

Zakat

for social protection and
women's empowerment

January 2021



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Foreword

Resident Representative of UNDP Indonesia

It is my pleasure to present you this joint report which analyzes the enormous potential of multi-billion zakat to bolster social protection and empower women in Indonesia. Entitled “*Zakat for Social Protection and Women’s Empowerment*”, this timely report provides a robust analysis of zakat being an effective means of financing to support government programmes as the nation copes with the COVID-19 pandemic.

The pandemic has dented Indonesia’s economic growth, with the country’s poorest and most vulnerable bearing the largest brunt of the crisis. The proportion of people living below the national poverty line has expanded to 10.2% in September 2020 from 9.8% in March 2020. In particular, women have suffered disproportionately. According to UN Women, 82% of women who depended heavily on family businesses experienced a loss of income due to pandemic. With more communities struggling to put the food on the table, I believe it is our joint responsibility to come up with urgent solutions based on evidence-based analysis and reliable data.

As you can see from the report, there are several findings which provide solid input for policy recommendations on social protection and women’s empowerment. The key to our recommendation is to maximize the alignment of zakat funding into the achievement of the Sustainable Development Goals (SDGs) agenda. Specifically, our report looks at numerous case studies on the implementation of the Village Empowerment Program (*Desa Berdaya*) implemented by Islamic donation channel, *Rumah Zakat*. The report found that zakat donations have been most useful to help micro and small businesses survive through the pandemic, as 63% of them experienced a profit decrease. Other findings indicated a more convincing incentive to empower women, with approximately 96% of the respondents who benefited from the program have high women participation index. This large proportion of women signals their crucial role in household decision-making.

This joint report is another testament of UNDP’s strong commitment to leverage the potential of Islamic finance towards the achievement of the SDGs. Over the years, UNDP has worked in partnership to improve the lives of Indonesian communities by marrying the principles of zakat with the SDGs. For example, our work through UNDP’s Innovative Financing Lab has seen the installment of micro-hydro power plants in Jambi and the implementation of livelihoods programmes in quake-hit West Nusa Tenggara and Central Sulawesi.

I would like to express my gratitude to our partners, the University of Padjadjaran, and Rumah Zakat, for their invaluable contribution and commitment to the lives of the communities we support. It is my sincere hope that this study will be a valuable resource for zakat development to accelerate progress towards the SDGs post-COVID-19 in Indonesia.

Norimasa Shimomura

Resident Representative
UNDP in Indonesia

Foreword

Head of Center for Economics and Development Research (CEDS) Unpad

Despite all of the sudden changes and challenges during the start of the COVID-19 pandemic, we are grateful that we can still survey around 220 respondents using phone surveys and FGD with the help of Relawan Inspirasi. This research was led by Prof. Dian Masyita, Ph.D., and supported by Alfiah Hasanah, Ph.D., Fitri Hastuti, Ph.D., Indra Yudha Mambela, Donny Hardiawan, Muhammad Fajri, Neneng Alghina Micha Grandisa, Mery Nurma Juwita, and Muhammad Hilmy.

We would like to express our gratitude to CEDS FEB Unpad to UNDP for their collaboration and support in arranging this research. We also would like to thank Rumah Zakat Indonesia, Relawan Inspirasi, Development Planning Agency (Bappeda), Forum Zakat, local village officials and representatives, as well as all of our in-depth interview respondents (Diah - Relawan Inspirasi of East Java, Saepudin - Relawan Inspirasi of West Java, Andri - Bappeda of West Bandung, Murni - Rumah Zakat of West Java, Nicola - Bappeda of Bandung, Listanto - Rumah Zakat of East Java, Nurul - Bappeda of Malang) for participating in the research and providing valuable information for the research.

We are grateful to collaborate with UNDP and Rumah Zakat and hope that this research can shed light on innovation in social protection.

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Executive Summary

Despite being active participants in economic activities, women are often understated, especially for their contributions to the economy. UN Women (2020) reports that women's unpaid contribution to the economy could account for as high as 9% of the global GDP, or roughly US\$11 trillion. At the same time, traditional household arrangements and the employment sectors in which women are overrepresented expose them to becoming more vulnerable, which translates into their higher susceptibility to poverty. In addition, the COVID-19 outbreak has revealed the urgent need to address such vulnerabilities, one of which is through the provision of social assistance and empowerment programs. However, it has been shown repeatedly that this may not be sufficient, yet the existing programs are still ridden with issues like mistargeting.

As a country with the largest Muslim population worldwide, Indonesia has a large potential of zakat, amounting to Rp233.98 trillion (Zakat Outlook, 2020). Essentially, the practice of zakat can support the achievement of SDG 5 as it has the potential to support existing social protection programs through its distribution and utilization functions. Throughout the COVID-19 pandemic, a private institution named Rumah Zakat (RZ) continues to run one of its programs called the Village Empowerment Program (*Desa Berdaya*). One of the Village Empowerment Program instruments is the Women's Entrepreneurship Program targeting 245,821 beneficiaries spread over 1,605 villages that were part of the Village Empowerment Program. The assistance provided in cash aims to support business capital and various types of technical assistance. It is well understood that zakat has been and could potentially play a more significant role in Indonesia's economy. Yet, the extent to which zakat has contributed to assisting government's social protection schemes, particularly for vulnerable women during the pandemic, remains unknown.

This study aims to elaborate the opportunity for zakat to be distributed for social protection and women's empowerment through a single case study on *Desa Berdaya* implemented by RZ. Both qualitative and quantitative approaches were applied in the study. There were 40 respondents sampled for in-depth interviews, the data of which serve as the basis for the qualitative analysis. Meanwhile, a phone survey with 180 respondents spread over 46 villages obtained the data for the quantitative analysis. The study focuses on women who were both recipients of RZ's

program and other government assistance programs. It elaborates the current practice of zakat distribution in providing social protection and empowerment, identifies its stakeholders, and functions in mitigating the adverse impact of COVID-19.

Several key findings were identified in the study, which supports the large potential of zakat in Indonesia's development agenda. Prior to COVID-19, a proportion of beneficiaries became able to pay their workers and created paid employment opportunities. Additionally, beneficiaries also experienced an increase in profit with any frequency of technical assistance provided by the program. Through a regression analysis, the study finds profit growth to be positively associated with. Furthermore, the study also found that profit growth is positively associated with a higher frequency of receiving zakat funding. During the pandemic, most households had to reduce their expenses, given 63% experienced a decrease in profit. Technical assistance from the program has been beneficial to assist businesses in shifting their business strategy towards online operations. Regarding women's empowerment, the study reveals that 96% of the 180 respondents who benefited from the program have a high women participation index, implying their bigger roles in household decision-making activities.

Against the backdrop of such findings, a collaborative model between zakat institutions and government stakeholders is proposed. An existing regulation, like Law No. 23 of 2011, has authorized zakat institutions to solve poverty through zakat. Forum Zakat, an association of all zakat institutions in Indonesia, may help identify and target beneficiaries to avoid overlapping government social assistance programs and ensure a wider social assistance outreach during the COVID-19 pandemic. With a fairly established distribution system, zakat institutions might also coordinate with the local government's social offices and village level authorities to reduce poverty by extending zakat funds to target beneficiaries who have yet to be covered by government social assistance programs.

Chapter 1

Introduction



It is undeniable that women have been known to contribute significantly to a country's economy. While it is hard to value unpaid contributions, researchers have indicated that women's role in unpaid health care alone contributes to 2,35% of global GDP. When combined with other unpaid contributions, the figure could go as high as US\$11 trillion or 9% of global

GDP (UN Women, 2020). However, because of the nature of domestic and unpaid work, women's jobs are seen as less secure than those of men. Several factors have caused women vulnerabilities in the labor market. In one of the world's emerging market economies like Indonesia, most women work in a secondary sector like agriculture (Nisak, 2020).

1.1 Women's Empowerment in Indonesia

Gender inequality is still one of the ongoing challenges faced by the Indonesian labor market. Statistics Indonesia (2020) shows that only 34,65% of women aged 15 or above participated in the labor market in 2020. The main problem is not on the demand side of the market but the supply side (Cameron *et al.*, 2020). They explained that one of the main challenges is the traditional perspective on women's role in the household economy. Men have been considered to be the primary breadwinner needed by families. Society expects that woman needs to leave her job once she is married or has a child. Especially in rural areas, marital status negatively impacts women's labor force participation. Lack of family-friendly and part-time jobs also contributes to such issues.

Based on gender, women are more susceptible to poverty than men in all age groups (OECD, 2019). It is most likely because women's participation in the labor market and healthcare is low, directly affecting poverty (Nisak, 2020). Women's dependency also contributes to their poverty. In households where child dependency is high, women tend to have lower work density than men, resulting in higher women dependency (OECD, 2019). The volatility of income, lack of work benefits and protections, uncertainty in legal status, and lack of training and career path put women employed in informal sectors in unfortunate circumstances where the direct and indirect costs of working informally far outweigh the income and benefits (Chen *et al.*, 2005).

Policy interventions are thus critically important to address this issue. Improvements in education, especially for women living in rural areas with no access to a higher level of education, are important. Social protection programs are essential to address gender inequality by providing food security, health, and other social services.

1.2 Social Protection for Women

Since 2007, the Ministry of Social Affairs has initiated Family Hope Program (*Program Keluarga Harapan*/PKH) as a social protection instrument to help accelerate poverty reduction among low-income families. Furthermore, during the COVID-19 pandemic, PKH is practically important to provide financial supports for vulnerable communities.

In Indonesia, the degree to which the pandemic has worsened the socio-economic conditions of vulnerable groups could be understood at least in two views. Most people with informal employment in city centers, such as online motorcycle taxi drivers and others, have lost their jobs and earned less income due to the local lockdown. Meanwhile, most engaged people in agriculture face difficulties in the countryside due to low selling prices (Barany *et al.*, 2020).

In response to COVID-19 adverse impacts, several changes in PKH schemes have been made to provide better social protection. Ministry of Social Affairs disbursed *Bantuan Sosial Tunai* (BST), which amounts to Rp600,000 per month between April and June 2020, and Rp300,000 between July and December 2020. The provision of other assistance also could support household needs up to 21% of the total household expenditure (TNP2K, 2020). However, some assistance has been insufficient for some groups. For example, PKH recipients ineligible for BST only received Rp75,000 per month (Hastuti *et al.*, 2020), making it insignificant for those families, considering the 2015 decent living cost Rp1,800,000 per month. Therefore, a different social protection program must coexist alongside PKH to sufficiently support families, especially women and children.

1.3 Zakat and Women's Empowerment

As the largest Muslim-populated country in the world, Indonesia has a significant potential for zakat. Indonesia Zakat Outlook report explains the country's potential of zakat, amounting to Rp233.8 trillion, as Figure 1 demonstrates. This potential of zakat is calculated based on five indicators: (1) zakat on agriculture, (2) zakat on livestock, (3) zakat on cash, (4) zakat on corporate, and (5) zakat on income. Zakat on income has the highest potential of zakat of Rp139.07 trillion, followed by zakat on cash (Rp58.76 trillion), zakat on agriculture (Rp19.79 trillion), and zakat on livestock (Rp9.51 trillion).

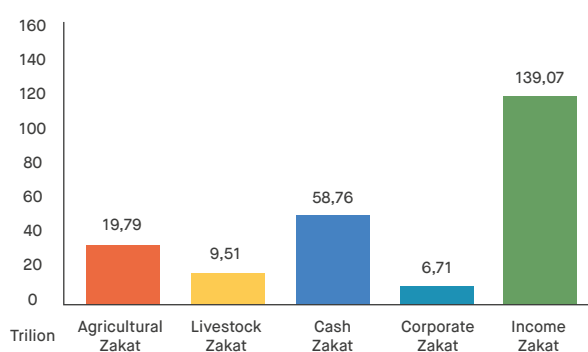


Figure 1. Zakat Potential in Indonesia

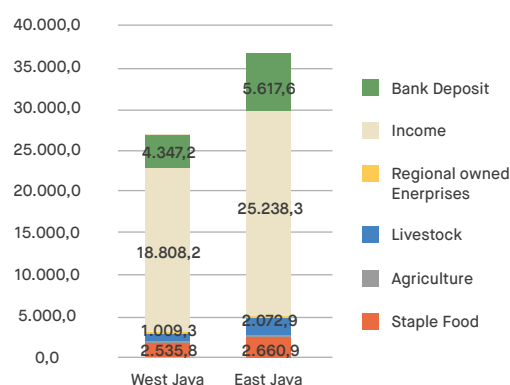


Figure 2. Zakat Potential in West Java and East Java

Source: Indonesia Zakat Outlook, 2020

West Java and East Java are the most populous provinces in Indonesia (49.94 million and 39.74 million, respectively). As such, these provinces have the largest potential of zakat. It is estimated that such potential in East Java is at Rp35.80 trillion, whereas West Java is at Rp26.84 trillion. The potential of zakat in these two provinces has been significantly estimated from zakat on income and bank deposit. Zakat on income in East Java is projected at Rp26.23 trillion, while West Java is estimated at Rp18.80 trillion.

Furthermore, such zakat distribution could support the achievement of SDG 5 (i.e., gender equality and women’s empowerment). This goal aims to end discrimination against women, eliminate violence, and child labor, and marriage. That is, zakat could support the existing social protection program, particularly for vulnerable women.

The current practice of zakat distribution in Indonesia could be understood in two terms: distribution and utilization. Distribution means zakat is allocated for consumption purposes. Meanwhile, utilization refers to zakat distribution for productive activities. The use of zakat funds for consumption intends to meet the short-term basic needs of *mustahik* (zakat recipients). In contrast, the zakat fund for productive purposes aims to empower *mustahik* for long-term socio-economic resilience. The disbursing of zakat funds for these two purposes must be carried out adequately based on Islamic principles and applicable laws.

Socio-economic and environmental analyses must determine the proportion of zakat funds for consumptive and productive programs. This proportion could change over time, depending on the community's conditions. Besides, the distribution of zakat funds must also pay attention to the timeframe for poverty alleviation and transforming *mustahik* into *muzakki* (zakat payers).

Men and women are also caliphs on earth, according to the Qur'an (Al-Baqarah: 30), and both could achieve optimum results (An-Nahl: 97). Therefore, in Islam, women have equal opportunities to engage actively in economic and social activities, the same as men.

Women's empowerment would have a significant effect on GDP per capita. According to the World Economic Forum (2018), Indonesia's female to male labor force participation rate is 0.632, only behind Malaysia, among the 18 Muslim countries surveyed. Zakat is a financing resource that could empower women, particularly those below the poverty line, by providing them with basic needs and encouraging them to build sustainable small enterprises. Rumah Zakat (RZ)—one of the first zakat institutions in Indonesia through its Village Empowerment Program (*Desa Berdaya*), has been implemented since 2014 to assist underdeveloped villages with various programs.

