

CHAPTER I

INTRODUCTION

A. Background

It is widely known that *Baitul Mal wat Tamwil* is a Sharia Financial Institution that experiences a good development along with the dynamics and economic development and other Islamic finances in the country. The existence of BMT is not substandard to the other financial institutions such as banking that has been operating with Islamic sharia based. The difference between Bank and non-bank financial institutions Baitul Mal wat Tamwil, according to (Cahyadi, 2016) is sharia banking supported by the clarity of legality, that is the law on banking. In Indonesia. The regulation related to syari'ah bank is included in the Law No.21 of 2018 about Syari'ah Bank. The definition of Syari'ah bank is a bank that runs activities based on sharia principles. There are two types of Syari'ah Bank, they are Sharia Commercial Bank and Sharia Rural Bank (BPRS). While Baitul Mal wat Tamwil is one type of financial services cooperative based on the principles of syari'ah, it is because every operation is based on the laws of shari'ah.

Baitul Mal wat Tamwil is a microfinance institution operating on the basis of Shariah principles. *Baitul Mal wat Tamwil*, as its name, consists of two main functions, they are *Baitul Mal* (treasure house) and *Baitul Tamwil* (House Development of Treasures). The rise of microfinance institutions, such as Baitul Mal wat Tamwil, becomes a multiplier effect of growth and development of sharia financial and economic institutions. Baitul Tamwil (property development

house) conducts some activities to develop and towards productive enterprises and investment in improving the economic quality of micro and small entrepreneurs by encouraging people to have savings and supporting the financing of economic activities. Baitul Mal (treasure house) carries out the collection or distribution of non-profit funds by receiving zakah funds, infaq, and shodaqoh and allocating them based on the principles of sharia and amanah.

Zakah itself is part of the pillars of Islam that must be run for every Muslim. If viewed from the benefits, zakah is a worship of Maliyah which concerns the relationship between humans with fellow human beings and the relationship between human zakah has the function ta'awuniyah or mutual help where someone who has wealth can set aside some of his property to help others in need with the provisions - certain conditions. While in the relationship between man and Allah SWT, zakat is a form of worship or a form of obedience of a servant to his Lord.

Zakah is a fund that can be allocated to the community to build economic prosperity through Baitul Mal wat Tamwil. By that function, according to (Didin Hafidhuddin, 2002) Zakah is worship maaliyyah ijtima'iyah which has a very important position, strategies, and determine, viewed from Islamic teachings and the development of people's welfare. It has been explained that zakah is a duty for every Muslim in the world and zakah belongs to the third pillars of the five pillars of Islam so its existence is regarded as an absolute part of muslims.

According to (Qadir A., 1998), Zakah is an implementation of the Islamic economic system that encourages and recognizes the property of individuals and

society in a balanced way. Zakah also affects the growth of economic sector the dhuafa group through economic activities. Providing Zakah is one of the productive efforts in overcoming poverty. This is based on the fact that the poor are divided into several clarifications: first, the very poor are those who are unpaid and have no productive activities. Secondly, communities are categorized as poor but have productive activities. These three low-income, but not many, low-income communities. (Sintha Dwi Wulansari, 2014).

Baitul Maal wat Tamwil was founded with an effort to answer the problem of ummat in the form of Islamic economy, as well as managers of zakah funds in the community because Baitul Maal wat Tamwil has been quite close to the community especially micro or small communities. Therefore, Baitul Maal wat Tamwil is established as a management institution of Zakah, Infak and Shodaqoh. Koperasi Simpan Pinjam dan Pembiayaan Syariah (KSPPS) Fastabiq Khoiro Ummah is Baitul Maal wat Tamwil or a non-bank financial institution that manages zakah funds in Pati which was established in 1998 and now has 21 branch offices that stand in Pati and surrounding areas. As a Financial Institution that implements Islamic Shariah, KSPPS activities Fastabiq Khoiro Ummah always trying to empower people's economy by participating in efforts to lift Small Medium Enterprise (SME).

KSPPS Fastabiq Khoiro Ummah on starch has a network at the village level at each in the starch district. KSPPS Fastabiq Khoiro ummah provides business capital assistance for the poor who own micro business but lack the capital to expand their business. KSPPS Fastabiq has received several national

awards: Firstly Getting a Cooperative Award 2016 by the Ministry of Cooperative Republic of Indonesia, the second gets Accreditation A Islamic Microfinance Standart by Perhimpunan BMT (PBMT) Accreditation and interestingly KSPPS Fastabiq Khoiro Ummah is a Syari'ah Cooperative that grows in small town that is in Regency of Pati. Growth and development can be seen from the amount of Zakah funds collected by KSPPS Fastabiq Khoiro Ummah as in the table below.

