

Historical Development of the Zakat System Implications for Social Work Practice

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Abstract

Zakat, infaq, shadaqa, waqf, dan qurban adalah sumber kesejahteraan sosial bagi delapan golongan mustahiq. Studi sejarah perkembangan zakat menguak sistem dan praktek zakat yang berkembang mengikuti dinamika masyarakat. Terdapat hubungan yang signifikan antara zakat dan konsep kesejahteraan sosial Islam sebab zakat digunakan untuk mendukung subsidi kesehatan, pendidikan, dan ekonomi para mustahiq. Konsep-konsep derma wajib (obligatory giving) dan tidak wajib (voluntary giving) dalam Islam, keberhasilan LAZIS dalam melayani mustahiq serta perannya dalam memberdayakan kaum miskin akan dibahas dalam beberapa model program, termasuk juga implikasi kajian ini bagi praktek pekerjaan sosial di Indonesia.

Key words: *zakat, obligatory and voluntary giving, social work.*

Introduction

Zakat is a system of obligatory and voluntary alms-giving practiced by followers of the Islamic religion. Because Muslims constitute 21% of the 6.93 billion world population, the charitable potential for *zakat* is considerable. Four Asian countries are home to the four largest Muslim populations, and thereby account for 47% of all Muslims. Bangladesh has 10%, India has 11%, Pakistan has 12%, and Indonesia tops the list with 14% of Islam's 1.46 billion adherents worldwide. The 212 million Muslims in Indonesia are 86% of their country's 246 million inhabitants, and hence *zakat* is a tradition familiar to nearly all Indonesians. (CIA World Factbook, 2011)

As one of the five pillars of Islam, *zakat* has long been fundamental to Islamic social welfare, yet its practice declined after the 18th century. *Zakat* has revived during the last fifty years while Muslim governments in Pakistan, Malaysia, Saudi Arabia, or Kuwait put it more firmly into their official social welfare structures. In 1968 Indonesia's non-Islamic government established its *Badan Amil Zakat* (BAZ). Even so, *zakat* is implemented in Indonesia via both public and private methods.

The Undang-Undang Dasar 1945 governs Indonesia's thirty-three provinces, its two special regions (Aceh and Yogyakarta) and its capital city district (Jakarta). The UUD 1945 initially and over time has been adjusted to reflect indigenous concepts. Because the government is not based in Islamic *shari'a* law, the Indonesian taxation system has developed without clearly embedding *zakat*. Aspects of the traditional charitable system are entwined in, yet also obscured by a mix of governmental policy and agencies, philanthropic institutions, and social work initiatives. Indonesians lack clarity on how to fulfill their *zakat* obligations, and the national *zakat* potential is not attained.

The practice of *zakat* has varied over time and place, usually being implemented by means of state structures. Strong Islamic governments provide protection and guidance for *zakat*, which functions as a tax supporting the states' income and expenditures. In non-

Islamic states, the practice of *zakat* is implemented by communities. In such settings, *zakat* is not explicitly included in the tax system, and thus individuals and social institutions become involved in accumulating and disbursing *zakat*. After Indonesia implemented decentralization at the start of 2001, the country's regencies and municipalities became the key administrative units responsible for most government services. This research uses secondary sources that are believed to be reliable and have unique advantages because most of them are theoretical based-research.

Zakat, an obligatory form of giving, and other forms of voluntary giving are the foundation of Islamic social welfare. In the last fifty years, revivalists advised Muslims to effectively use *zakat* to address poverty. *Zakat* practices developed mainly in early and medieval periods of Islam, but after the 18th century, these practices declined. These practices re-evolved because of a strong moral consciousness that has risen among Muslims due to the needs of Muslims becoming more increasingly complex. In order to remediate these needs, some Muslim governments employed a *zakat* system included in their social welfare schemes. For example, in the 1960s, Pakistani President Zia Ul-Haq established the Central *Zakat* Councils. Some Islamic governments adopted this system into their national tax structure. In 1968, Indonesian President Suharto established BAZ, and in the 1990s, Indonesian non-governmental organizations (NGOs) founded *Lembaga Amil Zakat, Infaq, dan Shadaqa* (LAZIS).

More recently, *zakat* has become an academic concern among Indonesian social workers and philanthropists because they believe that *zakat* has the potential to eliminate poverty. In 1997, these activists established the National *Zakat* Forum network for *zakat* programs. In 2010, with international *zakat* activists, they co-founded a World *Zakat* Forum to build a global network of *zakat* management. Inspired by religious activities in the church, social workers in the West have enacted aid provisions for the poor. This inspiration might encourage Indonesian social workers to empower the poor through *zakat* funds. Since the 20th century, social work has widened its scope to accommodate varied sectors of the population; however, social work among Indonesian academics is a new field of study. But the term *social work*, connoting help among fellow humans, is not a new movement among Muslims because the concepts of *takaful* (solidarity) and *bayt al-maal* (house of treasury) have existed in Muslim societies for centuries.

