

Optimizing Zakat Management: The Agricultural Sector's Role in Poverty Reduction in Indonesia and Malaysia

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Abstract

The development of welfare systems and income tax in the 20th century shows religious practices in poverty alleviation, especially zakat in Islamic tradition. In Indonesia and Malaysia, zakat management is an effort in poverty alleviation, but challenges remain, especially in the centralized system in Malaysia. This study aims to examine the effectiveness of agricultural zakat management in Indonesia and Malaysia, including comparing its implementation and impact in the agricultural sector. This study uses a qualitative method, using a comprehensive literature review and content analysis based on Creswell's qualitative research framework. The results of this study indicate that agricultural Zakat has significant potential to increase zakat income and support poverty alleviation. In Indonesia, where agriculture is a major economic sector, the impact is very prominent. However, better governance and digital integration are needed for optimization. Collaboration between the government, zakat institutions, and the community is essential in order to maximize the role of zakat in economic empowerment. This study contributes to the comparative analysis of zakat management in the two countries and highlights the need for local strategies to increase its effectiveness in poverty alleviation.

Keywords: Agricultural Zakat Management; Poverty Alleviation; Islamic Economics; Digital Zakat Integration.

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Introduction

The rapid expansion of welfare programs and income tax systems in the 20th century reflects a progressive approach to wealth redistribution. However, religious traditions have long established similar mechanisms to combat poverty and economic inequality. For example, Judaism and Christianity practiced tithing (*al-'ushur*), which required individuals to contribute 10% of their income to support the needy (Jaelani, 2016).

Building on this historical foundation, Indonesia has actively pursued poverty reduction strategies through social assistance programs, business funding, free healthcare, and education. A crucial component of Indonesia's poverty alleviation strategy is the development of Zakat, Infaq, and Sadaqah (ZIS) institutions, which have played a significant role since the 1990s. Various zakat management organizations have modernized their approaches to maximize the effectiveness of poverty reduction efforts (Muhammad Firdaus et al., 2012). Given the persistent challenges of poverty, social inequality, and income disparities in developing countries like Indonesia, optimizing ZIS funds has become a key government strategy. The enactment of Law No. 23 of 2011 on zakat management has strengthened governance, ensuring a credible, professional, and accountable system (Abdussalam et al., 2015). In 2022, BAZNAS and other zakat institutions successfully lifted 463,154 mustahiks out of poverty, including 194,543 classified as extremely poor, based on the BPS poverty threshold of IDR 2,324,274 per household per month (Badan Amil Zakat Nasional, 2023). BAZNAS RI alone reduced poverty for 82,294 mustahiks, contributing 17.77% of the national zakat program's impact.

In Indonesia, zakat management is spearheaded by institutions such as Badan Amil Zakat Nasional (BAZNAS), which plays a pivotal role in poverty alleviation. Empirical studies suggest that productive zakat, particularly agricultural zakat, positively influences the growth of small and medium enterprises (SMEs) in Semarang, contributing to poverty reduction (Sukesti & Budiman, 2018). Similarly, the distribution of ZIS financing by BAZNAS has been found to significantly reduce unemployment rates, a crucial factor in poverty alleviation (Zahra & Auwalin, 2020). The legal framework supporting zakat, including Law No. 38 of 1999, mandates government oversight, guidance, and support, reinforcing zakat's role in economic growth and social welfare (Harahap, 2022; Fadilah et al., 2017).

Institutional zakat management has also contributed to socioeconomic welfare in Indonesia and Malaysia. In Indonesia, BAZNAS and LAZ (Lembaga Amil Zakat)

allocate zakat funds to productive economic activities, aligning with government policies aimed at poverty reduction and income redistribution. Similarly, Malaysia's Pusat Pungutan Zakat (PPZ) and Baitul Maal (BM) prioritize efficient zakat distribution to support economic development and financial inclusion. Both countries have adopted strategic initiatives to enhance zakat utilization, such as microfinance programs in Indonesia and SME financing in Malaysia (Ascarya, 2021; Yumna, 2019).

While both Indonesia and Malaysia leverage zakat as a poverty reduction tool, they employ different management approaches (Fairi, 2020; Sastraningsih et al., 2020). In Indonesia, zakat funds support productive initiatives, including business capital assistance and disaster relief, though inefficiencies remain (Arifin & Anwar, 2021). In contrast, Malaysia's centralized zakat system enhances collection and distribution, yet persistent poverty suggests gaps in its management (Hassan et al., 2021). Digitalization and blockchain technology have been proposed to enhance zakat financial inclusion in Indonesia, while Malaysia could benefit from further centralization to improve efficiency (Millatina et al., 2022; Zubaidah & Afifah, 2020).

