

Analyzing the Role of Waqf and Zakat in the Economy through a Case Study of Agricultural and Livestock Projects

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Abstract

Waqf and zakat are two welfare instruments in Islamic finance that are discussed in this article, along with their impact on the agricultural and livestock industries. Developing agricultural and commercial projects for asnaf requires the management competence of the State Islamic Religious Council (SIRC) to advance the integration of waqf and zakat within the context of agriculture and animal husbandry. SIRC is aware that the asnaf are a population that requires assistance in both the economic and social spheres, and as such, it has a responsibility to create projects that are both long-term and competitive in order to help the asnaf achieve economic and social autonomy. This research was conducted using a qualitative approach. XYZ SIRC's agricultural and livestock project management was investigated by interviewing five insiders. The research indicates that SIRC XYZ has created two waqf integration projects centred around farming and livestock. The integration project, which is the product of meticulous resource management, is a shining example of the synergy between waqf and zakat administration. In addition, the research confirms that waqf and zakat, when administered in a strategic and methodical fashion, are the most efficient economic financial instruments based on the promotion of welfare. An efficient use of resources is to develop waqf land with zakat funds. Waqf and zakat projects, on the other hand, can use sustainable revenue-generating projects to offset the costs of their creation.

Keywords: Waqf, Zakat, Integration, Economic Instruments

Introduction

Islam is a comprehensive religion because it covers all aspects of life, including economics (Joni, 2008). An essential instrument that enables a Muslim community to be self-sufficient while at the same time forming a powerful Islamic state is management of the economy according to Islamic principles. There will be failure on the economic front if the resources of the Islamic economy are not managed fairly. Even worse is the fact that the aqeedah of Muslims may also be called into question as a result of the economic turmoil. As a result, the

main focus of this research is on the economic integration of waqf and zakat in the process of developing development projects that are based on agriculture and livestock. Why should projects aimed at the development of agriculture and livestock be created? This is due to the fact that the development of projects involving food resource is an essential component in a nation and needs to be prepared before other projects of a commercial and industrial nature. The obligation to pay zakat is an essential component of Islamic law and is mandated by the Quran. By making the wealthy responsible for the asnaf, it is possible to better manage money, as well as combat extreme suffering and poverty (Paizin, 2017). Zakat rests with the individual, but the impact on zakat institutions is crucial for facilitating the development of efficient programmes that benefit both the group as a whole and specific subsets of the group (Migdad, 2019). Therefore, it is crucial that the government be responsible for the collection and distribution of zakat so that high-impact programmes can be implemented. If zakat payers pay zakat directly to asnaf, it will interfere with the planning of impactful projects by zakat institutions (Othman et al., 2020), particularly when the zakat fund collection target for a project has been determined.

Literature Review

Economic integration is a process in which trade is used to advance or protect a diverse set of economic objectives, which loosely corresponds to a complex, highly integrated, transnational economic space (Burgess, 2016). The effectiveness of zakat and waqf in alleviating poverty depends on their proper administration, documentation, planning, and integration into a larger strategy (Shirazi, 2014). These zakat and waqf organisations need to be integrated into the larger strategy to combat poverty if they are to have any meaningful impact (Ahmad et al., 2021). Many programmes have been established in recent years to help end hunger around the world by using zakat money to fund food bank programmes (Swandaru & Rizkiningsih, 2021). The goal of societal well-being can be achieved through the complementary mechanisms of zakat and waqf. For the simple reason that it relates to a central tenet of Islamic ownership, namely, that wealth should not be concentrated in a small number of hands lest it lead to unfair distribution of resources (Lita, 2021). Different from a legal standpoint, the principles of waqf and zakat (Jouti, 2019) ensure that the right to use them is enjoyed by those permitted by Shariah without monopoly or unilateral exploitation for personal gain, and that the principle of perpetuity and the principle of benefits have consequences to protect the property rights of all people or groups. It is becoming increasingly challenging for governments to find solutions to all of society's socioeconomic issues or to mitigate the negative effects of those issues. This difficulty is being exacerbated by issues related to food insecurity and the increasing complexity of society. In previous studies, the strategic approach to the integration of waqf and zakat in practise forms a diverse integration pattern. Table 1 demonstrates how other researchers have addressed the integration of waqf and zakat in their research. The stated pattern of development for waqf zakat integration emphasises healthcare, education, affordable housing, small business development, and microfinance. The development of the integration of waqf and zakat for the agriculture and animal husbandry sectors is not seen as much. The agricultural sector, according to Swandaru and Rizkiningsih (2021) can use waqf land for farming activities and zakat funds are used for operational activities to support the involvement of asnaf as workers while also promoting sustainable agricultural practices. This research will look at agriculture

and animal husbandry as one of the strategies for assisting the national food security ecosystem. This will add value to the Islamic financial system by making it more user-friendly and usable.

