



Implementation of Productive Zakat Distribution through *AL-QARD* *AL-HA* *SAN* Contract on Baznas Banyuwangi

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ABSTRACT

This research examines the application of *al-qard* *al-h* *asan* contract in productive zakat distribution at BAZNAS Banyuwangi. The *al-qard* *al-h* *asan* contract is an interest-free benevolent loan that is used as one of the methods of distributing zakat for productive purposes. The purpose of this study is to analyze the mechanism of the application of the contract, the challenges faced, and its impact on the economic empowerment of zakat mustahik in Banyuwangi Regency.

Using a descriptive qualitative approach, this research collects data through interviews, observations, and documentation studies. The results show that BAZNAS Banyuwangi has implemented the *al-qard* *al-h* *asan* contract in its productive zakat program by paying attention to sharia aspects and the benefit of mustahik. The main challenges faced include mustahik's understanding of the contract, business assistance, and loan repayment. Nevertheless, this program has proven effective in improving the welfare and economic independence of zakat recipients.

This study concludes that the application of *al-qard* *al-h* *asan* contract in productive zakat distribution has great potential to optimize the function of zakat as an instrument of people's economic empowerment. Recommendations for program improvement include increasing education, strengthening mentoring, and developing a more effective monitoring system.

Keywords: *al-qard* *al-h* *asan*, productive zakat, BAZNAS Banyuwangi, economic empowerment

INTRODUCTION

Zakat is one of the main pillars in Islam that has spiritual and socio-economic dimensions. As an instrument of wealth redistribution, zakat has great potential in overcoming economic disparities and alleviating poverty.¹ In its development, the concept of zakat distribution has undergone a transformation from consumptive to productive, with the aim of empowering mustahik (zakat recipients) in a sustainable manner.²

One of the innovative methods in productive zakat distribution is through the application of *al-qard* *al-h* *asan* contract. This contract is a form of interest-free benevolent loan that is in line with sharia principles and aims to help mustahik start or develop productive businesses.³ BAZNAS (Badan Amil Zakat Nasional) Banyuwangi, as the official zakat management institution at the district level, has implemented this method in an effort to increase the effectiveness of zakat distribution.⁴

The application of *al-qard* *al-h* *asan* contract in the context of productive zakat raises various challenges and opportunities that are interesting to study. On the one hand, this method offers a solution to overcome the limitations of business capital for mustahik. On the other hand, its implementation requires careful management to ensure the sustainability of zakat funds and the success of the empowerment program.⁵

This research aims to deeply analyze the application of *al-qard* *al-h* *asan* contract in productive zakat distribution at BAZNAS Banyuwangi. The main focus of the research includes the implementation mechanism, challenges faced, and its impact on mustahik economic empowerment. The results of the

¹ Qardhawi, Y. (2011). The Law of Zakat. Litera Antar Nusa.

² Asnaini. (2008). Productive Zakat in the Perspective of Islamic Law. Student Library.

³ Antonio, M. S. (2001). Islamic Banking: From Theory to Practice. Gema Insani Press.

⁴ BAZNAS Banyuwangi. (2023). Annual Report of Zakat Management BAZNAS Banyuwangi Regency.

⁵ Beik, I. S., & Arsyianti, L. D. (2016). Sharia Development Economics. Rajawali Press.

research are expected to make a significant contribution to the development of a more effective and equitable zakat management strategy, especially in the context of people's economic empowerment.

Profile of the National Amil Zakat Agency of Banyuwangi Regency

1. History of BAZNAS Banyuwangi Regency

The establishment of BAZNAS (National Amil Zakat Agency) Banyuwangi Regency originated from the proposal of the head of the Banyuwangi Regency Ministry of Religion Office to the Banyuwangi Regent, whose establishment was delayed because the formation of the Banyuwangi Regency BAZ itself according to the Head of the Organization of Zakat and Waqf Section was due to pressure from the head of the Central Ministry of Religion Office (Jakarta) in the context of implementing Law Number 38 of 1999 concerning Zakat management, so that the Banyuwangi Regency BAZ was formed with secretariat at the Head of the Organization of Zakat and Waqf Section at the Banyuwangi Ministry of Religion Office.