Table 1. Rumah Zakat's Zakat Distribution, 2018-2020

No	Description	Distribution		
		2018	2019	2020
1	Productive Zakat	Rp 104,519,442,382	Rp 115,287,941,828	Rp 130,915,866,813
2	Zakat for Economic Empowerment	Rp 3,651,016,229	Rp 3,456,838,575	Rp 4,021,514,081
2a	Recipients			
	Men	8.003	2.426	989
	Women	6.031	3.179	1.820
	Total	14.034	5.605	2.809

Source: Internal Data from Rumah Zakat

As shown in the table above, Productive zakat distribution by RZ shows an increase each year. For Zakat Economic Empowerment Program, Rp4,021,514,081 was disbursed in 2020. About 2.809 people have received the Zakat Economic Empowerment Program, with 1.820 or 65% distributed towards women’s empowerment in 2020.

1.4 Impacts of COVID-19 Pandemic

The spread of COVID-19 in Indonesia in early March 2020 has caused significant problems. Unemployment in Indonesia reached 7.07% in August 2020, the highest since 2011 (BPS, 2021). The difficulty of finding work during the pandemic has caused many workers to return to their village. This circumstance has caused unforeseen socio-economic issues in times of the pandemic, notably in Indonesia.

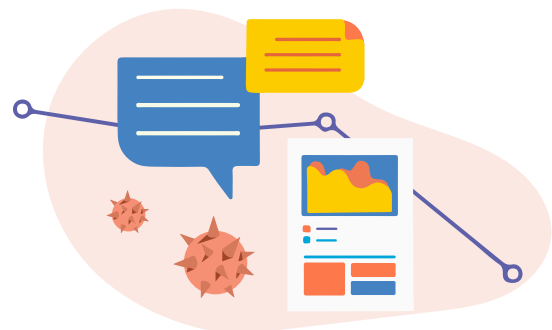
Men and women have a similar probability of getting infected by the COVID-19 virus. However, studies begin to look at the elderly or those with pre-existing health conditions to emphasize COVID-19 and gender factors. Some reported that women had a more responsible attitude toward the COVID-19 pandemic than men in undertaking preventive measures such as frequent handwashing, wearing face masks, and staying-at-home orders (Bwire, 2020).

The work and education of children transferred to the home mean that women must be able to divide their time to take care of the household, work, and accompany their children to online school. It will indirectly reduce the productivity of women because of the unique role of women related to childcare. Women who have micro and small businesses are forced to close their businesses and switch to other businesses that require capital to run these businesses. Thus, the Government handled health problems and other affected aspects like the economy during this pandemic.

Women-led micro and small enterprises (MSEs) have also been impacted during COVID-19. At least 37% of women-led micro, small, and medium enterprises (MSMEs) experienced decreased revenue by 40% to 60% (UNDP, 2020). The research further shows that most MSMEs steer towards online marketplace because of the pandemic, with 47% of women-led MSMEs present in the online marketplace such as Shopee and Tokopedia.

According to the ILO's World Employment and Social Outlook: Trends 2020, women are less likely to engage in the workforce than men, with a 47% average compared to 74% of men. Women made up 38.8% of all workforce participation (World Bank, 2020). Traditional views limit women's role in the labor market. For example, fathers and women who do not have children are more likely to be employed than mothers. It means that marital status only negatively impacts women's participation in the labor market, but not men (ILO, 2019). The contrast in women's employment opportunities, combined with the negative effects of COVID-19, puts women in a miserable condition.

The Government initiates cash assistance programs like *Bantuan Langsung Tunai-Dana Desa* (BLT-DD) and increases the number of recipients. The cash transfer program during a pandemic intends to provide an economic cushion. Apart from the Government, the private sector, including zakat institutions, also manages the COVID-19 consequences. For example, as a non-governmental zakat institution, RZ runs one of its programs, *Desa Berdaya*. This program could provide social protection for underprivileged people in supporting ongoing businesses by leveraging zakat to complement the existing assistance.



1.5 Objectives of the Study

It is understood that zakat has played a significant role in Indonesia's economy, including providing social protection and women's empowerment. However, the extent to which zakat has contributed to assisting the Government's social protection programs and how it helps vulnerable women during the pandemic remains unknown. Therefore, a study that addresses zakat as part of social protection and women's empowerment in Indonesia is practically essential in the development plan, particularly for policymakers.

This research thus aims at studying the current practice of zakat distribution in providing social protection and women's empowerment. Following this, the study further identifies other stakeholders in the current practice of zakat distribution to propose the best model in utilizing zakat for social protection and women's empowerment. Finally, the degree to which zakat distribution helps mitigate the adverse impact of COVID-19, notably on vulnerable women in Indonesia, is further analyzed.





Chapter 2

Conceptualizing Zakat for Social Protection and Women's Empowerment

Zakat is the fundamental of the Islamic faith, representing the third of the five pillars of Islam. It is generally understood as 2.5% payment of yearly tax charged on the productive wealth of Muslim individuals which meet the *nishab* (the minimum amount of full ownership) and *haul* (one lunar year) (Al-Mamun *et al.*, 2019; Bin-Nashwan *et al.*, 2020; Choudhury, 1989; Hudaefi and Beik, 2021; Raimi *et al.*, 2014). In addition, Islam requires zakat *al-fitr* or *fitrah* that requires one *sha'* compulsory levy or an equivalent of 2.5 kg of rice, wheat, dates, sago, or other staple foods (Hudaefi and Beik, 2021).

Hudaefi and Beik (2021) explain that Al-Qur'an Surah (chapter) al-Tawbah verse 60 governs the *asnaf* (zakat beneficiaries). They are; *fuqara* (poor people), *masakin* (needy), *'amilin* (Muslims who work managing zakat), *muallaf* (Muslims revert), *riqab* (slaves), *gharimin* (people in debt), *fi sabilillah* (Muslims strive to deliver the messages of Islam), and *ibn*

sabil (travelers who troubled financially) (Al-Mamun *et al.*, 2019; Asad Ibrahim *et al.*, 2014). The *asnaf* of *fuqara* and *masakin* could best validate the use of zakat for social protection and women's empowerment agenda, which has been practiced by Rumah Zakat (RZ). RZ is a non-governmental organization that manages zakat, *infaq* (charitable giving), alms, and other social funds through community empowerment programs. RZ was established in July 1998 under its former name Dompot Sosial Ummul Quro.

RZ is a certified National Amil Zakat Institution (*Lembaga Amil Zakat/LAZ*) under Minister of Religious Affairs Decree 421/2015 and Minister of Religious Affairs Decree No. 42 of 2007. RZ has been actively operated following Indonesia's Zakat Act No.23 of 2011. *Desa Berdaya* is among RZ's existing programs for providing social protection and women's empowerment, which could best describe RZ's effort to comply with the Zakat Act.

2.1 Village Empowerment Program

Desa Berdaya, a Village Empowerment Program initiated by RZ, is a community empowerment program within the scope of the village area. The approaches taken for the Community Development Program focus on economic (*Senyum Mandiri Program*), education (*Senyum Juara Program*), health care (*Senyum Sehat Program*), and environment (*Senyum Lestari Program*). In addition, *Desa Berdaya* also offers entrepreneurial assistance for productive agriculture and livestock and Women Entrepreneurship Funding Program for women-led micro and small enterprises (MSEs) for the economic program.

Desa Berdaya sets a commitment to transforming its *mustahik* (those who are entitled zakat fund) into *muzakki* (zakat payer). It is expected that *Desa Berdaya's* beneficiaries to gain economic independence through the establishment of community-operated MSEs, called *Badan Usaha Milik Masyarakat* (BUMMas). However, three factors lead to the termination of the *Desa Berdaya* in particular villages. The first is that after implementation and reevaluation, the data show that the village could not be developed. Second, when RZ's volunteers (*Relawan Inspirasi*)

resigned with no replacements found, the last one is when the force majeure occurs in that village. *Desa Berdaya* in certain villages might be discontinued if the Government provides similar assistance programs to the village or when the village could not successfully develop within three to five years. These are the policy of RZ so that they could distribute the program to other villages.

The beneficiaries of *Desa Berdaya* are the eight *asnaf* (beneficiary group): the poor and the needy, the *amil* (those employed to administer the funds), the *mualaf* (those who have embraced Islam), those in bondage and debt, those who strive in the cause of Allah, and the wayfarer. For the program's success, the beneficiaries must commit to the program with *Relawan Inspirasi* assistance. For the programs mainly, the beneficiaries must operate established MSEs for at least three months prior to receiving the assistance.

2.2 Women Entrepreneurship Funding Program

RZ targets poor women who are operating MSEs as the beneficiaries of the Women Entrepreneurship Funding Program. There have been 1.605 *Desa Berdaya*, 1.051 *Relawan Inspirasi*, and 245.821 beneficiaries from January to November 2019. The detail of the recent women beneficiaries in 2019 is presented in Table 2. The area of *Desa Berdaya* covers 82,35% of all provinces in Indonesia (see Table 3).

Table 2. Women Entrepreneurship Funding Program, 2019

Number of beneficiaries	1838 women
Average age	41 years
The average number of household members	4 people
<i>Asnaf</i> category (the poor and the needy)	94,65%
Microbusiness sector (food and beverages)	59%
Average monthly income	Rp1.100.348

Table 3. Beneficiaries of Women Entrepreneurship Funding Program in Indonesia, 2019

Province	Number of Women Beneficiaries at Province Level	Coverage Area at		
		Village	Sub-Districts	Districts
Aceh	67	13	10	11
Bali	2	1	1	1
Banten	47	11	11	5
Bengkulu	8	2	2	2
DIY	116	21	21	5
DKI Jakarta	7	2	2	1
Jambi	8	4	4	4
Jawa Barat	314	110	107	22

Province	Number of Women Beneficiaries at Province Level	Coverage Area at		
		Village	Sub-Districts	Districts
Jawa Tengah	654	192	164	52
Jawa Timur	317	64	60	30
Kalimantan Barat	6	4	4	4
Kalimantan Selatan	6	2	2	2
Kalimantan Utara	7	4	4	3
Kepulauan Bangka Belitung	5	1	1	1
Kepulauan Riau	2	2	2	2
Lampung	16	4	4	4
Maluku	17	3	3	2
Maluku Utara	22	3	3	1
Nusa Tenggara Timur	7	3	3	3
Riau	23	8	8	7
Sulawesi Barat	11	2	2	2
Sulawesi Selatan	14	4	4	5
Sulawesi Tengah	13	2	2	2
Sulawesi Tenggara	5	1	1	1
Sulawesi Utara	8	2	2	2
Sumatera Barat	51	12	12	10
Sumatera Selatan	36	6	4	5
Sumatera Utara	46	20	17	16

Source: Rumah Zakat Indonesia, 2019

There are four types of assistance in the Women Entrepreneurship Funding Program: cash assistance to support business capital and technical assistance, including entrepreneurship training, business licenses, and product quality improvement. Women Entrepreneurship Funding Program is categorized based on three programs, they are;

1. Basic Entrepreneurship Program. It is the economic empowerment program for improving MSEs by providing traditional store and technical assistance.
2. Advance Entrepreneurship Program. This program is conducted to encourage the sustainability of the community business by initiating the business union, developing the product, strengthening the business network, and the business capital.
3. Sustainable Entrepreneurship Program. This program encourages the establishment of BUMMAs to support the sustainability of the business entity.

In implementing the *Desa Berdaya* program, RZ is supported by a *Relawan Inspirasi*. They are responsible for performing the empowerment programs, including social mapping, by observing and identifying the villagers' profiles to be appointed beneficiaries of the program. Before selecting villages as *Desa Berdaya*, a *Relawan Inspirasi* needs to undertake social mapping to analyze its natural and human resources potential. This phase involves government officials of the village, followed by an interview and observation of potential beneficiaries.

Once beneficiaries are identified based on qualifications, the respected village is considered *Desa Berdaya* village. It continues until the village is no longer categorized as a disadvantaged village. Besides, *Desa Berdaya* could also be understood as having adequate natural resources yet lacking human resources to achieve mutual prosperity. *Relawan Inspirasi* would conduct the screening and training. During the implementation of *Desa Berdaya*, the assistance by *Relawan Inspirasi* lasts for one year.

2.3 Family Hope Program

The Government's Family Hope Program (*Program Keluarga Harapan/ PKH*) is one of the social protection programs in Indonesia provided by the Ministry of Social Affairs. A conditional social assistance program aims to the poor and vulnerable people or families registered in the *Program Data Terpadu Kesejahteraan Sosial* (integrated data) to handle the poor. The people or families recorded in the data are *Keluarga Penerima Manfaat/ KPM* (the beneficiaries). The data on low-income families are obtained and managed by *Pusat Data dan Informasi Kesejahteraan Sosial* (Centre of Social Welfare Data and Information).

The eligibility requirements to be the beneficiaries of PKH are divided into three components:

- Health Components. This program is intended for pregnant women, to help them during childbirth, and for children under six years old. KPM PKH must be registered and present at the nearest health and education facilities. The obligation of KPM PKH in health includes examining pregnant women, providing nutritional intake and immunization, and weighing the body of children under five and preschool children.

- Education Components. This program is intended for school-age PKH family members to continue the study, be it in primary school or *Sekolah Dasar/ SD* (elementary school), junior high school, or *Sekolah Menengah Pertama / SMP* (junior high school), and *Sekolah Menengah Atas/ SMA* (senior high school).
- Social Welfare Components. This program is intended for persons with disabilities (severe disability preferably) and elders aged 60 years and older.

The assistance is given to the beneficiaries of the PKH program divided into two components. The first one is conditional cash transfer, money aid, and poor and vulnerable families. The other is complementary assistance in the form of cash, goods, and services that cover health, education, energy subsidies, economy, housing, and the fulfillment of other basic needs complement PKH conditional cash transfer.

PKH targeted women and children as their beneficiaries, while Women Entrepreneurship Funding Program in *Desa Berdaya* targeted women entrepreneurs, which indirectly helped their children. This commonality should make

these two programs interrelated, complement each other and cooperate to achieve the same purposes, namely empowering women. The sample is constructed with a criterion that the women are the recipients of the Women Entrepreneurship Funding Program with their household and the government social protection programs, including the PKH.

RZ and other zakat institutions (LAZ) must obtain a Ministry of Religious Affairs permit to operate. When a program enters the local area, LAZ coordinates with the social services. RZ also coordinates with the Local Government, such as social services (Dinas Sosial), sub-districts, or village governments, to prevent double

funding with other LAZ because the Local Government has the latest data.

A common problem in social assistance programs running so far is the inaccuracy in determining beneficiaries. For example, the benefit incidence of social assistance programs in various income groups, according to Susenas 2019, shows the low coverage of different assistance programs for the community groups with the lowest 40% incomes (TNP2K, 2019).

The next chapter will discuss PKH, other government social protection, and *Desa Berdaya*'s role in providing social protection towards poor households, especially their roles in empowering women and their MSEs.





Chapter 3

Evidence-Based Practice of Zakat Funding Program

This study uses a mixed-method to understand the role of zakat in providing social protection and women's empowerment. A single case study from Rumah Zakat (RZ) is performed where primary data are collected from several locations of the Village Empowerment Program (*Desa Berdaya*). Forty-six villages were sampled using a purposive sampling method to see variations in village economic conditions and perform quantitative analysis. West Java and East Java are selected for the survey since both are the most populous provinces in Indonesia. There are 4.5 million micro and small enterprises (MSEs) in West Java and 4.57 in East Java (BPS National Socio-Economic Survey, 2016).