Concepts of Islamic Obligatory Giving

Zakat

Zakat is the religiously obligatory giving that stands as the third of five pillars of Islam. The five pillars are the requirements established in Muslim culture and law as the bases for any Muslim to be considered an authentically faithful believer. The word *zakat* means *growth*, and by extension, growth in purity of the soul through honest actions and dealings. The word *zakat* occurs in the Qur'an: "...the believers, men and women, are protecting friends one of another; they enjoin the right and forbid the wrong; they establish worship and pay *zakat*..." (at-Tawba 71). *Zakat* designates the contribution that every solvent Muslim must make for societal assistance and subsidize social establishments and works of public welfare for benefit and progress in the growth of the community. (Farishta G. de Zayas, 2007)

Zakat was first instituted in the 7th century. At that time, the characteristics of the obligation were specific and include details of donations and amount to be paid. Practically, the amount of *zakat* varied according to each Muslim's impulses to philanthropy and their altruism. In the 8th century, Muslim scholars interpreted *zakat* as obliged in greater specificity in the Qur'an. The details of this responsibility are explained in at-Tawba 60, which specifies the eight groups entitled to *zakat*. (Zulkipli Lessy, 2009 : 155-175)

Zakat Fitr

Zakat has two forms, the simplest of which is *zakat fitr*. This personal charitable alms-giving is an annual requirement for each solvent Muslim at the end of the fasting month of *Ramadan*. (Muhammad Akhyar Adnan and Nur Barizah, 2009: 32-45). *Zakat fitr* represents one day's fast. Each individual donor must pay annual *zakat fitr* in an amount equal to the donor's typical one-day expenditure for food. The amount of *zakat fitr* should equal the worth of 2.5 kg of the indigenous local staple. (Sahih Al-Bukhari, 1997). Modern Muslims can pay *zakat* in cash, rather than having to provide the foodstuffs themselves. (Hans Visser, 2009).

Money and goods are used as the measurement for paying *zakat*, such as daily consumption for *zakat fitr* and productive wealth for *zakat maal*. *Zakat fitr* payment differs according to place and time. General payment is cash equivalent to 2.5 kg of the local staple food, such as rice, wheat, lentils, or corn. (Ibid). In 2010, some Muslim Indonesians paid their *zakat fitr* as Rp 20,000; however, there is no exact rate Muslim Indonesians paid this form of *zakat*, and it depends on their economic capacity. In the same year, Muslims in the United States paid \$8 according to economic standards in this wealthier country. (Islamic Society of North America, 2010). Paying the minimum amount means that an individual's welfare is Rp 20,000 or \$8, with which he or she can eat as well as buy complementary foods. If a Muslim cannot pay *zakat fitr* because his or her daily consumption is below the *nishab*, then he or she deserves to receive *zakat*.

Zakat Maal

Zakat maal is the second form of religiously obligatory giving for Muslims. The Arabic word *maal* means *wealth*. *Zakat maal* is an alms-tax which is levied on an individual's productive wealth that had been held for at least one lunar year, and it is calculated in the form of a certain percentage levy for each taxable asset. A typical levy is 2.5% alms-tax on productive assets; 5% of irrigated crops, and 10% of non-irrigated crops at harvest. Above specified thresholds, *zakat maal* is assessed at prescribed rates for each taxable wealth category when individual personal property exceeds certain annual exempt amounts, after allowing for spending on basic needs. (De Zayas, 2007). In particular, *zakat maal* must be calculated on such property as silver, gold, money, cultivated produce, domestic animals, merchandise items, and other items of inherent or useful value. The rates and amounts of *zakat maal* levies are stipulated by *shari'a*. Rodney Wilson, 2004 : 195-222)

Wheeler provided the list of items on which *zakat maal* is determined and about which there is agreement among Muslim jurists: two types of minerals (gold and silver not used for ornamentations), four types of animals (camels, cows, sheep, or goats), two types of grain (wheat and barley), and two types of produce (dates and raisins). (Brannon Wheeler, 2004 :

89-119). This list is specific, and a number of Muslim jurists insist that *zakat* is to be given on these items only. There is a disagreement regarding items that are judged by analogy to be included in the requirement of *zakat*. For instance, because some of these foods are not found in a region with tropical climate, Muslims in this region are allowed by *sha'ria* to pay *zakat* in the form of their local staples, such as rice and cassava.

