

The Role of Zakat and Wakaf in Reducing Economic Risks in Jayapura

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ABSTRACT

Zakat and waqf are significant social financial instruments in Islam that play a vital role in reducing economic risks and improving the welfare of society. Zakat, as an obligatory act for financially able Muslims, serves to redistribute wealth equitably and help those in need. Meanwhile, waqf involves giving assets for the public good in the long term, contributing to the development of education, health, and infrastructure. This study aims to see how zakat and waqf play a role in reducing economic risks, especially in the Jayapura area. In Indonesia, especially in Jayapura, the potential of zakat and waqf is very large in supporting economic growth and poverty alleviation. However, challenges such as public distrust of management institutions, low awareness of zakat obligations, and less than optimal utilization of waqf assets hinder its effectiveness. A SWOT analysis shows that with the right strategy, weaknesses and threats in zakat and waqf management can be overcome, maximizing their potential to improve community welfare. Collaborative efforts between the government, zakat and waqf management institutions, and the community are essential to improve literacy, transparency, and accountability in managing resources so as to optimize the role in reducing economic risks and promoting community welfare in Jayapura.

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1. Introduction

Fiscal policy can be interpreted as an action taken by the government in the field of state budget spending with the intention of influencing the course of the economy. The state budget consists of revenues and expenditures. Fiscal policy is a policy taken by the government to spend its income in realizing economic goals. (Anas et al., 2023)

In Islam, this fiscal and budget policy aims to optimize the management of zakat: its implementation and implications in the economy to develop a society based on a balanced distribution of wealth with material and spiritual values at the same level. Efforts to integrate

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zakat into the country's fiscal policy are by reconstructing the history of the implementation of zakat in the early days of Islam. In the early days of Islam, zakat was a mandatory 'levy' collected from the community to finance state expenditure at that time. In its development, zakat experienced staticity because it had been standardized so that it could not adapt to the development of the people's economy. (Anas et al., 2023)

Economic risk is the potential for loss, uncertainty, or negative impact on individuals, groups, or countries due to changes or disruptions in economic conditions. This risk can arise due to various factors, both internal and external, that affect economic stability, such as exchange rate fluctuations, inflation rates, unemployment, natural disasters, and ineffective economic policies. Examples of this uncertainty include: inflation, which is a general and continuous increase in the price of goods and services over a certain period of time, and recession, which is a condition where there is a significant decline in economic activity in a region. (Anita et al., 2023)

According to Sukirno in his book *Modern Macroeconomics*, economic risk can be seen as the impact of an imbalance between economic resources and the needs of society. For example, uncontrolled inflation will reduce people's purchasing power, while high unemployment can affect social stability and increase poverty rates. (S, 2015)

Tambunan also explained that economic risks in developing countries, including Indonesia, are often caused by weak economic infrastructure, dependence on natural resources, and political instability. This makes vulnerable groups, such as the poor, more at risk of experiencing negative impacts from economic changes. (Tambunan, 2019)

In the context of individuals or households, economic risks include income uncertainty, job loss, or inability to meet basic needs due to sudden changes in economic conditions. On a macro scale, economic risks can include recessions, state budget deficits, and financial system instability that impact all levels of society. (Arta et al., 2021)

Zakat is an obligation for Muslims to set aside part of their wealth for the deserving groups (mustahik), such as the poor, needy, and amil zakat. In the context of reducing economic risk in Jayapura, zakat functions as an instrument of wealth redistribution that can help vulnerable communities face economic uncertainty, such as unemployment, poverty, and natural disasters. Productive zakat, for example, provides business capital to increase the economic independence of mustahik. (Merlins, 2024)

Waqf is the transfer of certain assets or property for public or social interests that are permanent. In Jayapura, waqf is often used for the construction of educational facilities, health, and places of worship, which support the social and economic stability of the community. With proper management, waqf can create productive assets that provide sustainable benefits to the community and reduce economic risks, such as dependence on external assistance or lack of access to public facilities. (BAZNAS Papua, 2019)

In Indonesia, including in Jayapura, the potential of zakat and waqf is very large in supporting economic growth and poverty alleviation. According to the Ministry of Religion, optimizing the management of zakat and waqf can contribute to inclusive economic growth and reducing social inequality. (BAZNAS Papua, 2019)

