

## Lessons Learned of Zakah Management from Different Era and Countries

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**Abstract.** *Zakah and its problems are as old as the Islamic civilization. This Islamic financial instrument is mandatory for Muslims who are capable and expected to reduce the poverty of the people. The potential of zakah in Indonesia reaching 217 trillion rupiah Indonesia's GDP should be able to be explored and distributed to Indonesian Muslims as effectively as possible. Potential only remains just a potential if it is not able to be realized into zakah funds collection that is ready to be distributed to the recipient who is entitled to receive it. The concept of localization/ decentralization can be considered as the best way in zakah disbursement. The concept of localization/zoning or decentralization in the distribution of zakah funds closely matches the concept of Sharma in the tax disbursement issue that states that the transfer of power, resources and responsibilities from the center to the regions is more effective in alleviating poverty in Indonesia.*

**Keywords:** *zakah, collection, disbursement, localization, decentralization*

**Abstrak.** *Zakat dan masalahnya sudah setua peradaban Islam. Instrumen keuangan Islam ini wajib bagi umat Islam yang mampu dan diharapkan bisa mengurangi kemiskinan masyarakat. Potensi zakat di Indonesia mencapai Rp 217 triliun rupiah Indonesia harus dapat dieksplorasi dan didistribusikan ke umat Islam Indonesia seefektif mungkin. Potensi hanya tetap menjadi potensi jika tidak bisa direalisasikan ke dalam pengumpulan dana zakat yang siap dibagikan kepada yang berhak menerimanya. Konsep lokalisasi atau desentralisasi dapat dianggap sebagai cara terbaik dalam pencairan /pendistribusian zakah. Konsep lokalisasi/zonasi/desentralisasi dalam distribusi dana zakat sangat sesuai dengan konsep Sharma dalam masalah pencairan pajak yang menyatakan bahwa pengalihan kekuasaan, sumber daya dan tanggung jawab dari pusat ke daerah lebih efektif dalam mengurangi kemiskinan di Indonesia.*

**Kata kunci:** *zakat, pengumpulan, pendistribusian, lokalisasi, desentralisasi*

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## Introduction

The most important Muslim practices are the Five Pillars of Islam, five obligations that every Muslim must satisfy in order to live a good and responsible life according to Islam. The Five Pillars consist of (1) Shahadah: sincerely reciting the Muslim profession of faith, (2) Shalat: performing ritual prayers in the proper way five times each day, (3) Zakah: paying an alms (or charity) tax to benefit the poor and the needy, (4) Shaum: fasting during the month of Ramadan, and (5) Hajj: pilgrimage to Mecca. Zakah is one of the pillars and its problems are as old as Islamic civilization. The Al-Qur'an clearly mentioned, in many verses, the responsibility of the rich to pay zakah (Abdullah and Haqqi, 2017).

Zakah, as one of the Islamic financial instruments is mandatory for Muslims who are capable and it is expected to reduce the poverty. Zakah is unique Islamic institution to reduce the poverty (Kasri, 2016). Zakah has become a very important Islamic fiscal tool to address the social justices (Al Arif, 2010; Al Haq and Wahab, 2017). Especially in the world's most populous Muslim country, zakah has its own magnet in the relationship between the rich and the poor. The potential of zakah in Indonesia reaching 217 trillion rupiah or 1.8 - 4.34 percent of Indonesia's gross domestic product (GDP) should be able to be explored and distributed to Indonesian Muslims as effectively as possible. Potential only remains just a potential if it not able to be realized into zakah funds that are ready to be distributed to the recipient who is entitled to receive it. In addition to zakah fund collection methods must be effective, the distribution of zakah funds must be targeted so as to bring effect on poverty reduction in Indonesia. Zakah will give a significant multiplier effect to income in the economy (Al Arif, 2012).

Before discussing more about the role of zakah, it is worthless to remind us of the importance of zakah for a Muslim's religious life. In the word of Allah SWT about zakah in the Qur'an, most are preceded by prayer orders. "Establish prayer, and pay zakah...(Al Baqarah, 2: 43)." This verse is reinforced by the Prophet's statement in his hadith

"Islam is built on five things, namely; testimony that there is no God but Allah and Muhammad is His messenger, establishing prayers, giving alms, fasting in Ramadan and Hajj if capable" (HR. Bukhari-Muslim).