Research on agricultural zakat highlights its significant role in poverty alleviation across Southeast Asia. Many countries align zakat collection and distribution with government policies, ensuring funds are allocated to both productive and consumptive programs. Zakat financing is increasingly used to support sustainable poverty reduction initiatives.

This study examines the impact of zakat farm management on poverty reduction in Indonesia and Malaysia, addressing a research gap in understanding how zakat can be optimally utilized. By conducting a comparative analysis, this research aims to evaluate the effectiveness of zakat-based programs and explore policy recommendations for enhancing economic welfare and financial inclusion in both countries..

Literature Review

According to Sayyid Sabiq, Zakat means: It is called Zakat, and it is given to the poor because Allah has given them everything he has. As previously mentioned, spending zakat wealth results in blessings, self-purification, and perfection, that is, growth, purity, and blessings. Zakat is worship that Allah Subhanahu wata'ala commands in the Qur'an (Sabiq, 1990). As a form of obedience to Muslims, Allah SWT and His Messenger have ordered His people to believe and pay Zakat. The word of Allah, Subhanahu wata'ala:

"Establish prayer, and pay alms-tax. Whatever good you send forth for yourselves, you will 'certainly' find 'its reward' with Allah. Surely Allah is All-Seeing of what you doo." – Surah Al-Baqarah: 110

The word "zakat" means "holy", "growing", "developing", and "full of blessings." It is stated in the Qur'an, "And if you give something usury (additional amount) to increase people's wealth, then usury does not improve the view of Allah. And if you pay Zakat with the intention of seeking the pleasure of Allah, then those who do it are the recipients of a double reward. At-Rum Surah: 39)

"Whatever loans you give, 'only' seeking interest at the expense of people's wealth will not increase with Allah. But whatever charity you give, 'only' seeking the pleasure of Allah—it is they whose reward will be multiplied." – Surah Ar-Rum: 39

This passage from the Qur'an emphasizes the need to pay zakat. If a Muslim does not pray and pay zakat, then his good actions will be forgotten. Both prayer and zakat are beneficial to Muslims, but zakat is advantageous to both the giver and the receiver. Zakat was originally implemented in the second year of the Hijrah calendar. The ummah's leader at the time, Prophet Muhammad (peace be upon him), designated zakat officers to gather alms and deliver them to the selected deserving recipients. Following the Prophet's (peace be upon him) demise, the four caliphs assumed responsibility for zakat administration, each for the duration of their respective caliphate (Ag Omar et al., 2021).

The verse from the Koran on the beneficiaries or mustahiq can be used as a basis for zakat initiatives that aim to reduce poverty (Surah at-Tawbah: 60):

"Alms-tax is only for the poor and the needy, for those employed to administer it, for those whose hearts are attracted 'to the faith', for 'freeing' slaves, for those in debt, for Allah's cause, and for 'needy' travellers. 'This is' an obligation from Allah. And Allah is All-Knowing, All-Wise." – Surah At-Tawbah: 60

Yusuf Qaradawi emphasizes that the main concern when interpreting this passage is the category of people it refers to, specifically those who are economically disadvantaged and lacking in resources. Thus, zakat serves as a means to alleviate poverty by specifically targeting the poor and emphasizing the government's responsibility in implementing policies that promote fairness and the distribution of income. The verse from the Koran, namely Surah at-Tawbah: 60, regarding the beneficiaries or mustahiq, can serve as a foundational principle for zakat projects that strive to alleviate poverty. Yusuf Qaradawi emphasizes that the main concern when interpreting this passage is the category and impoverished nature of the individuals mentioned, specifically referring to them as "poor." Thus, Zakat serves as

a mechanism to alleviate poverty by specifically targeting the poor and emphasizing self-sufficiency.