However, there are several challenges in managing zakat and waqf, such as lack of public trust in the management institution, low awareness of zakat obligations, and less than optimal utilization of waqf assets. The SWOT analysis conducted by researchers shows that with the right strategy, weaknesses and threats in managing zakat and waqf can be overcome, so that its potential to improve community welfare can be maximized. (Qomaruddin, 2020)

For this reason, collaborative efforts are needed between the government, zakat and waqf management institutions, and the community in improving literacy, transparency, and accountability in the management of zakat and waqf. Thus, the role of zakat and waqf in reducing economic risks and improving community welfare, especially in Jayapura, can be further optimized. (Indonesia, 2023)

2. Research Method

The methodology of this study uses a qualitative approach with in-depth interview techniques. This study aims to explore the role of zakat and waqf in reducing economic risk in Jayapura, as well as identifying challenges and opportunities in its management. Data were collected through interviews with BAZNAS Jayapura, including the chairman and several staff who were directly involved in the zakat and waqf program. In addition, this study also analyzed documents and reports related to the management of zakat and waqf in the region. Data analysis was carried out using thematic techniques, where relevant information was grouped based on themes to gain a deep understanding.

3. Result and Discussion

The Potential of Zakat and Waqf for the Welfare of the Community and Its Challenges

Islam is a universal religion where all aspects of life are regulated in Islam without exception, including the economic aspect. In Islam, the economy contains the basic principles of virtue, happiness and shared prosperity and eliminates the inequality between the poor and the rich. Poverty has always been a never-ending problem and Islam has a solution. In the Islamic perspective, there is an economic instrument that aims to eradicate poverty, namely zakat. (Raisya et al., 2022)

Zakat has an important role in empowering the people's economy. However, countries where the majority of the population is Muslim, which are included in the category of developing countries, are still in a position of high poverty rates, including Indonesia. The command to pay zakat in the Qur'an is found 32 times, 26 times of which are mentioned together with the word prayer. This suggests that the obligation to pay zakat is the same as the obligation to perform prayer. (Raisya et al., 2022)

Based on this, it can be concluded that Allah's intention in repeating the command of zakat which He coupled with the command of prayer, aims to make people understand how obligatory it is to pay zakat, so that it must be carried out in the same way as the obligation of a Muslim to pray. Because, by managing zakat as well as possible, humans will be able to escape poverty and prosper in this world and the hereafter. With the condition, if the zakat is given sincerely and managed well by believers and devout people who always keep their prayers, then of course they

will not want to eat property that is not their right, because of their firm faith and devotion to Allah SWT. (Efendi et al., 2024)

Zakat is an obligatory act for Muslims to allocate a portion of their wealth to those in need, serving as a mechanism for wealth redistribution. It plays a vital role in helping vulnerable populations manage economic uncertainties, such as unemployment and poverty. (Nasar, 2017)

Waqf as one of the virtues aimed at the common good, which is done by donating wealth, it turns out that this is only implicitly explained by Allah in the Qur'an. Unlike zakat which is clearly mentioned in the Qur'an in various forms of tashrif. This shows that zakat is something that must be done by Muslims, while waqf is something that is recommended by Allah for the sake of social interests. (Efendi et al., 2024)

Even though the word waqf is not mentioned explicitly in the Qur'an and hadith, waqf in the Qur'an and hadith is the result of mujtahid scholars' interpretation of the verses which discuss the donation of wealth in the form of alms and charity. Among the verses that have been explained previously is Q.S Ali Imran: 92 which combines the word infaq with the word al-birra (virtue) which explains that virtue will be obtained by humans by investing in the wealth they love. And Q.S al-Baqarah: 261-262 which combines the word infaq with the word fii sabiilillah which explains about people who give away their wealth sincerely, then they will gain multiple virtues. (Efendi et al., 2024)

Waqf involves giving assets for public benefit, which contributes to long-term social and economic development. In Jayapura, waqf is often used to build educational and health facilities, thereby supporting community stability and well-being. (Mubarok, 2020)

In general, waqf is always understood in the form of land, but now waqf can be realized in various forms. As Akram Khan has conveyed in one of his books, that the waqf institution has great potential and can be utilized to improve education, research, health and the defense capabilities of Muslim countries. In addition, waqf in a macroeconomic perspective according to Murtadho Ridwan, namely: waqf can reduce the interest rate, one of the mechanisms for redistributing wealth, and contains elements of investment and savings. (Wulandari, 2020)