Table 1

The Role of Waqf and Zakat Pattern in the Development

Authors	Pattern of Waqf and Zakat Development Projects	Country
(Ahmad et al., 2021) (Zaenal et al., 2017)	Healthcare	Malaysia
(Swandaru & Rizkiningsih, 2021)	Agriculture	Indonesia
(Mohamed & Shafiai, 2021)	Agriculture	Malaysia
(Rizal et al., 2020)	Boarding School	Indonesia
(Hariyanto et al., 2020)	Association Of Institutions to Operate Economic Transaction	Indonesia
(Aripin et al., 2019) (Rashid et al., 2018)	Housing	Malaysia
(Razak, 2020)	Banks and takaful	Malaysia
(Ab Rahman et al., 2019)	Education	Malaysia
(Ahmad et al., 2018)	Pondok Institution	Malaysia
(Sulistyowati, 2018)	Model Disaster Management	Indonesia
(Ahmadi, 2017)	Financial Instrument	Indonesia
(Mamun et al., 2017)	Microfinance	Bangladesh
(Haneef et al., 2017)	Small and Medium Enterprises	Malaysia

The Role of Waqf and Zakat in Agricultural and Livestock Projects: A Conceptual Framework

In order to guide the economic integration study of waqf and zakat for this agricultural and livestock undertaking. The majority of studies focus on Islamic banking or Islamic financing, which is a type of loan used to fund projects in agriculture and livestock (Mohamed & Shafiai, 2021). Therefore, looking at the integration of zakat and waqf as an alternative to solving financial problems in agriculture and livestock projects, this study will focus on the empowerment of the asnaf involved, under the management of SIRC that has been selected. The authors employ the theory of *Fiqh Al-Awlawiyyat* as the fundamental theory that guides the entire investigation. The phrase *Fiqh al-Awlawiyyat* means, according to Al-Qaradawy (1996), "to put everything at its level fairly, in terms of law, value, and implementation." Prioritizing the work that was completed first should be done so in accordance with an accurate *shari'ah* evaluation that is influenced by revelation and reason. In fact, the significance of the concept of *Fiqh Al-Awlawiyyat* lies in the fact that it enables the management of waqf and zakat to make decisions based on current interests in order to empower asnaf economically. This study also employs the theory of "*taawun*," or cooperation, which serves as the foundation for combining land resources from the waqf unit with financial resources from the zakat unit. *Taawun* derives the essence of his explanation from verse 2 of surah Al-Maidah (Ali, 1987), which states:

“..... Help ye one another in righteousness and piety, but help ye not one another in sin and rancour: fear Allah: for Allah is strict in punishment.....”

The most important objective in the integration of waqf and zakat is to first identify points of commonality, to deal with differences with flexibility, and to reject differences that harm Muslims. This study examines how waqf and zakat can team up economically in a manner permitted by Islam. Consequently, through Figure 1, a conceptual framework has been developed to guide the study and facilitate data collection and analysis.

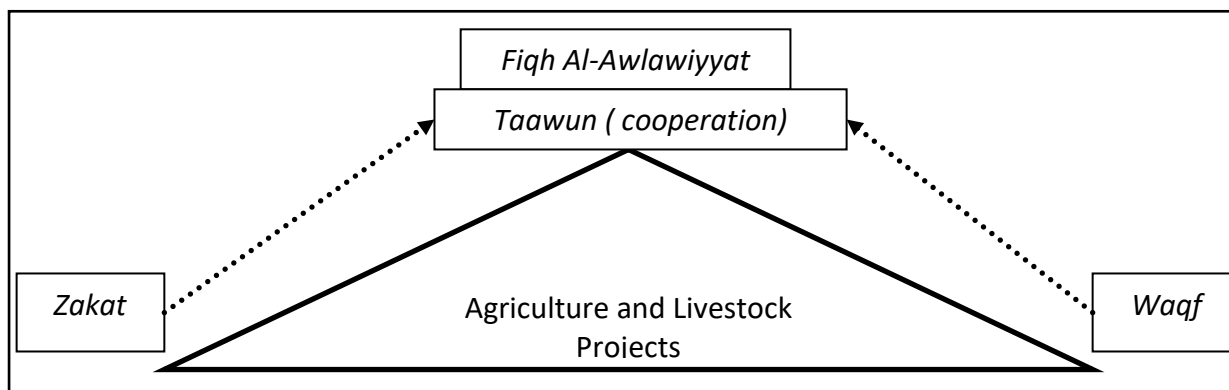


Figure 1: A Conceptual Framework of Waqf and Zakat for Agriculture and Livestock Projects

Research Methodology

Qualitative research can investigate the complexity and significance of social phenomena, such as the informant's experience with an area of research (Merriam & Tisdell, 2016). Through this study, the data for the qualitative study consists of recording interviews with five informants from XYZ SIRC who are involved in agricultural and livestock project management. Transcribing audio allows for in-depth analysis of the content and its relation to the study's overarching theme and, ultimately, to the achievement of the study's aims. Data collection and analysis of the transcribed data are depicted in Figure 2. The significance of Fiqh Al-Awlawiyyat theory in establishing the project selection procedure based on waqf and zakat in SIRC administration is revealed in this study. Analysis of this type of qualitative data is aided by understanding the connection between theory and field data, which is relevant in practise.

