistance, BAZNAS hopes to strengthen spiritual links and encourage religious engagement in the community, which are important aspects of many beneficiaries' lives.

The government has launched a number of initiatives and policies to combat poverty, but more has to be done to lower the rate of poverty. Managing the monies for Zakat, Infaq, and Sadaqah is one way to solve this issue (Farhan & Arief, 2017). Therefore, in order to actually alleviate poverty, the role and contribution of Islamic social financial institutions like Baznas and LAZ are crucial in facilitating the implementation of sustained empowerment

initiatives (Widiastuti et al., 2021 ; Herianingrum et al., 2022). Even though Islamic financial social institutions like Baznas and LAZ have so far helped to lower poverty rates and improve the welfare of mustahiq, these institutions still face numerous difficulties, particularly when it comes to gathering and allocating zakat funds to the community.

The difficulties and barriers that are frequently faced in the field include the muzakki's low awareness and understanding, particularly with regard to zakat maal, as well as their creative, short-term, decentralized, and interpersonally oriented behavior, which leads them to prefer giving zakat directly to mustahiq, especially those they know. Additionally, from an institutional standpoint, the public's recognition, comprehension, and trust in zakat management organizations (OPZ) are poor, and the majority of the funds that OPZ extracts are still focused in particular categories, such CSR and professional zakat funds (Wibisono, 2015).

Naturally, the aforementioned issues need to be resolved right away. due to the fact that Law Number 23 of 2011 concerning Zakat Management explicitly regulates zakat management. The Amil Zakat Agency, which is run by the government, and the Amil Zakat Institute, which is run by the community, are the two (two) institutions/bodies that are authorized by law to manage zakat. Formal zakat management seeks to accomplish two goals: (1) improve the efficacy and efficiency of zakat management services; and (2) expand zakat's benefits to promote poverty reduction and communal welfare. In addition, zakat can be collected more efficiently when it is handled by reputable and experienced staff members and collected and administered by a well-organized zakat management institution that offers a greater range of services. If this is successful, zakat's role will be able to go beyond only helping those who are eligible for it with social protection; instead, it can be utilized to enhance their socioeconomic circumstances and position (Fitri, 2017). The significance of this study Islamic social finance and Islamic philanthropy are topics that pique the curiosity of many scholars. Because it is different from the capitalist and socialist economic systems, which are centered on the market and the role of the state in the economy, respectively, the Islamic economic system emphasizes society as an economic engine (Pepinsky, 2013). Thus, the study's goal is to investigate and characterize the initiatives taken by Islamic social finance organizations, including BAZNAS and LAZ, to enhance the welfare of mustahiq, particularly in Palembang City.

The main problem that will be discussed in this research is how to improve the welfare of mustahik through Islamic social finance? Based on this, the aim to be achieved is to find out and analyze the improvement in the welfare of mustahik through Islamic social finance.

RESEARCH METHOD

Types of Research

This research was carried out using a descriptive qualitative approach. The study has taken a sample from Islamic Social Finance Institutions in Palembang using the purposive sampling method with different criteria, namely: Amil Zakat Management Institution which received operating permits from the Ministry of Religious Affairs' South Sumatra Regional Office and offers education on mustahiq as well as its location in Palembang City.

Data Collection Technique

A structured interview is the method of collecting data used for this qualitative research, It allows investigators to speak with informants face-to-face after providing them

with a set of questions to answer in order to achieve the goal of that particular study. In this study, the researcher has used a structured interview method because guidelines for interviewing had been drawn up prior to an interview (Sugiyono, 2013). Moreover, documents such as letters, daily notes, photographs or reports on events of the day and month shall be available as an additional source of data. The study examined head of Baznas and Amil Zakat Institutions in Palembang, who were engaged in the collection and distribution of zakat funds. Because of their knowledge, experience, or firsthand involvement with a particular problem, initiative, or community, the team in this study chose a number of key informants, including the leader of Baznas and LAZ.

Key Informan

This study employs a qualitative research methodology, necessitating the involvement of key informants for data collection. The key informants identified for this research include the Chair of Baznas Palembang City, the Chair of LMI Palembang City, the Chair of IZI Palembang City, and the Chair of Dompot Dhuafa Palembang City.