The BAZ of Banyuwangi Regency was officially confirmed with the issuance of Regent Decree No. 188/468/KEP/429.011/2013 dated July 10, 2013 concerning the establishment of the BAZ. For the first time, BAZ Banyuwangi Regency was chaired by Drs. H. Slamet Kariyono (Regional Secretary of Banyuwangi Regency).

After the issuance of Government Regulation No. 14 of 2014, regarding the implementation of Law No. 23 of 2011, concerning Zakat Management, it was explained that the original name BAZ was changed to BAZNAS. This applies at all levels from the Center, Province, City and Regency. In accordance with the Director General's Decree Number DJ.11/568 of 2014 dated October 16, 2015, it was established as the Regency BAZNAS and also issued a Decree of the Regent of Banyuwangi Regency Number 188/499/KEP/429.011/2015 chaired by H. Samsudin Adlawi. BAZNAS is an institution that manages zakat nationally. Initially, because BAZ only had a shared office in the secretariat room of the Head of Zakat and Waqf Implementation at the Banyuwangi Regency Ministry of Religion Office, then since June 2016 and coinciding with the holy month of Ramadan, BAZNAS Banyuwangi Regency socialized the new secretariat and the existence of its new office located on Jl. Adi Sucipto No. 45B, Tel. 0811-3025-789 on Banyuwangi Regency government land.

At the end of 2020 and with the end of the term of office of the Head of BAZNAS Banyuwangi Regency for 2015-2020, a Decree of the Regent of Banyuwangi Regency Number 188/332/KEP/429.011/2020 was issued concerning the Head of the National Amil Zakat Agency (BAZNAS) of Banyuwangi Regency for 2020-2025, chaired by H. Lukman Hakim, who is none other than the head of the previous period.

In the same year, as the collection of zakat and infaq funds from the community increased and the number of distribution programs increased, the BAZNAS office felt increasingly cramped. Therefore, the Banyuwangi regency government granted a loan to use a larger room as a new office. The former Banyuwangi Regency Food Security Office building is located on Jl. Jenderal Ahmad Yani No. 108, on Banyuwangi Regency government land to be used as the Banyuwangi Regency BAZNAS office. Despite its borrowed status, the new BAZNAS office is quite representative.

With the existence of the new office and its new secretariat, BAZNAS Banyuwangi Regency is expected to be able to take part in providing services and providing guidance and information to the community, especially in Banyuwangi related to zakat, infaq and shadaqah issues.

BAZNAS Banyuwangi Regency also publishes a Bulletin as a medium of information and friendship under the name "TAZAKKA" Bulletin which is expected to be a medium of communication between *muzakki* (people who pay zakat) with managers, managers with *mustahik* and *muzakki* with *mustahik* directly in developing insights, information about institutional activities and utilization of zakat potential in Banyuwangi Regency. In further development, the existence of BAZNAS Banyuwangi Regency becomes increasingly important considering the potential of zakat and infaq of Banyuwangi people is quite large, which means that the existence of BAZNAS is expected to help solve social, economic and religious problems in the Banyuwangi Regency area.

2. Vision and Mission of BAZNAS Banyuwangi Regency

The National Amil Zakat Agency (BAZNAS) of Banyuwangi Regency has a vision to be "The First Choice for Paying Zakat, the Main Institution for the Welfare of the Ummah". While the mission is outlined in the following points:

- a. Inviting people to give zakat, infaq and shadaqah with full awareness based on faith and piety to Allah SWT.
- b. Increase the socialization and collection of zakat to the maximum with the approach of faith and humanity.
- c. Manage, utilize, and distribute ZIS (zakat, infaq and shadaqah) appropriately, and be empowered to alleviate poverty for the *du'afa* (the weak).
- d. Develop and utilize IT (Information Technology) advances for public accountability in reporting and accountability systems.
- e. Implement a transparent and accountable financial management system based on information and communication technology.
- f. Optimizing the distribution and utilization of zakat to alleviate poverty, improve community welfare, and moderate social inequality.
- g. Implement an excellent service system to all stakeholders of National Zakat.

