

## ANALYSIS OF ZAKAT FUND MANAGEMENT IN EMPOWERING MSME'S OF LAZIZ MUHAMMADIYAH (LAZISMU) AT CITY OF MEDAN

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**Abstract:** *Research with the title "Analysis of Zakat Fund Management in Empowering MSMEs of Lazis Muhammadiyah (LAZISMU) at Medan City." It aims to determine the zakat fund empowerment system and zakat fund management procedures in empowering MSME conducted by LAZISMU. This research method uses qualitative research methods, namely written or oral words from people and actors that can be observed. This data was obtained from literature studies, interviews, and observations to determine the zakat fund empowerment system and procedures for managing zakat funds by LAZISMU. The results obtained are the empowerment system of zakat funds conducted by LAZISMU by 1). The zakat system funds consumptive empowerment, namely by way of the provision of groceries and consumables, 2). The zakat system funds consumptive commission, namely zakat, which is realized in the condition of capital, 3). Zakat fundraising system online, namely the collection using social media such as Instagram, Facebook, Twitter, and Youtube, 4). Offline collection of zakat funds, namely the collection by making regular donors to muzakki*

**Keywords:** *Zakat Fund, Management, MSME*

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### Introduction

Poverty is a condition where there is an inability to meet the necessities of life. Poverty is the biggest problem related to the economic issues of the people. One of society's components categorized as poor is related to the low income earned in meeting the needs of life. Poverty is always a serious threat in the future when it is allowed to continue and does not receive special attention from the government. In a smaller scope, poverty in the city of Medan is a problem in itself for the city government of Medan. The following is a table of poverty lines, the number of poor people, the percentage of poor people, and the poverty depth index for the city of Medan in 2015-2019 in table 1.

**Table 1: Poverty Line, Number of Poor People, Percentage of Poor People and Poverty Depth Index for Medan City 2015-2019**

Year	Poverty Line (Rp/capita/month)	Poor (Thousands and Million People)	Percentage of Poor	Poverty Depth Index (P1)
2015	420.208	207.50	9,41	1,21
2016	460.685	206.87	9,30	1,51
2017	491.496	204.22	9,11	1,56
2018	465.790	1,29	8,94	1,459
2019	483.667	1,28	8,83	1,371

Based on table 1, the results of observations by the Central Statistics Agency (BPS) in the city of Medan in 2015-2019 show that the number of people in Medan is still poor. Based on the poverty line, the poor say the people who have an average monthly expenditure per capita below the poverty line are still in shortage. In 2015, BPS determined the population to spend Rp. 420.208 per capita per month for the people of Medan as the poor group. Meanwhile, based on BPS data in 2016, the poverty line in Medan was Rp. 460,685 per capita per month. Meanwhile, in 2017 BPS determined the population to spend Rp. 491,496 per capita per month for the people of Medan as the poor group. In 2018 BPS decided the people to spend Rp. 465,790 per capita per month for the people of Medan as the poor group. Meanwhile, in 2019 BPS determined the population to spend Rp. 483.667 per capita per month for the people of Medan as the poor group.

One way to reduce the poverty level is by supporting Micro, Small, and Medium Enterprises (UMKM). The presence of MSMEs can also open up employment opportunities so that the poor can earn income and make ends meet. Micro, Small, and Medium Enterprises (UMKM) must be developed so that the poor or people who do not have a job have an income. This income can enable them to meet their daily needs and reduce the poverty line in Medan. One way to develop MSMEs is by providing capital to the poor. With the provision of capital, the community can open a business and will have a livelihood. This problem can be solved using zakat funds collected through amil zakat bodies and amil zakat institutions.

Research Hamidah et al. (2017) found that the distribution of zakat funds on the growth of small, micro, and medium enterprises in East Java in 2011 - 2014. Adapaun Ismail, Sudiart, and Ridwan (2018) examined the role of Dompot Dhuafa in empowering the poor through the development of Micro and Small Enterprises in Medan city. The impact of DD's program has become a very important medium for building the mental and solidarity of Muslims to minimize the gap between the rich and the poor. Besides, Naimah and Soenjoto (2018) also examined the distribution of productive zakat funds collected by BAZNAZ Yogyakarta. The study results found the same conclusion as the research previously mentioned, that productive Zakat has a positive and significant effect on the empowerment of MSMEs in a material manner and the charge of non-material MSMEs.

