

How Do Productive Zakat Promote MSMEs' Resilience in Post-Pandemic Era?

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Abstract

*The development of Micro, Small, and Medium Enterprises (MSMEs) has faced significant setbacks, particularly due to the COVID-19 pandemic. This study investigates the role of productive zakat in enhancing the resilience of MSMEs through a **qualitative** descriptive approach. Data were collected via **interviews** with 24 MSME actors and 3 productive zakat managers. **The findings** indicate that productive zakat contributes meaningfully to MSME resilience. Furthermore, the study highlights the relevance of human capital theory in business development, emphasizing the importance of skill enhancement and evaluation among MSME actors. The implications of this research support the ongoing resilience of MSMEs in the post-pandemic context and provide valuable insights for policymakers regarding productive zakat.*

INTRODUCTION

The COVID-19 pandemic, which began in January 2020, continues to have lasting economic consequences despite the initial outbreak subsiding. The pandemic led to the closure of numerous small and medium-sized businesses, increased unemployment, and weakened consumer spending. Experts predicted a potential recession in 2023, and the pandemic has significantly impacted investment, causing people to be more cautious with purchases and investments (Lestari Nasution, Nusa, and Putra 2021). Studies by various researchers have also highlighted the pandemic's impact on the economy (Sikki 2020; Junaedi and Salistia 2020; Maryanti et al., 2020; Zhang et al., 2020).

The effects of the COVID-19 pandemic extended globally, affecting not only Indonesia but also nearly every part of the world. In response, the G20 nations have convened to address the challenges, initially in Saudi Arabia in February 2020 under the theme "Realizing The Opportunity of The 21st Century" and later in Bali, Indonesia, in November 2020 with the theme "Recover Together, Recover Stronger". Indonesia's initiative aimed to foster global collaboration and mutual support for a more robust and sustainable recovery. A key topic of discussion during these events was the need for greater community participation in the economic recovery, particularly concerning Micro, Small, and Medium Enterprises (MSMEs). Economist Impact estimates that work hours lost due to COVID-19 may continue to impact global economies. Even in an optimistic scenario, some countries could see GDP losses of over 0.75% in 2025, suppressing economic growth and development.

MSMEs have been recognized as the backbone of the national economy for many years. Singgih (2006) states that MSMEs are the most strategic national economic sector and concern the livelihoods of many people, so that they become the backbone of the national economy. MSMEs are also the largest group of economic actors in the economy in Indonesia and have been proven to be the key to safeguarding the national economy in times of economic crisis, as well as being a

dynamic driver of post-crisis economic growth. Ghazani (2015) and Setyorini, et al., (2019) made a similar statement. MSME is a strategic economic sector nationally, this can be seen from the large absorption of labor by the MSME sector. This statement proves that MSMEs can grow the community's economic sector to meet their needs independently and contribute to increasing economic growth in Indonesia. Even though the Covid-19 outbreak has sparked negative sentiment towards MSME businesses and resulted in some of them going bankrupt, MSMEs are believed to be one of the keys to helping post-pandemic economic recovery.

Various strategies and policies to help business actors affected by the Covid-19 pandemic have been carried out by many governments, institutions, and certain individuals but they do not hit the exact target needed. Most of the efforts undertaken to overcome the problem are consumptive and short-term businesses. Therefore an alternative instrument is needed that can empower the poor, and provide convenience for the poor to gain access to business capital as a solution to overcoming poverty and unemployment due to the Covid-19 pandemic, one of these alternative instruments is zakat (Danuludin, et al., 2021). Maximizing the role of productive zakat, will provide a stimulus and new breath for MSME businesses that are threatened with bankruptcy due to the pandemic. If managed properly, this potential for zakat will become a very large source of funding, so that it can become a driving force for empowering the people's economy and equal distribution of income (Raihan, 2021). Efforts to reduce poverty through MSMEs are the target of productive zakat distribution, because in terms of business financing it is classified as a problem faced by the poor. Therefore, people who are unable to afford it need assistance, empowerment, and financing for business formation to make life more decent without social dependence. Mustahik who get capital from productive zakat, they do not spend it but develop it and utilize it for their business, so that with these zakat funds they can produce something in a sustainable manner (Zalikha, 2016).

LITERATURE REVIEW

The potential of zakat to enhance welfare and reduce poverty rates continues to receive attention and analysis in Indonesia. According to data from the National Zakat Board of Indonesia (2024), the zakat potential in Indonesia reaches 327 trillion Rupiah annually. Zakat is an economic resource that needs to be managed responsibly and placed as socio-economic capital that supports the economic empowerment of the people, so that zakat funds need to be managed as well as possible and trustworthy (Fitri, 2017). Zakat plays a very important role in maintaining the harmony of social life, by reducing the economic gap between the rich and the poor (Rais, 2009). In line with Fitri and Rais, Wulansari, et al., (2014) stated that the distribution of zakat assets aims to meet the needs of the deficient community, reduce economic inequality, reduce the number of social problems and maintain the purchasing power of the community in order to maintain the business sector.