Operational Definition of Variables

This research involves the utilization of several variables, including:

1. Zakat institutions

According to Law No. 38 of 1999, Article 6 paragraph 1, the Amil Zakat Agency (BAZ), a government-established agency, and the LAZ, a public organization, are in charge of managing zakat funds accumulated in various Islamic organizations (community organizations), foundations, or other institutions. The BAZ is an organization that oversees zakat monies and was established by the government to perform a number of tasks, including gathering, allocating, and using zakat payments in compliance with Islamic law. LAZ is an entity managing zakat funds fully established by the community and, after it has been approved by the Government to be used for collection, distribution and implementation in accordance with Islam's provisions.

2. Islamic Social Finance.

Philanthropy-based Islamic Social Finance is Islamic social funds issued by individuals or groups which are given voluntarily to an institution to be distributed to certain groups as a form of care and compassion. The concept of Islamic social finance, which tries to match income between the wealthy and those who are less rich, is aimed at solving poverty. Islamic social financing based on philanthropy is usually called zakat, infaq and alms (Wahyuni, 2020).

3. Zakat management

Zakat management shall plan, organized and carry out activities for collecting, distributing and using zakat in conformity with 2011 Law No. 23. is composed of the Amil Zakat Institute (LAZ), which was established by the community, and the Amil Zakat Agency (BAZ), which was established by the government, in accordance with Law No. 38 of 1999 (Endahwati, 2014). According to Hasanah (2019), BAZ and LAZ are in charge of managing zakat under the religious provisions. BAZ and LAZ shall be responsible to the government according to their level of responsibility for the performance of their tasks. BAZ is the zakat management organization set up by the government, composed of members of society and Government with a mandate to collect, distribute and use zakat according to Islamic law.

4. Mustahiq welfare

An organized system of social services and agencies that help people and groups to attain decent standard of living and health, as well as personal and social links which allow them to develop their capacities in a way compatible with the needs of families and society may also be defined as Social Welfare. In accordance with Law No 11 of 2009 Social Protection is the precondition for fulfilment of citizens' material, spiritual and social needs in order to enable them to live a dignified life and develop so as to be capable of performing their duties.

Data analysis

The data analysis method used in this study is based on the methodology described in Miles et al. (2014) precisely: 1) Data presentation, including the use of tables, graphs, and other comparable visual aids to show each data result; 2) Data reduction: collects data collection findings; selects and arranges primary data in line with the study discussion. The collected data can be arranged in a pattern to help with comprehension when it is presented; 3), conclusions are drawn and findings are validated to mark the conclusion of the data analysis process.

RESULT AND DISCUSSION

Research Results

Prosperity can be defined as having been attained when certain criteria are fulfilled: the fundamental needs of the entire population are satisfied, significant socio-economic disparities are absent, unemployment rates among the working-age population have diminished, and inflation remains at manageable levels. Human rights are universal and should be upheld for every individual across all societal strata. Concerning the welfare of mustahik, Baznas has undertaken various initiatives, as articulated by the Chair of Baznas in Palembang City.

“ Zakat funds are allocated through initiatives aimed at economic empowerment, health improvement, educational advancement, and business expansion”.

The findings from the aforementioned interview indicate that the initiatives undertaken by the Palembang City Baznas to enhance the welfare of mustahik encompass economic empowerment, health, education, and business expansion programs. Additionally, the researcher's discussion with the Chair of the Infaq Management Institute (LMI) yielded:

“ The allocation of zakat to mustahik occurs through four distinct methods: traditional consumption, consumptive creativity, conventional productivity, and innovative productivity”.

The preceding interview elucidates four distinct methods for distributing zakat to mustahiq, aimed at enhancing their welfare. Firstly, traditional consumption involves the direct provision of cash zakat to mustahiq, enabling them to satisfy their fundamental needs. Secondly, consumer creativity encompasses the distribution of consumer goods, including clothing, educational materials, and scholarships, to mustahiq. Thirdly, conventional productive zakat is provided in the form of products and equipment that support production or manufacturing processes, thereby facilitating business activities. Lastly, innovative productivity refers to zakat allocated as financial support for social initiatives and the development of small and micro enterprises.