Table 1.1
Zakah Funds Sources Report KSPPS Fastabiq Khoiro Ummah Pati
The Period ended December 31

Zakat Fund Resources	2014	2015	2016
KSPSS Fastabiq	218.513.369,83	167.546.902,31	178.162.860,14
Zakat from People	134.631.484,95	129.047.378,80	169.335.629,01
Total	353.144.854,78	296.594.281,11	347.498489.15

Resouce : RAT KSPPS Fastabiq Khoiro Ummah tahun 2014-2016

Based on the table above, it can be seen that there are 2 sources of zakah funds managed by KSPPS FASTABIQ, they are from KSPPS Fastabiq Khoirul Ummah and from the Community. In 2014, the total was 353.144.854,78 but in 2015, zakat funds decreased. The total was 296.594.281,11. In 2016, zakah funds increased by the total of 347.498.489,15. It can be concluded that KSPPS Fastabiq Khoirul Ummah experienced up and down in the last 3 years.

KSPPS Fastabiq Khoiro Ummah as Baitul Maal wat Tamwil seeks to improve the quality of economic enterprises for the welfare of members in

particular and also society in general. Therefore, to improve the standard of living and welfare of the members and the main and focused community is the community and micro and small entrepreneurs. In addition Baitul Maal Wat Tamwil also has a role as a borrower or provide capital to micro and small entrepreneurs and menteng so that gradually the micro and small entrepreneurs can develop into micro entrepreneurs become small entrepreneurs and then become middle entrepreneurs. (Muljadi, 2017)

It is based on the research by Muh Amri Cahyadi (2016) about Analysis the influence of productive zakah to prosperity with the development of micro business as a variable intervening (case studies on the national amil Yogyakarta). This study uses Zakah Productive, Micro Business Development, *Mustahik* Welfare. The research collects data by using survey method by taking sample from 30 *mustahik* as research respondents. The data analysis is done by using quantitative approach and completed by using qualitative analysis. The conclusion of the research is that productive zakat has a significant positive effect on the growth of micro business community. The development of community micro enterprises has a significant positive effect on welfare. This means that business capital assistance provided can be used to develop *mustahik* businesses such as increased turnover and business profits.

This research is interesting because with the distribution of productive zakat to SMEs as *mustahiq* will get prosperity. This will achieve the goal of productive zakah management in increasing the benefits of zakat to realize the welfare of society and poverty alleviation. In this study will also prove that the

mustahik welfare must go through the development of mustahik business. Providing Zakah funds Productive by KSPPS Fastabiq Khoiro Ummah is used to help develop mustahik business, so that with the development of business the mustahik prosperity will materialize.

Based on the above background and the result of previous research, the researcher recognizes the roles of BMT for the management of funds Zakat, Infaq and Shodaqoh to SME. Related to the above background, the writer is interested in conducting research entitled “The Effect of Productive Zakah on Community Welfare through SME Development: A Case Study at KSPPS Fastabiq Khoiro Ummah Pati “

B. The Problem Formulation of the Research

Based on the background and problem definition of research, it can be formulated several research problems as follows:

1. Does productive zakah affect SME Development in KSPPS Fastabiq Khoiro Ummah Pati?
2. Does SME as Mustahiq affect the welfare of the Community in KSPPS Fastabiq Khoiro Ummah Pati?
3. Does Productive Zakah affect the welfare of the community through SMEs as mustahiq in KSPPS Fastabiq Khoiro Ummah Pati?

C. The Purpose of the Research

Based on the formulation of problems above, the purposes of this study are:

1. Knowing and analyzing the effect of productive zakat on the Development of SME in KSPPS Fastabiq Khoiro Ummah Pati.
2. Knowing and analyzing the Development of SMEs as mustahiq to the welfare of the community in KSPPS Fastabiq Khoiro Ummah Pati.
3. Knowing and analyzing the effect of productive zakat on the welfare of the community through the development of SMEs as mustahiq in KSPPS Fastabiq Khoiro Ummah Pati.

D. The Benefits of the Research

Hopefully, the research can be benefit for :

1. For the writer

The results of this study is an opportunity for the writer both to be able to apply knowledge that has been learned from college and to add his horizon related to the research done by the writer, so insight into the subject matter so he can compare the theories in the lectures and practices in the field.

2. For Institutions

The results of this study is expected to be a constructive input to improve the quality of institutions related to the management of productive zakat.

3. For the Community

The results of this study are expected to increase the treasury of science in the field of zakat, especially about the management of productive zakat on economic welfare.

4. For Academic

The results of this study is expected to be a reading material and reference source for readers and provide information about zakat especially about productive zakat. Furthermore, it can be used as a comparison for subsequent researchers in conducting research with similar titles or discussing similar variables that exist in this study.