First, waqf can reduce the interest rate. This is because one of the main characteristics of the Islamic economic system is the prohibition of Riba in economic activities. While interest is one of the main elements in the conventional economic system and as a determinant of the implementation of the economic system. According to Islamic economics, waqf can reduce the interest rate significantly. Waqf can play a very important role in providing public facilities needed by the community without burdening the government. This can be done by collecting waqf funds from wealthy people and using the funds to build public facilities needed by the community. (Wulandari, 2020)

Second, In Islamic history we know and acknowledge the existence of individual ownership. We can observe that the waqf system is one of the results of individual ownership that functions as one of the mechanisms of wealth redistribution (Redistribution of Wealth) in Islamic economics. The waqf system is able to reduce inequality in income distribution and poverty. This

can be done by motivating people to do ongoing charity (waqf) with the promise of getting continuous rewards according to the hadith about waqf. (Wulandari, 2020)

Third, waqf from an economic perspective is an act that combines investment and savings. This is because waqf itself is an investment, because what is meant by investment is generating profits to be combined with business capital and also to be used to meet life's needs, and this definition is in accordance with the definition of waqf. The goods that are donated can produce benefits and public facilities needed by the community as explained. The collected waqf assets can be used as future investment capital for the benefit of future generations who do not prioritize the profits of their managers because the main purpose of waqf is for virtue and mutual assistance (ta'awun). For this reason, there needs to be a law that regulates waqf assets in every country to protect the assets of the people from the arbitrariness of irresponsible people. (Wulandari, 2020)

In the Islamic economic system, zakat and waqf play an important role in achieving social justice and social welfare. Zakat is an obligation for Muslims who meet the requirements to set aside part of their wealth to be distributed to groups who are entitled to receive it. Meanwhile, waqf is a voluntary gift in the form of property that is intended for the public interest and is eternal in accordance with Islamic law. (Raisya et al., 2022)

Management of zakat and waqf in Islamic economics must be carried out professionally, transparently, and accountably. Zakat and waqf management institutions must have a good management system, starting from collection, distribution, to financial reporting. This is important to ensure that zakat and waqf funds really reach the rightful parties and are used optimally for the benefit of society. (Raisya et al., 2022)

In managing zakat, amil zakat institutions must ensure that zakat funds are distributed to the eight asnaf (groups) who are entitled to receive them, namely the needy, poor, amil, converts, riqab (slaves), gharimin (people who are in debt), fi sabilillah (people who struggle in the way of Allah), and ibn sabil (people who are on a journey). The distribution of zakat must be carried out fairly and evenly, so that it can have a positive impact on improving community welfare. (Raisya et al., 2022)

Despite their potential, the effectiveness of zakat and waqf is often hampered by several challenges. These include lack of public trust in management institutions, low awareness of zakat obligations, and suboptimal utilization of waqf assets. The SWOT analysis shows that with the right strategy, these weaknesses can be overcome, maximizing the benefits of zakat and waqf for the welfare of society. (Rahmat, 2022)

Zakat and Waqf Reduce Economic Risks

Key Programs in Reducing Economic Risks: (Nasar, 2017)

1. Productive Zakat:

BAZNAS provides business capital assistance for underprivileged communities, such as small traders, farmers, and fishermen. Business assistance is provided to ensure the sustainability of their businesses.

2. Health and Education Assistance:

Zakat funds are allocated for scholarships for children from poor families. Health assistance is provided for people who cannot afford medical expenses. Opening free health clinics.

3. Optimization of Waqf:

Land endowments in Jayapura are used to build public facilities such as mosques and skills training centers. Cash endowment programs are used to develop small community businesses.

4. Challenges in Zakat and Waqf Management

Some of the challenges in managing zakat and waqf are:

- Lack of public literacy about the importance of zakat and waqf.
- Limited number of competent amil zakat in Jayapura area.
- Low public awareness to make cash waqf.

5. Impact of the Program:

Based on BAZNAS Jayapura data, there was a 30% increase in income among mustahik who received productive zakat. A 5% reduction in poverty rates in areas targeted by zakat and waqf programs.

6. Future Hope:

- Increase collaboration with local governments and community organizations to educate the public about zakat and waqf.
- Develop a digital platform to make it easier for the public to pay zakat and waqf.