After obtaining complete information about *Desa Berdaya* beneficiaries, 200 were selected using purposive sampling by including elements of regional representation (western and eastern of Java), the number of recipients, and areas with special regulations regarding *Desa Berdaya*. The following are the locations of data collection.

The quantitative analysis data were obtained from a phone survey with 180 West Java and East Java respondents. All of the respondents are female recipients of the Women Entrepreneurship Funding Program. At the same time, they are also beneficiaries of the government social protection program, particularly Family Hope Program (*Program Keluarga Harapan/ PKH*). A sample size of 180 is obtained through random sampling. Enumerators are trained to conduct the survey, and RZ's volunteers (*Relawan Inspirasi*) assisted them.

Data for the qualitative analysis were obtained from in-depth interviews with 40 respondents, 20 respondents for each West Java and East Java province. The respondents in each region consist of six beneficiaries (women), four *Relawan Inspirasi*, two respondents from RZ, two respondents from Forum Zakat (the association of zakat organizations), three village administrators, one local government official, one from the district social office, and one from Development Planning Agency at Sub-National Level.

Table 4. Sample for Quantitative Analysis

No	Province	Village(s)	Total
1	West Java	Neglasari, Cibiru Wetan, Cikalong, Margamekar, Rancakasumba, Mandalasari, Mekarwangi, Gudangkahirupan, Padalarang, Cibeureum, Gudang, Mulyasari, Kedungdawa, Slangit, Sindanglaut, Cipeujeuh Wetan, Cibuluh, Cijati, Mekarjaya, Kumbang Sari Cipatujah, Janggala, Samoja, Lobakgede, Karang Tengah, Mengkubumi, Emapangsari.	28
2	East Java	Gili Timur, Kampungmandar, Tamansuruh, Samodikaran, Sukodadi, Kemlagi, Mojopilang, Kapas, Poko, Sirnoboyo, Branta Pesisir, Wagir Kidul, Kedungrejoso, Ngadisuko, Bandorejo, Tulungrejo, Sukun.	18
Total			46

3.1 Findings from Women Entrepreneurship Funding Program

This section explains women entrepreneurs' demographic, household characteristics, the interaction between government social protection programs, the technicalities of funding, and the technical assistance of the Women Entrepreneurship Funding Program to understand the initial conditions and how RZ adjusts the assistance received to beneficiaries' condition.

3.1.1 Women Entrepreneurs Profiles

Respondent of RZ Women Entrepreneurship Funding Program is presented in Table 5. The 180 women who operate MSEs in two provinces, West Java (121 women entrepreneurs) and East Java (59 women entrepreneurs), are sampled. *Relawan Inspirasi* and beneficiaries are invited from these two regions. However, most of the feedback comes from the beneficiaries in West Java (67.2%).

Table 5. Women Entrepreneurs Demographic

		Percentage
Province	East Java	32.8
	West Java	67.2
Age Groups	15-30	14.44
	31-45	45.56
	46-60	32.78
	>60	7.22
Education	No School	0.56
	Primary School	33.33
	Junior High School	23.33
	Senior High School	35
	Diploma	3.33
	Bachelor	4.44

Table 6 describes women entrepreneurs' marital status, husband's education level, husband's age group, and husband's working status. Most of them are married, their husbands graduated from high school, and their husbands have mostly seasonal jobs in the informal sector (e.g., construction workers, farmworkers).

Table 6. Household Characteristics

		Percentage
Marriage Status	Divorced	11.1
	Single	3.89
	Widowed	12.22
	Married	82.78
Husband Education	Primary School	24.83
	Junior High School	22.82
	Senior High School	43.62
	College	8.72

		Percentage
Husband Age	15-30	4.7
	31-45	40.27
	46-60	44.3
	>60	10.74
Husband Working Status	No	5.37
	Yes	94.63

As shown in Tables 5 and 6 above, beneficiaries' characteristics are productive-aged families with a middle-to-low level of education. The roles of husbands and wives in the decision-making process are explained later on.

Based on the preliminary survey, most women obtain information about the zakat program through RZ representatives or volunteers. *Relawan Inspirasi* contributed significantly in providing information about the program (92.7%), as depicted in Figure 3, and 59% of women proactively register themselves to join the program offered by RZ (Figure 4). It shows that the sample is proactively involved in the program, indicating women are empowered. This point explains the contribution of zakat to empower underprivileged women in Indonesia.

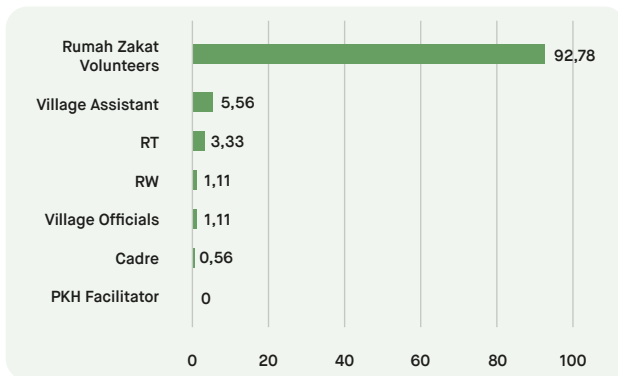


Figure 3. Source of Information on Women Entrepreneurship Funding

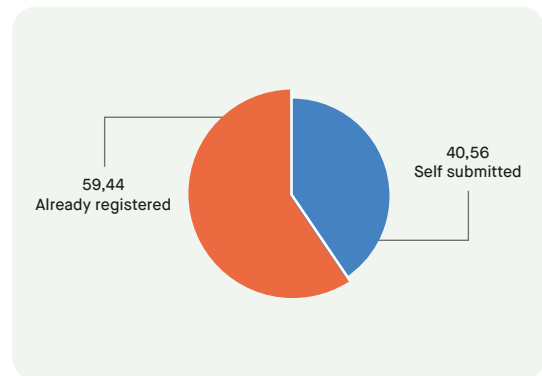


Figure 4. Source of Information about the Program

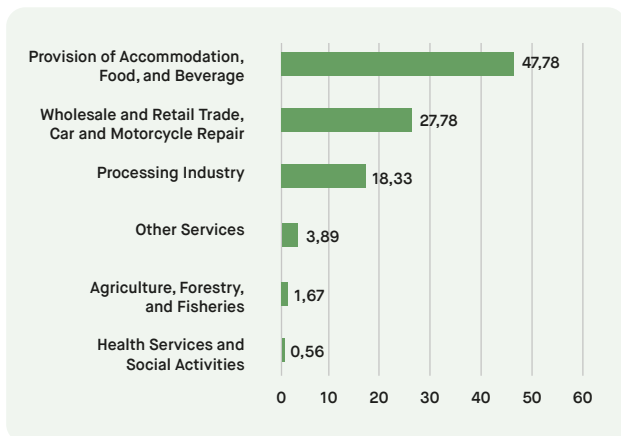


Figure 5. Business Sector

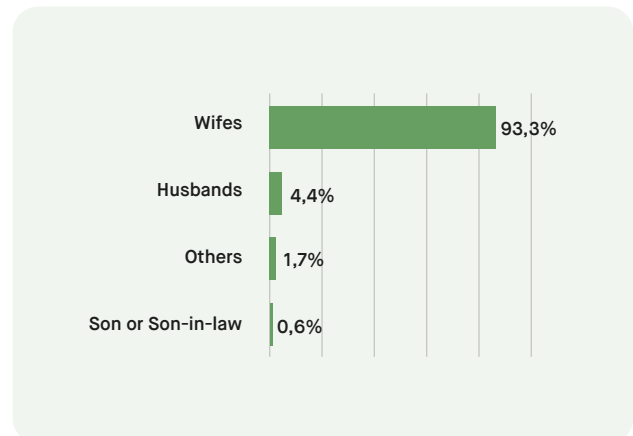


Figure 6. Household Members Responsible for the Business

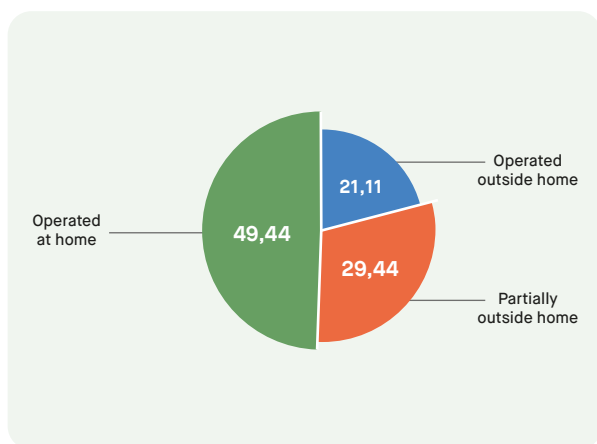


Figure 7. Business Location

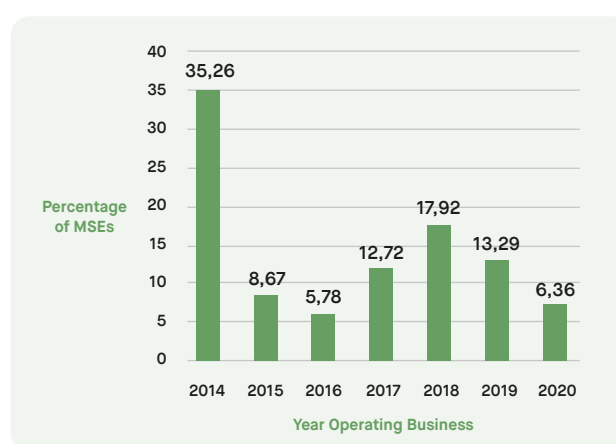


Figure 8. Year Started Operating Business

Table 7. Sectors of Business

No.	Lapangan Pekerjaan Utama	Sector of Business
1.	Pertanian, Kehutanan, dan Perikanan	Agriculture, Forestry and Fisheries
2.	Pertambangan dan Penggalian	Mining and Excavation
3.	Industri Pengolahan	Processing industry
4.	Pengadaan Listrik dan Gas	Electricity and Gas Supply
5.	Pengadaan Air, Pengelolaan Sampah, Limbah, dan Daur Ulang	Water Supply, Waste Management and Recycling
6.	Konstruksi	Construction
7.	Perdagangan Besar dan Eceran, Reparasi Mobil dan Sepeda Motor	Wholesale and Retail Trade, Car and Motorcycle Repair
8.	Transportasi dan Pergudangan	Transportation and Warehousing
9.	Penyediaan Akomodasi dan Makan Minum	Accommodation and Food Sector
10.	Informasi dan Komunikasi	Information and Communication
11.	Jasa Keuangan dan Asuransi	Financial Services and Insurance
12.	Real Estat	Real Estate
13.	Jasa Perusahaan	Service Company
14.	Administrasi Pemerintahan, Pertahanan, dan Jaminan Sosial Wajib	Government Administration, Defence and Social Security
15.	Jasa Pendidikan	Education Services
16.	Jasa Kesehatan dan Kegiatan Sosial	Health and Social Service
17.	Jasa Lainnya	Others

Refer to the 17 business sectors based on BPS (Table 7), the business managed by these women is operated around in six sectors of the BPS category. Approximately 47.78% of the MSEs of these women entrepreneurs are in the business sector of accommodation, food, and beverages, and around 27.78% of them are in the retail industry, while less than 1% are in the health, services, and social activities (Figure 5).

Most of the women entrepreneurs of Zakat for Women Entrepreneurship Funding Program stated that they are in charge of their business. However, there is 4.4% whose business responsibility is in the husband, 1.7% is the responsibility of someone other than the family, and 0.6% is the responsibility of the child or son-in-law. The data find that women entrepreneurs whose business was the responsibility of the child or son-in-law were women entrepreneurs over 60 years (Figure 6).

This section contextualized how women entrepreneurs' business is operated, whether in doing business, these housewives have to leave their house to meet consumers or vice versa. Around half of the businesses operate at home (49.44%). Meanwhile, 29.44% of businesses operate inside and outside the home, and 21.11% work entirely outside their homes (Figure 7). Around 35.26% of these women entrepreneurs started their business in 2014, and 17.92% began in 2018 (Figure 8). Approximately 42.44% started to receive funding programs in 2019, and 34.88% of them started receiving in 2020 (Figure 9). The percentage of women entrepreneurs receiving first-time funds was in 2019 (42.44%). Then the second largest was 2020, or 34.88%.

3.1.2 Funding Disbursement

The frequency of receiving funding from the Women Entrepreneurship Funding Program is presented in Figure 11. Around 28.3% of the women-led MSEs received only one-time funding/grant, while 26.1% received twice and 19.4% received three times. Beneficiaries who only received the assistance once could be attributed to the fact that most of the samples received funding for the first time in 2019 and 2020, so funding frequency is still minimal. The funding received ranges from <Rp1 million to more than Rp6 million. Around 40% received <Rp1 million, while 25% received Rp1-2 million (Figure 10).

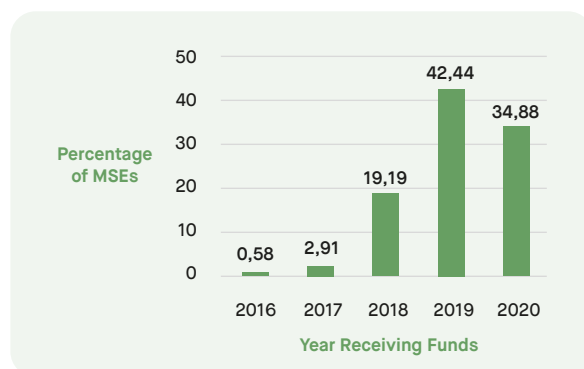


Figure 9. Year Started Receiving Funds

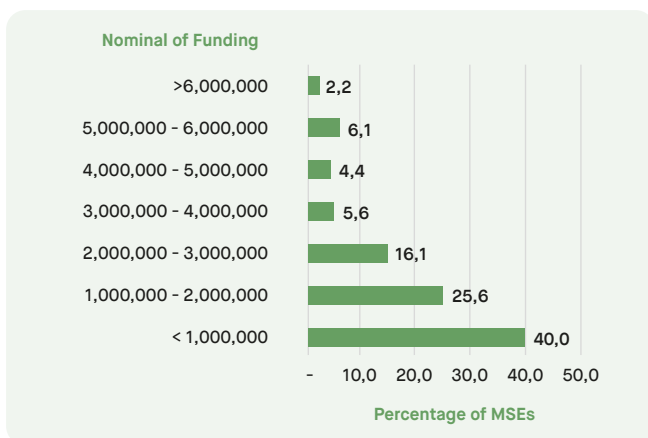


Figure 10. Amount of Funding Received

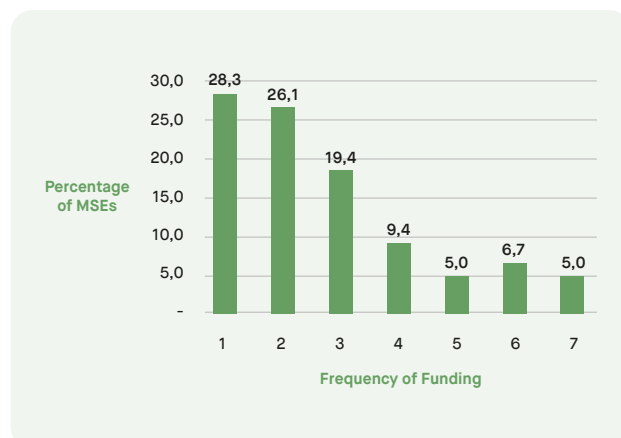


Figure 11. Frequency of Receiving Funding

The frequency of disbursement depends on the needs of beneficiaries' MSEs. As shown in Figure 9, 42.44% of 180 beneficiaries in the sample received funding for the first time in 2019. Some MSEs received less than Rp1 million of funding, while others can receive Rp6 million and above. While there is no specific number in the maximum amount of funding from RZ, generally, the funding received is based on the assessment of *Relawan Inspirasi* regarding their business performance and needs.