- h. Mobilizing Islamic da'wah for the revival of National Zakat through ummah synergy.
- i. Developing excellent amil zakat competencies and actively involved in leading the zakat movement.

3. Organizational Structure of BAZNAS Banyuwangi Regency

The organizational structure of the Regency / City BAZNAS based on BAZNAS regulation Number 3 of 2014 concerning the organization and work procedures of the Provincial National Amil Zakat Agency and the Regency / City National Amil Zakat Agency Article 31, consists of;

- a. Chair
- b. Vice Chairman
- c. Collection Field
- d. Distribution and Empowerment Division
- e. Planning, Finance and Reporting Section
- f. Administration, Human Resources and General Affairs
- g. Internal Audit Unit

To carry out the main tasks and functions of BAZNAS Banyuwangi Regency for the 2021-2025 Period, it is supported by the following organizational elements:

- a. LEADERSHIP
 - 1) Chair
 - 2) First Vice Chair for Collection
 - 3) Vice Chairman II for Empowerment and Distribution
 - 4) Vice Chair III for Planning, Finance and Reporting
 - 5) Vice Chair IV HR and General Administration
- b. INTERNAL AUDIT UNIT
- c. SECRETARY
- d. STAFF
 - 1) Collection Staff
 - 2) Distribution and Empowerment Staff
 - 3) Planning, Finance and Reporting Staff
 - 4) General Staff

4. BAZNAS Banyuwangi Regency Program

In the management of zakat, infaq and alms of BAZNAS Banyuwangi for the period 2020-2025, the following distribution program is made:

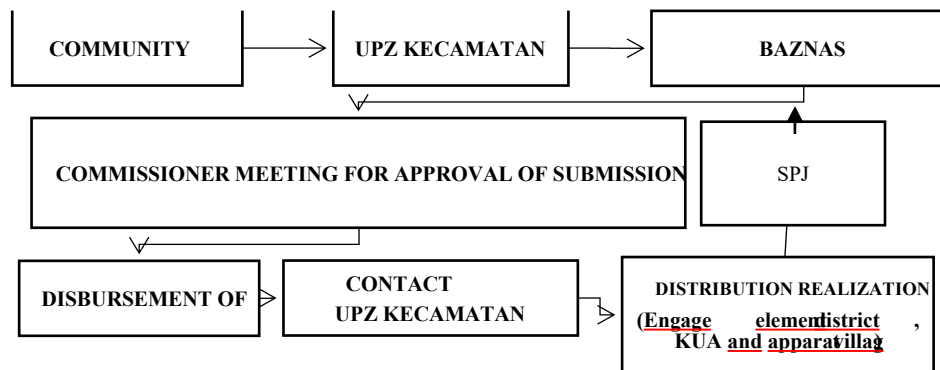
- a. Banyuwangi makmur program which includes micro business capital and work tools assistance
- b. Banyuwangi smart program which includes scholarships for elementary schools, junior high schools, senior high schools, universities and scholarships for students who memorize the Quran.
- c. Banyuwangi Care program which includes basic food for the poor, Ramadan cash compensation, rantang dhuafa, dhuafa house renovation, muallaf, people who have debts (*gharim*), dhuafa orphans, and Ibnu Sabil.
- d. Banyuwangi taqwa program which includes mosque and fi sabilillah facilities
- e. Healthy Banyuwangi program which includes mass circumcision of the poor and medical operational assistance.⁶