To determine how much *zakat* should be given, a hadith from the 14th century attempted to assign an exact monetary value to *nishab*. Muslims are not required to pay *zakat* if their wealth's value is less than five *uqiyas* of silver (143.3 grams) or five *wasqs* of food (180 kg). (Al-Bukhari) In the present day, Indonesian *nishab* is also interpreted for ordinary earnings and salaries, and it requires Muslims to pay *zakat maal* when their annual income exceeds the relevant threshold. However, farmers should not pay *zakat* when their earnings are less than Rp 2 million or about 653 kg of rice during each harvest, and office workers should not pay *zakat* when their net annual income is less than Rp 6.800.000 (\$680). (Faqihuddin Abdul Kodir, 2004: 85-100)

Concepts of Islamic Voluntary Giving

Infaq

Infaq is one type of Islamic voluntary giving, typically in monetary form and without using intermediaries. Senturk defined the word *infaq* as giving wealth for particular needs. Benefits are often given directly from donors to poor individuals, orphans, and people who are in difficult situations due to disaster or poverty. (Omar Faruk Senturk : 2007). *Infaq* can also be given to institutions with a primary need-directed intent of promoting the well-being of individuals, families, and the community. Disbursement of *infaq* is encouraged to be done by Muslims whenever they receive both regular income, such as monthly salaries, and non-regular income, such as periodic bonuses or one-time gifts. (Muhammad Daud Ali, 1998). *Infaq* differs from obligatory *zakat* in that no law regulates an exemption rate above which *infaq* is supposed to be calculated, nor are there any fixed percentage rates for calculation, and the potential *infaq* recipients are not defined or categorized in the manner of *zakat*'s eight classifications.

Shadaqa

Shadaqa is voluntary giving of resources by a Muslim to Muslims or to non-Muslims, and especially to the poor. Unlike the case for *zakat*, there is no regulated time of year for Muslims to give *shadaqa*. The faithful can pay these voluntary alms whenever they wish. There is also no regulation on the amount of money which should be donated, so long as it will not impoverish the giver. *Shadaqa* also includes giving services that are meaningful for the recipients. (Abdool Aziz Shaik, 1981: 3-67). For example, someone who teaches children without seeking to be paid is thereby providing *shadaqa*. *Shadaqa* has a wide meaning, and the Qur'an uses the word for any kind of voluntary contribution. (Senturk, 2007). Because several verses of the Qur'an, such as at-Tawba 90, do employ the terms *shadaqa* and *zakat* interchangeably, there is overlap with the linguistics of obligatory giving, which is more accurately designated as *zakat*.

Waqf is charitable endowment, and the word itself translates as “withholding.” The present and/or future benefits from income on such an endowment are bestowed for a purpose. (Ahmad Dallal, 2004 : 13-43). No third party can claim the specific property that constitutes the principal, which generally is a certain amount of money, land, or means of production endowed to a recipient. Since *waqf* is a form of individual, family, or community contribution, it can be owned and directed by families, communities, or institutions, but not by an individual. Arjomand noted that this tradition is not rooted in the Qur’an, but rather was developed by Islamic jurists in the 8th century. (Said Amir Arjomand, 1989 : 165-178). The Caliph Umar ibn al-Khattab (r. 634-644) first endowed vacant land in Khaybar as community gardens, which were used for the community well-being as the first *waqf* in Islamic history. (Farid Wadjdy and Mursyid, 2007). *Waqf* funds of the 15th century in Central Asia supported development of mosques, *madrasas*, and colleges to perpetuate cultural tradition. The staff and users of these institutions received salaries and stipends from *waqf* revenue. (Robert D. McChesney, 1995). In the late medieval centuries, the Ottoman Empire developed *waqf* systems via individual donations, such as monies from salaries, as well as via charitable investments by the imperial family and its most prominent officials. (Gregory C. Kozlowski, 2008) In Indonesia, Muslims typically endow *waqf* funds in the form of land on which to build mosques, schools, cemeteries, and community meeting buildings. (Wadjdy and Mursyid, 2007)

Qurban

Ali reported that *qurban* is a specific form of *shadaqa* in which meat is given primarily to the poor after slaughtering. *Qurban* is given yearly in the month of *hajj* (pilgrimage). The meats of *qurban* are usually goat and cow. *Qurban* originally symbolized the sacrifice of a Muslim through his or her donation of some portion of his or her wealth for the social welfare of the poor. The term ‘*qurban*’ is rooted in the experience of Abraham, who was dered by God to sacrifice his son Ishmael as proof of his love for God. Muslims are encouraged to slaughter lawfully edible animals at least once in their lives. (Ali, 1998)