Zakah is one of the pillars of Islam and it is an obligation for the wealthy (wealthy) after the property that is subjected to the zakah object meets the minimum limit (nishab) and time span of one year (haul). Allah SWT says at-Taubah verse 60 regarding whoever is entitled to the provision of zakah is known as 8 ashnaf.

إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ فُلُؤُهِمْ وَفِي الرِّقَابِ  
وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

Indeed, the zakah is only for the indigents, the poor, the zakah managers, the mu'allaf, liberate the slave, the debtors, the way of Allah and those who being on the way as a decree required by Allah, and Allah is All-Knowing, All-Wise.

Some experts clarify the meaning of verse 60 above in terms of priority, quantity and quality as follows:

Allah SWT did not specify 8 asnaf (group) should be given to all, but ordered zakah given to 8 asnaf and should not come out from the 8 asnaf. Allah SWT did not specify the exact ratio between each of these 8 asnaf. According to some scholars, zakah can be given to one or more groups who are most in need. Scholars who argued like this are Imam Malik, Abu Hanifah and his companions (Qardhawi, 2004).

Based on verse 60 above, it is seen that the criteria of 8 asnaf are detailed enough described in the Qur'an. The eight criteria of the recipient group of zakah and the percentage of the distribution of the beneficiaries are an example of how very few verses in the Qur'an describe Allah's commandments in detail to numbers. Not many such detailed commands are unraveled in the Qur'an. Even the number of times the prayer and the number of raka'at prayer in a day which is the second pillar of the pillars of Islam was not found explicitly written in the Qur'an. Therefore, many scholars are not too brave to do *ijtihad* for inheritance law and zakah recipient criteria because they are explicitly written in the Qur'an.

Zakah has a special place in social life in addition to other Islamic financial instruments such as *infak*, *shodaqah* and *waqf* which have their respective roles as well. The difference is the obligatory zakah for Muslims who have the treasure that becomes the object of zakah, meanwhile *infak*, *shodaqah* and *waqf* are voluntary that clearly promised reward directly from Allah SWT to whom sincerely gives in the way of Allah SWT.

Although there has been a lot of research on zakah in Indonesia, but the issue of zakah management is still an interesting issue to be studied. However, the management of zakah funds in Indonesia has been far from the expectations of the people in reducing poverty in Indonesia in terms of impacts and its contributions. Especially, when there are thoughts that argue that centralized management through Baznas (Badan Amil Zakah Nasional) become the best way of Zakah management in Indonesia. This research is expected to provide insight, especially in the midst of centralized zakah management discourse through centralized institutions such as BAZNAS.

This paper is intended to provide various illustrations of various zakah management practices from different era and various countries. As a material consideration in formulating the method of zakah management in Indonesia, it helps us learn from the history and experience of some Islamic countries in managing zakah funds. People are given the choice of consideration in formulating the management of zakah in accordance with the condition of society so as to be able to achieve the purpose of zakah management itself. Do not let the ummah/Muslims do not have enough insight and they think that the centralization of zakah funds is the only best way to collect and manage zakah in a country, especially a country with a majority Muslim population.

## **Literature Review**

### **Management of Zakah from The Old Era to The New Era**

#### ***Management of zakah during the Era of Life of Prophet Muhammad SAW***

There is much evidence to suggest that the government had a major role in the collection and distribution of zakah during the life of the Prophet in Medina, especially in agriculture and farms. There is no record that the government must collect the zakah of trade, gold, and jewelry. Even if the government collects these zakah, it is more than the zakah-paying initiative itself (Kahf, 2000). The Prophet also appointed zakah administration officers in every country. Al Qaradawi (1973, pp 749-752) mentions that more than 25 followers of Rasulullah were appointed as Zakah officers in various areas within the Arabian Gulf. The zakah funds and its administration are separate from the fund and income of the Prophet's government at that time. It should be underlined that the collection and distribution of zakah is localized. It means that Zakah funds collected in one region are not distributed outside the region and none of the centralized zakah funds (Kahf, 2000).