The results of the interview with BAZNAS Jayapura show how zakat and waqf have a real contribution in reducing the economic risk of the community. This is in line with the principle of zakat as a social obligation of Muslims to help the dhuafa and mustahik groups, as well as waqf as an instrument of asset-based economic empowerment. The discussion of the results of this interview can be divided into several aspects: (BAZNAS Papua, 2024)

1. Productive Zakat as a Poverty Alleviation Strategy

Productive zakat run by BAZNAS Jayapura, such as providing business capital and assistance to the poor, is one of the strategic efforts to increase the economic independence of mustahik. This reflects a change in the approach to zakat management from a consumptive to a productive model, which has proven to be more effective in the long term.

Productive zakat not only provides temporary financial assistance, but also creates opportunities for mustahik to increase their economic capacity sustainably. A concrete example of the impact of productive zakat in Jayapura is the increase in mustahik income of up to 30% recorded in small business assistance programs.

However, the success of productive zakat requires more efforts in terms of intensive mentoring and monitoring of business sustainability. Factors such as lack of business skills or local market challenges also need to be addressed so that the benefits of productive zakat can be maximized.

2. Utilization of Waqf for Collective Welfare

Land waqf and cash waqf are important instruments that can support the development of public facilities such as mosques, opening free clinics and skill centers. In Jayapura, the optimization of waqf for these social facilities reflects the great potential of waqf in encouraging sustainable development. This is in accordance with Mubarok's research which confirms that waqf has a significant impact on infrastructure development that supports community welfare. (Mubarok, 2020)

However, waqf management in Jayapura still faces challenges, especially related to the low level of public understanding of cash waqf. Most people are more familiar with waqf in the form of fixed assets, such as land or buildings, so education is needed to increase participation in a more flexible and easily accessible cash waqf program.

3. Challenges of Literacy and Participation in Zakat and Waqf

Lack of public literacy about the importance of zakat and waqf is the main challenge faced by BAZNAS Jayapura. Interview results indicate that many people do not yet understand the obligation of zakat as part of social worship, let alone the concept of waqf as a long-term social investment.

According to a report from BAZNAS RI in 2018, zakat and waqf literacy in Eastern Indonesia was in the low category, with the level of public awareness to pay zakat only around 40%. This low literacy has an impact on the minimal participation of the community in the management of zakat and waqf, so that the potential of Islamic economics in areas such as Jayapura has not been fully explored. (RI, 2023)

To overcome this challenge, BAZNAS Jayapura can strengthen its education strategy, either through social media, outreach in local communities, or collaboration with local religious figures. This education needs to emphasize the direct impact of zakat and waqf on community welfare, so that community trust and awareness can increase.

4. Digital Innovation as a Modern Solution

The development of a digital platform for zakat and waqf management planned by BAZNAS Jayapura is a strategic step in the digitalization era. Based on Nuraini's research (2021), the use of digital technology such as zakat payment applications and cash waqf platforms can increase community participation, especially the younger generation who are more familiar with technology.

In addition, digitalization also provides transparency and accountability in the management of zakat and waqf funds, which can increase public trust in the management institution. However, the implementation of digitalization in areas such as Jayapura must

consider technological infrastructure and public access to internet services, which may still be limited in some areas.

4. Conclusion And Suggestions

In conclusion, zakat and waqf have a strategic role in reducing the economic risk of the community in Jayapura, especially through the productive zakat program and optimization of waqf assets. Productive zakat helps increase the economic independence of mustahik by providing business capital assistance and mentoring, which has been proven to increase the income of the poor. Meanwhile, land and cash waqf are used to support the development of public facilities that contribute to collective welfare. However, the management of zakat and waqf in Jayapura still faces challenges, such as low public literacy, lack of participation, and minimal technological infrastructure. To overcome these obstacles, intensive education efforts are needed, strengthening collaboration with various parties, and utilizing digital technology to increase accessibility and transparency. With these steps, zakat and waqf can be optimized to support sustainable economic development and poverty alleviation in Jayapura.

As students and as part of the community, we suggest that BAZNAS Jayapura continue to improve its efforts to educate the community about the importance of zakat and waqf in economic development. This can be done through seminars, workshops, or community-based counseling, especially among the younger generation. I also see the need to strengthen the synergy between zakat management institutions, the government, and local religious figures to expand the reach of existing programs.

In addition, digital innovation needs to be implemented immediately, such as the development of zakat and waqf payment applications, so that it is easier for the community to contribute. As a student, I am willing to participate in literacy activities and socialization of zakat and waqf, both through social media and directly in the community. With collaboration and active participation from all parties, I am sure that the potential of zakat and waqf in Jayapura can be maximized to reduce economic risks and improve community welfare.

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