Issues on Zakat

Zakat was instituted in the 7th century. At that time, the characteristics of the obligation were specific and include details of donations and amount to be paid. Practically, the amount of *zakat* varied according to each Muslim’s impulses to philanthropy and their altruism. In the 8th century, Muslim scholars interpreted *zakat* as obliged in greater specificity in the Qur’an. (Yusuf Al-Qardawi, 1999). The details of this responsibility are explained in at-Tawba 60, which specifies the eight groups entitled to *zakat*. Many Indonesian Muslims think that *zakat* recipients are only Muslims as specified in the Qur’an. However, a Jordanian Muslim scholar, al-Khayyat suggested that *zakat* can be given to non-Muslims. He interpreted word ‘*al-fuqara*’ (the poor) in at-Tawba 60 must mean in Arabic ‘all the [categories of the] poor’, and therefore it must include non-Muslims. (Jonathan Benthall, 1999: 27-42)

Such interpretation is possible because the Qur’an only gives broad lines about *zakat* recipients but does not specify that Muslims are the only recipients. (*ibid*). However, Muslim scholars, such as Qardhawi and al-Zuhaili, believe that *zakat* should not be given

to non-Muslims. Besides barring non-Muslims as recipients, these scholars also stated that *zakat* cannot be distributed in any of the following ways: a) to build public facilities, such as bridges and mosques (unless the mosques are for *muallaf* who live in non-Muslim countries); b) for Muslims who are able to work and fulfill their own basic needs; c) for non-Muslims; d) for the child or parent or wife of *zakat* giver; e) for members of the Prophet Muhammad's tribes.

This author does not agree with the first category because public facilities are important. Even public facilities are under the government's responsibility; when the government is unable to build these facilities, then society has the responsibility to build them using *zakat* funds. This writer also does not agree with the fourth category because Muslims and other faith adherents live in one community. Therefore, it is not wise to exclude those who have not converted to Islam to receive *zakat*.

Al-Khayyat's perception is that *zakat* can be given to poor non-Muslims because the Qur'an does not explain whether the word *fuqara* (the poor) refers to Muslims or non-Muslims. This unclear word can be interpreted as non-Muslim poor who can receive *zakat* because the Prophet Muhammad said: "I swear by whom my soul is in His hand, you will not enter paradise until you believe, and you will not believe until you love each other." (Sayyid Sabiq, 1992). Loving each other means also loving non-Muslims. So when there are non-Muslim poor, Muslims should help them with *zakat* funds. Islamic teachings place stress on the public good rather than on a particular entity's interests.

According to Mas'udi, *zakat* is the only deed in Islam that is concerned with equal access to material resources. The basic concept of *zakat* as a redistribution mechanism of wealth is that it shall distribute 2.5% of possessions from the *haves*--those who have more than they need in their daily lives--to the *have-nots*. (Masdar F. Mas'udi, 1995 : 30-37) Islam maintains that the *haves* should contribute *zakat* voluntarily because the objective of *zakat* is to build society's cohesiveness. But, because humans suffer from the passion of love of possessions, the presence of *zakat* institutions is considered necessary.

Zakat Institutions

After Indonesia proclaimed its independence from the Dutch in 1945, the practice of *zakat* changed several times. In President Soekarno's government (1945-1966), *zakat* was at first maintained largely as it had been practiced in the Dutch colonial government in the late 19th to the early 20th centuries. During this time, Muslims were allowed to fulfill their *zakat* obligation without the Dutch government's intervention, and Muslims did not have official *zakat* institutions as they have now. In the 1950s, Muslims unsuccessfully tried to persuade President Soekarno to establish Islamic law or *shari'a*, and this resulted in a political agreement in what is called the Jakarta Charter--which required the omission from the constitution of the seven words translated into belief in the one supreme God with the obligation to live according to *shari'a* for Muslims." (B. J. Boland, 1982) Since Muslims themselves were able to administer *zakat* through mosques and other traditional systems, the government could support regulations without imposing its values on Muslims. (Amelia Fauzia, 2008)

The shift of state administration from President Sukarno to President Suharto in 1966 did not change even this *zakat* policy. However, in President Suharto's government from 1966 to 1968, some Muslims demanded the state administer *zakat*. The belief that the Jakarta Charter could be used as support for Indonesian religious life led these Muslims to call for the administration of *zakat* by the government. In 1967 the Minister of Religious Affairs drafted a *zakat* bill in the legislature, but the legislature did not discuss the bill¹ (Boland, 2006: 683-701). This eventually led to the creation of *zakat* institutional models known as BAZIS during Suharto's era. On one hand, it is a result of some Muslims' demand for *zakat* administration, and on the other hand, Suharto saw potentials in *zakat* to create social welfare by establishing his foundation. LAZIS establishment after Suharto era was based on the change in political situations.