In the context of zakat fund management, it is essential to focus on optimizing the collection of these funds. Baznas undertakes various initiatives to enhance the collection of zakat, infaq, and alms, as articulated by the Chair of Baznas in Palembang City.

“To enhance the collection of zakat, infaq, and alms funds, it is essential to implement various strategies and approaches. These may include leveraging digital platforms and applications, conducting educational and public awareness campaigns, fostering partnerships and networks, initiating creative projects, ensuring accountability and transparency, providing exceptional assistance, and segmenting donors effectively”.

The findings from the aforementioned interview indicate that in the context of zakat management, particularly in enhancing the collection of zakat, infaq, and alms, Baznas has implemented several strategies. A significant approach involves the adoption of digital technology, specifically through the utilization of digital platforms and applications designed to streamline the online collection of these funds. Baznas has established a variety of digital channels, which include websites, mobile applications, and digital wallets. Furthermore, the organization has formed partnerships with payment gateways and integrated fintech solutions with payment systems such as LinkAja, OVO, Gopay, among others, to improve the accessibility of donations. Additionally, Baznas actively engages with social media to promote charitable contributions and conduct educational initiatives.

In relation to the media campaign aimed at enhancing public understanding of the zakat obligation and the significance of charitable giving, BAZNAS intends to implement initiatives across print media, radio, and television platforms. Educational Outreach: This will involve conducting open workshops, training sessions, and seminars focused on the importance of zakat and its effective management. Social Empowerment Initiatives: The program will utilize testimonials and success stories to illustrate the advantages of well-managed zakat for Mustahik. Furthermore, in establishing partnerships and networks, BAZNAS will engage with the business sector to facilitate zakat management through direct salary deductions (zakat payroll). Collaboration with Religious Organizations: To gather Zakat, Infaq, and Shadaqah (ZIS), BAZNAS will partner with mosques, Islamic boarding schools, and other Islamic educational institutions. International Collaborations: The organization will also seek to collaborate with global entities to raise funds for humanitarian efforts.

A productive zakat program is implemented to foster creative initiatives, specifically aimed at promoting the allocation of zakat funds towards beneficial endeavors, such as supporting businesses owned by mustahik. In terms of rapid response, a zakat system is established to facilitate swift action during emergencies or natural disasters, including the collection of donations for affected individuals. Thematic social charities are developed around particular focus areas, such as infrastructure enhancement, healthcare, or education. Additionally, strategies for accountability and transparency are employed to bolster public confidence, which includes the preparation of regular financial management reports that are subject to review by an independent third party. The exploration of blockchain technology is also undertaken to enhance transparency in the distribution of funds.

The subsequent strategy involves the zakat collection service, which is designed to facilitate the payment of zakat by dispatching BAZNAS officers directly to clients. Additionally, a hotline and information center is available, providing zakat consultation services through telephone, chat, or in-person visits to the BAZNAS office. To enhance the convenience of offline payments, BAZNAS has established locations in public spaces such

as shopping malls, airports, and mosques. Equally significant is the implementation of a donor segmentation strategy that distinguishes between individual and corporate donors. BAZNAS develops tailored fundraising initiatives for both individuals and businesses. Furthermore, the initiative promotes the consistent payment of zakat by professionals based on their income.

In the interim, the findings from the researcher's interview with the leadership of LAZ concerning the allocation of Zakat, Infaq, and Alms funds reveal the following insights.

“ The approach employed for the allocation of Zakat, Infaq, and Alms funds aims to address the fundamental needs of mustahik, facilitate economic empowerment, provide scholarships for educational initiatives, and support free healthcare programs.”

The findings from the aforementioned interview indicate that the strategies employed in the distribution of Zakat, Infaq, and Alms funds are primarily aimed at addressing the fundamental needs of mustahik. The humanitarian initiatives for mustahik involve the direct allocation of zakat in the form of essential items such as clothing, food, and shelter, with a particular emphasis on assisting the impoverished and those in dire need. Additionally, emergency aid is provided to communities impacted by social unrest or natural disasters. In terms of social benefits, ZIS funds are allocated to support the elderly, orphans, and other at-risk populations, thereby aiding them in fulfilling their daily requirements. Furthermore, economic empowerment is pursued through productive zakat by offering initial capital to mustahik, enabling them to achieve self-sufficiency. This includes job skills training and entrepreneurial support, as well as the establishment of community-rooted business entities, such as cooperatives based on zakat. For agricultural and fishing communities, programs are implemented to supply equipment, seeds, or training aimed at enhancing yields or catches, alongside the development of an integrated system for fisheries or agriculture.