Many issues Theoretically, the charity has been looked into in the literature as a component of a study of Law connected to macroeconomic economics; for instance, Sari et al., (2019) illustrate succinctly that Zakat allows the impoverished to rise above the poverty threshold. In order to reduce poverty. According Anggyana et al., (2021) Zakat will be more effective at reducing current poverty the more it is gathered the more specifically it is distributed. In research Hasibuan et al., (2022), initiatives for economic growth, education improvement, health, and humanity constitute a unique program for community welfare under the auspices of BAZNAS. These initiatives demonstrate how concerned BAZNAS is about reducing poverty in Indonesia. Zakat's potential will expand through collecting agricultural Zakat, which can support BAZNAS empowerment activities.

Methods

This study employs a qualitative methodology to examine the implementation and impact of agricultural zakat, including rice, fruits, and wheat. A comprehensive literature review was conducted, incorporating academic articles, institutional reports, and prior research on zakat investments. Sources were selected based on relevance, methodological rigor, and contributions to understanding agricultural zakat, ensuring a broad and representative collection of literature.

Data collection involved a systematic review of relevant documents and research findings. The documentation method was used to gather data from academic databases, institutional reports, and other credible sources. The data analysis process included exploration, examination, reduction, and abstraction of key findings. Content analysis was applied to categorize and interpret data systematically, providing an in-depth understanding of agricultural zakat.

A descriptive approach, as outlined by Nawawi (1983), was employed to present a detailed account of the current state of agricultural zakat and its implementation. The study follows the Creswell & Creswell (2018) framework for qualitative research, offering a thorough analysis of social phenomena and human challenges related to zakat. This methodology aims to provide valuable insights into the role and effectiveness of agricultural zakat within the broader context of zakat-based investments (Moleong, 2018).

Result and Discussions

Agricultural Zakat in Indonesia and Malaysia

The agricultural sector plays a crucial role in the Indonesian economy, contributing 18.8% to GDP and 12.57% to employment as of September 2023 (Kementerian Pertanian, 2023). This sector encompasses several sub-sectors, including food crops, horticulture, plantations, livestock, fisheries, and forestry. In Malaysia, agriculture contributed 8.9% to GDP in 2023, reflecting its significance in the country's economic structure (Agriculture, 2023).

Table 1. Comparison of the contribution of agriculture to GDP of Indonesia and Malaysia in 2023

Indonesia	Malaysia
18,8%	8,9%

According to Table 1, Indonesia has a higher agricultural contribution to GDP than Malaysia, positioning it to leverage the sector more effectively for poverty alleviation through zakat administration. With its larger agricultural base, Indonesia holds greater potential to utilize zakat from agricultural yields to support economic empowerment and social welfare, surpassing Malaysia in this regard. All that exists in the heavens and on Earth is a divine provision, including agricultural resources, which serve as sustenance for humanity. Allah's sovereignty over the Earth ensures that its bounty is a blessing for all living beings. As stated in Surah Yasin: 33-35, Allah says:

And a sign for them is the dead land. We gave it life, and We brought forth from it grains, so that they eat thereof (33). And We have made therein gardens of date-palms and grapes, and We have caused springs of water to gush forth therein (34) So that they may eat of the fruit thereof, and their hands made it not. Will they not, then, give thanks? (35) – Surah Ya-Sin: 33-35

In Indonesia, agricultural zakat has the potential to significantly increase zakat revenues, complementing those collected from gold, silver, and commerce. As an agrarian nation, Indonesia can maximize this potential with government support, leveraging its large agricultural workforce across sectors such as food crops, horticulture, forestry, fisheries, and plantations. Rice production, a major component of the food crop industry, represents a substantial source of agricultural

zakat. In 2018, Indonesia produced 83.04 million tons of rice, with 94.72% (78.82 million tons) coming from lowland rice and 5.28% (3.74 million tons) from upland rice. Compared to 2014, when rice production stood at 70.85 million tons, output has consistently grown at an average annual rate of 4.30% (3.05 million tons). This steady increase has resulted in a total production rise of 12.19 million tons (17.21%) (Zaenal et al., (2017).

The utilization of zakat funds by zakat institutions is expected to serve as a catalyst for poverty alleviation. However, in the Islamic world, zakat distribution must be equitable to effectively address societal needs. Maximizing zakat's impact requires collaboration between zakat institutions, the government, and society. Integrating these three components is essential for the successful implementation of zakat. Several factors influence the realization of zakat's full potential, including the efficiency of zakat management institutions (*amil zakat*), public awareness through education and outreach, and well-defined policies and strategic frameworks (Maryam et al., 2021).