#### ***Zakah Management during Life of Khulafa Ar-Rasyidin and after Khulafaur Ar-Rashidin***

As we all know, the four of Khulafa ar-Rasyidin received direct instruction from the Prophet and they became the source of referrals of Muslims after the death of the Prophet. The four Khulafa ar-Rasyidin are Saidina Abu Bakr (632-634 M), Saidina Umar Al-Khatib (634-644 M), Saidina Uthman Affan (644-656 M) and Saidina Ali bin Abu Thalib (656-661 M). Along with the widespread area of Islamic power in the four caliphs which resulted in prosperity, the role of government control was reduced mainly in the management of zakah. In the era of Khalifah Saidina Umar, zakah administration was very neat and the audit of Zakah officers

was performed. Umar also obliged the collection of zakah for trade, gold and silver by hiring zakah officers to the streets and bridges to collect zakah, and collect taxes for Non-Muslims who trade in the region of Muslim power.

In the case of Saidina Uthman's caliphate, the wealth of the country was abundant and without zakah the State was able to meet the needs of mustahiq (beneficiaries of zakah). Therefore, Uthman decided to hand over all the decisions and payments of zakah obligations to the payer of zakah itself. Whether their zakah want to be distributed to neighbors, relatives and acquaintances, it is handed over all decisions and channeling to the payer of zakah itself. However, Saidina Uthman's decision is also motivated by the desire to minimize the cost of collecting zakah which is very difficult to be traced, checked and verified (Al Qaradawi, pp 772-773). In the end of the caliphate of Saidina Uthman era, Muslim increased disbelief with his government and this continued until the end of the period of Saidina Ali bin Abu Thalib. Scholars call for no need to give zakah to the officials from the government but distribute zakah by themselves to the parties (8 asnaf) who have been pronounced by Allah SWT in the Qur'an. The development of four schools of thought also provides a new dimension that draws closer to fiqh zakah itself.

Some important lessons can be learned from zakah management according to Qardhawi (2004) are as follows: *First*, management of zakah has been done by region) and recording of zakah separately from other State incomes. The government is allowed to collect all kinds of zakah as long as it allocates to the recipients in accordance with the instructions of the Qur'an. The Hanbali school of thought argues that it is better if all kinds of individual zakah are handed over by Muzzaki (the zakah payers) to Mustahiq (the recipient of Zakah funds). Meanwhile the Hanafi and Shafii schools of thought believe that the giving itself is only for trade, gold and silver zakah, but other than those criteria, zakah is handed over through the government. In this case the government must ensure that all Muslims implement Zakah payments.

*Second*, the failure of the government of the Islamic State obliges the payment of zakah not to abolish Muzaki's responsibility to pay taxes according to the type and *nisab*. *Third*, there is no reference in the classical fiqh book that states that the collection and distribution of zakah is done by non-profit organizations. This can be understood because at the time of the classic fiqh book was written, non-profit organization is not known. Later, in the contemporary literature, various non-profit organizations may be considered to collect and distribute zakah as long as the government does not do so (Qardhawi, 2004).

## **Management of Zakah from Various Countries**

### ***Egypt***

Egypt has a very large and extensive network in the collection and distribution of zakah by volunteers and community organizations. The zakah management network in Egypt consists of four main elements such as: (1) voluntary zakah committees not affiliated with any institution, (2) wakaf ministries and networks with non-profit organizations registered, (3) The Nasir Social Bank and its groups, (4) ) The Egyptian Faisal Islamic Bank and its group. Zakah was paid voluntarily to the collectors above and distributed by the zakah committee above to mustahik with the consideration of each committee of zakah. The Act no. 48 of 1977 which regulates the establishment of The Egyptian Faisal Islamic Bank reinforces this. This law requires banks to withdraw zakah from capital, shareholder profits and then collect independent / free funds for zakah within the bank. This law does not impose any tax deductions on Muzaki. Similarly, The Nasir Social Bank is a government-owned bank. This bank established the directorate of zakah in each of its main branches. Through branches of banks scattered throughout the country, this directorate can foster cooperation with local zakah managers.