The interpretations of the Qur'an, at-Tawba 60, have developed over the years, and these interpretations continue to affect situations in society. Al-Qardawi inspired many Muslims to think about philanthropic concepts with his work, *Fiqh Zakat*. (Al-Qardawi, 1999). This work cements the foundation of modern outlooks of Islamic philanthropy. Al-Qardawi determined that *zakat* has three dimensions: social, economic, and religious. His ideas stimulated the rapid growth of LAZIS which professionally manage *zakat* funds.

Zakat trends have changed over time, and no single pattern of *zakat* development has emerged. From the 7th century to the 8th, the state imposed its rules on this practice in order to maintain its protection, regulation, and control of the mechanism. Because the Muslim community was newly emerging, they needed a government supported by taxes or *zakat* funds. During those centuries, *zakat* was adapted to ensure the economic growth of the state. Shortly after the Prophet Muhammad passed away, some of his companions were reluctant to pay *zakat*, but the Caliph Abu Bakr responded to their reluctance with a military action. (Timur Kuran, 2003: 275-293) In addition, the caliph agents also collected taxes on horses. These events showed how important *zakat* is and that it should be paid by solvent Muslims.

As of the Abbasid Caliphates, *zakat* was still administered by the state. During this time, *zakat* had the same characteristics as *zakat* in early Islam. One exception in Muslim history can be seen when some of the certain Sultans of Mamluk, Egypt tried to implement harsh penalties on those who avoided paying *zakat*. This retribution, to some extent, was tolerated because the state was expected to act properly whenever citizens ignored their obligation as *zakat* payers. From the 15th century onwards, when the state encouraged voluntary giving by its citizens, the givers could donate more than required. This was an effective way to raise funds from sources other than *zakat* because the percentage of the *zakat* requirement is limited in a predetermined way. This expansion of the *zakat* system was nurtured by the Ottoman Empire which developed the *waqf* system that supported Muslim philanthropy (Amy Singer, 2008). The *waqf* funds were used for such functions as education, community care systems, and public kitchens. Fauziadrew similarities between the practices of philanthropic giving in the Ottoman Empire and Indonesia's archipelago where some Islamic kingdoms echoed the Ottomans' *zakat* practice. Over the next hundred

¹ Boland, The Struggle of Islam...; Arskal Salim, "The Influential Legacy of Dutch Islamic Policy on the Formation of Zakat (Alms-giving) Law in Modern Indonesia," Pacific Rim Law and Policy Journal 15, no. 3 (2006): 683-701.

years, the presence of the Dutch in Indonesia partly degraded the collection and distribution of *zakat* by the kingdoms because the Dutch thought that this practice could be used to fund a revolt against them. The trend during this period was for *zakat* to be collected by traditional institutions. Although the collection was also often done by the local governments, the roles of indigenous institutions such as mosques were significant to respond to the needs of the communities. (Fauzia, 2008)

This trend, however, changed during the end of the Dutch era in the 19th century. In this later era, the Dutch gave permission for Muslims to manage their own *zakat* system. The Dutch were then more neutral and flexible in their response to Muslim attitudes of self-collection of *zakat*. (Arskal Salim, 2008b) Starting with President Sukarno from the independence era of 1945 to the 1960s, the trend reverted back to traditional channels with mosques collecting funds and individuals giving directly to the needy. However, there were still some socio-religious organizations, such as Muhammadiyah, had many reasons to collect *zakat* from the community to support educational goals, orphanages, and other socio-cultural programs.

Despite the trend toward traditional channels, *zakat* under President Suharto underwent politicization by the state. Although Suharto played a major role in the establishment of the BAZIS—similar to what was established in Pakistan in the 1960s by President Zia Ul-Haq (Grace Clark, 2001: 47-75)—the establishment of hundreds of mosques by Suharto's foundation cannot be said to have helped the development of civil society in Indonesia. People still question the transparency and accountability of Suharto's foundation. The era of reformation after the collapse of Suharto's government in 1998 marked new growth of *zakat* institutions through new *zakat* legislation.