Several zakat institutions in Medan have empowerment programs for Micro, Small, and Medium Enterprises (UMKM), one of which is LAZISMU. LAZISMU or Lembaga Zakat Infaq and Shadaqah Muhammadiyah is a national level zakat institution that is active in empowering the community through productive utilization of Zakat, infaq, sadaqah, waqf, and other generous funds from individuals, institutions, or companies. LAZISMU is also one of the zakat institutions which

has a Muhammadiyah mass organization base. Therefore, it is necessary to research to determine the extent to which LAZISMU's zakat fund management can be optimized.

## **Literature Review**

### **Zakat as a Micro-Financial Institution**

There are several studies related to Zakat as an instrument that can be used to reduce poverty. Ibrahim (2014) examines the role of Zakat as a micro-financial institution for productive zakat recipients. The results of his research found that this micro-financial institution is very important for the poor. Zakat can fill this role because it is free of interest and does not incur administrative fees. Mujiatun and Nurzannah (2017) stated that the Muhammadiyah Association in Medan City had made a development model for Zakat, Infaq, and Alms' distribution because of its potential to reduce poverty levels. However, there are still constraints related to congregational beliefs where the congregation is still not sure so that from the aspect of the collection, it is not optimal.

Al Bara and Pradesyah (2019) explained in their research at LAZIZMU that LAZIMU acts as venture capital to finance micro and small businesses on the condition that the business owner must meet the criteria of being poor and submit a proposal related to the business to be run. Nasution and Prayogi (2019) revealed in their research entitled *The Utilization of Zakah Productive towards Micro-Business Growth and Mustahik Welfare* that there is a significant positive effect between them of productive zakat funds and the welfare of mustahik. Besides, there is a relationship between the simultaneous growth of micro-businesses and the interest of mustahik in Medan City. This research implies that the distribution of Zakat is prioritized for the distribution of productive zakat funds.

As for Sulistya, Budirahayu and Ningtyas (2020) conducted a similar study which concluded that Zakat could be used as a provider of capital for micro, small and medium entrepreneurs in the context of poverty alleviation. Besides, strengthening small, micro, and medium enterprises using zakat funds is expected to minimize income inequality.

### **Zakat is a Poverty Reduction Instrument**

Syahri et al. (2019) assist LAZIZMU in empowering and maximizing LAZIZMU Medan to collect, distribute and report through the Digital Donation Application. Implementation is carried out online, starting with Training Needs Analysis, counseling, training, mentoring, and evaluation. This program succeeded in minimizing partners' problems from the poor category and was proven qualitatively through direct, in-depth interviews via zoom and video testimonials. Meanwhile, quantitatively, 35% stated that this mentoring program was useful, and 65% said that this program was very useful.

Sari, Beik, and Rindayati (2019) reveal the potential for large zakat funds among the Muslim population in West Sumatra. In terms of professional regulations, the State Civil Apparatus (ASN) must pay Zakat by deducting the basic salary. This regulation has a positive impact on raising zakat funds. The results indicate that Zakat affects poverty reduction.

Amsari (2019) analyzes the Effectiveness of Productive Zakat Utilization on the empowerment of mustahik by the central LAZISMU. The study results on the program Bina Ekonomi Keluarga Amanah, out of 14 mustahik from 14 respondents, are increased in terms of increasing income and implementing business ethics according to Sharia principles. Besides, in terms of ZIS payments, which indicate that ZIS has been effective in empowering mustahik.

### **Risks Faced in the Management of Zakat Institutions and Anticipation**

Risk occurs in every organization, and it might happen to amil zakat institutions. The chances that appear are in collecting zakat funds, management, and distribution of zakat funds. Triyani, Beik, and Baga (2017) explain that the risks in amil zakat institutions are categorized as minor risks. Even so, LAZ institutions must be minimizing these risks to increase the trust of the ummah. Amil Zakat Institution should avoid risk (risk avoidance) or transfer risk (risk transfer) for risks that fall into the unacceptable category. Troubles in the undesirable sort should be reduced (risk reduction) for risks that fall into the acceptable category. These, namely, risks, can be categorized as unacceptable. Accepted, but monitoring is necessary so that the risk does not develop into high risk.

