



THE APPLICATION OF ZAKAT IN ISLAMIC LAW TO REDUCE ECONOMIC INEQUALITY IN SOCIETY

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Abstract

Zakat is one of the pillars of Islam that plays a significant role in the economy, particularly in reducing economic inequality and fostering social welfare. This study aims to analyze the application of zakat in Islamic law in North Cikarang, Bekasi, and its impact on reducing economic disparities in society. The research uses a qualitative approach with a case study on several zakat institutions operating in the area. The findings show that effectively managed zakat can have a positive impact in assisting underprivileged communities; however, challenges remain in terms of optimal distribution and management. Factors such as the lack of public understanding of zakat and the limited facilities and resources of zakat institutions become significant barriers in achieving the goal of reducing economic inequality. Despite this, zakat given to the community can be utilized for business capital, education, and healthcare, which in turn contributes to improving the quality of life. Therefore, enhanced coordination between the government, zakat institutions, and the public is necessary to maximize the potential of zakat in reducing economic inequality and achieving social justice in North Cikarang. This research is expected to provide deeper insights into the effectiveness of zakat as a tool for achieving more equitable economic welfare. Keywords: Zakat, Islamic Law, Economic Inequality

INTRODUCTION

Zakat is one of the main pillars of Islamic teachings, playing a central role in the social and economic life of Muslims. As one of the five pillars of Islam, zakat not only serves as an act of worship but also serves as a crucial instrument in creating social justice and reducing economic inequality. Etymologically, the word zakat comes from Arabic, meaning "to cleanse" or "to cultivate." In a socio-economic context, zakat serves to purify the wealth of the wealthy from greed and simultaneously foster prosperity for those in need (Ali, 2004).

In Indonesia, zakat is a key means of achieving social welfare and alleviating poverty, a pressing economic issue. According to data from the National Zakat Agency (BAZNAS), Indonesia has significant zakat potential, but the realization of zakat managed by zakat institutions remains far from this potential. One of the main factors affecting the effectiveness of zakat management is the lack of public understanding of its importance in the Islamic economic system (Huda, 2017).

This research focuses on the implementation of zakat in the North Cikarang area of Bekasi, as a case study to examine how zakat can contribute to reducing economic

inequality in society. North Cikarang, an area with rapid economic development but still containing a large population living below the poverty line, serves as a good representative for analyzing the potential of zakat in creating equitable prosperity. In this context, zakat is expected to play a significant role in reducing existing economic disparities and improving the quality of life of the community through more equitable distribution.

In general, the primary goal of zakat from an Islamic perspective is to reduce social and economic disparities. As explained by M. Quraish Shihab (2016), zakat is not only an individual obligation but also a wealth distribution mechanism that can help alleviate poverty and reduce economic disparities within society. Therefore, proper zakat management is crucial to achieving these goals.

One crucial aspect of zakat management is transparency and efficient distribution. In practice, poor zakat management can actually hinder the achievement of zakat's socio-economic goals. Based on research by Mustofa (2019), many zakat institutions in Indonesia still face various challenges in managing zakat funds effectively. These challenges include limited human resources, lack of coordination between zakat institutions and local governments, and low public awareness of the obligation and benefits of zakat.

In an economic context, zakat plays a crucial role in wealth redistribution, particularly in reducing inequality between the rich and the poor. This is evident in several studies showing that zakat can be an effective tool for reducing income disparities and improving the living standards of the less fortunate. As Rachmawati (2018) points out, proper zakat management can help reduce poverty because zakat directly addresses basic community needs such as education, health care, and business capital.

However, despite the enormous potential of zakat, its management is often hampered by several factors, one of which is low levels of community participation in zakat payment. Research conducted by Al-Qudah (2020) shows that many people do not yet fully recognize the importance of zakat as an instrument for improving social welfare. Therefore, efforts are needed to raise public awareness of the obligation of zakat and improve the zakat distribution system to ensure it reaches more targeted recipients.

Table 1: Potential and Realization of Zakat in Indonesia (in trillions of Rupiah)

Year	Zakat Potential	Zakat Realization	Percentage of Realization (%)
2018	217.8	7.3	3.36
2019	233.8	8.6	3.68
2020	247.6	10.2	4.13
2021	267.4	12.1	4.51

Source: BAZNAS (2021)

The table above shows a significant disparity between the potential zakat collected and the amount actually paid. This reflects significant challenges in zakat collection and distribution, both in terms of public awareness and in the management of zakat by existing institutions.

The implementation of zakat in North Cikarang has significant potential to reduce economic inequality within the community. Despite experiencing rapid economic growth, this region still has many people living in poverty. One of the main factors contributing to economic inequality in this region is unequal income distribution and a lack of access to adequate economic facilities. Therefore, zakat can be an effective instrument to address this issue.