### ***Yordania***

The compulsory law of zakah for Muslims is regulated in the Act but is limited only to livestock, land ownership and imported goods. A small directorate in the Ministry of Waqf does the management of zakah. The collection and distribution of zakah funds is done both in the central government and in the province. It is quite unique in Jordan, the zakah payer can designate who the potential recipient of his zakah by filling out the form. After being evaluated and approved by the zakah directorate, the zakah money can be distributed to the party recommended by the zakah payer and the zakah payer also receives proof of payment that can be used to reduce tax payments to the country (tax concession). In this way, the directorate of zakah is able to respond to the special needs of a community such as the distribution of zakah to special parties such as neighbors and the close relatives of Muzzaki who are poor.

### ***Kuwait***

In a small and rich country, a small zakah organization is enough to manage zakah for the whole country. The role of the government is limited in managing zakah in Kuwait. Therefore, an independent body, called House of Zakah, affiliated with Ministry of Wakaf was established to manage zakah. There is no obligation of zakah which is regulated by the Act and House of Zakah receives voluntary charity

payments from the public, companies and public organizations / institutions. House of Zakah accepts any forms of zakah that the other party submits on a voluntary basis. In addition, Kuwait does not impose any income tax on its citizens so that the giving of zakah is irrelevant to tax deductions.

Zakah teams in the House of Zakah often find it difficult to find poor families because poor families in Kuwait usually shy away from public attention. Because there are very few poor families in Kuwait, the House of Zakah team has a wide range of international poverty alleviation programs such as African orphan projects, rehabilitation, qard hasan loans, educational scholarships in various impoverished countries and various other humanitarian programs.

### *Pakistan*

The constitution of Pakistan provides that there is a government agency assigned to collect and distribute zakah and connect it with the finance ministry. The government collects zakah in the form of savings deposits in banks, savings in the post office, stocks, securities, and insurance and also agricultural products. While zakah from livestock, gold, silver, cash and trade are distributed to each Musaki. For non-Muslims, foreigners and unbelievers with fiqh of zakah are allowed to obtain exemption. Pakistani's law allows a combination of government and selected non-profit organizations to manage zakah. Although administratively affiliated with the finance ministry, each province has a zakah council headed by a judge and there are some fiqh experts as members. Three levels of management in managing the distribution of zakah such as district, subdistrict and local levels are voluntary, while zakah funds are collected at national, provincial and local levels.

### *Malaysia*

Zakah management in Malaysia is the authority of the government. Increasing the amount of Zakah collected by the government can not be separated from the development of e-Zakah using internet-based applications that make all information about zakah accessible to all people (Shawal, 2009; p.3). This e-zakah marketing strategy is able to raise the awareness of Muslims to pay zakah regularly and the computerization increases the effectiveness and efficiency of zakah collection from year to year. However, the distribution of zakah is still a complicated issue in Malaysia that degrades the performance of zakah institution itself (Dahan 1998 ; Abdullah 1999). According to Dahan and Abdullah, Muzzaki's dissatisfaction with the performance of zakah institutions makes Muzzaki tend to distribute their zakah to 8 asnaf by themselves especially to the poor and the needy (Sanep et al., 2006).

In Malaysia, zakah management is different from one state to another where only Selangor, Pinang Island and Sarawak have privatized their zakah management processes both collecting and distributing. Meanwhile Kuala Lumpur Federal Territory, Negeri Sembilan, Melaka and Pahang privatize only conduct zakah collection and hand over the distribution process of zakah to State Islamic Religious Council (SIRC). Other states such as Kedah, Perlis, Sabah, Kelantan, Perak, Terengganu, Johor, Putrajaya and Labuan Federal Territory have not privatized their zakah management and are dependent solely on SIRC to manage zakah. (Hairrunizam and Radiah, 2010). The privatization here means the process of transferring the role of the government in managing zakah to the private sector to improve the quality and performance of zakah management significantly.