Responsible, effective, and professional zakat management requires careful planning, proper organization, efficient implementation, and strong oversight. A well-structured zakat governance system can significantly contribute to addressing social and economic challenges. By fostering collaboration between zakat institutions, the community, and the government, the effectiveness of zakat distribution can be maximized, ensuring a more equitable and impactful approach to poverty alleviation (Saad et al., 2020).

According to the Imam al-Shafi'i school of thought, zakat is only imposed on a region's staple crops that can be dried and stored long-term. This principle explains why all Malaysian states levy zakat solely on paddy production. However, the definition of "crop" remains vague, relying primarily on Qur'anic verses Al-Baqarah 266 and 267 and the Shafi'i school's interpretation, without a standardized definition across states. The Selangor Zakat Board (LZS) defines agricultural zakat as zakat imposed on staple food crops such as paddy, dates, corn, and wheat, which are nutritionally substantial, storable for extended periods, and meet the *nisab*—the minimum wealth threshold that obligates a Muslim to pay zakat (Ab Rahman et al., 2019).

In Malaysia, all Peninsular states have agreed on a basic zakat rate of 10% or 5%, derived from the hadith of Ibn 'Umar and the hadith of Mu'az. The zakat rate is determined based on the irrigation method and energy source used in crop cultivation. Crops irrigated by natural drainage are subject to 10% zakat, while those

requiring machinery or manpower are subject to 5% zakat. However, some states apply a fixed rate of either 10% or 5%, without distinction. In Sarawak, a third alternative rate of 7.5% is imposed, based on the opinion of Ibnu Qudamah.

In their interpretation of crop zakat, the Zakat Management Centre, Penang Islamic Religious Council (MAINPP PUZ), and Baitulmal of Perlis Islamic Religion and Malay Customs Council (MAIPs) include an additional requirement: the crops must be "cultivated by humans" and grown on owned, rented, or otherwise managed land. In contrast, the Sarawak Baitulmal Fund (TBS) defines agricultural zakat in terms of "net income" and "useful agricultural produce." This variation in interpretation is closely linked to practical implementation. For instance, TBS allows operating costs to be deducted before zakat is imposed, whereas in Selangor, zakat is applied to the gross value of the produce (Firdaus et al., 2020).

Given the high profitability of sectors such as commercial agriculture, large-scale industries, and extensive land use—particularly in palm oil and rubber plantations—the scope of zakat-applicable crops should be reassessed by relevant researchers. Compared to paddy cultivation, these industries generate millions in revenue and utilize millions of hectares, making them viable candidates for zakat obligations. Additionally, the declining participation in paddy zakat payments further justifies this reassessment. In Sarawak, where only 8% of the Malay minority is engaged in paddy farming, rice zakat collection remains low, with a downward trend in payments (Ab Rahman et al., 2019)

With agricultural output at peak levels, zakat collection rates have stabilized and are unlikely to grow significantly. The current paddy zakat collection trend suggests the need to expand zakat obligations to highly profitable commercial crops, considering local economic conditions, geographic factors, and Shariah objectives. Increasing agricultural zakat revenue through wealth protection (*hifz al-mal*) can further strengthen the Muslim economy, ensuring sustainable economic growth and greater financial support for those in need.

Forms of Agricultural Zakat

Zakat is categorized into zakat fitrah and zakat maal (wealth zakat). Zakat fitrah, also known as zakat of the soul, is an obligation for every individual, including adults and children, and is paid during Ramadan. Zakat maal, or wealth zakat, applies to assets that meet specific conditions for zakat payment. One form of zakat maal is zakat on agricultural products, which is explicitly mentioned in the Qur'an, Surah Al-Baqarah, verse 267:

"O believers! Donate from the best of what you have earned and of what We have produced for you from the earth. Do not pick out worthless things for donation, which you yourselves would only accept with closed eyes. And know that Allah is Self-Sufficient, Praiseworthy." – Surah Al-Baqarah: 267

In classical fiqh, agricultural zakat applies to all consumable products, including fruits, tubers, and plantation crops. A key factor in determining zakat obligations is the irrigation system used, as it influences effort and cost in cultivation. For land irrigated naturally by rivers, springs, or rainfall, zakat is set at 10% (1/10) of the total yield, as it requires minimal labor and expenses. In contrast, land irrigated through artificial systems, such as dams or irrigation networks, incurs additional costs, reducing the zakat rate to 5% (1/20). If both natural and artificial irrigation are used equally, the zakat rate is adjusted to 7.5% (Mufraeni, 2006).