5. Process of Distributing Productive Zakat Fund Business Capital Assistance to zakat recipients (*mustahiq*)

- a. Process of Productive Zakat Fund Distribution

⁶ Source: Deputy 2 of Distribution Division of BAZNAS Banyuwangi Regency, H Herman Suyitno, M.Pd.I Date July 09, 2022 09.20 WIB

As for the process of distributing productive zakat funds, in order to facilitate and verify prospective mustahiks, BAZNAS Banyuwangi Regency has a distribution flow as shown in the chart below:



From the chart above, it can be understood that the submission process at BAZNAS Banyuwangi Regency, in addition to the mustahik candidates coming from findings by the BAZNAS Banyuwangi Regency management itself, is also based on community reports to UPZ (ZAKAT Collecting Unit) Sub-district regarding mustahik candidates in their neighborhood by providing initial data in the form of photos of ID cards and Mustahik.

Then the UPZ Sub-district survey directly to prospective mustahik based on the data to verify the truth. Then if the survey results are declared feasible in sharia, the field data is sent to BAZNAS Banyuwangi Regency to be finalized in a commissioner meeting.

In the plenary meeting of the leadership of BAZNAS Banyuwangi Regency, it is declared worthy of assistance and the form of assistance provided has been agreed upon, then the assistance will be transferred to the UPZ account to be distributed together with the local FORPIMKA.

Regarding the implementation of the distribution of business capital from this productive zakat fund, BAZNAS Banyuwangi applies an interest-free loan system that is provided through 3 stages. The first stage is given capital of 600 thousand. After it is paid in full, the second stage of assistance will be rolled out in the amount of 750 thousand. Then after it is paid in full, the third stage of assistance will be rolled out in the amount of 1 million rupiah. Finally, after completing the installments until it is paid off, the funds collected earlier are given to mustahik 1 million rupiah each.⁷

In addition to no interest, this assistance is given on the basis of trust, so there is no need for collateral for the business capital provided, but BAZNAS Banyuwangi Regency asks mustahiks not to borrow back to the daily bank which certainly applies a usury system.⁸

Although the assistance funds are made with an installment system and 3 stages, in fact it is all just a technicality, because in principle the funds belong to mustahik, this is evidenced by the granting of zakat funds to mustahik at the end of the 3-stage program. This aims to make mustahik responsible for the funds provided.⁹

b. Guidelines for determining those who receive zakat (Mustahik)

To determine whether a mustahik candidate is included in the 8 groups of asnaf, BAZNAS Banyuwangi district refers to BAZNAS chairman decree No. 64 of 2019. This decree contains references and guidelines for determining whether someone deserves zakat funds.

In the decree, for example, it mentions in CHAPTER II about asnaf, which includes the Fakir group, which is a person who has absolutely no source of income to meet basic needs.¹⁰

Included in the group of fakir are: elderly people who cannot work, children who have not reached puberty, people who are sick or physically / mentally disabled, people who fight in the way of Allah without receiving payment, and / or victims of natural disasters or social disasters. Victims of natural disasters or social disasters as intended include people who are Muslims and non-Muslims.¹¹

In practice, besides implementing BAZNAS Banyuwangi Regency, it provides additional provisions, namely prospective mustahiks who are assisted by BAZNAS Banyuwangi are residents who live in Banyuwangi Regency as evidenced by attaching KTP and Family Card, even though they are outside Banyuwangi district.¹²

7 Source: Waka 2 DIstribusi BAZNAS Banyuwangi Regency, H Herman Suyitno, M.Pd.I, Date July 09, 2022 09.20 WIB

8 Source: Deputy 2 of Distribution Division of BAZNAS Banyuwangi Regency, H Herman Suyitno, M.Pd.I Date July 09, 2022 09.20 WIB