### ***Indonesia***

According to Law no. 23/2011 on the Management of Zakah, article 1, “Zakah is a property that must be issued by a Muslim or business entity to be given to who is entitled to receive it in accordance with Islamic Shari’a”. In article 1, it is also explained that, “BAZNAS is an institution that manage zakah nationally and LAZ is a community-established institution that has the task of assisting the collection, distributing and utilizing of zakah “.

Although Indonesia is the largest Muslim-majority country in the world with 88% of the 240 million populations, Indonesia is not an Islamic State. The Indonesian government also imposes the obligation to pay taxes to all its citizens. But nevertheless Law no. 38 of 1999 on the Management of Zakah and also confirmed by Law no. 23/2011 article 22 stating that “Zakah paid by Muzzaki to BAZNAS or LAZ is deducted from taxable income”. With this rule, Indonesian Muslims are spared the double burden of paying zakah and taxes at the same time. This is the advantage of the management of zakah which is nationally integrated where the proof of payment of zakah through credible institutions can reduce the payment of Muzzaki taxes. The potential for taxes decreases but increases zakah payments have various consequences. One consequence of this makes Muslims with zakah funds expected to contribute positively to poverty alleviation programs in Indonesia.

### **Method**

This paper tries to combine comparative case study from several countries and different eras. A case study is an in-depth examination, often undertaken over time, of a single case—such as a the culture, socio interactive, populations, politics, implementation process or participant. Comparative case studies cover several



countries cases in a way that produces more generalizable knowledge about causal questions—how and why particular programmes or policies work or fail to work. In this case, the real practices of collection and disbursement of Zakah in several countries and eras are seriously learned. The lesson learned will be implemented for zakah management in Indonesia.

Comparative case studies are undertaken over time and emphasize comparison within and across contexts. Comparative case studies may be selected when it is not feasible to undertake an experimental design and/or when there is a need to understand and explain how features within the context influence the success of programme or policy initiatives. Comparative case studies involve the analysis and synthesis of the similarities, differences and patterns across two or more cases that share a common focus or goal. A 'systematic review' refers to a literature review associated with a clearly formulated research question that uses systematic explicit methods to identify, select, and critically appraise relevant research from previously published studies related to the question at hand.

## **Result and Discussions**

### **Critical Thinking of Zakah Fund Mechanism in Indonesian**

Zakah fund is not the only source of funds to alleviate poverty. Poverty is a complex issue that must also be addressed comprehensively and integrated with other financial instruments as well as the active role of the various parties in the country. The lack of education, the lack of faith, the unwillingness to think and learn from the nature and not having a good work ethic as a muslim are the main factors that cause poverty. The government is also responsible for increasing poverty levels in a country and the misappropriation of public tax funds can also be the responsibility of the government. As long as the government withdraws taxes from the public, the people are entitled to get their rights from tax through development programs. Even if there are many irregularities in the process of collecting and distributing the tax, it is still the responsibility of the government to solve it. The inability of the government to manage the State's money cannot be the reason that Muslim citizens can take over the government responsibility with collecting charity funds such as Zakah for example.

Many unconscious thought errors in society ultimately make the substance of the problem blurred and like a tangled thread. One example of this analogy is the phenomenon of bottled drinking water. The failure of local governments to provide clean water to drink due to various factors must be accepted by the community. Apathetic societies in Indonesia prefer to find a way out by buying bottled water to save

them toward the right to clean water instead of fighting for free clean water from the government. It is not the case for UK, US and other countries government that provide their citizen with the ready to drink water in every household in the whole country.

The same analogies apply to the pollution and congestion cases. Rich enough people prefer to sit still behind their comfortable and air-conditioned cars instead of fighting for clean air, less traffic and their rights on the road everyday. Health costs are very expensive for the society. This cost has been considered as a common thing for Indonesians without the ability to resist. Whereas in some other countries that are not Islamic Countries, clean water, clean air, transportation, education and health problems are obtained free of charge from the State that is able to restore the people's tax money for the people's welfare. Why do not we, Indonesians, systematically ask the government for providing those rights.