Mujiatun (2018) examines the potential of Zakat as an instrument that can reduce poverty levels but experiences obstacles in managing zakat funds. The barriers found by the Zakat Institution include:

1. Lack of Institutional Talent Awareness: Not everyone pays Zakat to official zakat institutions, so it isn't easy to get exact data regarding the collected zakat funds.
2. The Absence of Muzakki Punishment: There is no penalty for Muzakki for not paying Zakat from the regulator. So that the motivation of the community in paying Zakat is not strong
3. Lack of Socialization: Minimal socialization makes many people not educated about the importance of Zakat so that people do not think that paying Zakat is important
4. Khilafiyah in Society: There are different views regarding the perception of who is obliged to become muzakki and who has the right to become mustahik.

## Method

This type of research the author is doing is field research (field research) with a qualitative descriptive approach. Descriptive analysis is research that guides researchers to explore and photograph social situations as a whole, broadly and deeply. The author defines a qualitative research method as an approach or study to describe natural phenomena based on existing theories (Sugiyono, 2013). Therefore, researchers use this type of qualitative research to explain and describe the problems under study. The data that will be used in this research is qualitative. Sources of data in this study are primary data and secondary data.

Data collection techniques that will be used are through interviews, observation, and documentation. The author directly observes the procedures and stages carried out by the LAZISMU management in distributing the funds collected from Zakat to micro, small and medium enterprises. Qualitative data analysis is research that is commonly used for historical research approaches, library research, exploratory research, and other studies, which does not require an analysis of the numbers. In qualitative research, checking the validity of the findings, according to Moleong (2011), is carried out using several techniques, namely:

1. Trust (Credibility)

The application of trust replaces the concept of non-qualitative internal validity. First, this criterion functions to carry out an inquiry so that LAZ can achieve a level of confidence in the discovery. Second, demonstrate the degree of confidence in the findings utilizing proof by the researcher in the multiple realities being studied.

2. Transferability

Transferability states that the generalization of a finding can be applied to all contexts in the same population based on the results obtained from a representative sample.

3. Dependability

Dependency is the substance of the term reliability in non-qualitative research. In a non-qualitative way, reliability is shown by conducting a replication of the study.

#### 4. Confirmability

The criticality criterion comes from the non-qualitative concept of objectivity. Non-qualitative establishes neutrality in terms of an agreement between subjects. From this, the assurance that something is objective or not depends on the understanding of several people with one's views, opinions, and findings.

#### 5. Triangulation

Triangulation is a data validity checking technique that makes use of something else. Outside, the data is for checking or as a comparison against that data. The triangulation technique most widely used is checking through other sources.

### **Result and Discussion**

LAZISMU is a national level zakat institution active in community empowerment through productive utilization of zakat funds, infaq, waqf, and other generous funds from individuals, institutions, companies, and other agencies. The background of LAZISMU's establishment consists of two factors. First, Indonesia is covered with widespread poverty, ignorance, and a very low index of human development. All of them have consequences and, at the same time, are due to a weak social justice order. Second, Zakat is believed to contribute to promoting social justice, human development and able alleviate poverty. As a country with the largest Muslim population globally, Indonesia has a relatively high potential for Zakat, infaq, and waqf. However, the existing potential cannot be maximally managed and utilized not to have a significant impact on solving existing problems.

The findings of interviews and observations of the authors include LAZISMU has two first empowerment systems, a consumptive zakat fund empowerment system. This consumptive way is carried out by providing groceries and consumables. Second, the productive zakat fund empowerment system is constructive, namely by opening or building a business. This productive empowerment system is often carried out because it will have a broad and sustainable impact on the mustahik. The zakat fund empowerment system implemented by LAZISMU has been optimal. The manager of utilization, distribution, and media, Lazis Muhammadiyah (LAZISMU) of Medan City, explained that until now, LAZISMU has always been doing empowerment optimally so that the mustahik are well utilized. Still, of course, the optimal or suboptimal commission lies in each person's opinion to see it.

There are two ways of monitoring mustahik or Micro, Small, and Medium Enterprises (MSMEs) that receive zakat funds. First, there is a monitoring and evaluation process from LAZISMU for the mustahik every month. Second, LAZISMU Collaborates with the Islamic Business Management Faculty of Islamic Religion to help carry out monitoring and evaluation by giving small piggy banks to Sharia Business Management students who will be collected once a month.