Social change is dynamic, requiring structured strategies to achieve sustainable development goals. Midgley (1999) identifies three key approaches to improving living standards: The first is social development through individuals, where community members independently initiate empowerment efforts, often referred to as the enterprise approach. The second is social development by communities, where community organizations collaborate to improve their environment, known as the communitarian approach. The third involves social development through government, where state institutions oversee and implement development initiatives, commonly termed the statistical approach. These strategies provide a comprehensive framework for addressing social challenges and enhancing community well-being through various levels of engagement and responsibility.

According to Nasar, (2021), eradicating poverty and inequality requires more than hard work, group effort, and professional expertise. It also requires honest work, consistent work, and sincere work too. Zakat in Indonesia does have a lot of potential and can provide solutions to the problems of social and/or economic inequality that exist in society today.

These three strategies must be continuously implemented due to the complexity of Indonesia's social landscape. As the government advances social development, the private sector and civil society (third sector) continue to expand their roles, preventing government dominance over development efforts. Each sector contributes independently while also fostering synergies to accelerate progress. When the government effectively collaborates with the private sector and NGOs, overall output and impact are expected to increase. By sharing

responsibilities, the government's burden is reduced, allowing it to allocate resources to other critical programs.

At the outset of Islamic governance, zakat was the primary source of state revenue, implemented through official institutions with legal provisions to ensure its proper collection and distribution. As an integral part of the economic system, zakat administration in Indonesia is overseen by the National Amil Zakat Agency (BAZNAS), which is responsible for collecting, managing, and distributing funds. The involvement of social institutions enhances the efficient distribution of zakat, infaq, and alms (*sadaqah*), maximizing their impact on poverty alleviation. Numerous private and government-affiliated zakat institutions, including Baitul Mal, Rumah Zakat, Dompot Dhu'afa, and BAZNAS, have been established to support these efforts. Each institution employs its own strategies and initiatives to optimize zakat management and distribution (Melati & Nurdin, 2022).

Zakat Management Professionalism

The effectiveness of zakat management institutions in collecting and distributing funds remains a challenge due to weak organizational culture and insufficient focus on institutional system strengthening. To maximize their role in poverty alleviation, these institutions must adopt good governance principles (Hayati, 2015). Applying these principles enhances zakat management professionalism, ensuring greater value for stakeholders (Harahap, 2022).

Firstly, openness or transparency in zakat management is crucial. Managers must disclose information to stakeholders, including financial statements, work program details, and the allocation and distribution of zakat funds. This transparency helps in monitoring by the community and relevant authorities, including the DPR and the government, to mitigate the risk of misuse of funds. Ensuring open and honest budgeting and financial practices are fundamental to building trust and accountability (Harahap, 2022).

Secondly, accountability in zakat management can be achieved through three pillars: religious (sharia law), government (state law), and financial reporting. Managers must adhere to relevant laws and regulations, such as Law No. 23 of 2011, which covers the management of zakat and other religious funds, and PSAK No. 109, which pertains to zakat accounting. Clear reporting practices and internal controls are necessary for effective accountability, ensuring that managers fulfill their responsibilities according to institutional guidelines and regulations. This includes

detailed reporting on the implementation of zakat management and adherence to sharia principles (Harahap, 2022).

Thirdly, managers have several responsibilities, including to society, muzaki (donors), mustahik (beneficiaries), the government or Ministry of Religion, BAZNAS, DPS, and LAZ. It is crucial for managers to ensure that zakat reaches the mustahik accurately and efficiently. This broad range of responsibilities highlights the need for managers to balance various stakeholder interests while maintaining integrity and transparency (Permana & Baehaqi, 2018).

Moreover, managers must safeguard the independence of zakat management organizations from undue influence by stakeholders such as the government, political parties, and donor institutions. Ensuring that the organization remains independent is vital for its ability to act in the public interest and maintain its integrity (Harahap, 2022).

Fairness and justice are also key principles. Managers should distribute zakat funds equitably among those entitled to receive them and ensure participation and equal opportunities for all stakeholders, including employees, mustahik, and muzaki. Promoting social harmony through fair and just practices is essential for effective zakat management (Harahap, 2022).

Lastly, sharia compliance must be a cornerstone of zakat management. Managers are required to adhere to sharia principles throughout all activities, from the collection of zakat to its distribution. Implementing a robust internal system for sharia compliance and supervision is necessary to ensure that zakat management practices align with Islamic principles (Harahap, 2022).