3.1.3 Social Protection Interaction

Most households of the Women Entrepreneurship Funding Program are also the beneficiaries of the government social protection program. Figure 12 shows that 61% of 180 households of women entrepreneurs receive PKH, whereas 39% receive other government social protection programs, as shown in Figure 13. Households that receive the Government's cash transfer solely use them for daily household expenditure instead of business capital, as shown in Figure 14. PKH cash transfer is predominantly used for medical treatment, children's school supplies, and school fees. Thus, the use of cash transfer from government social protection programs on household expenditure is consistently found.

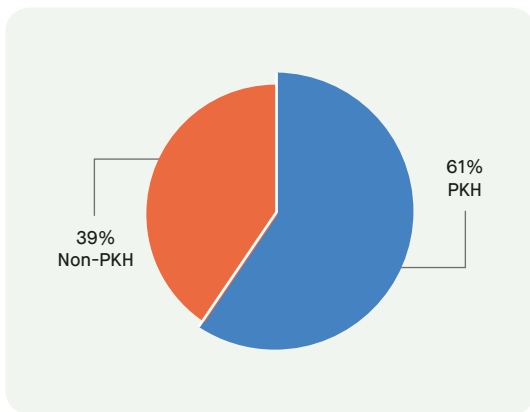


Figure 12. Households Received Government Social Protection Program

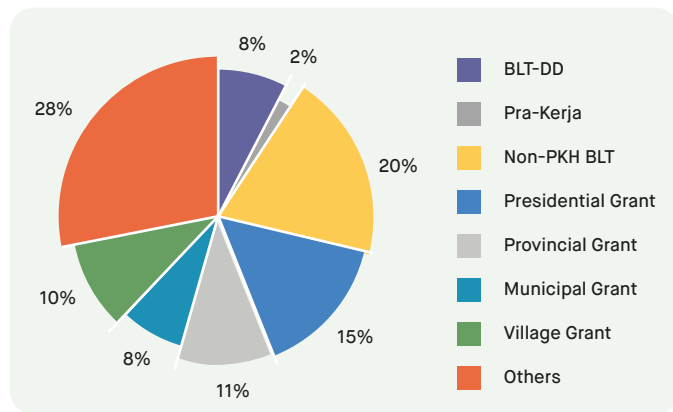


Figure 13. Types of Non-PKH Assistance

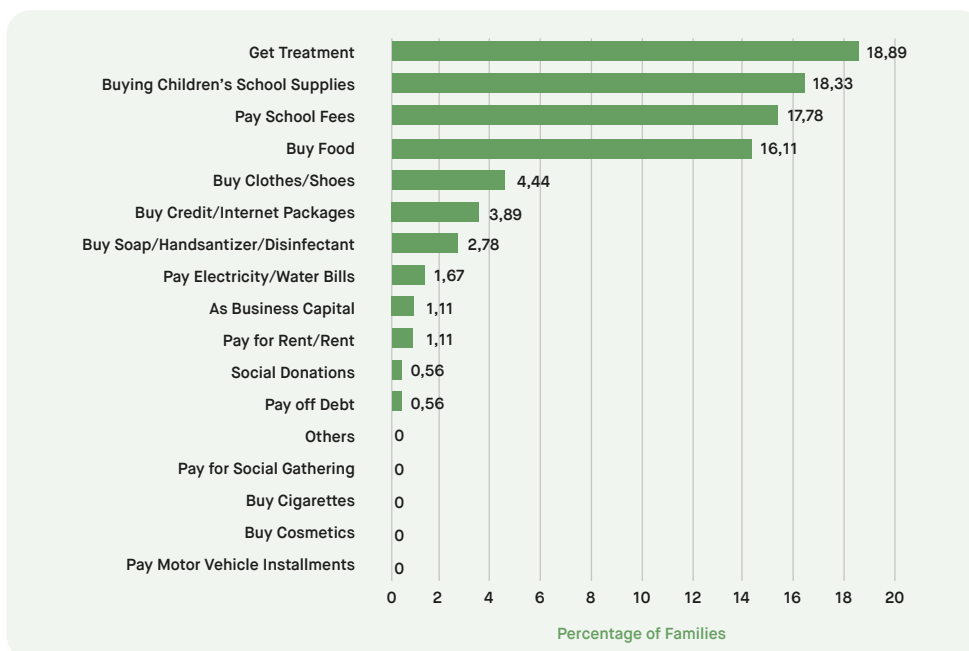


Figure 14. Utilization of PKH

3.1.4 Technical Assistance

Figure 15 shows the number of formal and informal technical assistance (mentoring) provided by *Relawan Inspirasi*. It demonstrates a variety of frequencies in receiving technical assistance. The frequency of technical assistance depends on the needs of the beneficiaries' business. However, RZ assigns *Relawan Inspirasi* to have at least three times a month of technical assistance, either formal or informal, for all the beneficiaries. More than half of the women entrepreneurs receive mentoring less than six times a month (Figure 15). There are 19% of women entrepreneurs who only received mentoring two times in the last month. It is likely due to COVID-19, where *Relawan Inspirasi*'s activities are halted because of health and safety concerns, so beneficiaries who had joined in 2019 received less frequency of assistance than others. The picture also shows that more than 80% of women entrepreneurs could receive technical assistance three times a month.

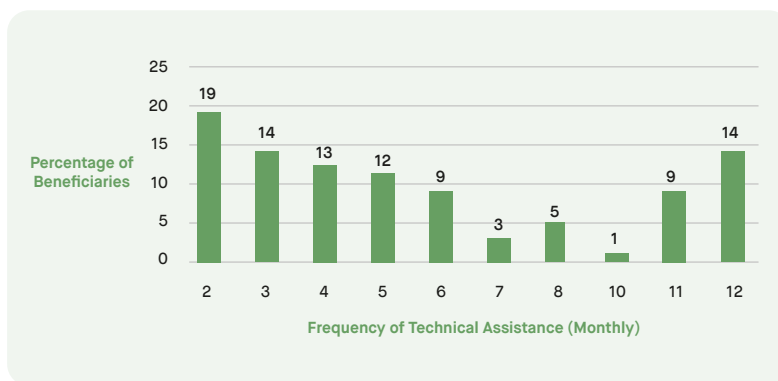


Figure 15. Technical Assistance Frequency by *Relawan Inspirasi*

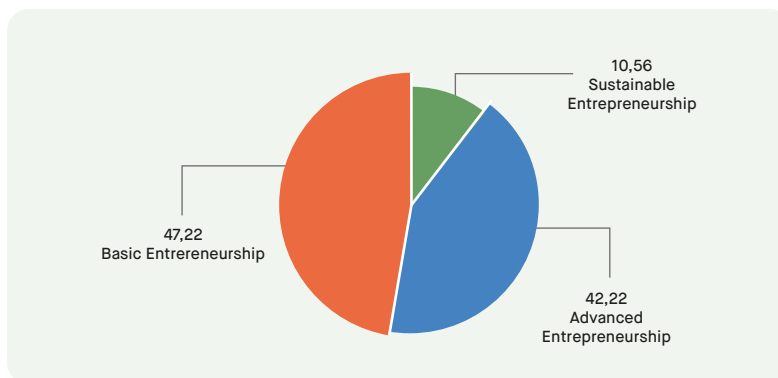


Figure 16. MSEs' Business Category

Relawan Inspirasi decides the frequency of technical assistance and funding without looking at the beneficiaries' business categories. Still, business categories are important for *Relawan Inspirasi* to arrange the type of business assistance needed by the beneficiaries. Nearly half of the women entrepreneurs are in the basic phase (47%), with 42.22% in the advanced phase and only 10.56% are already in the sustainable phase.

Based on the qualitative findings, RZ, as a private institution, supports the government social protection program in reducing poverty through the Women Entrepreneurship Funding Program equipped with technical assistance from *Relawan Inspirasi* to complement the cash assistance

program. Without a particular cooperation mechanism between the Government and RZ, both programs target the same beneficiaries in the same regions. After receiving an initial lift from the Government's social protection program, the Women Entrepreneurship Funding Program could help them move beyond survival to grow their livelihoods and business. It is where productive zakat is observed to avoid double-granting.

Box Story 1

Qualitative Findings



Ibu Kurniati and Ibu Mukhlisun - Beneficiaries of Women Entrepreneurship Funding Program

Women Entrepreneurship Funding Program has shown positive impact, primarily the non-cash assistance program, helps them gain more knowledge, such as product packaging and promotion. Ibu Kurniati in Cirebon produces local snacks, called rengginang. The products are home production. The cash assistance helps increase the business's production capacity to purchase raw materials consisting of glutinous rice, shrimp paste, garlic, and other spices. While *Relawan Inspirasi*'s assistance, especially in terms of technology, helps marketing snack products online. Before joining the program, marketing was conducted directly to consumers and offered to shops in the market. However, after receiving assistance, product promotion was able through social media to expand marketing and increase profits.

Meanwhile, Ibu Mukhlisun, the beneficiary of the Zakat Program for Women Entrepreneurship from Malang region, said the assistance was very useful. She used cash assistance to buy freezer boxes to increase the quality of her main products: tahu walik, meatballs, ice cubes, and lolly ice. With the quality of the products maintained by the freezer boxes, Ibu Mukhlisun could then increase her production capacity.

3.2 Business Performance of Women Entrepreneurship

This section discusses the business performance of women entrepreneurs. The changes in the number of paid and unpaid workers involved in business operation are looked as an indicator of business growth, capital condition, business loan, and profit and savings of these women entrepreneurs' households. Furthermore, the story about *Relawan Inspirasi* is also delivered, and qualitative findings are also taken into account to understand the roles of *Relawan Inspirasi* regarding business performance. It is expected this chapter to best elaborate on how zakat empowers women through their business.

3.2.1 Employability

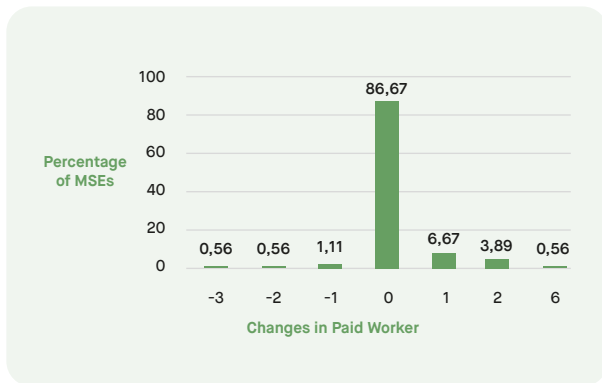


Figure 17. Changes in Number of Paid Workers

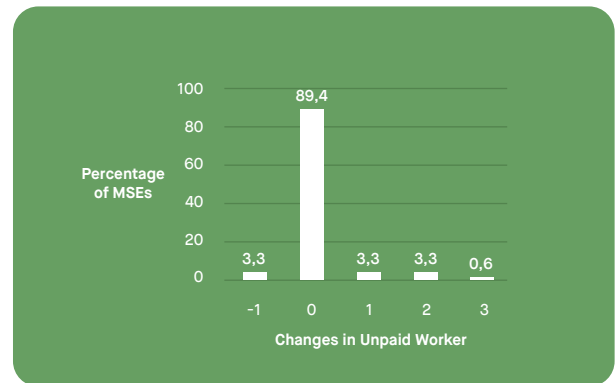


Figure 18. Changes in Number of Unpaid Workers Before and After Receiving Funding

Around 11,12% of businesses reported increases in their paid workers by either 1, 2, or 6 after receiving funding. It means that the business has grown to an extent despite the COVID-19 pandemic, where they now could employ more workers. However, a small fraction of businesses reduce the amount of their paid workers. For example, 2,23% of MSEs reduce their paid workers by 3, 2, or 1. Again, it is likely due to the effects of the COVID-19 pandemic.

According to the UN (1999), unpaid work is all activities in one sector and, in theory, replaced by paid services and goods. It includes community service, child care, housework, including family businesses. In this study, unpaid work has been defined as family members involved in the business activity. This chapter would explain the state of paid and unpaid workers in terms of the beneficiaries' business.

MSEs mostly do not have unpaid workers before or after receiving the RZ funding (Figure 18). Therefore, most of these MSEs operated by women do not increase unpaid workers. However, 7.2% of 180 women entrepreneurs experienced increased unpaid workers with one, two, or three unpaid workers after receiving funding from RZ (Figure 18). It means that after receiving technical assistance from Women Entrepreneurship Funding Program, a small number of businesses could involve more of their family members to participate in the business. Otherwise, 89,4% of the beneficiaries in figure 18 above do not add nor decrease their unpaid worker. Therefore, continuity of the RZ program and the assistance provided by *Relawan Inspirasi* will contribute more to the probability of better performance of women entrepreneurs' small and micro-businesses.

Thus, based on the analyses above, one may understand that the *Desa Berdaya* program contributes to creating employment opportunities and business operations. To some degree, such evidence from RZ may best explain how zakat provides social protection and empower women.

Box Story 2

Qualitative Findings



Technical Assistance by *Relawan Inspirasi*

Started the business in March 2020, Ibu Ernayani now sells snacks online using a business platform. Initially, she started the business with her neighbours, who are also producing snacks. She used to sell the products in nearby shops or door-to-door. *Relawan Inspirasi* provided them with training in terms of production management and also online marketing. Mentoring for online marketing programs increases Ibu Ernayani and other groups' insight to understand how the online product marketing process is done. Marketing could be done with online business platforms on e-commerce (for example, Bukalapak) or social media (Facebook and Instagram). After joining several events of training and mentoring, Ernayani understands the potential market share when doing business via e-commerce.

Business monitoring is conducted by *Relawan Inspirasi* twice a week to monitor business cash flow and monitoring the businesses progress to make sure the beneficiaries are taking full responsibilities for their business so it stays afloat. Now, Ibu Ernayani has started her own business, mainly because of the skills acquired during the training. Eventually, the business grows, and it can contribute significantly to her neighbourhood by providing new jobs. Although other beneficiaries in the same area find it quite difficult to adopt e-commerce platforms, some could use cellphone connected to the internet through a simple application such as WhatsApp and Facebook. By using these applications, the business could still run with satisfying revenue.

3.2.2 Profitability

This section reports MSEs' business performance by looking at the profit after receiving funds and technical assistance provided by *Relawan Inspirasi*. This section also discusses the business profit before and during COVID-19.