9 Source: Waka 2 DIstribusi BAZNAS Banyuwangi Regency, H Herman Suyitno, M.Pd.I, Date July 09, 2022 Hours 09.20 Wib

10 BAZNAS Decree No. 64 of 2019, p: 8

11 BAZNAS Decree No. 64 of 2019, p: 8

12 Deputy Head of Distribution Division of BAZNAS Banyuwangi Regency, H Herman Suyitno,

The practice carried out by BAZNAS Banyuwangi has generally been recognized and in accordance with sharia by the Ministry of Religion of Banyuwangi in 2017 with letter number 2979/Kk.13.30.3/BA.00/10/2017 and a certificate from the Regional Office of the Ministry of Religion of East Java in 2019 with the predicate A (very good).¹³

Application of Akad *al-Qard } al-Ha}san* in Zakat Distribution at BAZNAS Banyuwangi

It is an obligation for every Muslim who has more wealth to pay zakat, which is to pay a certain amount of property according to Islamic law, to be given to those who are entitled to receive it (mustahik). Zakat is an act of worship whose purpose is to improve human dignity and the welfare of the people. Yusuf Qardhawi said that paying zakat is a social act of worship in order to help the poor and / or the economically weak to uphold their economy so that with zakat it can make them (mustahik) self-sufficient (standing on their own feet) in the future and steadfast in maintaining their obligations to Allah.¹⁴

In line with that, Marthon said that zakat can be a very potential source of funds and become one of the most important instruments in the economic empowerment of mustahik, poverty alleviation, and reducing the increasingly unequal social gap in a flexible and dynamic way.¹⁵ Therefore, the existence of zakat should be regulated effectively and efficiently. Through the law made, namely law number 23 of 2011, the management of zakat in Indonesia from collection to distribution is well regulated, so that zakat as an instrument to alleviate poverty and prosper the people will be truly realized. Nevertheless, the optimization of the utilization of zakat funds is still not optimal, because of the lack of public understanding of what types of assets must be spent¹⁶, the lack of competent and qualified human resources, amil who have an inadequate understanding of zakat fiqh.

As mentioned above that zakat has great potential to improve the welfare of society and reduce poverty, the distribution of zakat in addition to consumptive zakat is also productive zakat, even for productive zakat should be more intensified and encouraged. It is considered that productive zakat is long-term in nature,¹⁷ because the property or zakat funds are not consumptive, and are given to the mustahik to be empowered or managed productively through the small business units they have, so that the existence of productive zakat will be a source of public funds that will continue to roll along with the businesses they develop through zakat funds.¹⁸ In other words, productive zakat will have an impact on the growth and development of the level of the community economy and the potential productivity of the mustahiks.¹⁹

This pattern of zakat distribution is considered in accordance with the current conditions of society. This is according to Sjechul Hadi Purnomo who said that there are at least four aspects of thought that are used as guidelines related to this pattern.²⁰ The four aspects are a) that there is no provision in the *text* about the amount of each mustahik's share of the eight asnaf, b) there is no provision that zakat must be distributed to all asnaf, c) there is no provision that zakat that has been collected must be distributed immediately, and d) there is no provision that the zakat given must be in *cash* or *in kind*.

The implementation of productive zakat distribution in the National Zakat Agency (BAZNAS) Banyuwangi is carried out using the *qardhul hasan* system. The *al-Qard } al-Ha}san* contract system is a loan system provided by amil zakat institutions to mustahik zakat without any return or interest, which means that they (*mustahik*) only return the principal loan. The description of the implementation of productive zakat with the *al-Qard } al-Ha}san* system is that the institution (in this case BAZNAS) provides business capital loans to borrowers (zakat givers, mustahik) with a certain time limit, with no interest or profit sharing system.