The same analogy can be applied also in managing the zakah fund. Due to the government's inability to combat poverty, zakah funds will be used for various productive purposes out of 8 asnaf rather than fighting for the proper management in disbursement of government tax in Indonesia. It is as if the zakah is able to take over the government's responsibility in reducing poverty.

Let us recall the contents of Articles 33 and 34 of UUD 1945 (the 1945 Constitution). Article 33 of the 1945 Constitution as follows: First, the economy is structured as a joint effort based on the principle of kinship; Second, production branches that are important to the State and which affect the livelihood of the people are controlled by the State; Third, earth, water and natural resources contained therein are controlled by the State and used for the greatest prosperity of the people; Fourth, national economy is organized based on economic democracy with the principle of togetherness, efficiency fair, sustainable, environmentally friendly, balance of progress and national economic unity; Fifth, further provisions regarding the implementation of this article shall be governed by law.

Article 34: First, the poor and neglected children are kept by the state; Second, the State develops a social security system for all people and empowers a weak and incapable society in accordance with human dignity; Third, the State is responsible for the provision of appropriate health service facilities and public service facilities. Fourth, law shall govern Further provisions concerning the implementation of this article.

Indonesia based on UUD 1945 (the Constitution) has a tax instrument that is obliged to every citizen of his State to become a taxpayer. In the matter of common welfare, let us sort it out which part of the State is responsible and which part is the contribution of zakah as supplement strengthens the people. Zakah is the last resource of the poor, which must be given as long as there are people living below the poverty line. Priority should be given to the poor, education for the needy

and various criteria of *ibnu sabil* and *fi sabilillah* in order of priority. Although zakah is often seen as a merely consumptive gift, it is really beneficial for the poor to survive in their daily life. Negative effect occurs if the recipient of zakah is not really the poor as the person who claims to be poor but his body is still strong to work, the age is still young and also in the productive age. There are people who claim to be poor but can still have mobile phone and smoking everyday. It means the problem is not on the consumptive side but wrong target recipients of zakah.

In the time of the Prophet, the Prophet did not want to give zakah to people who ask for zakah, but created a fact-finding group that finds and determines who is entitled to receive zakah. As a good Muslim, many of them feel that they are not entitled to be paid zakah money, but there is a phenomenon in Indonesia that many citizens are pretending to be needy by asking for zakah funds from various sources and enjoying the money by begging. Therefore the problem is not just a mistake in the distribution of zakah funds but there are other social disease contexts that must be addressed first. Moral values and self-esteem cannot be solved only with zakah money alone but with a moral education and science that is sustainable in a long period of time. It is the homework of the whole society to cope. At the same time, the government must also play its role in the prosperity of society with sustainable and substantial policies

If various parties say that zakah has great potential to be developed and productive through various productive zakah programs, there is a fear in other various parties that the manager of this zakah will not disburse the zakah fund in accordance with the criteria of the 8 *asnaf*. In the reality, productive zakah programs, sometimes, are not in line with the criteria of 8 *asnaf*. In another hand, the management of productive funds can be obtained from *infaq*, *shadaqah* and *wakaf* whose rules of collection and distribution are not so regulated in the Qur'an. *Infaq*, *shadaqah* and *waqf* are also still large space for *ijtihad* to be performed in execution rather than the provision of zakah distribution.

But why do many people want to use zakah funds for the productive things?. Because zakah funds were easy to obtain, because of their mandatory nature to paid regularly. So many parties who want to manage these funds that can be directly discharged and usually not asked details of distribution by the payer of zakah/*Muzzaki*. In the science of financial management, the risk of managing these funds is very small and the consequences of the management of these funds are more vertical to Allah SWT rather than to the financial auditor.

The world is getting older and at the end of this era, many people are no longer a afraid of the violation of Allah's provisions. Therefore a good system is expected to reduce the mismanagement of this zakah fund later. This is the role of academicians, practitioners, scholars and the government in guarding things to go

according to their respective portions so that the benefits obtained are greater than the long-term harms.