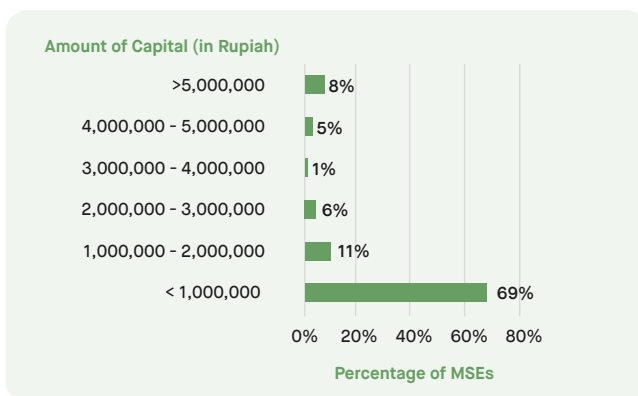


Figure 19. Capital

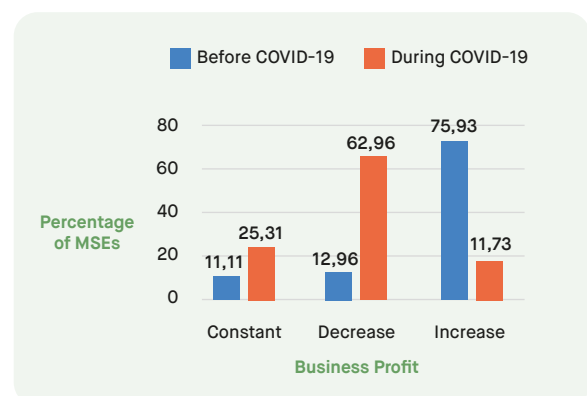


Figure 20. Profit

Being categorized as small and micro businesses, the women entrepreneurs start their businesses with very low capital. Around 69% of them started their business with less than Rp1 million (Figure 19). These are MSEs run by

poor households. Most of them are the beneficiaries of the Government Social Protection Program, and the business they undertake is to meet their basic needs.

There is a positive business performance by looking at the small and micro businesses' average monthly profit changes. The blue bar in Figure 20 shows the change in profit from the respondent first started the business (Figure 8) to the early 2020 period (before COVID-19). Most small and micro-business (75.93%) reported an increase in profit, and 11.11% of the small business reported no changes in profit, while 12.96% of them reported a decrease in profit.

Business performance in a pandemic situation is described in an orange bar of Figure 19. The orange bar shows a change in profit before the COVID-19 pandemic occurred (February 2020) and after March 2020 up until the survey period (when the COVID-19 pandemic occurred). This figure shows that most small businesses experienced a profit decline (around 62.96%) during the pandemic. However, approximately 25% of these businesses reported a constant profit during the pandemic, and 11.73% reported increased profit.

From these findings, it could be observed that MSEs operated by women could contribute to creating more employment opportunities. On top of that, whether these businesses are improved to perform better after receiving the Women Entrepreneurship Funding Program by hiring more paid workers could also be observed.

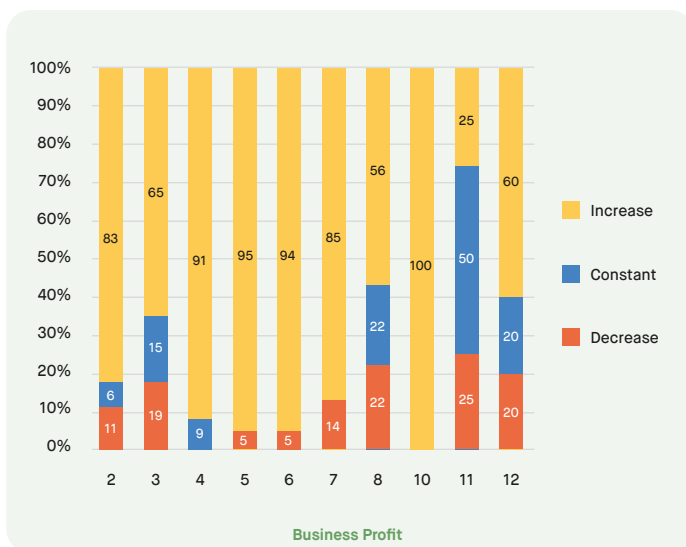


Figure 21. Technical Assistance and Profit



Figure 22. Amount of Funding and Percentages of Beneficiaries Whose Profit Increase

In addition to receiving funds in money and goods, beneficiaries also received technical assistance from *Relawan Inspirasi*. The frequency of assistance received by beneficiaries over the past year varies from 2 to 12 times a month. (Figure 21).

Figures 21 and 22 also show the increase in beneficiaries' profit after receiving Women Entrepreneurship Funding Program based on the amount of assistance received. Most of the beneficiaries experienced a rise in profit after receiving assistance from Women Entrepreneurship Funding Program. More than 50% of beneficiaries experienced an increase in profit in any technical assistance frequency, and more than 50% of beneficiaries experience an increase in profit on either amount of funding.

We constructed a model to observe the impact of the Women Entrepreneurship Funding Program and government social protection on the performance of small and micro businesses of these households measured by profit using the same 180 samples. The mathematical functions are as follows:

$$Y_i = \alpha + \beta_1 \text{ province} + \beta_2 \text{ social_protection} + \beta_3 \text{ nominal_funding} + \beta_4 \text{ freq_funding} + \varepsilon_i$$

The dependent variable is profit growth (0 if decreases and constants; or 1 if it increases). The independent variable is the government social protection program, frequency of receiving Women Entrepreneurship Funding Program from RZ, nominal funding received, and provinces of beneficiaries (1 = West Java, 0 = East Java). The regression result is as follows:

Table 8. Regression Result

Variable (Y = Profit Growth)	Percentage
Province (1 = West Java, 0 = East Java)	-0.170** (0.069)
Received Government Social Protection Program (1 = yes, 0 = otherwise)	0.202** (0.769)
Nominal of Funding (From RZ) Received	0.012 (0.015)
Frequenc of Funding (From RZ) Received	0.034** (0.019)
Constant	0.562*** (0.120)
Observations	180
R-Squared	0.0963

Robust standard errors in parentheses
***p<0.01, **p<0.05, *p<0.1

Based on the regression results using simple OLS above, it could be seen that the provincial variables, Government Social Protection Program and frequency of zakat funding has a significant correlation to the profit growth. The regression result shows a correlation between receiving Government Social Protection Program and the small and micro business' profit increase. MSEs that receive both Government Social Protection Program and Women Entrepreneurship Funding Program are more likely to increase their profit as found from the case of MSEs in East Java.

The frequency of receiving zakat funding has a statistically significant association with profit growth. MSEs that frequently receive disbursement are more likely to increase the profit by 0,034%. The nominal of zakat funds received has a positive correlation to the profit growth but has no significant effect on the result.

3.2.3 Savings and Loans

This section discusses business performance by looking at the MSEs' savings and loans run by household beneficiaries of the Women Entrepreneurship Funding Program.

Despite the pandemic, most of the beneficiaries could save. Around 92.78% of women entrepreneurs stated that they saved an average of less than Rp1 million per month, while 6% have savings around Rp1-5 million (Figure 23). Most beneficiaries also have no loan or credit. Around two-thirds of these businesses have no business loan/credit. They are no longer dependent on loan sharks and moneylenders.

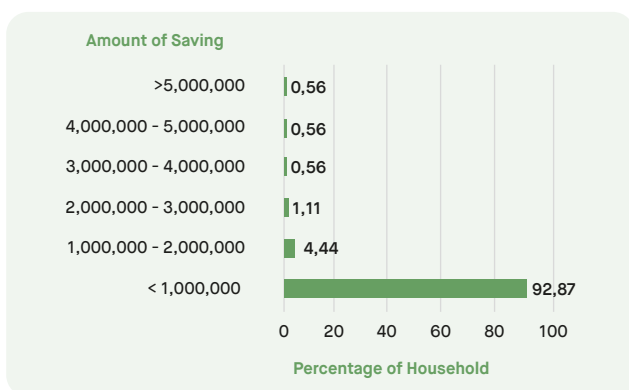


Figure 23. Savings

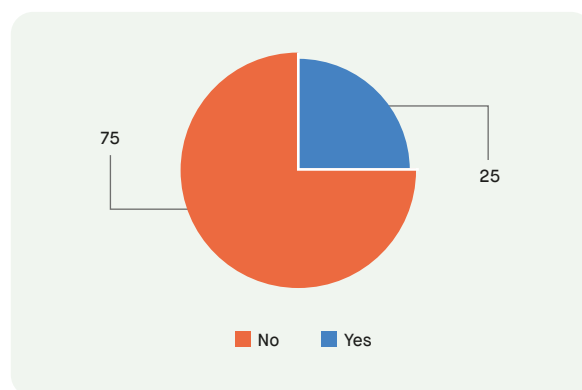


Figure 24. Loans/Credit

3.2.4 Pandemic and Business Profit

This subtopic reported the effects of the COVID-19 pandemic on the Women Entrepreneurship Funding Program's MSEs. Table 8 shows that the profit growth of MSEs in East Java is 86.44% before the pandemic. Meanwhile, in West Java is 68.6%. The difference is significant to refer to the chi-square test below. After the pandemic, there is only an 18.65% increase in profit of MSEs in East Java, while in West Java, profit increase is only 9.92% after the pandemic. As a result, after the pandemic, 69.49% of MSEs in East Java experienced a decrease in profit, and 57.85% of MSEs in West Java experienced a decline in profit.

Table 9. Chi-Square Test

	West Java (n=121)	East Java (n=59)	Sig
Profit growth before the pandemic			
Decrease	14.88	8.47	0.03
Constant	16.53	5.08	
Increase	68.6	86.44	
Profit growth after the pandemic			
Decrease	57.85	69.49	0.008
Constant	32.23	11.86	
Increase	9.92	18.64	

Box Story 3

Qualitative
Findings



Desa Berdaya Jetis

Desa Berdaya Jetis is one of the Villages Empowered by Rumah Zakat, which started an economic empowerment program called "Jetis Berdaya" business group in 2018. *Desa Berdaya* Jetis is located in Dagangan District, Madiun Regency, East Java. Currently, *Desa Berdaya* Jetis, with Eka Restia as *Relawan Inspirasi*, has succeeded in establishing BUMMAs and has livestock groups that hold legal entity status of livestock groups from the village representative. *Desa Berdaya* has an impact on improving the community's economy. In the agribusiness sector, beneficiaries implement an integrated agricultural system and use the appropriate technology to increase sheep farming productivity.

The Jetis Berdaya BUMMAs has made several breakthroughs, like the use of CCTV in BUMMAs, making it easier to avoid early livestock mortality as the mortality rate for lambs has fallen to 10%. Also, there was an increase in the quality of lamb through the recording system and tillers' selection. Jetis Berdaya BUMMAs take-home pay also grew. In 2019 a turnover of Rp179,250,000 increased 84% in 2020 to Rp329,787,300; for take-home pay in 2019 amounted to Rp29,485,500, an increase of 133% in 2020 to Rp68,647,500. The Jetis Berdaya group has also been able to expand their market by collaborating with other BUMMAs such as Mrican Berdaya-Ponorogo to produce BUMMAs' livestock product animal feeds could reach out-of-town markets such as Ponorogo, Magetan, Ngawi, Trenggalek and Jombang.

Jetis Berdaya's success has affected their surrounding communities. Jetis Berdaya group assisted a young man with disabilities in BUMMAs activities such as buying grass and educating him in raising livestock. Besides, the Jetis Berdaya group has empowered the surrounding community by providing compensation to the elderly and repairing agricultural irrigation for rural communities amounting to Rp8,440,000 (12.3%) from their income. The Jetis Berdaya Group helps reduce environmental pollution caused by agricultural waste, both from livestock and plants, that will not be wasted but utilized instead. *Rumah Zakat* planned to graduate the village from *Desa Berdaya* Program in 2020. However, this has been delayed due to the COVID-19 pandemic.

3.3 Impact of COVID-19 on Women Entrepreneurs

The Indonesian Council of Ulema (MUI) issued a fatwa No. 23 of 2020 on utilizing zakat, *infaq*, and *sadaqah* funds to manage the adverse effects of the COVID-19 pandemic. This fatwa becomes a guideline for the zakat institution to manage zakat during these times of COVID-19. MUI further confirms that zakat is allowed to be distributed in the form of cash and procurement of goods for public use during the COVID-19, such as personal protective equipment, disinfectants, and medical treatment.

This section discusses the impact of the COVID-19 pandemic on the businesses of women's MSEs who receive zakat assistance programs from RZ. During the pandemic program, counseling is one of the additional assistances provided concerning the COVID-19 response. This chapter also provides an overview of the conditions of beneficiaries and their businesses during the COVID-19 pandemic.

3.3.1 Zakat Contribution to Women's Empowerment during the Pandemic

Concerning the COVID-19 pandemic, this research looks at the household of beneficiaries of the Women Entrepreneurship Funding Program's economic condition. The program has helped beneficiaries with various assistance, such as providing food security to families affected by COVID-19, technical assistance to help families with decreased income, and cash stimulus to help small and micro enterprises survive the pandemic.

National Zakat Board (*Badan Amil Zakat Nasional/BAZNAS*) and National Zakat Institution (*Lembaga Amil Zakat/LAZ*) showed their involvement in responding to this pandemic, both in health and socio-economic programs. Central BAZNAS, for example, until May 25, 2020, has disbursed funds of Rp28.32 billion, which have been allocated for health emergency programs (39%), socio-economic emergencies (59%), and current security programs (2%).

RZ also responded to the pandemic using several programs for those impacted by the adverse effects of COVID-19. Until May 2020, RZ has disbursed zakat to 155.194 beneficiaries spread across 26 provinces in Indonesia. RZ designs programs such as distributing food and disinfectants to *yatim dhuafa*, low-income families, and the elderly; distributing equipment to health workers; debt relief program for low-income families; and widow empowerment. Elderly assistance has been distributed to 391 beneficiaries. The programs fulfill daily household needs with food barns and farms and health assistance at home, regularly visited every week. It is to ensure that they did not suffer from hunger or health complications.

Despite the COVID-19 outbreak, most beneficiaries have gained food security. As many as 97.78% of 180 beneficiaries stated that they did not suffer from hunger within the last three months. However, 35% of them are concerned that they might not have enough food. Around 12% of heads of the households had a job dismissal (Figure 26). Figure 26 shows the percentage of family members whose jobs are dismissed. 12,22% of household heads stated that they experienced job dismissal. Households have their strategy to overcome economic crises due to the COVID-19 pandemic situation. More than half (66,11%) of households reduce their expenses, and 51,67% delay personal or family expenses while consistently maintaining their spiritual condition by praying (57,22%), as described in Figure 27.