The distribution of productive zakat in BAZNAS Banyuwangi with the *al-Qard } al-Ha}san system* is implemented in the "Banyuwangi Makmur" program, where BAZNAS provides loans to mustahik for their micro businesses. Mustahik who get the loan funds are those who have previously met

M.Pd.I, Date July 09, 2022 Hours 09.20 Wib

13 Deputy 2 Distribution Division of BAZNAS Banyuwangi Regency, H Herman Suyitno, M.Pd.I, Date July 09, 2022 at 09.20 WIB

14 Yusuf Qardhawi, *Musykilah al-Faqr Wakaifa Aalajaha Al Islam* (Beirut: 1966), 127.

15 Marthon, S.S, *Islamic Economics in the Midst of the Global Economic Crisis* (Jakarta: Zikrul Hakim, 2007), 126-128.

16 Public knowledge related to zakat obligatory assets is still limited to conventional sources that are literally written in the Qur'an and hadith. The most obvious thing is professional zakat and corporate zakat. These two types of zakat clearly do not exist in the nash al-Qur'an and hadith. The understanding of professional zakat and corporate zakat is indeed a contemporary *ijtihad* enshrined in the book *Fiqh Zakat* by Yusuf Al-Qaradhawi. See Yusuf Qardhawi, *The Law of Zakat* (Jakarta: PT.Mitra Kerjaya Indonesia, 2011), 34.

17 Armiadi Musa, *Ulama Perspective on Productive Zakat*, *Journal of Zakat Education of Baitul Mal Aceh*, Edition II, Banda Aceh: Baitul Mal Aceh, 2013, pp. 225

18 Asnaini, *Productive Zakat in Islamic Law Perspective* (Yogyakarta: Pustaka Pelajar Offset, 2008, cet. 1), 64

19 Abdurrahman Qadir, *Zakat in Mahdhah and Social Dimensions*, cet. I, (Jakarta: Raja Grafindo Persada, 1998), 165

20 Sjechul Hadi Permono, *Utilization of Zakat in the Framework of National Development; Similarities and Differences with Taxes* (Jakarta: Pustaka Firdaus, 1995), 41; Siti Zalikha,

"Productive Zakat Distribution in Islamic Perspective," *Futura Islamic Scientific Journal* 15, no. 2 (2016): 304, <https://doi.org/10.22373/jiif.v15i2.547>.

the administrative requirements, by showing an identity card, filling out a form, having a micro business, and have received recommendations from the zakat management unit (UPZ) or the District Amil Zakat Agency (BAZ). In terms of determining mustahik who are entitled to receive capital funds, BAZNAS is also very selective in choosing them. This is done so that the funds given are right on target. What is done by BAZNAS is in line with the fatwa issued by the Indonesian Ulema Council (MUI) contained in fatwa number 4 of 2003 concerning the Use of Zakat Funds to develop (*istithmar*). That to be used as business capital, the registered business must at least fulfill several conditions, including a) the business owned by the mustahik, its existence is justified by sharia and in accordance with existing regulations, b) the registered business, after a feasibility study, is believed to be profitable, c) there must be guidance and supervision carried out by competent parties, d) run by a trustworthy institution / institution, e) there must be a guarantee of the business capital provided.

After all the data collected is verified, it can then be used as a benchmark regarding whether they get additional business capital funds or not. BAZNAS will conduct a coordination meeting to determine the potential recipients of the additional capital, which will consist of 25 business actors in each group in each sub-district. UPZ is a religious institution that aims to improve justice, community welfare and poverty reduction, as regulated in Law No. 23 of 2011. Article 1 of the law mandates UPZ to help collect zakat. The zakat collected is zakat fitrah and zakat mal. This is as regulated in Article 2. The purpose of zakat itself is for the welfare of society and to alleviate poverty. This is as written in the vision and mission of BAZNAS Banyuwangi.

BAZNAS Banyuwangi said that the percentage of funds allocated for productive zakat is 50% and the remaining 30% is for consumptive zakat funds, and 20% for education funds. This means that productive zakat has considerable potential, so that the hope achieved is that the poverty rate in Banyuwangi will decrease, and the level of community welfare will be lifted, of course it will also have the potential to increase. And most importantly, as the culmination of the goals and expectations of productive zakat is the emergence of new zakat givers from the program that is rolled out.²¹ The percentage of productive zakat shows the seriousness of BAZNAS to realize these hopes and ideals.