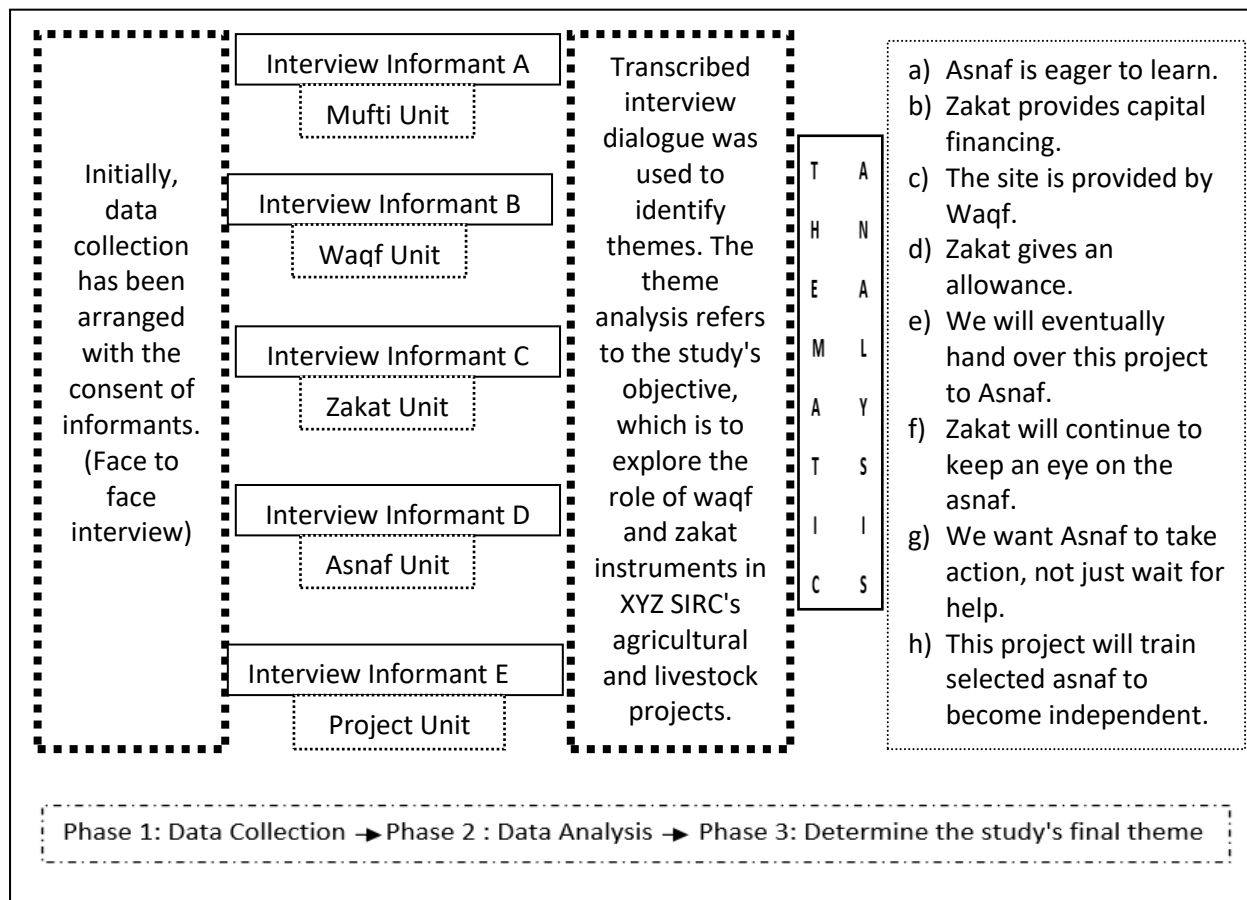


Figure 2: Data Collection and Analysis of The Transcribed Data

Findings and Discussion

Previous research highlighting the significance of waqf and zakat working together in the asnaf economy has significantly contributed to the improvement of the asnaf's standard of living. One of the initial objectives of the project is to determine what role waqf and zakat instruments play in XYZ SIRC's agricultural and livestock projects. Using waqf and zakat instruments to highlight agricultural and livestock economic projects is the purpose of this study. How informants C, D, and E plan the economic development of the projects for asnaf's survival is intriguing and can be discussed in this paper. The selection of asnaf to participate in this project does not depend solely on the administration of zakat; rather, it is the asnaf themselves who must take initiative to change their lives. The implementation of ZYX SIRC's pineapple and chicken farming projects can only involve six committed asnaf individuals. Informant D, who is responsible for the development of asnaf, stated in an interview, "We cannot force him to follow what we can do at the zakat centre". This demonstrates that the asnaf's attitude is the most crucial factor in determining the success of this agricultural and livestock project. In fact, the fact that the waqf unit given away land for these projects demonstrates that the waqf unit and zakat are cooperating to improve the asnaf's financial circumstances.

Figure 3 shows the final framework for determining the role of waqf and zakat in the economy through agricultural and livestock projects for asnaf. The study found that asnaf willingness to advance agricultural and livestock projects is the most important factor. The five units' efforts to boost asnaf's economy are