Muslims derive many benefits from using Zakat as a source of funding if it is managed properly, managed effectively, and carried out together with the value of other instruments. The position of Zakat is always parallel to the position of prayer. There are a total of 82 verses in the Qur'an in which Allah mentions the commandment to pray in addition to the commandment of Zakat one verse at a time. Zakat is useful for improving and developing noble human qualities for those who have money. In fact, Islam has encouraged people to spend more money. This teaching emphasizes that excess wealth should be used to seek goodness, truth, and the welfare of society through donations and assistance to those who are unable to support themselves. This virtue is considered as one of the most important teachings of Islam (Husin et al., 2020). As a result, when Zakat is managed properly, the regulations are binding on every Muslim and supported by the government's

role as an institution and regulator. Amil zakat, the increase in job opportunities is a profitable outcome, so that every citizen has a job, and the unemployed will automatically migrate into large numbers of employees. Regions with a high Gini ratio benefit from the implementation of Zakat because it is able to close the gap between the rich and the poor.

With the progression of technology, it is becoming more and more capable of facilitating a wide range of human activities, especially in the realm of financial transactions. The process of digitizing financial activities has brought about advancements such as electronic money (e-cash), which combines technology and monetary progress. The widespread adoption of digital technology has profoundly transformed contemporary society, as electronic devices and the internet have become omnipresent.

According to the 2017 report by the Association of Internet Service Providers (APJII), 196.7 million individuals, accounting for 73.47% of Indonesia's population, were able to connect to the internet. The financial sector has also undergone this digital change. Bank Indonesia recorded a surge of 241.2 percent in digital money transactions during the fourth quarter of 2019. This trend is a component of Bank Indonesia's wider effort to encourage non-cash financial transactions in order to drive economic expansion.

The proliferation of electronic money has been propelled by its myriad benefits. E-money enables rapid and safe financial transactions for the general public, thereby solving the difficulties associated with cash management. Additionally, it aids banks in optimizing the process of generating money and mitigating problems associated with counterfeit currency. The extensive utilization of electronic money is apparent in many industries, such as public transportation and educational establishments. Within the education sector, e-money applications commonly manifest as student cards or other specific cards that facilitate transactions within institutions (Kharisma & Jayanto, 2021).

For zakat administration institutions such as BAZNAS, integrating electronic money into their systems presents a significant opportunity. By collaborating with e-money platforms like GoPay, OVO, and e-commerce payment systems, BAZNAS can streamline digital zakat payments, making it more convenient for muzaki to fulfill their obligations. To enhance efficiency and accessibility, BAZNAS must continuously adapt to the evolving digital landscape and leverage technological advancements in financial transactions.

Poverty Reduction Model in Indonesia with BAZNAS

The Poverty Reduction Model developed by BAZNAS and Indonesian zakat specialists employs three core strategies, collectively known as zakatnomics, to alleviate poverty through the zakat economy. The Economic Strategy focuses on utilizing zakat funds to drive economic growth and provide financial support to those in need. The Advocacy/Dakwah Strategy aims to raise awareness and highlight the importance of zakat in addressing poverty and fostering community development. The Social Strategy involves implementing targeted social programs to improve the living conditions of underprivileged communities. Together, these strategies form a comprehensive approach, maximizing zakat's potential as a tool for poverty reduction and economic empowerment (Badan Amil Zakat Nasional, 2020).

BAZNAS outlines key criteria for an effective da'wah or advocacy plan to enhance the impact of zakat. A primary focus is the implementation of Sharia law, ensuring that rules and regulations directly address the needs of the impoverished. Strengthening the network of zakat personnel is also emphasized to improve assistance delivery and zakat management. Additionally, the establishment and development of Amil Zakat Institutions is crucial for the efficient administration of zakat funds. Together, these measures aim to strengthen the zakat system, facilitating poverty reduction and fostering community development.

In the Economic Strategy, key priorities include expanding market access for stakeholders supported by zakat institutions, increasing the production of goods and services, and ensuring Sharia-compliant access to capital. In the Social Methodology, BAZNAS emphasizes the need for fundamental access, repair access, and crisis access to strengthen zakat's role in poverty alleviation. The ultimate goal of zakatnomics is to establish a just and prosperous society, ensuring that zakat programs effectively target those in need. The pillars of zakatnomics—spiritual piety, a production-oriented culture, economic justice, and the application of zakat for poverty reduction—must be reinforced by a strong conceptual framework. Addressing poverty among Indonesian Muslims requires a serious commitment from policymakers, muzakki, and zakat institutions (Zaenal et al., 2017).