One example of successful zakat implementation in several regions is the use of zakat funds to finance small and medium enterprises (SMEs) for the poor. As Huda (2017) noted, providing zakat in the form of business capital can significantly improve communities' standard of living. In North Cikarang, a similar program could be implemented to help the poor gain access to business capital, which in turn could increase their productivity and income.

Furthermore, zakat can also be used to finance education and healthcare for the underprivileged. This is crucial, given that these two sectors significantly influence a person's quality of life and have long-term impacts on poverty reduction. Research by Mustofa (2019) shows that zakat allocated to education and healthcare can help improve people's quality of life and reduce existing social disparities.

However, although zakat has significant potential to reduce economic inequality, its management requires careful planning and strategy. Existing zakat institutions must ensure that zakat funds are properly managed and used for purposes consistent with sharia principles. One effort that can be made is to strengthen the monitoring and transparency system in zakat management. This can be achieved through the use of information technology to monitor and report the use of zakat funds openly to the public.

Overall, zakat can be an effective solution to reduce economic inequality in North Cikarang, Bekasi. With proper management and the involvement of various parties, zakat can have a significant positive impact on creating social welfare and reducing poverty. Therefore, this study aims to further examine the application of zakat in Islamic law and how zakat can be used as an instrument to reduce economic inequality in society. It is hoped that the results of this study will provide insights for developing more effective and beneficial zakat strategies for the community in North Cikarang, Bekasi.

METHOD

This research uses a qualitative approach with a case study method to analyze the implementation of zakat in the North Cikarang area of Bekasi, and its impact on reducing economic inequality within the community. A qualitative approach was chosen because it allows researchers to gather more in-depth information regarding the social phenomena occurring and to understand the context and dynamics of zakat management in the area (Creswell, 2014).

The data for this study were obtained through in-depth interviews with several parties involved in zakat management in North Cikarang, including zakat institution administrators, zakat beneficiaries, and local residents with an understanding of zakat. These interviews were conducted to gain insights and firsthand experiences regarding zakat practices, the challenges faced, and the benefits experienced by the community. Furthermore, this study also collected data from related documents, such

as annual reports from zakat institutions and statistical data on zakat distribution in the region.

To analyze the data, researchers used thematic analysis techniques, where data collected from interviews and documents were analyzed by identifying key emerging themes related to zakat management and its impact on the economic well-being of the community. Thematic analysis allows researchers to systematically organize data and explore patterns relevant to the research objectives (Braun & Clarke, 2006).

Furthermore, this study employed data triangulation, which involves combining different data sources to ensure the validity of the findings. This triangulation was conducted by comparing interview results with data obtained from documents or reports from zakat institutions, as well as with available statistical data on poverty levels and zakat distribution in the area. Thus, it is hoped that the results of this study will provide a comprehensive picture of the influence of zakat on reducing economic inequality in North Cikarang.

RESULT

1. Economic Conditions of the Community in North Cikarang

North Cikarang, as one of Bekasi's rapidly developing industrial areas, has quite complex economic dynamics. On the one hand, this area demonstrates high economic growth, with many factories and large companies located there. However, on the other hand, a large number of people still live in poverty and face significant economic disparities. According to data from the Bekasi Regency Statistics Agency (BPS), approximately 15% of the population in North Cikarang is classified as poor (BPS Bekasi Regency, 2020).

Although the industrial sector in North Cikarang employs a significant workforce, not all segments of society enjoy the benefits of development equally. Many workers earn low wages and live in poverty. This exacerbates existing economic inequality, with wealth accumulating in the hands of a few, while the majority of the population struggles to meet their basic needs.

2. Implementation of Zakat in North Cikarang

Zakat implementation in North Cikarang is carried out by several zakat institutions operating in the area. These institutions focus on collecting and distributing zakat from mustahik (those entitled to receive zakat), most of whom are workers in the industrial sector. The collected zakat is used to help alleviate the economic burden on the community, especially those living in poverty or underprivileged conditions.

Interviews with zakat institution administrators in North Cikarang revealed that the majority of zakat funds received are managed for direct cash assistance (BLT), economic empowerment, and educational facilities. Zakat distributed in the form of BLT is used to assist those without a steady source of income, while zakat in the form of economic empowerment focuses more on providing business capital to those with the potential to start small businesses.

However, despite the positive impact of zakat, zakat management in North Cikarang still faces several challenges. One major issue is low public awareness of the importance of zakat. Many workers in the industrial sector are not yet fully aware of the importance of zakat in the Islamic economic system and its benefits in reducing

economic inequality. Furthermore, zakat institutions face limitations in human resources and infrastructure to manage zakat more efficiently.