The categories of mustahik of Micro, Small, and Medium Enterprises (MSMEs) entitled to receive priority zakat funds are the poor, who no longer can pay for their lives. Zakat fund could help the poor to support their business. People who get it and must have the criteria that must be fulfilled. First, it must have a business spirit. Second, they must have the ability to open a business and convince themselves to change their life. Also, the distribution of Zakat must be done fairly among the mustahik. Fair does not mean that the distribution must be the same, but fair is adjusted by considering the feasibility and level of needs. And the distribution certainly touches the mustahik.

The zakat fund empowerment procedure conducted by LAZISMU uses two systems. First, the offense system directly sees or goes directly to the field, which one is eligible to receive zakat funds. After seeing it firsthand and feasible to receive zakat funds, LAZISMU will directly give

an empowering program. Second, the submission system is the need for mustahik to complete administrative files such as poor letters and recommendation letters from the district staff. After the mustahik submit a submission to LAZISMU, LAZISMU will carry out a direct survey to mustahik.

The number of mustahik or Micro, Small, and Medium Enterprises (MSMEs) that have received zakat funds by LAZISMU so far mustahik who have received as many as 2,000 mustahik benefits for this year, in previous years who received zakat funds reached 5,000 - 10,000 mustahik who received help. For Micro, Small, and Medium Enterprises (UMKM) itself, 10-20 MSMEs have received LAZISMU's zakat fund's benefits to open a business. The wide range of zakat fund distribution areas that LAZISMU can work on is already in their respective places and their separate assignment zones. LAZISMU Medan City itself covers the entire city of Medan and does not rule out activities outside the city of Medan. Problems that often occur in the zakat fund management system are problems when distributing programs or utilizing programs to mustahik. That is the problem with mustahik, who have been assisted, mustahik when he has been administered, sometimes the effort does not go well, and the difficulty is not resolved then mustahik come back to LAZISMU ask for assistance in channeling the program.

With the provision of zakat funds, of course, it can overcome poverty, seen from the Islamic concept of zakat funds as a management method that can reduce poverty. During the time of Khulafaur Rasyidin, a friend of the Prophet Muhammad, Zakat had to be managed institutionally and create poverty at that time. And Zakat should be the main economic support and not a tax. The obstacles LAZISMU experienced when sorting out mustahik or Micro, Small and Medium Enterprises (MSMEs) that had to be given zakat funds, so far LAZISMU has not shared any problems because before providing the funds to open a business, LAZISMU conducted a survey first to mustahik. The survey was conducted to prove the truth of whether or not a mustahik was worthy of being given funds to open a business. The related problems that mustahik complains about are not following the facts. For example, a mustahik who lies in telling about his house's condition and says he is in trouble and has no family at all, an obstacle like this that is often encountered in the field. LAZISMU's main reason for carrying out micro, Small, and Medium Enterprises (MSMEs) is one of the developed countries' indicators. People have entrepreneurial communities that are said to be developed countries, while there are very few entrepreneurs in Indonesia. So, from that, LAZISMU's main target is UMKM.

Firstly, they want to help the country progress; secondly, they want to improve the poor's economy, so they don't depend on truly uncertain things. It gives efforts to mustahik to strengthen the economy. Of course, the mustahik who already have a large business will survive and open up new jobs. The development of the number of mustahik or Micro, Small, and Medium Enterprises (MSMEs) from year to year for the number of mustahik has certainly increased, plus in these difficult times, the number of mustahik continues to grow. And LAZISMU is also trying to continue to increase the number of beneficiaries for the empowerment of MSMEs. So, the graph of zakat fund recipients from year to year continues to increase while the number of requests and requests continue to grow.

## **Conclusion**

LAZISMU has implemented the empowerment of zakat funds channeled through consumptive and productive categories. A larger portion of the grant is directed through a productive empowerment system because it will have a broad and sustainable impact. LAZISMU party needs to conduct surveys and monitoring periodically so that mustahik does not abuse zakat funds in the proposed zakat fund management system.

Become a very important medium to build mental and solidarity for Muslims. Also, LAZIZMU needs to make zakat recipients' characteristics run effectively, such as research conducted by Setiawan, Mayes, and Zuryani (2018). Their study found that the traits of mustahik in Dumai City were mostly given to women who reached 85%.

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