During this time, the distributed zakat is mostly used for consumptive things, and it becomes the majority scale, so that the mustahik is only passive. Therefore, productive zakat with the *al-Qard} al-Ha}san* system is one of the efforts to improve the status from consumptive to productive. To realize and maximize this system certainly requires optimal efforts, because BAZNAS in addition to being a zakat channeling institution, also to change the mindset that has been stigmatized in the community, that zakat that has become the right of mustahik should be obtained without any frills. And changing the mindset and *habit* of consumptive behavior into a productive pattern is certainly not an easy matter. However, there is nothing that cannot be done as long as all parties, both from *muzakki*, zakat managers, and mustahik as long as they have a joint commitment to lead a better life, then everything will go well. In addition, the nature of productive zakat is long-term. Therefore, the real purpose of productive zakat is to change the mindset and mentality of the mustahik. If in consumptive zakat, the zakat funds received will be used up immediately or in the short term, it is different from productive zakat which can be enjoyed in the long term, along with the development of micro businesses. With this productive zakat, there will be mustahiks who are independent and no longer depend on amil zakat.

As for the implementation of productive zakat distribution, BAZNAS Banyuwangi only prioritizes mustahiks who have small businesses, such as vegetable traders (*mlijoan*), chicken livestock, cattle, goats, and so on. The funds lent are not given all at once, but are distributed in three stages. In the *first* stage, a capital loan of Rp. 600,000 (six hundred thousand rupiah) was given as a start-up loan. This initial capital is expected to be the initial motivation for mustahik business capital recipients to continue to be enthusiastic in developing their business and increasing their income. The capital they receive at this initial stage will be returned in installments until it is paid off with the amount according to the agreement that has been made. At this stage, BAZNAS also evaluates the initial development of the businesses run by the mustahiks, to be taken into consideration at the next stage.

Continued in the *second* stage, mustahik will get additional capital of Rp. 750,000, 00 (seven hundred and fifty thousand rupiah) and they will return in the same way as the first stage. After they have paid off the capital loan at this stage and have been re-evaluated, they will be given the third stage of capital. In this third stage, they will receive additional capital of Rp. 1,000,000.00 (one million rupiah). Every return of business capital made by each recipient of capital is not charged an additional penny. Furthermore, after all these stages have been undertaken by the recipients of capital, the capital they receive from each stage will be donated entirely. This is done by BAZNAS, because in fact the funds they receive are purely the rights of the mustahiks.

The step implemented by BAZNAS is a form of education for capital recipients, as well as a *controlling* effort for these business actors. With this step, the hope for every business progress can be achieved. BAZNAS also provides direction and supervision of the capital recipients. Briefings are carried out at every visit made by BAZNAS to all mustahiks. This is done so that the businesses they run experience development after development. They will be directed about the financial management obtained from each income they get. For example, how to manage a good and correct balance sheet. Meanwhile, the supervision provided by BAZNAS is by providing an installment card.

21 The interview with Baznas, which the researcher later described, was conducted in July 2022.



Figure 4.1. Recipients of Micro Business Capital from Zakat Fund with *al-Qard} al-H}asan* system BAZNAS Banyuwangi

The level of success of the micro businesses they run can be seen from how regularly the business actors pay their monthly installments. As stated by BAZNAS, the majority of capital recipients have experienced development. This can be seen from the fact that most of them can deposit the capital loan regularly. However, there are still those who lack discipline in paying installments. But the number of them is only relatively small. For those like this, as a form of guidance, BAZNAS officers will check the conditions in the field to find out the actual conditions and situation. This is important for the sustainability and revival of the business they are facing.