In Indonesia, the distribution of zakat funds is carried out in two ways, namely consumptive and productive, where consumptive zakat is addressed to mustahik whose allocation is to meet daily needs that are short term in nature, while productive zakat is given to mustahik so that it is used in order to meet their needs in a sustainable manner with the aim of expelling them from the poverty trap (Mardiantari Ani, et al: 2018). Productive zakat can be a way to reduce poverty and inequality in society with careful management in the context of community development (Widiastuti and Rosyidi, 2015). If productive zakat funds are well managed and trustworthy, it is

possible that social welfare will be realized because zakat can improve the work ethic of the people (Hidajat 2017).

Khairani and Ekawaty (2017) revealed that the distribution of productive zakat positively influences the development of MSMEs owned by mustahik. The greater the amount of productive zakat received by mustahik, the more their businesses tend to grow. However, Kholidah and Salma (2020) found that the empowerment of MSMEs through productive zakat has not yet had a significant impact on society. A key factor contributing to this limitation is the lack of adequate human resources to provide guidance, assistance, and coaching necessary for mustahik to effectively develop their businesses. Further research highlights the need for zakat management institutions to ensure that recipients of productive zakat truly meet the eligibility criteria (Sukarni, 2022). In this context, Nurul Huda et al. (2016) outlined six essential procedures for utilizing zakat funds in productive business initiatives: 1) conducting feasibility studies, 2) determining appropriate types of productive businesses, 3) providing guidance and counseling, 4) implementing monitoring, control, and supervision, 5) carrying out evaluations, and 6) preparing comprehensive reports.

Numerous studies have shown that productive zakat provided to MSME actors has a positive impact on poverty alleviation and unemployment reduction (Nurjannah, 2020). When managed according to modern management principles and with a professional approach, productive zakat can significantly contribute to the success of MSMEs (Nasaruddin, 2022). MSMEs often absorb a labor force comprising individuals with lower educational attainment and operate across both traditional and modern small business sectors. Compared to larger, typically bureaucratic companies, MSMEs demonstrate greater adaptability to changing market conditions, driven by managerial dynamism and entrepreneurial planning. Furthermore, Nur Aini and Mundir (2020) reported that after receiving business capital assistance through productive zakat, mustahik experienced consistent monthly increases in income. Notably, productive zakat not only eases the financial burden of mustahik but also protects them from falling into debt with loan sharks.

The practice of distributing zakat properly for productive activities can improve the capital structure, and have an impact on strengthening capital (Abdul Basit, 2020). Usman and Sholikin (2021) also explained in his research journal that the provision of productive zakat in the form of business capital carried out by BAZNAS to mustahik MSME actors has had a positive impact on the community's economy. Sugeng and Puspita (2022) also revealed the same thing that with the injection of business capital assistance to small and medium entrepreneurs (MSMEs) can be a motivation and encouragement in achieving prosperity in social life, so it can be said that zakat has a very significant impact on improving people's living standards.

During the Covid-19 pandemic, the role of productive zakat was less effective in its distribution. This is supported by research conducted by Danuludin, et al., (2021) explained that BAZNAS has limited space for direct monitoring of recipients of zakat program assistance. Development efforts are also difficult and the number of people who tithe is decreasing.

METHODS

This study aims to analyze the role of productive zakat in the resilience of Micro, Small and Medium Enterprises (MSMEs). This research is a field research, which is conducted systematically by raising existing data in the field (Farida Nugrahai, 2014). This research was conducted in the Kambo sub-district, Palopo City, South Sulawesi Province. The data collection technique used primary data in the form of unstructured interviews with the Amil Zakat Nasional

(BAZNAS) and MSME actors in Kambo. The unstructured interview aims to maintain space and comments between the two parties (Creswell, 2007).

Interviews with BAZNAS were conducted to obtain information and data regarding the distribution of productive zakat, mustahik data and management of productive zakat which was carried out to support the resilience of Micro, Small and Medium Enterprises (MSMEs). Meanwhile, interviews with MSME actors were conducted to analyze the role of productive zakat in supporting business resilience. Micro, Small and Medium Enterprises (MSMEs). The interview questions given emphasized the aspects of productive zakat, not consumptive zakat.

Data collection was carried out from 21 June to 30 August 2024 using a purposive sampling technique, namely determining informants based on certain criteria. The informant criteria used in this study were the selected informants who have deep knowledge about the phenomenon raised, have a long time in providing data, and have access to the research location. Furthermore, the collected data is analyzed using data reduction techniques, presentation, and drawing conclusions.

RESULTS AND DISCUSSION

Kambo, a Tourism Village in Palopo City, is characterized by a distinctive geography featuring mountainous areas, valleys, and plains. This village was recognized as one of the top 50 villages in the Indonesian Tourism Village Awards (ADWI) in 2022. As a village, Kambo is inhabited by 1,080 residents. Bordering a protected forest and offering the most scenic viewpoint of Palopo City, Kambo has experienced increasing tourism since becoming a fostered village by BAZNAS of Palopo City. This tourist attraction which is located approximately 12 kilometers from the city center, is busy with visitors especially on weekends.