One approach involves the allocation of zakat funds to establish educational scholarships ranging from elementary to university levels, as well as supplying essential school materials to students in financial need. An illustrative example of educational infrastructure enhancement includes the construction of schools, Islamic boarding schools, or other educational institutions in underprivileged regions. Additionally, the provision of job training and mentorship for youth from mustahik families aims to enhance their employment opportunities. Moreover, the implementation of free health initiatives, which encompass funding for medical services for low-income individuals, mobile health units in isolated areas, and the establishment of health facilities such as clinics, hospitals, or ambulances, is crucial. The Nutrition Program specifically targets the provision of nutritious food for children experiencing stunted growth and pregnant women from economically disadvantaged backgrounds.

The leader of Baznas further elaborated.

“ The allocation of Zakat, Infaq, and Alms funds is conducted with a focus on priority distribution that considers geographical disparities in underprivileged regions. This process emphasizes collaboration and partnerships, as well as thematic program-based distribution and the empowerment of communities.”

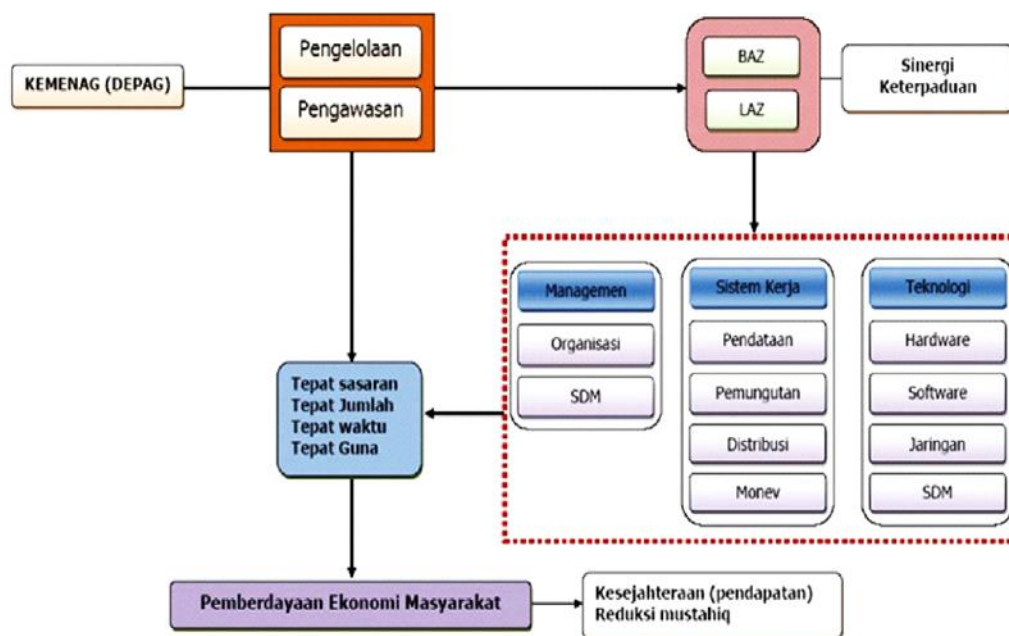
The findings from the aforementioned interview indicate that Baznas employs an additional strategy for the distribution of Zakat, Infaq, and Alms aimed at enhancing the welfare of mustahik. This strategy involves prioritizing aid distribution geographically, particularly in underprivileged regions, through collaboration with government entities to

deliver substantial assistance. Such partnerships may include cooperation with various ministries or local government bodies. Furthermore, Baznas seeks to ensure the sustainability of its programs by collaborating with organizations and engaging communities, non-governmental organizations, and local partners in the allocation of funds. Additionally, there is an emphasis on expanding the mosque network, leveraging these mosques as focal points for community education and the distribution of aid.