Table 4.3: Number of Recipients of Micro Business Capital Assistance Baznas Banyuwangi with *Al-Qard} al-Ha}san* System

No.	Year	Number of Recipients
1	2019	328 People
2	2020	316 People
3	2021	267 People

The *al-Qard} al-Ha}san* system on productive zakat applied at BAZNAS Banyuwangi aims to provide awareness and education to the public that zakat has enormous opportunities and potential for the economic empowerment of the people. With productive zakat, family welfare will increase and poverty will be overcome. In addition to these objectives, the most important thing is BAZNAS's effort to prevent mustahiks from being trapped by loan sharks.

This program is interesting to conduct a more in-depth study. This is because the Shari'ah (Islamic law) has regulated and determined that the funds collected by the Amil Zakat Agency from the muzaki are the rights of the mustahik. Therefore, when the recipients of productive zakat funds turn out to be in the course of their micro-businesses experiencing losses, which results in mustahik not being able to return the funds loaned, then they should not be prosecuted, because basically the funds are their rights. Overcoming conditions like this is then in returning the borrowed funds in stages, so that for mustahiks who receive funds with a record of smooth repayment of the loan funds, they will also get disbursements in the following stages. Even BAZNAS Banyuwangi has provided *rewards* for those who are orderly and timely in returning loan funds. Vice versa, borrowers who are not cooperative, then the funds in the next stage cannot be disbursed.

The *reward* given by BAZNAS is also a form of education to the mustahiks, that maintaining commitment to the agreement that has been made together is part of an act that has a religious guarantee (*reward*). The *reward* is always to motivate and encourage the mustahik to always compete in goodness (*fastabiq al-khaira*), namely increasing the income of small businesses run with the help of productive zakat funds.

Thus the implementation of productive zakat distribution with the *al-Qard} al-Ha}san* system at the Banyuwangi National Amil Zakat Agency. Furthermore, the distribution will be discussed in the review of Islamic law and *maqas}id al-shari}ah*.

CONCLUSION

Research on "Application of *Al-Qard} Al-H}asan* in Productive Zakat Distribution at BAZNAS Banyuwangi" resulted in several important conclusions, namely:

1. Innovation in Zakat Distribution: BAZNAS Banyuwangi has implemented an innovative method in productive zakat distribution through *al-qard} al-h}asan* contract, which is an interest-free benevolent loan. This method aims to optimize the function of zakat as an instrument of people's economic empowerment.
2. Program Effectiveness: The application of *al-qard} al-h}asan* contract in the productive zakat program is proven to be effective in improving the welfare and economic independence of mustahiks in Banyuwangi Regency. This program helps mustahiks in starting or developing their productive businesses.

3. **Implementation Challenges:** Although effective, the implementation of this contract faces several challenges, especially in terms of mustahik understanding of the contract, business assistance, and loan repayment. This points to the need for careful management strategies to ensure the sustainability of the program.
4. **Development Potential:** This research reveals the great potential of the application of *al-qard} al-h}asan* contract in productive zakat distribution to optimize the function of zakat. This opens up opportunities for the development of more effective and equitable zakat management strategies.
5. **Recommendations for Improvement:** To increase the effectiveness of the program, several improvements are needed, including increased education to mustahik, strengthening the business mentoring system, and developing a more effective monitoring mechanism.
6. **Academic Contribution:** This research makes a significant contribution to the literature on zakat management, especially in the context of people's economic empowerment through productive zakat. The results of this study can be a reference for other zakat management institutions in developing similar programs.
7. **Practical Implication:** The findings of this research have practical implications for BAZNAS and other zakat management institutions in designing and implementing more effective and sustainable productive zakat programs.

This conclusion emphasizes the importance of innovation in zakat management, especially through the application of *al-qard} al-h}asan* contract, as an effort to increase the socio-economic impact of zakat in society. This research also paves the way for further studies on the effectiveness of various productive zakat distribution models in the context of people's economic empowerment.

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