### **Zakah Management System in Indonesia**

Indonesian law has obliged every Muslim to pay zakah through the designated agency and institution but many parties still doubt the effectiveness of the collection and distribution of zakah funds are centrally viewed from various conditions as follows: First, Indonesia's vast territory with three time zones; Second, the population of the people of Indonesia is very large (fourth in the world) and scattered in remote areas; Third, the database of the zakah recipients (Mustahiq) is not neat. However this number of Mustahiq will be dynamic along with the dynamics of one's life that may increase to become a payer of zakah (Muzzaki) in the not-too-distant future or even otherwise, become a poor soon as receiver of zakah (Mustahiq) due to economic problems. This database problem becomes a classic problem in Indonesia that can be proven with the data of beneficiaries directly from the government are still confusing in various regions. Fourth, quite a lot of poor people who remain poor, because they are poor for everything (both poor morals, faith and education). Such people often abused zakah funds and were not shy to claim to be eternal beneficiaries of zakah (Mustahiq). The phenomenon of street beggars is a mental depravity of society that has a negative impact on society at large. If zakah funds are channeled to groups of people like this, the usage is not only ineffective but also create a social problem in the future.

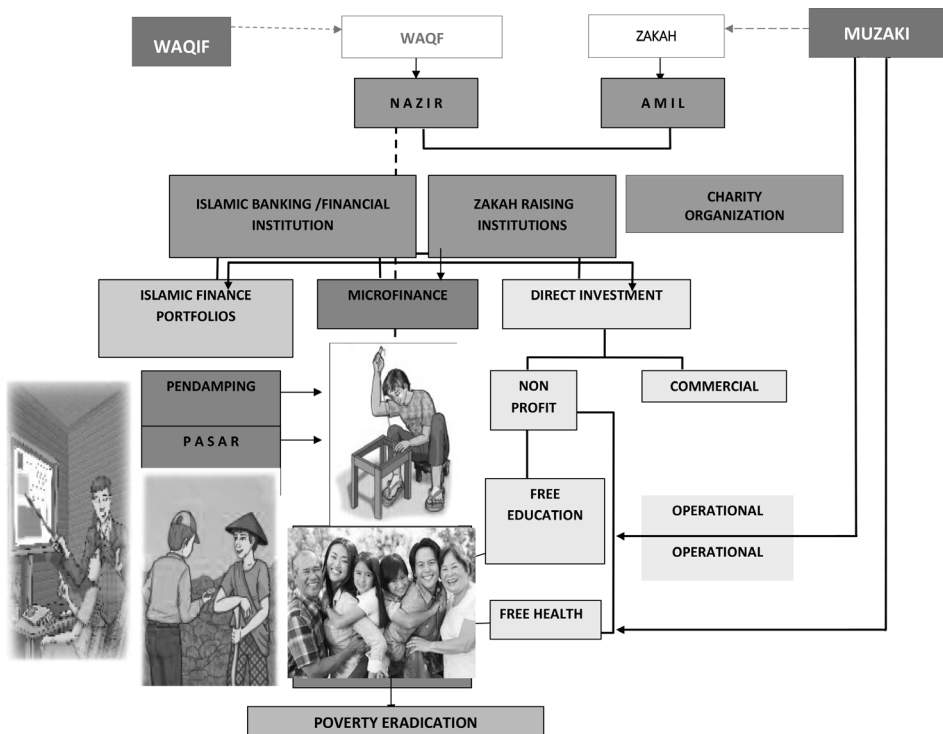
Therefore, it is important to know deeply who Mustahiq to achieve the effectiveness of this zakah fund disbursement. Commonly, we will know better if the poor are residents in the particular region. It is not wrong if Yousef Al-Qardawi states that, "The territoriality of zakah was devised to combat and defeat poverty, to train each province to become self-sufficient and to enable it to solve its respective internal problems. Since the poor of the same locality have aspired to get their share from such a fund, therefore, it is pertinent that they are given priority in securing their right". The point is the management of zakah by region (decentralization) will solve the problem or become an internal solution of the region.

Kasri and Putri (2018) found that different type of zakah institutions indeed practices different fundraising strategies. Their research also found that market-oriented fundraising strategies have resulted in greater revenue. Widarwati et al (2017) conclude that there are some principles that can make an optimizing success service of zakah institution: First, the principle of customer, which understanding the customer behavior. Second, the principles of competition, competition is about building brand personal. Third, the principles of positioning be a universal icon.