The subsequent strategy involves implementing distribution initiatives centered around thematic programs. One such program is the Ramadan initiative, which occurs during the month of Ramadan and includes the provision of essential food packages, iftar meals, and financial support. Additionally, seasonal aid is provided through targeted distributions during significant Islamic celebrations, such as Eid al-Adha and the commencement of the academic year. Moreover, the community empowerment strategy focuses on strengthening groups by fostering mustahik communities that offer mutual support, including associations of farmers, fishermen, and artisans. Enhancing community infrastructure is also a priority, which entails the construction of public facilities in areas where they are most needed, such as roads, sanitation systems, and clean water wells.

The overall role of Baznas and Laz Institutions in the administration of Zakat, Infaq, and Alms funds aimed at enhancing the welfare of mustahik is illustrated in Figure 1.

Figure 1
Explains the Function of the BAZNAS and LAZ Institutions in Carrying Out Their Activities



Discussion

The findings of the study indicate that Baznas has undertaken various initiatives to enhance the welfare of mustahik by allocating zakat funds towards programs focused on economic empowerment, health, education, and business development. To optimize the

collection of Zakat, Infaq, and alms, Baznas employs a range of strategies, including the integration of digital technology, educational outreach, public awareness campaigns, collaborative partnerships, and innovative approaches to productive zakat. Additionally, the organization ensures accountability and transparency in its financial reporting, offers zakat collection services, and implements donor segmentation based on individual and corporate contributions.

Subsequent to the collection of funds, these resources are allocated to the mustahik to enhance their well-being by addressing their fundamental needs. This includes economic empowerment through productive zakat, the provision of scholarships for educational programs ranging from elementary to university levels, and the implementation of free health service initiatives. The distribution of zakat, infaq funds, and alms is prioritized in geographically disadvantaged regions, with a focus on collaboration and partnership with governmental entities. Additionally, the allocation is guided by thematic programs aimed at fostering community empowerment.

As one of the ISFIs, the BAZNAS and LAZ is critical to a sustainable Islamic social finance ecosystem (Jouti, 2019). By defining zakat as an instrument, in particular zakat mal, which may be given at any time and distributed to those who have basic needs met, BAZNAS and LAZ have a vital role to play in reviving the current economic state of today (Purwanto et al., 2021). It means that there is a need to properly manage an institution for the distribution of Islamic philanthropy. For these social financial institutions, while BAZNAS and LAZ have the potential for saving Indonesia's economy, they will still require help from 3rd parties for the collection and administration of Zakat funds.

Zakat is a command that Allah SWT grants his followers, according to the Al Qur'an, hadith and consensus of the Ulama. After saying the shahada, prayer and fasting, zakat is the fourth pillar of Islam. It's almost always mentioned, along with prayer, the obligation to perform good deeds. That shows how we worship Allah SWT in a way that is equal between zakat and prayer. In the meantime, the worship of zakat, or the worship of God through social worship, is the worship of people's hands to improve the welfare of the people, while the prayer service represents a pure bond with God. That's the point that serving zakat according to Islamic principles is important. Apart from that, Zakat is a very special form of worship that has social goals and ta'abbudi slavery to Allah SWT.

In the Qur'an, at least 82 times, the word zakat is mentioned, 30 of which are in the form of the words ma'rifah meaning "zakat of wealth", and 28 of those verses relate to the obligation to pray. The importance of zakat in Islamic teachings is clear from the situation, both as regards self-dedication to Allah and worship relating to humans as social creatures. Therefore, the smooth implementation of this directive should have a significant impact on its distribution. Widodo (2019) recommends that in this situation, people are encouraged to make use of productivity zakat with a view to being productive and able to generate something which can meet their needs. In the context of this matter, Zakat itself means to develop and grow. Evolution can be seen from two perspectives: the spiritual one and the economy. On a spiritual level, Allah increases the benefits of giving Zakat for those who comply with their obligations in order to help other brothers and sisters that are dependent upon them. Allah's words at Surah Arrum verse 39 mean that it is people who have given in the form of zakat to get their hands on his pleasures, and they multiply those rewards.