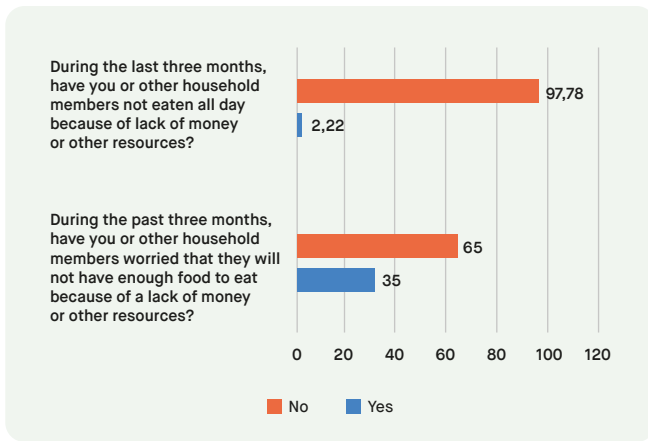


Figure 25. Food Security in the Last Three Months

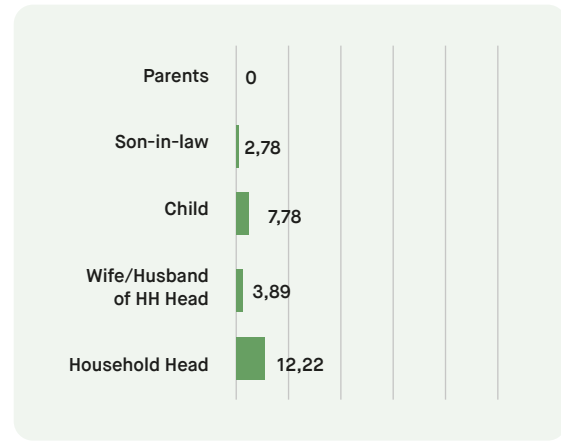


Figure 26. Job Dismissal

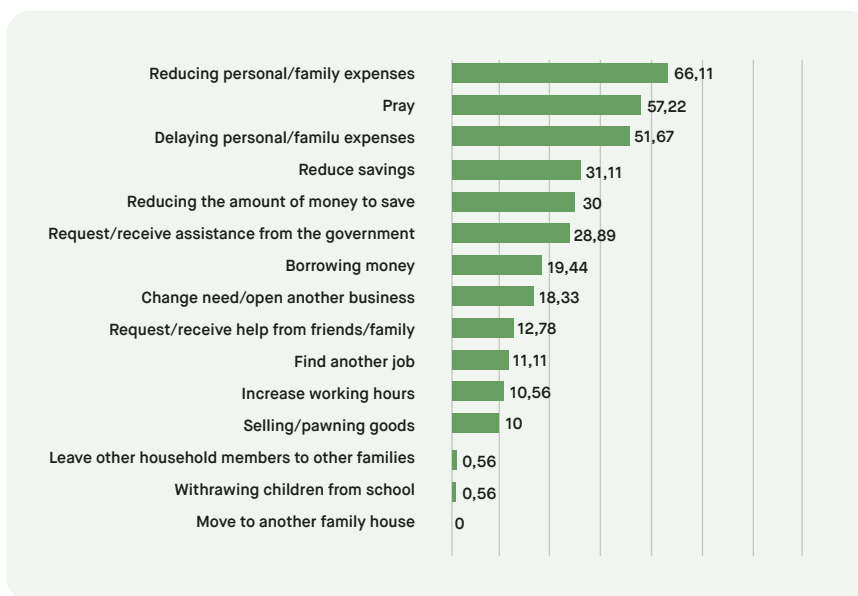


Figure 27. Household Adjustment During COVID-19 Pandemic

3.3.2 Additional Assistance from *Relawan Inspirasi*

In the implementation of the *Desa Berdaya* program, RZ is supported by *Relawan Inspirasi*. They are responsible for carrying out the empowerment programs, including social mapping, by observing and identifying the villagers' profiles to be appointed as beneficiaries of the program. Social mapping is essential for the *Desa Berdaya* program because *Relawan Inspirasi* needs to analyze its potential from natural and human resources. This phase involves the government officials of the village. Furthermore, *Relawan Inspirasi* also conducts an interview and observes each potential beneficiary.

During the *Desa Berdaya* program, *Relawan Inspirasi* needs to assist beneficiaries for one year. *Relawan Inspirasi* regularly assists beneficiaries in the importance of health protocols during the pandemic. If possible, they also help in the form of sanitizing kits. There is also a food security program from RZ. Thus, *Relawan Inspirasi* also provides online technical assistance using chat groups in social media. *Relawan Inspirasi* also encourages beneficiaries to use more e-commerce and social media in marketing their products.

There is 63% of the small and micro businesses have reported decreasing profit due to the Covid-19 pandemic (Figure 28). These numbers are lower than the number in the MSEs performance survey during the pandemic by the Indonesian Institute of Sciences (LIPI). They reported that 94,69% of businesses have decreased in their profit. These findings inferred that RZ's assistance through *Relawan Inspirasi*, informal and formal, could help businesses during the pandemic (see business changing to the online platform during the pandemic). *Relawan Inspirasi* conducted a regular informal meeting (mentoring), which indirectly guided beneficiaries on adjusting their spending during the pandemic.

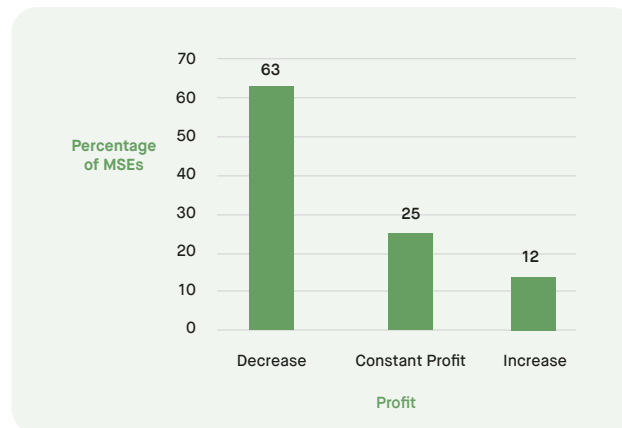


Figure 28. Business Profit During COVID-19 Pandemic

3.3.3. Business Strategy Shift

Business in the modern world has made it shift from offline strategy to online strategy. While it might affect most cities and urban areas, the effects are not present in rural areas where internet and information access are still scarce. Before the pandemic, the business in rural areas started to shift to online business. Still, the COVID-19 pandemic has made online selling more important than ever because nowadays, people are not supposed to go out, risking their health. On the other hand, people still need to fulfill their daily household needs, especially in the pandemic.

Through their Women Entrepreneurship Funding Program, RZ has made several programs to minimize the effects of the COVID-19 pandemic, as explained in the previous chapters. However, such assistance is not designed to be a long-term solution. As such, beneficiaries have to rethink how they are supposed to run the business amidst the pandemic. *Relawan Inspirasi* plays a vital role in empowering women beneficiaries by shifting their business strategy to the online platform, including training on how to sell online, market the product, and for some people, how to use the technologies themselves. The transformation to digital businesses helps beneficiaries earn a basic income and might expand their business beyond their region.

The vast majority of beneficiaries are now able to use technologies for their business purpose. Figure 29 shows that around 74.44% of beneficiaries use mobile phones for their business purposes. Before joining Women Entrepreneurship Funding Program, beneficiaries are not too familiar with the technology.

Now, women entrepreneurs are able to use their phones, especially online business platforms. Figure 30 shows that 56,7% of women beneficiaries use social media to sell their products, while 5% use the online marketplace.

Although most beneficiaries have sold their products online, there are still beneficiaries who have not utilized mobile technology for their business. Figure 31 shows the women entrepreneurs' reasons for not selling online. The most common reason for not selling online is the women entrepreneurs' lack of knowledge. It shows that women entrepreneurs need more training in selling and marketing their products online. Few beneficiaries are not interested in selling online, most likely because the seller already has customers in the traditional market. As a consequence, they do not believe that selling online is vital. The nature of the business might also affect their interest in selling online, for example, tailor-made clothing that needs to be measured before it could be produced.

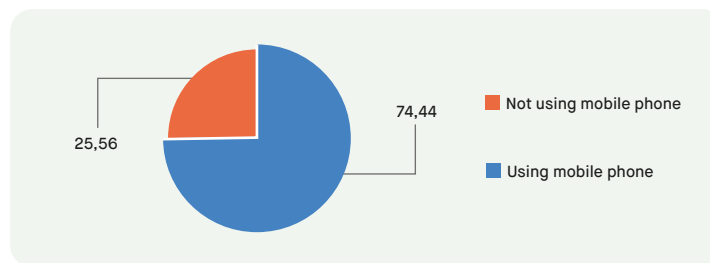


Figure 29. Media for Business Proposes

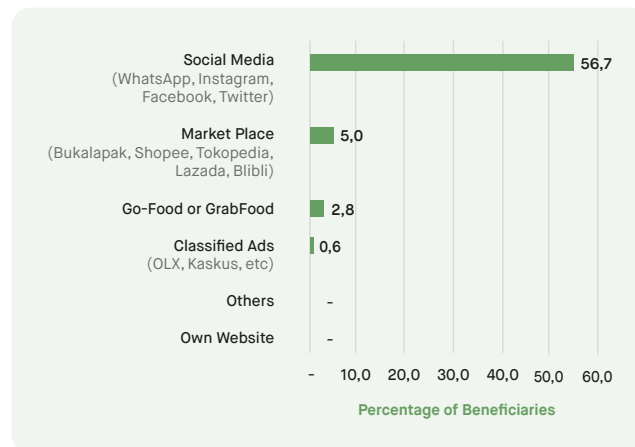


Figure 30. Online Business Platform

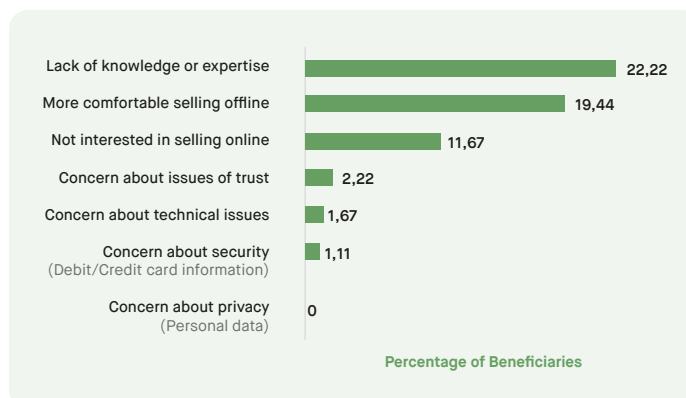


Figure 31. Reason for Not Doing Online Business

The Women Entrepreneurship Funding Program could contribute to the Government's social protection programs by providing funds and technical assistance to beneficiaries for business uses. That assistance had helped beneficiaries in starting their business and shows a positive impact on their business profit. Technical assistance, especially, had provided beneficiaries with skills, knowledge, and the ability to sell their products online.

The Women Entrepreneurship Funding Program also has provided beneficiaries with an economic cushion during the COVID-19 pandemic. The assistance provided ensured that the beneficiaries could fulfill their basic needs even though they have no income. Not only that, but beneficiaries could eventually start their business amidst the COVID-19 pandemic and create jobs for local communities nearby. It proves that the Women Entrepreneurship Funding Program had empowered women in economic independence and the ability to partake in community development.

Box Story 4

Qualitative
Findings



Relawan Inspirasi's Role during COVID-19 Pandemic

Overall there are 1686 *Relawan Inspirasi* available to assist beneficiaries for all *Desa Berdaya* program as of January 2021. *Relawan Inspirasi* have a regular informal meeting (mentoring), which indirectly guided beneficiaries on adjusting their spending during the pandemic. The pandemic has an impact on decreasing beneficiaries business; *Relawan Inspirasi* and village representative confirmed this pandemic effects. Some beneficiaries are even forced to use their business capital to fulfil their daily needs.

However, the pandemic has encouraged beneficiaries to adjust their business using internet technology, as happened in *Desa Mulyasari*, Cianjur, West Java and *Desa Sukun*, Malang, East Java. Initially, women entrepreneurs are not too familiar with internet technology. With *Relawan Inspirasi* assistance, women entrepreneurs can use online selling technology, but it is still based on social media (such as WhatsApp), not a marketplace (such as Tokopedia, Shopee). Some beneficiaries switched businesses due to the pandemic from sewing to the food and beverage business. Shifting types of business are solutions to survive running a business amid a pandemic other than relying on internet technology-based sales.

Box Story 5

Qualitative
Findings



COVID-19 Causes the Shift in Business

The COVID-19 pandemic has significantly affected the beneficiaries' businesses. It could be seen from the decline in the business income due to the large-scale social restrictions (PSBB) policy and other COVID-19- related policies. Some of the beneficiaries' husbands are also being laid off and temporarily become unemployed. For some time, consumers tended to refrain from consuming more than necessities —some of the businesses affected by the Covid-19 pandemic, such as tailors and food vendors. The zakat for women's empowerment program has not given particular assistance to beneficiaries affected by the Covid-19 pandemic. Work from home and offline school activities have reduced consumers who need sewing services to affect the tailors' income. Beneficiaries in food businesses also experience a decrease in income since they usually sell food by entrusting it to a number of stores and booths near schools. The PSBB also prohibits some events that potentially cause crowds, and it affects beneficiaries with seasonal businesses, especially those who usually provide food for celebration and convection.

Even though their businesses were affected by the COVID-19 pandemic, some beneficiaries could survive due to adjusting their products and sales strategies. Instead of selling their products directly to the consumer, some food vendors sell their self-produced traditional crispy rice crackers, called rengginang online using social media. Some beneficiaries also divert their products, initially sell cooked food at schools, and then change into frozen food. Since they can no longer sell it directly, they have also shifted their marketing strategies to include social media. The beneficiaries related to convection business, whose products were based on order, then changed their business as food vendors, and now they can produce daily. They are selling fried foods by entrusting them to other vendors and by fulfilling specific requests.



Chapter 4

**Women
Participation
Index**

This study examines the role of beneficiaries in household decision-making. The role of women in household decision-making reflects bargaining position and the level of empowerment. Six questions on the Indonesian Demographic and Health Survey (IDHS) to construct the Woman Participation Index (WPI) are used to analyze women's empowerment. The high WPI reflects a positive indication of gender equity in decision-making.

The questions capture the role of woman in core household decision, and the list of questions are as follows:

1. The person who usually decides on respondent's health care
2. The person who usually decides on large household purchases

3. The person who usually decides on visits to family or relatives
4. The person who usually decides what to do with money husband earns
5. The person who usually decides how to spend the respondent's earnings
6. The person earns more in the household

There are four alternative answers for the first to fifth questions: (1) respondent only; (2) jointly, respondents and husbands; (3) husband only; and (4) others. Meanwhile, four alternative answers for the sixth question are (1) more than the husband; (2) less than the husband; (3) same as the husband; and (4) others.

The questions are provided to capture how influential the beneficiaries are when it comes to household decisions, and each question is then converted into binary. First, the question is given a score of 1 if the woman actively participates in household decision-making, either alone or with a partner. Meanwhile, if the household decision is actively determined only by the partner or someone else, it is given 0. After that, the value of each question is added up. Then, the value is divided into four categories as follows:

1. No Participation; women beneficiaries do not participate in household decision-making.
2. Low Participation (the score between 1-2); women beneficiaries are less involved in household decision-making.
3. Moderate Participation (the score between 3-4); women beneficiaries have sufficient household decision-making involvement.
4. High Participation (the score between 5-6); women beneficiaries are highly involved in household decision making.

This chapter also looks at the differences in indexes between West Java, East Java, and business categories. This chapter will help better understand how the decision-making made by women beneficiaries affected their household decision. The contribution and role of women/wives in household decision-making represent empowerment in the household.

4.1 Women Decision Making

Women's participation in household decision-making is examined using the same sample of 180 women beneficiaries from the Women Entrepreneurship Funding Program in West Java and East Java.