Fourth, the principles of differentiation, build authenticity through commitment and passion. Fifth, the principles of value, offer universal value. Sixth, the principles of engagement connect your customer to each other.

Poverty is a complex issue. In addition to tax funds that must be returned to the poor in accordance with Article 31 of UUD 1945 (the Constitution), Islam has a comprehensive financial instrument. The picture above shows that each instrument has its own strengths which, when properly integrated and coordinated, can reduce poverty in a city or province. The concept of localization/decentralization can be considered as the best way in zakah disbursement. Wahid and Kader (2010) suggests that the concept of localization / zoning in the distribution of zakah funds closely matches the concept of Sharma (2005) in the tax disbursement issue that states that the transfer of power, resources and responsibilities from the center to the regions is more effective. Figure 1 shows the integration of various Islamic financial instruments for poverty alleviation program in Indonesia.

Figure 1 Integration of Various Islamic Financial Instruments for Poverty Alleviation Programs in Indonesia



As the recommendation, the concept of localization or decentralization of zakah management has the following advantages: *First*, effective and efficient distribution of zakah among eight asnaf because the recipient of zakah is known by the local zakah committee so that if there are zakah recipients who are embarrassed to register/have pride to not register as Mustahiq but entitled to zakah fund will be easily detected/found. *Second*, involving zakah committees from local organizations / societies that are able to create social responsibility between the rich and the poor around them so that gradually able to create community harmony among them in the society. *Third*, communities are able to assess how reliable the local zakah committees in managing zakah fund so that they can monitor and help improve the Amil's performance. *Fourth*, reduce complexity at operational levels such as registration and documentation where local committees can visit Mustahiq easily at low cost to update information. *Fifth*, make it easy to customize typical issues per region that sometimes have different problems with other regions. *Sixth*, easing the coordination and low bureaucracy span. *Seventh*, able to build synergies between various parties related to poverty alleviation programs in the region.

## Conclusions

Zakah is not the only instrument of poverty alleviation in a country that is not an Islamic country, particularly the country that has a very large population and complex social problems such as Indonesia. Jordan, Qatar, Kuwait and Saudi Arabia can not be an ideal example of zakah management for Indonesia because of the number of our population is much different. These Arab countries can concentrate zakah management on one door because the number of Mustahiq they are dealing with is relatively very small with huge zakah funds. The situation of Egypt and Pakistan is more similar to Indonesia. It has been seen from the literature studies above that they have various types of zakah management methods.

Shehata (2012) in his paper on zakah fund management emphasizes the importance of careful planning on zakah management in a region. Therefore, in this paper it is suggested that the zakah management agency has a 5 years plan with details of its annual activities. There should be a zakah collection plan as well as zakah distribution with target and cost estimates. The planning includes the following: *First*, the allocation of zakah funds for the poor and needy such as funding the basic needs of the poor, providing the fund of basic education for poor children to attend school. *Second*, Providing basic training for disabled duafas to be self-sufficient and not necessarily exploit their disability to beg on the streets as we see everyday in the big cities in Indonesia. *Third*, pulling back young children out of school to go to school rather than begging on the streets. *Fourth*, buy books for the children

and equipment for people with disabilities according to their respective skills such as basic carpentry tools, sewing machines, etc. and assist them until they can be independent with their efforts. *Fifth*, for the poor and their families who want to be independent and rise from their limitations, it should be given: incentives in the form of low-cost housing and free medical facilities. Zakah money can be allocated for the purchase of medicines and health facilities for the poor and doctors may be asked to shed themselves several hours a week in turns to treat the poor. *Sixth*, zakah funds can be allocated to help people in debt where the debt can make them fall into poverty. Making time lines by conducting regional surveys first should plan planning of the above activities. Implementation of the plan as above will be easier and can be controlled when being done per region. It is conceivable that every region in Indonesia has its own effectiveness in alleviating poverty in their respective regions and with good coordination with the central government will enhance the poverty alleviation programs in Indonesia.

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