Qualitative data Analysis (interviews)

Based on the results of interviews with 24 MSME actors in Kambo and productive zakat managers at BAZNAS, the data obtained is then tabulated and described as follows:

Table 1
Number and Types of MSMEs in Kambo Village

No	Type of business	Number of Businesses
1	Mixed Business	14
2	Cafe Business	10
Total		24

Source: Interview Data, 2024 (processed)

The table shows that there are 24 SMEs that receive venture capital assistance from BAZNAS are 14 SMEs with mixed business types and 10 SMEs with coffee shop business types. The findings of this study indicate that there is an infaq program carried out by mustahik when they benefit from business. The program is not coercive so it does not burden MSME actors in the Kambo sub-district. Interestingly, it was found that MSME actors in the Kambo sub-district were able to run business development programs so that it had an impact on the success rate of the business.

Furthermore, based on findings in the field through surveys of zakat recipients, it is known that after receiving productive zakat, the income of MSME actors has increased. This study reveals that the model of productive zakat which is distributed in the Kambo sub-district has a contribution to the recipients' business development.

Table 2
Zakat Recipients and Their Profit (per week)

Type of business	Capital	Profit
Mixed shop	IDR 2,000,000	IDR 500,000
Coffee shop	IDR 3,000,000	IDR 500,000
Mixed shop	IDR 1,000,000	IDR 200,000
Coffee shop	IDR 3,000,000	IDR 350,000
Mixed shop	IDR 1,000,000	IDR 300,000
Mixed shop	IDR 500,000	IDR 100,000
Credit/Token shop	IDR 3,000,000	IDR 300,000
Mixed shop	IDR 700,000	IDR 200,000

Source: Interview Data Processing, 2024

From the data and interview results above, it shows that the pandemic has had a significant impact in terms of MSME income. With the distribution of MSMEs carried out by BAZNAS of Palopo City as business capital assistance, MSMEs can recover along with the normal conditions currently being lived although the nominal was relatively small. Distribution of productive zakat for MSMEs in the Kambo Village provides new enthusiasm in driving the economy, moreover, the easing of activities provides space for tourists to always visit Kambo Village. The existence of productive zakat assistance received by MSMEs certainly adds to the assets they have, so it is hoped that the business capital assistance received can be used for business development in increasing the level of welfare of MSMEs.

DISCUSSION

The Role of Productive Zakat in Promoting MSME's Resilience

Productive zakat has an important role in the development of micro, small and medium enterprises (Prahesti and Putri, 2018; Khairani and Ekawaty, 2017a; Usman and Sholikin, 2021). The contribution of zakat in developing business and entrepreneurship will ultimately reduce poverty and improve social conditions (Sulaiman, 2003; Khan, 2019). Productive zakat can be used as an alternative that can support the resilience of micro, small and medium enterprises through good management of productive zakat. This contribution can be made through direct cash assistance which can help the community's economy (Kasdi, 2016). In addition, the role of productive zakat is in the form of training, business expansion, technology, skills improvement and provision of capital (Cantika, 2015).

The debate about the distribution model of productive or consumption zakat is still common today. The distribution of productive zakat has no influence or contribution to welfare (Khumaini, et al., 2018). However, The role of productive zakat in the resilience of micro, small and medium enterprises can be achieved if the appropriate productive zakat management model is applied. The zakat management model includes zakat collection, mustahik targeting, skills development, skills evaluation and establishment of business entities (Hoque, et al., 2014). Based on this theory, efforts to increase the resilience of micro, small and medium enterprises through productive zakat can be carried out by emphasizing the aspects of skills development and skills evaluation.

The skill development aspect for MSME actors will help in business resilience. This is in line with the theory put forward by Becker (1986) regarding the theory of human capital. Human capital theory has a contribution in business development (Ardichvili, et al., 2003; Unger et al. 2011). The human capital needed in an effort to maintain business resilience is good skills. Management training in improving skills affects the level of business success (Marshall, J Neill, 1984). MSME

actors who receive productive zakat assistance will be able to maintain their business if they develop the skills needed in the transaction market.

CONCLUSION

Based on the results of this study it can be concluded that productive zakat has a role and contribution to the resilience of Micro, Small and Medium Enterprises (MSMEs) in the Kambo village. This can be seen in the increase of the MSMEs actors' income and the expansion of businesses carried out after receiving productive zakat assistance. In addition, this study concludes that efforts to maintain the resilience of Micro, Small and Medium Enterprises (MSMEs) can be carried out by emphasizing aspects of human capital, namely skills in supporting business continuity and aspects of skills evaluation.

The implication of this research is to contribute to complementing the existing literature regarding the concept of productive zakat in supporting the resilience of micro, small, and medium enterprises. In addition, the optimal distribution of productive zakat is an important requirement in increasing and maintaining the resilience of micro, small and medium enterprises after the pandemic. The distribution in question is for example right on target in providing capital assistance, training and so on.

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