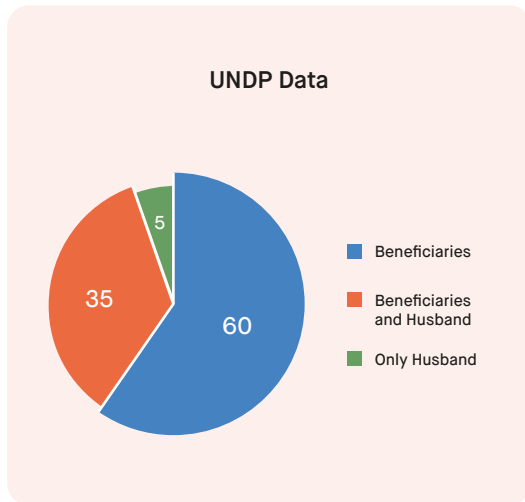


Figure 32. The Person Who Usually Decides on Respondents' Health Care

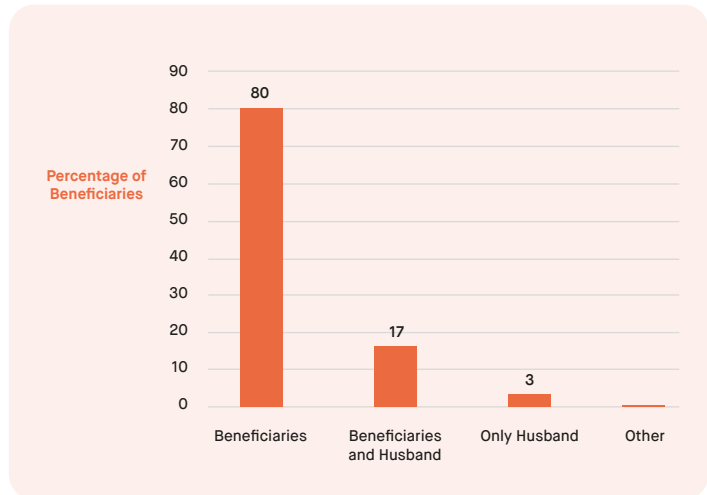


Figure 33. Decision on Large Household Purchases

Improving the beneficiaries' health and overall well-being is one of the Women Entrepreneurship Funding Program's primary goals. Figure 32 compares women's decisions in determining healthcare. The figure above shows that most beneficiaries are more responsible for determining their families' healthcare (60%), while others (35%) decide together with their husbands. Aside from healthcare, household purchases are also one of the crucial household decisions that women should partake. Figure 33 shows the comparison of women's decisions in determining large household purchases. The results show that most beneficiaries (80%) are responsible for their families' household purchases, while a small fraction of beneficiaries (17%) still decide with their husbands. These two fundamental household decisions are important to ensure that women make decisions for the necessities of their lives, thus providing them with greater opportunities to make other big decisions in their family or household.

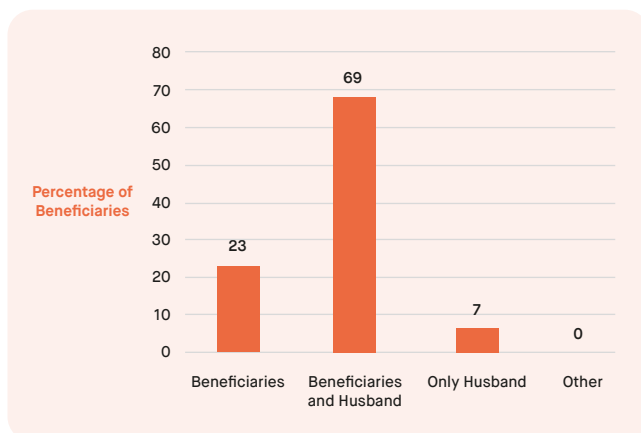


Figure 34. Decision on Family/Relatives Visits

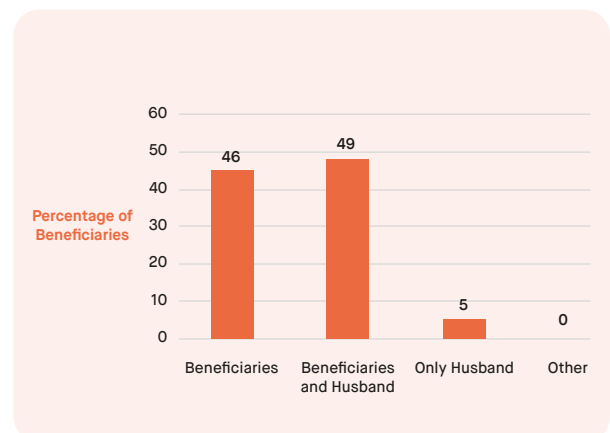


Figure 35. The Person Who Decides How to Spend Husband's Income

Deciding when to visit family or relatives is a fundamental decision that captures women's independence to maintain their relationship with their original family. Figure 34 shows the comparison of the wife's decision to visit family and relatives. The majority of beneficiaries (69%) decide together with their husbands, while 23% could decide independently.

Often, women do not partake in the household's economic decisions, so it is important to ensure that they are more aware of financial management's importance. Figure 36 shows the comparison of how the household decides to spend husband income. Most wives contribute to their husbands' income decision-making, either by themselves or together by their husbands. Figure 37 shows the comparison of the wife's decision to use their income. Most beneficiaries decide to use their income independently (72%), while 26% still have discussions with their husbands.

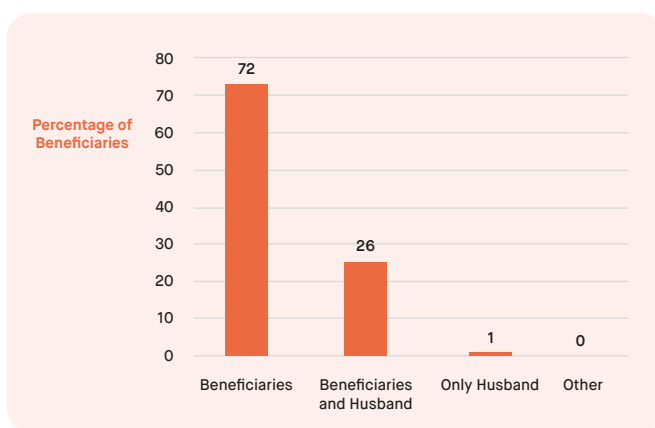


Figure 36. The Person Who Usually Decides How to Spend Wife's Earnings

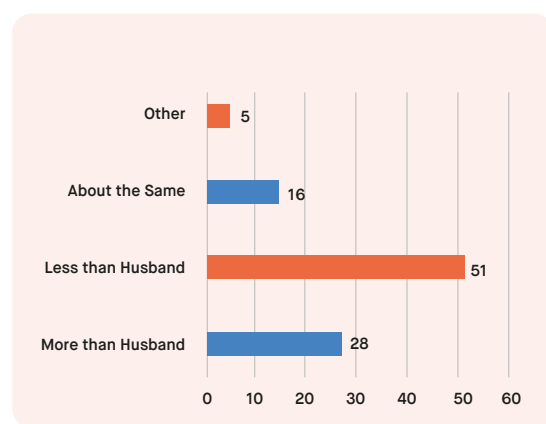


Figure 37. Beneficiaries Who Earn More Than the Spouse

The person in the household with more income

In addition to the five questions above, there is one other question like the question in IDHS: "Beneficiaries earn more than husbands/spouse?". The answer to this question is (1) more than the husband, (2) less than the husband, (3) the same as the husband, and (4) others. As shown in Figure 41, 28% of women who are the Women Entrepreneur Funding Program's beneficiaries earn more than their husbands, while the rest have less (51%) or the same income (16%) as their spouse. It indicates that women beneficiaries can be economically independent regardless of their husband's income.

WPI from women's groups that received Women Entrepreneur Funding Program could be seen in the chart below.

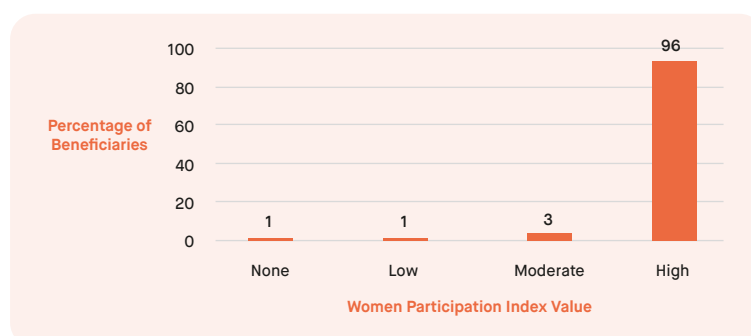


Figure 38. Women Participation Index

Beneficiaries of the Women Entrepreneur Funding Program have a high participation index. There are 96% of the beneficiaries have a high participation index. It means that most women beneficiaries are proactively making household decisions, either by themselves or together with their husbands. The WPI reflects women's empowerment, and from the figure, it is evident that Women Entrepreneurship Funding Programs have a positive association with women's empowerment.

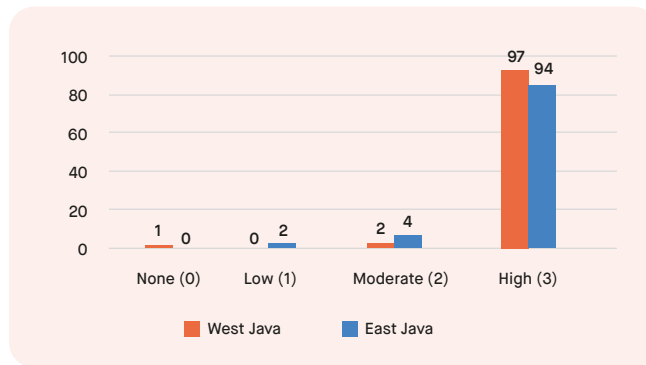


Figure 39. WPI by Province

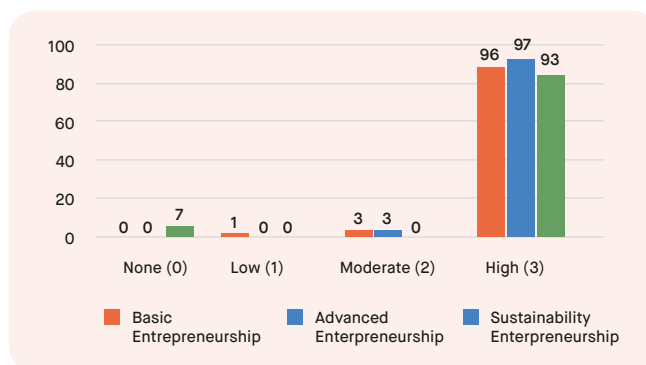


Figure 40. WPI by Business Categories

There were 59 beneficiaries from East Java and 121 beneficiaries from West Java. The WPI of both provinces could be seen in Figure 39, and it shows that women beneficiaries in both provinces participated highly in their families' decision-making. Women in both provinces are also dominant in household decision-making for both self-made decisions and partner decisions.

The possible difference of WPI based on business category is also assessed. As explained in the previous chapter, Rumah Zakat (RZ) has three business categories: Basic, Advanced, and Sustainable Entrepreneurship. It is found that the WPI is high in all three business categories. There are no differences in WPI level between business categories.

The background features a stylized illustration in a light yellow color. It depicts two hands, one above and one below, with their fingers slightly curled as if holding a heart. The heart is positioned in the center between the two hands. The entire illustration is rendered in a simple, rounded, line-art style.

Chapter 5

**Collaborative Model:
Zakat Institutions
and Government
Stakeholders**

The local government has the task and function of succeeding the national and regional mission of poverty alleviation (Nasution, 2016; Rahayu, 2015). It provides various services for the community, such as community welfare, social services, women's empowerment, and family planning. The Government also initiates the social protection program, the Family Hope Program (*Program Keluarga Harapan/PKH*). However, PKH coverage is insufficient for all poor-society Indonesia (Zakiah, Lestari, and Putra, 2020). When the government

social protection programs could not cover all rightful low-income households as beneficiaries, the local governments need support from zakat institutions by including those families as zakat beneficiaries. Therefore, zakat funds play a significant role in supporting the Government's poverty alleviation programs. This chapter draws the empowerment model from the Village Empowerment program (*Desa Berdaya*) by Rumah Zakat (RZ), which might provide the best example in utilizing zakat for social protection and empowering women.

5.1 Lessons Learned from *Desa Berdaya*

There are regulations governing zakat management in Indonesia in Law No. 23/2011. As described by the law, *Badan Amil Zakat Nasional* (BAZNAS) is an institution formed by the Government to manage zakat nationally. BAZNAS is domiciled in the capital city of the country, province, and district/city. The law also allows other zakat institutions to solve poverty problems through zakat. RZ is a philanthropic non-governmental zakat institution managing zakat, alms, and other social funds to support its community empowerment programs. One of RZ's flagship programs is *Desa Berdaya*, where RZ volunteers (*Relawan Inspirasi*) assist many women beneficiaries in expanding their business and making contributions to the family.

BAZNAS, as a component of the government's zakat fund management, actively cooperates with the Local Government. While Law No. 23/2011 stated BAZNAS' responsibility towards zakat collection at the national level, in carrying out its duties and functions in various regions in Indonesia, there are also provincial BAZNAS and city/district BAZNAS which could form its zakat collection units to government agencies, state-owned enterprises, and regional-owned enterprises. Therefore, if there are community-based zakat institutions in the regions, these institutions coordinate with BAZNAS at the district/city level, following the local government regulations instead of Law No. 23/2011.

Both RZ and BAZNAS are members of Forum Zakat, the association of zakat institutions in Indonesia. Forum Zakat does not perform the function to collect and distribute the zakat fund. On the other hand, it enhances zakat institutions' capacity by providing essential capacity-building and network intensifying programs. Therefore, zakat institutions would have adequate standardization and competence to manage zakat funds. Forum Zakat also holds meetings with zakat institutions to exchange information about the zakat progress and distribution and conducts zakat distribution mapping. On several occasions, Forum Zakat also helps zakat institutions during the implementation of their programs. During the COVID-19 pandemic, Forum Zakat assists zakat institutions in identifying and targeting the *mustahik* to avoid overlap during the distribution program.

Furthermore, Forum Zakat shares information as well as its resources with zakat institutions. When a natural disaster occurs, zakat institutions play an essential function to fulfill the victims' needs by coordinating their proficiency and expertise with other zakat institutions. Therefore, zakat institutions could offer housing, medical

treatment, and educational facilities. The coordination and synergy between the Forum Zakat, zakat institutions, and BAZNAS have been carried out on several occasions, mainly during the preparation of the zakat distribution program. They focused more on mapping the zakat distribution area and determining specific assessment methods for targeted beneficiaries. As a result, zakat funds can be appropriately distributed to the community.

As a part of social activities, zakat institutions need to coordinate their distribution program with the Local Government social office at the city/district level. The main authority is to lower the poverty rate in the regions. Zakat institutions can employ low-income household data provided by the office and conduct an independent survey to obtain the respectable *mustahik*. When the zakat distribution program is implemented in a certain village, the coordination is also carried out by institutions with the village representative (RW/RT), who maintains better and up-to-date information about the low-income households in the certain area.