3. The Impact of Zakat on Reducing Economic Inequality

Despite facing various challenges, zakat distribution in North Cikarang has demonstrated a positive impact in reducing economic inequality within the community. Interviews with zakat beneficiaries revealed that most recipients felt the assistance helped them meet their living needs. For example, zakat recipients who received business capital assistance reported increasing their income, which in turn helped improve their families' standard of living.

Based on data obtained from the annual reports of zakat institutions, approximately 60% of zakat recipients who received business capital experienced an increase in income after receiving the assistance. This capital was used to open small businesses such as food stalls, grocery stores, and other enterprises. With these businesses, they no longer rely solely on the unstable income of factory labor but can also create jobs for others in their communities.

However, the impact of zakat in reducing economic inequality cannot be fully felt without increasing public awareness and participation in zakat. One of the main obstacles facing zakat institutions is the low level of public participation in fulfilling zakat obligations. Many workers in the industrial sector lack a sufficient understanding of zakat obligations, making them reluctant to fulfill them.

4. Challenges in Zakat Management

Zakat institutions in North Cikarang face several challenges in managing zakat. One of the main challenges is coordination between zakat institutions and the local government. Although zakat is a crucial instrument for reducing economic inequality, the lack of coordination between zakat institutions and the government makes zakat management less effective.

Zakat institutions in North Cikarang acknowledge that they often struggle to reach those truly in need. Data on zakat recipients is often out of date, and there's a lack of an adequate information system to accurately identify zakat recipients. Furthermore, a lack of transparency in zakat management is also a problem, with some zakat recipients feeling unsure about the fairness of their distribution.

Furthermore, limited human resources also hinder effective zakat management. Many zakat institutions in North Cikarang still rely on volunteers to administer zakat, thus hindering efficient zakat management. The use of technology to streamline zakat administration and distribution is still limited, resulting in many zakat funds not reaching those who deserve them.

5. Table 1: Zakat Distribution in North Cikarang (2020)

Zakat	Types of Zakat	Amount of Funds (Rupiah)	Percentage (%)	Number of Recipients
Wealth Zakat	Zakat al-Fitr	500,000,000	40%	10,000 families
	Zakat on Business	300,000,000	24%	5,000 people
	Zakat	250,000,000	20%	500 business recipients

Types of Zakat	Amount of Funds (Rupiah)	Percentage (%)	Number of Recipients
Education Zakat	150,000,000	12%	2,000 students
Health Zakat	50,000,000	4%	1,000 people

Source: Annual Report of the North Cikarang Zakat Institution, 2020

The table above shows the allocation of zakat funds collected by zakat institutions in North Cikarang during 2020. Zakat fitrah dominated the zakat contributions collected, followed by zakat on wealth (mal), zakat on business, and zakat on education and health. The majority of zakat funds were allocated to assist poor families and children in need of educational assistance. The allocation of zakat on business was also quite substantial, demonstrating a focus on community economic empowerment.

6. Recommendations for More Effective Zakat Management

Based on the findings, this study offers several recommendations for improving zakat management in North Cikarang. First, efforts are needed to raise public awareness of the obligation of zakat and its benefits in creating social welfare. Zakat awareness campaigns should be intensified, especially among industrial workers who may not yet understand its importance.

Second, there is a need for increased transparency and accountability in zakat management. Zakat institutions need to implement better information systems to identify zakat recipients and manage zakat funds more efficiently. The use of information technology in zakat administration can expedite the distribution process and ensure that zakat reaches those who truly need it.

Third, it is crucial to strengthen coordination between zakat institutions, local governments, and the community. Local governments can play an active role in supporting zakat management by providing the necessary facilities and resources. With good coordination, zakat management can be more focused and efficient in reducing economic inequality.

This research shows that zakat can make a significant contribution to reducing economic inequality in North Cikarang. Although its management faces various challenges, such as low public awareness and limited resources of zakat institutions, zakat can have a positive impact on improving community welfare. Therefore, to maximize zakat's potential, improvements in zakat management are needed, including increased public awareness, transparency in management, and better coordination between zakat institutions and the government.

DISCUSSION

This article discusses the role of zakat in Islamic law, particularly in efforts to reduce economic inequality in society, with a focus on the implementation of zakat in the North Cikarang area of Bekasi. Zakat, as one of the main pillars of Islamic teachings, plays a crucial role in creating social justice and reducing economic inequality. Etymologically, zakat means "to cleanse" or "to grow," reflecting its function in purifying wealth and fostering prosperity for those in need. In a socio-

economic context, zakat serves to redistribute wealth from the wealthy to those in need, with the aim of reducing economic inequality.

Indonesia, as the country with the largest Muslim population in the world, has enormous zakat potential. However, the realization of zakat managed by zakat institutions still falls far short of this potential. One reason is the lack of public understanding of zakat, which leads to low participation in fulfilling zakat obligations. This research focuses on the North Cikarang area of Bekasi, where, despite experiencing rapid economic growth, many people still live in poverty and face significant economic inequality. Using qualitative analysis, this article explores how zakat can be an effective tool in reducing economic inequality in the region.