The trends of *zakat* administration have varied over time, and such evidence suggests further research on the topic is needed. During Suharto's government, *zakat* collection and distribution were supported by the bureaucracy. Toward the end of his presidency, some NGOs had started to collect *zakat*. This action was the beginning of a move from individual methods to institutional methods. Some researchers believe that the shift from giving to individuals to giving to institutions will result in more effectively reducing poverty. The Public Interest Research Advocacy Center estimated that the national *zakat* potential in Indonesia would be 14 trillion rupiah. (Robert Dobias, 2002). The combination of *zakat* with other voluntary gifts has the potential to generate 19 trillion rupiah in a year that can be used to help the needy. (Chaedar S. Bamualim, 2009 : 75-88)

BAZIS Model

Founded by President Suharto in 1968, *Badan Amil Zakat* (BAZ) is the government-sponsored *zakat* bureau. The structure of this bureau exists within the governmental offices. In the provincial level, this bureau is chaired by the governor or the head of Provincial Religious Affairs office. Suharto's administration during the late 1960s had ignored some Muslims' political ideals, and in order to conciliate Suharto's relationship with them, he established BAZ, first national *zakat* institution in modern Indonesian history. In 1969, Suharto instructed his governors to establish *zakat* institutions and functionaries at provincial

levels. As a result, Jakarta Province was first to establish BAZ. (Taufik Abdullah, 1991 :50-84) Shortly thereafter, almost all provinces had BAZ regional offices under Suharto's military governors. The administration put all of the *zakat* funds into Suharto's account rather than into the public account of the Ministry of Religious Affairs. Suharto is believed to have been able to appropriate *zakat* funds because the BAZ was not transparent about how much money the institution collected and distributed and because no structures existed for auditing this foundation. (Arskal Salim, 2008a).

BAZ's patronage by President Suharto lasted only a few years. In 1974 he assumed the role of national *zakat* collector. In fiscal year 1969-1970, he delivered only a single budget report in the amount of Rp 39.5 million (\$2,473). Considering the growth of the Indonesian Muslim population, Suharto's figure was disproportionately low. In response to the paucity of the *zakat* fund, Suharto stepped down from the collector position in 1982. Suharto's resignation belied his true intent behind a brief stint as national *zakat* collector, which had been to secretly impede the Ministry of Religious Affairs' application of the Jakarta Charter for creation of a national *shari'a*-based system for *zakat*. Once Suharto's thwarting of the Jakarta Charter application had been accomplished, there was no need for him to continue collecting *zakat*. (Salim, 2008a)

In 1982 after his resignation from the collector position, Suharto established the Pancasila Muslim Charitable Service Foundation, which aimed to develop the capacity of Muslims culturally. This foundation levied amounts for the supposedly voluntary alms-giving such as *shadaqa*, but not for obligatory *zakat*, by deducting a monthly contribution of between Rp 50 and Rp 1,000 from the salaries of all Muslim civil servants. This foundation built "394 mosques at a cost of Rp 39.6 billion." (Michael Vatikiotis, 1990: 62-63) Since *shadaqa* and *zakat* are occasionally used as interchangeable concepts in the Qur'an, Suharto's action could be seen as founding a new *zakat* establishment with a different purpose from BAZ. Acting as national *zakat* collector in the late 1960s to early 1970s, Suharto did not levy *zakat* in the same way that he levied alms-giving through his new foundation. Although Suharto was able to impose *shadaqa* on government employees, it would have been more challenging for him to forcibly levy the obligatory religious requirements, such as *zakat*, in his non-*shari'a* system. (Salim, 2008b)

BAZ, established under Suharto's new administration in 1968, drew *zakat* only, but in the middle of the 1980s, it also began including voluntary giving other than *zakat*. As a result, its name changed to become BAZIS, which stands for *Badan Amil Zakat Infaq and Shadaqa*. In the 1970s, such provinces, namely East and South Kalimantan, West and South Sumatra, West Java, and Lampung established their BAZIS, and followed by the North and South Sulawesi that established their BAZIS in the 1980s. In the same decade, oil companies, such as Badak LNG and Pertamina, established their BAZIS as corporate social responsibility. (Abdullah, 1991)

LAZIS Models

Dompot Dhuafa

The famine in Gunung Kidul Regency in 1993 motivated newspaper employees of *Republika* to establish Dompot Dhuafa (DD) Foundation. They also established the

Republika Brotherhood Association to collect funds. This association deducted 2.5% of its members' monthly incomes as their *zakat* obligation. In that year, after the fund was donated to the entitled, the community needed much more. As a result, DD involved *Republika* readers by dedicating a small space on the front page to appeal for donations. In the first few days, DD collected Rp 425,000. By the end of 1993, DD had collected Rp 90 million, including the monthly *zakat* fund from employees. (Hamid Abidin, 2004)