clear. Six asnaf people participated in pineapple and village chicken farming projects. If asnaf isn't ready to venture into agricultural and livestock projects, it will be a big loss because waqf and zakat instruments can help asnaf's economic sustainability and waqf and zakat's ecosystem.

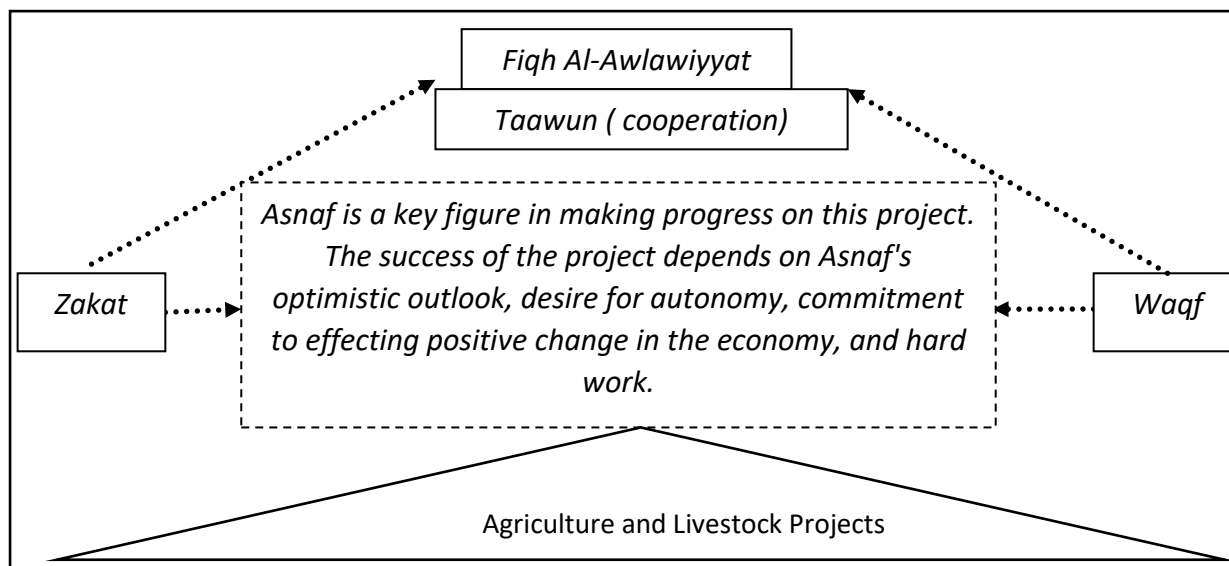


Figure 3: A Framework of Waqf and Zakat for Agriculture and Livestock Projects

Conclusion

The Sustainable Development Goals goal is to eradicate poverty, protect the planet, and improve the lives and prospects of people all over the world. The economic project of agriculture and livestock using waqf and zakat instruments is consistent with these objectives. Though there are signs of progress in many areas, the necessary level of coordinated effort to realise these objectives has yet to materialize. Consequently, the effectiveness of agricultural and livestock projects aimed at reducing poverty among the asnaf in Malaysia can be measured in part by the vitality of the waqf and zakat instruments involved, provided they are well administered.

The current study's findings shed light on asnaf's economic development, particularly in the areas of assessment and practise that will help asnaf residents become more accustomed to working in agriculture and livestock.

As a result, asnaf will be well-equipped to take on the challenges of the twenty-first century as farmers. The ability to use and work in agriculture and animal husbandry is just one of the many skills that will help the country maintain and improve its economic development through high-quality jobs, and prepared for the future and have all the skills they'll need is a boon to the local community as it faces the supply challenges of the agricultural and livestock sectors.

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