The primary purpose of zakat from an Islamic perspective is to reduce social and economic disparities. Zakat is not only an individual obligation but also a wealth distribution mechanism that can help alleviate poverty and economic inequality. Therefore, proper zakat management is crucial to achieving these goals. Transparency and efficiency in zakat management are crucial, as poor management can actually hinder the achievement of zakat's socio-economic goals. Many zakat institutions in Indonesia, including those in North Cikarang, face significant challenges in managing zakat funds effectively, such as limited human resources and low levels of public awareness.

Despite these challenges, zakat still holds significant potential to reduce economic inequality. Zakat can be used to assist communities in various sectors of life, such as education, health, and business capital. For example, zakat funds provided for small business capital can help poor communities improve their standard of living. Such economic empowerment programs have proven effective in several regions, and in North Cikarang, a similar program could be implemented to help poor communities access business capital, which in turn could increase their productivity and income.

Zakat implementation in North Cikarang is carried out by several zakat institutions that manage zakat funds collected from the community and distribute them to those in need. Zakat fund management in this area involves providing direct cash assistance, economic empowerment, and funding for education and health. However, despite the positive impact of distributed zakat, zakat management still faces several obstacles. One of these is the low level of community participation in zakat, which is related to their lack of understanding of the importance of zakat in the Islamic economic system and its benefits for social welfare.

On the other hand, although zakat management in North Cikarang has had a positive impact on the community, its management has not been optimal. One of the main factors affecting the effectiveness of zakat management is the poor coordination between zakat institutions and the local government. This results in inefficient zakat management, and data on zakat recipients is often not properly updated. Furthermore, zakat institutions in this region also face the problem of limited human resources to manage zakat optimally. In some cases, zakat management is also hampered by a lack of transparency in the distribution of zakat funds, which leads to distrust among some zakat recipients.

The results of this study found that zakat can have a significant impact on reducing economic inequality, especially when zakat is distributed in the form of

business capital. As many as 60% of zakat recipients who received business capital assistance experienced an increase in income, which not only helped them overcome poverty but also created jobs for the surrounding community. Zakat distributed for education and health also has a positive impact, as these two sectors significantly influence a person's quality of life. Increasing access to education and health services can improve long-term quality of life and reduce existing social disparities.

However, to maximize zakat's potential in reducing economic inequality, its management needs to be improved. One step that can be taken is to raise public awareness of the obligation of zakat and its benefits in creating social welfare. Zakat awareness campaigns need to be intensified, especially among industrial workers who may not yet understand its importance. Furthermore, to increase transparency and accountability, zakat institutions need to adopt better information systems to map zakat recipients and manage zakat funds more efficiently.

Another recommendation is to strengthen coordination between zakat institutions, local governments, and the community. Local governments can provide support in the form of facilities and resources to facilitate zakat management, while zakat institutions need to improve their distribution systems to ensure zakat funds reach those who truly need them. With better coordination, zakat management can be more focused, efficient, and transparent, which in turn will have a positive impact on reducing economic inequality.

Overall, zakat can be an effective solution for reducing economic inequality, especially if managed properly. Proper zakat management, with increased public awareness, transparency, and better coordination, can have a significant impact on creating social welfare and reducing poverty. This research aims to gain deeper insights into more effective zakat management methods that can be implemented in North Cikarang, Bekasi, and other areas in Indonesia.

CONCLUSION

Zakat plays a crucial role in reducing economic inequality in Muslim communities, including in North Cikarang, Bekasi. As one of the pillars of Islam, zakat is not only an obligatory act of worship but also a significant socio-economic instrument for creating social justice. Proper zakat management can help redistribute wealth from the wealthy to those in need, with the ultimate goal of reducing poverty and economic disparity. Although zakat has significant potential to improve community welfare, zakat management in North Cikarang still faces various challenges, such as low levels of community participation, a lack of understanding of zakat, and limited resources of zakat institutions.

This research shows that while zakat has positive impacts, such as through economic empowerment by providing business capital for the poor, its management is not yet optimal. Some of the problems faced include low public awareness of zakat payment, limited transparency in zakat distribution, and a lack of coordination between zakat institutions and local governments. The impact of zakat could be maximized if public awareness was increased through outreach and more efficient and transparent zakat management.

Overall, zakat in North Cikarang has significant potential to reduce economic inequality. However, to achieve maximum results, improvements in its management

are needed. This includes increased coordination between zakat institutions, the government, and the community, as well as the use of technology to improve distribution systems and transparency. With more coordinated efforts, zakat can be more effective in creating social welfare and reducing poverty, especially in areas with significant economic inequality like North Cikarang.

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