DD has three major programs: economic, agricultural, and human resource development. The first DD program, economic development, encompasses two main areas, namely micro-finance loans and small-scale enterprise development. In order to accomplish the economic development program, DD has built a network, which includes more than 59 organizations nationwide, to establish the *Bayt al-Maal wat Tamwil* (BMT); and in joint with the People Credit Shari'a Bank, this network lends money to *zakat* recipients who want to start businesses. The second DD program, agricultural development, provides agricultural producers with reasonable prices to ensure production continuity and price stability. DD works with partner organizations to provide seed capital and revolving funds. The third DD program, human resources development, focuses on youth education by granting scholarships and sponsoring internship programs. By 2000, more than 300 students received DD-developed scholarships and internships worth Rp 1 billion. In addition, DD finds foster families to help unfortunate children continue their education. DD has also built a network with prospective donors who can send monies to DD through either BMT or other financial institutions to support these needy children. (Dobias, 2010)

Al-Falah

Established in 1993, and as of 2002, the Al-Falah (AF) Foundation has built a monthly fund of Rp 300 million mainly from *infaq* funds and based on almost 100,000 donors in East Java Province. AF uses *zakat*, *infaq*, and *shadaqa* as the major sources for its two empowerment programs: Pena Bangsa and Sahabat Asuh. The Pena Bangsa program helps students who have had to drop out of school due to a lack of financial support. AF scholarship amounts depend on the level of education. Monthly support ranges from Rp 20,000 for elementary students to Rp 35,000 for higher-level high school students. To increase its funds for the Pena Bangsa program, AF regularly advertises in local magazines and newspapers. The similar AF program, Sahabat Asuh, encourages children of rich families to donate money to help needy children who are in foster situations. This program aims to enhance societal involvement by the children in the rich families and to provide financial resources for the education of poor children. As of 2003, Sahabat Asuh had at least 70 donors providing about Rp 7 million monthly. These programs built networks with prospective donors who can send monies through the bank to support unfortunate children. (Al-Falah Foundation, accessed September 2, 2010)

Pos Keadilan Peduli Ummat

The Pos Keadilan Peduli Ummat (PKPU) Foundation was established in 1999. With 14 branches across Indonesia, PKPU's programs support education, health, disaster management, and economic status. The education program provides scholarships for

children from low-income families and aims to equip children with practical skills through learning experiences. PKPU also provides a mobile library primarily stocked with children's books and magazines. This asset is made temporarily available to a community when a natural disaster has affected its children. In further response to natural disasters, PKPU temporarily provides community-based disaster risk management. The economic program of PKPU lends money to farmers, artisans, retailers, and fishermen who lack resources to start businesses. (ibid)

Rumah Zakat

Founded in 1998 and as of 2009, Rumah Zakat (RZ) had collected Rp 107.3 billion (\$10.73 million) from 54,000 donors. (Zulkipli Lessy, 2011) With these funds, it has developed programs to address economic needs of impoverished communities and health care for the poor. Economic programs provide non-profit micro-credit and loans that enable poor households to start businesses and change their status from *zakat* recipients to *zakat* donors. Health care treats primarily family-based situations, such as free ambulances and free medical clinics. The RZ's partner hospitals provide Rp 500,000 (\$50) toward medical care for the poor who cannot afford hospital fees, while the bulk of the fees are paid by RZ. Free medical clinic services include: general check-up, immunization, family planning consultation, nutrition counseling, prenatal care, circumcision for young boys, and tumor and cataract operations. RZ also dispatches health care services, including medicine, food, clothes, and tents, for humanitarian aid to victims in disasters and communal conflict zones. (Profil RZI, 2009)

Zakat Policies in the Post-Suharto Era

Indonesia is not a *shari'a* law state but has accommodated social needs by facilitating LAZIS institutions to collect and distribute *zakat* as it previously facilitated its BAZIS, which are semi-autonomous *zakat* collecting boards established by President Soeharto in 1968 at the federal and provincial levels. Although *zakat* is considered an obligatory religious donation, it is regulated by civic rules, known as *shari'a* by-laws. The state considers *zakat* the obligatory religious donation, as it is required by Islam, but does not impose sanctions against Muslim citizens over their failure to pay *zakat*. Instead, the state has facilitated the payment of *zakat* either through BAZIS boards or LAZIS institutions which were mandated by Act No. 17 (2000). Previously, President Habibie (1998-2000) issued the first *Zakat Act*, No. 38 (1999), which stated that solvent Muslims and corporate bodies should pay *zakat maal* to the poor or charity foundations. In response to these Acts, community organizations have established LAZIS to facilitate *zakat* payers to claim a tax deduction.

According to the Tax Director General, *zakat* can be considered a tax deduction from one's net income. (Tax Directorate General, accessed December 10 2011) Hence, the government provided a structure so that Muslims who paid *zakat* could deduct it from their taxes, e.g., Act No. 25 (2010) stipulated *zakat* payments to be tax deductible. (Akhmad Akbar Susanto, 2003: 107-118). But tax officials have been concerned that making *zakat* tax deductible will drastically reduce tax revenues. (I. Yani, accessed May 20), 2010). Some have even reported concern about the possibility of false claims, but there is a lack of studies

to confirm this issue. Hence, an effective recordkeeping system for *zakat* payments is critical, and regulations that better facilitate BAZIS institutions will maximize the collection of *zakat* funds and their immediate redistributive economic impact that benefits the poor.