Zakat has a major part to play in inspiring people's economies, so as to improve their standard of living. The distribution of Zakat is not only conditional, in addition to financial assistance, other forms of support may include educational scholarships, educational and

professional training, foster care programming, equipment and infrastructure, and capital from productive business ventures. Zakat administered to Mustahiq will help increase the economy when it is used in a productive manner. The development of productive zakat to enable the beneficiaries and businesses of poor people to run or sustain their lives consistently by using zakat resources as business capital. These resources will provide the poor with a reliable source of income, and enable them to build up their businesses successfully. In this way, zakat is pooled to improve the lives and wellbeing of people.

The National Amil Zakat Agency and Institute for the Improvement of Community Wellbeing is a Muslim financial institution that aims to improve society's welfare by implementing activities in order to strengthen communities and transform them into more innovative societies, as part of Economic Development. A process of Islamic financial institutions, whether it is a zakat amil agency or a zakat amil institution, will be different from one step to another and based on the management of this Agency itself, starting with plans, planning, organisation, implementation and monitoring which remains guided by the achievement of its objectives. On the basis of that description, it can be stated that Zakat is a source of good fortune and happiness for humans. To realize the welfare of the people, zakat must be distributed not only in consumptive form, but also in productive form. To allow the mustahiq to transform into muzakki, the distribution of productive zakat has to be adapted in such a way as to meet their needs and skills. In fact, the Palembang City National Zakat Amil Agency in formulating the practice of giving productive zakat as business capital is in accordance with the procedures for distributing zakat for productive businesses contained in the Decree of the Minister of Religion of the Republic of Indonesia 55 No. 373 of 2003 concerning the Implementation of Law no. 38 of 1999 concerning Zakat Management Article 29, namely: conduct a feasibility study, determine the type of productive business, provide guidance and counseling, carry out monitoring, control and supervision, conduct an evaluation and make reports.

The National Amil Zakat Agency in Palembang City has a practice of community economic empowerment as part of its efforts to promote the economy of mustahiq, so that resources allocated will not only help Mustahiq but also enable them to be empowered. There are patterns of Community economic empowerment, which include: capital. In order to develop and assist mustahiq who do not have business capital, BAZNAS Palembang City shall receive a yearly allocation of funds for the establishment of businesses, providing Moral Motivation Assistance. The motivation of BAZNAS Palembang City is about the application of zakat rights and entitlements, as well as obligation to make payments. And it is through public performances, religious discussions and so on that this moral motivation can be achieved. Every two years, there shall be the provision of moral motivation, business training at the National Agency of Amil Zakat in Palembang offers an understanding of entrepreneurship with a broad and complex range of problems that are inherent to it. The mustahiq who have no understanding of entrepreneurship are able to develop their own businesses in various ways. In future, they will be able to get independent muzakki one year later by becoming mustahiq. However, due to the lack of funding for recruiting expert business people, this training has not been carried outm house renovation and MSME training.

In previous study, Baznas and LAZ are crucial in facilitating the implementation of sustained empowerment initiatives (Widiastuti et al., 2021 ; Herianingrum et al., 2022). One of the initiatives undertaken by BAZNAS in the realm of small and medium-sized enterprises (SMEs) development is the Palembang Makmur program. Participants, referred to as

mustahiq, receive access to revolving funds, skill development, business knowledge, and support in various aspects of entrepreneurship. Additionally, the program provides education on savings, explores potential opportunities, and fosters moral and character development, all aimed at enhancing their independence and self-sufficiency.

CONCLUSION

The findings of the research indicate that enhancing the welfare of mustahik necessitates the Baznas institution's strategic distribution of Zakat, Infaq, and Alms funds. This distribution aims to address the fundamental needs of mustahik, facilitate economic empowerment through productive zakat initiatives, and offer scholarships for educational programs ranging from elementary to university levels. Additionally, the institution provides free health service programs and prioritizes the allocation of funds to geographically disadvantaged regions. Collaboration with government entities and the implementation of thematic programs focused on community empowerment are also essential components of this approach.

Obviously, this research has recommendations for future research should be focused on determining criteria to register a Zakat Institution programming with the aim of benefiting beneficiaries. In accordance with the existing conditions in which no special criteria are available, they shall lay down local poverty parameters that take account of the geographical and urban differences. That's why some of the poorest people don't know they can get zakat. This will in turn inform a zakat officer about it. It is important to systematically identify those who are poor and in need, so that zakat can be provided to the ones truly needing it.

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