Despite Indonesia's long-standing participation in the G20, poverty remains a persistent challenge that has been a priority since independence. Following the reform era, poverty reduction has remained central to government policies, as mandated by the 1945 Constitution. Addressing this issue requires serious and strategic efforts, which continue to be implemented through planned initiatives (Zulkarnain & Farkhani, 2021).

Indonesia holds vast zakat potential across various industries, given its large Muslim population of nearly 238 million (BPS, 2017). This demographic advantage presents an opportunity to strengthen Muslim communities and foster economic prosperity. Over time, zakat has the potential to reduce Indonesia's reliance on other nations and serve as a powerful tool for poverty eradication. Zakat is expected to elevate the economic and political standing of Indonesian Muslims, not merely as an emotional aspiration but as a structured and impactful financial mechanism. This expectation is based on the principle that Muslims who meet the zakat obligations will willingly contribute, improving the living standards of others. A well-managed and professional zakat system, whether administered by BAZNAS or private zakat institutions (LAZ), is crucial for achieving this goal. If zakat collection assumes full compliance from eligible Muslims, both traditional and contemporary zakat sources could significantly boost revenue. Currently, zakat collection remains below Rp 10 trillion, far below its estimated potential of Rp 233.8 trillion, as outlined in the BAZNAS Strategic Study Center's Zakat Potential Mapping Indicator (2019). Maximizing this potential requires enhanced zakat management, public awareness, and institutional efficiency.

When properly managed, zakat has immense potential to empower the economy and serve as a sustainable poverty alleviation tool. Rather than merely providing short-term relief, zakat can fund education for the poor and serve as venture capital, enabling long-term economic self-sufficiency. To maximize its impact, zakat management institutions must transition from traditional approaches to professional, strategic management. Modernizing zakat administration requires innovative strategies to enhance public awareness, particularly among muzaki (zakat payers) and mustahiq (zakat recipients), ensuring greater participation and trust in the system (Lestari et al., 2022).

Poverty in Indonesia presents numerous challenges that require collective national efforts to address. Islamic law on zakat serves as a mechanism to ensure equitable wealth distribution, aiming not only to meet material needs but also to provide access to education, housing, and clothing. Beyond immediate relief, zakat has the potential to be transformative and productive, empowering recipients (mustahiq) to achieve long-term financial stability (Muhammad Firdaus et al., 2012).

Zakat prevents wealth concentration among a privileged few by requiring farmers to distribute a portion of their harvest to the poor and needy. It also serves as a source of working capital, enabling the poor to create employment

opportunities, generate income, and sustain their livelihoods. The effectiveness of zakat in poverty alleviation depends on the awareness and commitment of the wealthy (aghniya') to fulfill their zakat obligations and engage in shadaqah. While zakat is obligatory, sadaqah is voluntary, yet both contribute to economic redistribution and social equity. If all eligible farmers in Indonesia fulfill their zakat obligations fairly and proportionally, poverty levels would decline significantly. Achieving this goal requires effective agricultural zakat management, particularly through BAZNAS, to ensure transparent, efficient, and impactful distribution.

Conclusion

In Indonesia, the Poverty Reduction Model developed by BAZNAS and zakat experts applies three key strategies—Economic Strategy, Advocacy/Dakwah Strategy, and Social Methods—to reduce poverty through the zakat economy. These approaches can be effectively implemented in the collection and distribution of agricultural zakat, which holds significant potential for poverty alleviation. In Malaysia, agricultural zakat rates are determined based on irrigation and energy sources, distinguishing between natural drainage and mechanized or manual labor-intensive farming. The collected agricultural zakat is distributed to eligible mustahik. Given the rice crop zakat collection trends, expanding zakat to high-value cash crops should be considered, aligning with local economic conditions, geographic factors, and Shariah objectives. Strengthening wealth protection (hifzu al-mal) can further enhance agricultural zakat revenue, ultimately supporting Muslim economic development and contributing to government-led poverty reduction efforts.

Future research should further explore agricultural zakat's potential in poverty alleviation, not only focusing on management strategies but also providing practical solutions to enhance its impact on economic empowerment and social welfare.

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