Because the success of LAZIS in raising *zakat* monies became public, in 2005, the government attempted to take over the LAZIS and to consider BAZIS the only *zakat* institution that would collect and distribute *zakat*. However, this caused some protest from LAZIS institutions because they believe that unrealized *zakat* payer potential had been significant, and the number of *zakat* institutions working with society had been too few to meet the needs of both the *zakat* payers and the entitled. LAZIS institutions have historically worked well in serving the poor, and LAZIS officers have proven to be far more effective in collecting and distributing *zakat*. Therefore, the government should not eliminate the roles of LAZIS institutions because they support some of the governmental duties that have not been fulfilled due to the government's limited budget to deal with poverty issues.

Some have suggested that supporting LAZIS is necessary for raising *zakat* monies to help the poor in Indonesia because the government is dependent on taxes. LAZIS institutions could play an important role to fill this gap because the *zakat* potential in Indonesia is tremendous because of the large population. (Dobias, 2002) Of the 246 million Indonesians, Muslims constitute 87%, and 40% of these are wealthy enough to offer *zakat*. (M.D. Doa, 2005). The combination of *zakat* with other voluntary gifts has the potential to generate Rp 19 trillion (\$1.9 billion) yearly to be used to help the needy. In 2009, only Rp 1.2 trillion (\$120 million) was collected, (M.D. Doa, 2005) and in 2010, Rp 1.5 trillion (\$150 million) was collected, as well as Rp 1.8 trillion (\$180 million) in 2011. (Suara Merdeka September 12, 2012). This prediction included only *zakat* distributions at institutions, and there is a lack of data of *zakat* giving to individuals.

Conclusions and Implications

Zakat has survived within changing times and places since *shari'a* was first decreed for Muslims in Mecca and Medina in the 7th century. The Islamic states had a great role in managing the mechanism of *zakat*. Within its long history, few detailed records have revealed how the Islamic states gave voice to the poor about *zakat* they received. The provision for *zakat* under *shari'a* is similar to law about taxes in modern times. Although the Qur'an does not explain the explicit mechanism for poverty alleviation objectives, the deepest meaning of *zakat* rests in the Islamic states' structure and functions as wealth circulation among the communities. In the time of the Prophet Muhammad until the late Ottoman Empire, money from *zakat* was mixed with *shadaqa* (voluntary giving). In the second caliph era, Umar established the *waqf* system first in Islam, and it was further developed in the Ottoman Empire and in Indonesia.

To optimize the work of BAZIS and LAZIS, it is considered beneficial for both sides to collaborate in mutual respect and fair competitiveness. LAZIS have worked well in serving the poor. The government, with its authority, should not eliminate the roles of the private institutions. Apart from the existing polemics, both institutions should collaborate to eradicate poverty instead of competing for *zakat* funds. They should involve external auditors in assessing their funds. The results of audits should be published to educate society

and to encourage people toward giving *zakat*. People will thereby know how the funds are collected and distributed to the poor, orphans, and other worthy recipients.

In managing *zakat* funds, LAZIS not only fill moment-to-moment needs in many of its programs, such as providing food for poor people, but they also have sustainable programs to empower economic advances for the poor, such as interest-free loans, training, scholarships, and education. BAZIS should learn from LAZIS which have sustainable programs to empower the poor through education and economic programs. In addition, LAZIS institutions cannot be considered as competitors with the government for *zakat* funds, but they should be considered as partners in poverty eradication.

Indonesian social work practice pays little attention to the need for increasing amounts of *zakat* and other voluntary gifts; it should advocate for best legislation that facilitates Muslims in fulfilling their religious obligations to the unfortunate. Acceptance of the present *zakat* institutions is increasing over time as the institutions become trustworthy intermediaries between donors and recipients. Therefore, Indonesian social work practice should become more involved in promoting *zakat* and voluntary giving because social work must advocate for the enhancement of living conditions of the poor and the destitute.

The appropriation of *zakat* funds during the era of Mamluk Egypt by *zakat* collectors, during the era of the Dutch colony by local rulers in Indonesia, and during the era of President Suharto's government shows the need for a greater role of social work practice, namely to advocate for institutional transparency, program delivery accountability, and bureaucracy reformation. To achieve this purpose, Indonesian social workers must collaborate with BAZIS or LAZIS to establish ethical conduct standards in order to protect the poor's rights to welfare equality.

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