Figure 41 summarizes the implementation of the *Desa Berdaya* program and its relationship with stakeholders of RZ, BAZNAS, Forum Zakat, Local Government.

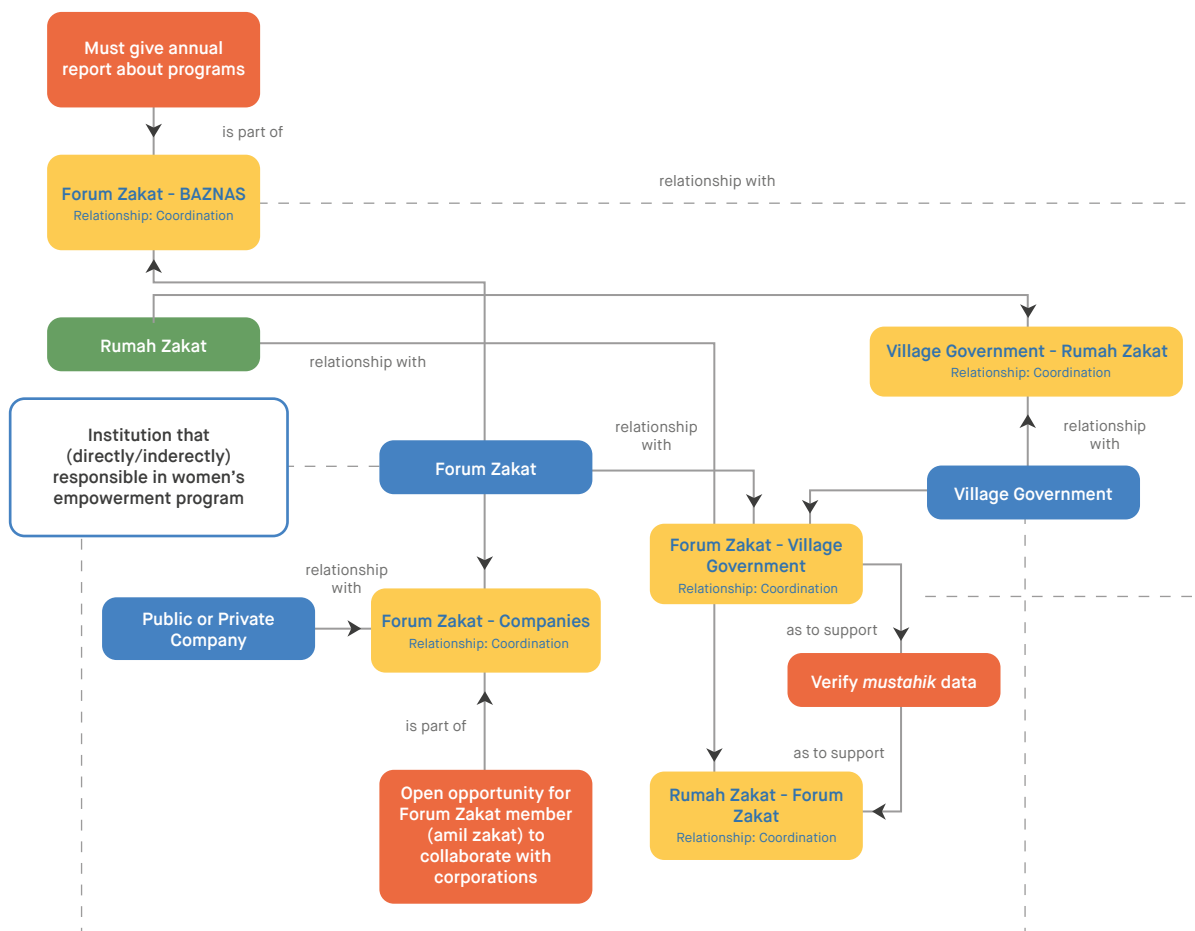


Figure 41. The Implementation of *Desa Berdaya* Program and its Relationship with Other Parties

The figure above provides information as follows:

- The green box indicates RZ as an institution that implements women's empowerment programs. The blue box indicates other institutions related to RZ, either directly or indirectly. Those institutions include Forum Zakat, BAZNAS, local governments, private and state-owned companies.
- The yellow box explains the coordination among institutions to make women's empowerment programs thriving, and it appears in different forms of coordination as explained by the orange box. The coordination among institutions is summarized as follows:

- RZ must provide an annual report on the progress of their zakat programs, including the women's empowerment program to Forum Zakat and BAZNAS.
- Forum Zakat provides opportunities for its member or national zakat institutions (*Lembaga Amil Zakat/LAZ*) to organize a cooperative program with private/state companies that enable zakat institutions to enhance their zakat distribution programs.
- The distribution of government social protection programs and zakat programs in each region must be granted approval from local governments. Local governments often invite zakat institutions to exercise the zakat distribution program in their city/district. The local government usually involves village representatives, RW, RT, or other community leaders. In practice, the village representative often supports the zakat institution in collecting data on eligible beneficiaries for the zakat program. While local government representatives also provide data on low-income families to zakat institutions, the institutions need to ensure that no beneficiaries will receive double assistance from the zakat program. Therefore, the local government often collaborates with Forum Zakat in carrying out social mapping, including village potentials and resources of the local community.
- Forum Zakat realizes the lack of updated data on zakat recipients causes a less efficient zakat distribution program. Therefore, RZ, Forum Zakat, and local government representatives collaborate to collect the data on low-income families and are classified into three groups: 1) those who have not received both the government social protection and zakat distribution program, 2) those who are currently receiving the benefit, and 3) those who have received the benefit.

When it comes to implementing social protection programs, local governments have a different approach which also applies to Women Entrepreneurship Funding Program. West Java, represented by Kabupaten Bandung Barat and Kabupaten Bandung, shows different coordination types between zakat institutions and related agencies at the local government level. In the Bandung Regency area, the women's empowerment program agencies are the Social Services Agency and the Office of Women's Empowerment, Child Protection and Community Empowerment (*Dinas Pemberdayaan Perempuan, Perlindungan Anak dan Pemberdayaan Masyarakat/DP3APM*). Meanwhile, the poverty alleviation issues are under the People Welfare Bureau (*Kesra, Kesejahteraan Masyarakat*) of the Secretariat of Local Government. The Social Services Agency in Kabupaten Bandung has the task of coordinating and responsibility for the policy and implementation of the zakat for empowerment program, together with BAZNAS. Whereas in Kabupaten Bandung Barat, the Social Service Agency actively coordinates with zakat institutions and is supported by Memorandum of Understanding for poverty alleviation. In Kota Malang, social protection programs are implemented by the People Welfare Bureau, whereas Kesra directly coordinates zakat distribution for women's empowerment.

5.2. Problems in the Current Practice

Although the zakat for women's empowerment program offers many benefits for the beneficiaries, a number of issues remain. Some beneficiaries are still not moving towards sustainable entrepreneurship, and there has not been a full acceleration of business development. Moreover, the number of *Relawan Inspirasi* relative to the number of beneficiaries is often not proportional that it causes the assistance program is not too optimal. On the administrative side, the issues usually involve the non-existence of data integration between zakat institutions and beneficiaries entitled to receive zakat assistance. While the beneficiary identity number has not been recorded, there are possibilities that the beneficiary could receive double zakat assistance from different zakat institutions.

Furthermore, the zakat for women's empowerment program has no specific indicators to define the program's effectiveness. Indicators are needed to declare the program's success. Another challenge is involved with the commitment and consistency of the beneficiaries as participants in the assistance program. The specific programs designed to target women are limited because women are not generally obliged to the family economy from a cultural perspective.

Box Story 6

Qualitative
Findings



The Success of Zakat Program and the Targeted Beneficiaries Indicators

Aef Saepudin, *Relawan Inspirasi* from West Bandung, explained that selecting potential beneficiaries was based on three indicators: 1) beneficiary status is included in the eight *asnaf*; 2) already have a business, either a new pioneer or one that has been running for a long time; 3) recommendation from RT/RW. If these three indicators are included, potential beneficiaries will certainly receive program assistance. Besides, the status of women/households who receive government social protection programs influences *Relawan Inspirasi*'s decision to determine beneficiaries. Usually, for people who have received government social assistance (such as *Program Keluarga Harapan/PKH*), this is not a priority, but if they still need assistance, they will still be considered and selected as beneficiaries. Diah Mesti, one of *Relawan Inspirasi* from East Java, explained that the selection of beneficiaries was based on village representative suggestions. Village representatives' recommendation is important because they know better which household with economic concern.

Zakat institutions need to emphasize the importance of valid data on low-income households to distribute the zakat fund to mustahik effectively. As *Rumah Zakat* representative for zakat program distribution, the role of *Relawan Inspirasi* is also very crucial. *Rumah Zakat* selects *Relawan Inspirasi* and accommodates them with sufficient training. Furthermore, *Relawan Inspirasi* might be stationed in a village close to beneficiaries with a provided accommodation or near their home village. In determining Zakat for Women Entrepreneurship Funding beneficiaries, *Relawan Inspirasi* will have to coordinate with local government officials at the village level (Lurah, RT, RW). The coordination minimizes the incorrect selection of beneficiaries.

Rumah Zakat is also essential in supporting *Relawan Inspirasi* by maintaining coordination with government agencies, such as Social Service Office (*Dinas Sosial*), and continuously giving training. The number of beneficiaries assisted by the zakat program should be proportional to the number of *Relawan Inspirasi* to optimize the monitoring and assistance process.



Chapter 6

Conclusion and Policy

Recommendation

6.1 Conclusion

The Women Entrepreneurship Funding Program in Village Empowerment Program (*Desa Berdaya*) by Rumah Zakat (RZ) aims to empower women beneficiaries from low-income households. The program aims to accelerate and support government social protection programs effectively. The Women Entrepreneurship Funding Program is intended to encourage women's empowerment and increase women's capacity in the long term by improving their quality of life, entrepreneurial skills, and women's role in household decision-making. The assistance programs provided by RZ cover the economic aspect, education, health, and environment. Sources of funds for the program come from donations and sadaqah, and some are in corporate social responsibility (CSR). In addition, RZ provides capital assistance for businesses and sustainable entrepreneurship training. The findings show that the program positively contributes to women beneficiaries and their family well-being. The improvement of women beneficiaries' entrepreneurial skills could further create new job opportunities. Moreover, this program also contributes to better education for women beneficiaries' children.

Based on this research, micro and small enterprises (MSEs) that receive both Government Social Protection Program and Women Entrepreneurship Funding Program are more likely to increase their profit by 0,202% than others who do not receive. Region-wise, MSEs from East Java are also more likely to have 0,170% higher profit than MSEs in West Java. The frequency of receiving zakat funding has a statistically significant association with profit growth. MSEs that frequently receive disbursement are more likely to increase their profit by 0,034%.

Rumah Zakat helped beneficiaries mitigate the impacts of COVID-19 by implementing health protocols, provision of sanitary kits, and food security programs. RZ's Volunteers (*Relawan Inspirasi*) also helped beneficiaries withstand the effects of COVID-19 by providing various technical assistance, like entrepreneurship training. Women entrepreneurs are now able to sell their products online using their mobile phones. The findings indicate that 74,44% of women entrepreneurs use their phones, and 56% use social media for business purposes.

MSEs also show positive results from the program in terms of employment opportunities. The study signifies that 86,67% of 180 MSEs do not reduce the number of paid workers, while 11,12% reported an increase in paid workers by 1, 2, or 6.

Those improvements above had helped women beneficiaries to partake in major household decisions. This research finds that 96% of the 180 respondents have a high Women Participation Index (WPI). It means that most women in this study have taken responsibility for major household decisions such as healthcare and large household purchases strongly related to women's empowerment.

The program was conducted by RZ's volunteers (*Relawan Inspirasi*), who received training from RZ. The Women Entrepreneurship Funding Program supports the government program to increase the number of poverty graduation by providing non-cash assistance programs to improve the entrepreneurship skills as well as soft skills of all beneficiaries, such as (i) training to support the production; (ii) product promotion training with social media; (iii) regular meeting among beneficiaries; (iv) public speaking and character-building training; (v) education program for beneficiary families; (vi) health service and health awareness programs; and (vii) mentoring, an informal meeting provided by *Relawan Inspirasi* to all beneficiaries in the same community.

This research finds some important innovative distribution and assistance patterns on Women Entrepreneurship Funding Program. *Relawan Inspirasi* plays a critical role in the success of the *Desa Berdaya* program, mainly because they must prove their strong commitment, together with beneficiaries, to achieve the beneficiary's independence. *Relawan Inspirasi* also provides training and mentoring to women beneficiaries, in addition to business assistance. Furthermore, *Relawan Inspirasi* must have the proper capability and soft skills to assist and facilitate women beneficiaries during mentoring program in *Desa Berdaya* Program.

Relawan Inspirasi plays an important part in the funding program, in line with the research. As a result, more than 50% of beneficiaries experienced an increase in their business

profit on any technical assistance frequency. On top of that, more than 50% of beneficiaries also reported a rise in profit on any amount of funding. This result shows that the frequency of technical assistance by RI and the amount of funding are appropriate and effective.

Zakat institution also considers the importance of social mapping on village potential and resources to design the zakat distribution program that effectively improves beneficiaries' welfare and empowerment. However, there are challenges when distributing the zakat fund—for example, the issue related to providing valid and updated data on the targeted beneficiaries. Therefore, an intensive provision for *Relawan Inspirasi* by zakat institutions is needed to assist in implementing the program based on village and community potential. The success

of the zakat program relies on accurate data on targeted beneficiaries that are suitable as zakat receivers. Hence, coordination with local governments becomes essential. The coordination among *amil zakat* also becomes a priority because data integration on zakat beneficiaries among *amil zakat* is currently unavailable. Therefore, it creates possibilities for beneficiaries to receive double assistance.

The local governments also provide positive feedback because the zakat program further supports some beneficiaries who have received government social protection and are still in the category to receive zakat. For example, during the COVID-19 pandemic, further assistance was given to beneficiaries affected by the pandemic by providing necessities and distribution for supplies to support health protocols.

6.2 Policy Recommendation

The approach to the *Desa Berdaya* program is very specific because it mainly focuses on two aspects: social protection for low-income households and women's empowerment. Through its Women Entrepreneurship Funding Program, *Relawan Inspirasi* assists MSEs operated by women beneficiaries with certain conditions and various resources, thus making it essential for them to assess beneficiaries' needs correctly. Hence, the assistance provided by RZ is appropriate. Furthermore, this person-to-person approach makes the RZ program able to carry out more impactful empowerment programs. A similar approach could be used in other social protection programs managed by the Government and zakat institutions to provide more effective and impactful programs, especially women's empowerment.

Providing cash transfers has a positive impact on the beneficiaries' economic condition, but it is not a long-term solution. In this case, the sustainability of non-cash assistance, technical assistance, is more appropriate to ensure that the beneficiaries are using their resource to their maximum potential, effectively increasing their economic ability in the long term. Cash transfers should also be utilized accordingly to make sure its effectiveness.

The involvement of volunteers to provide non-cash assistance becomes prominent in the implementation of the empowerment program. One of the volunteers' programs is business context training (formal) and mentoring (informal). Nevertheless, several assistance programs seemed less effective due to the many beneficiaries that need to be assisted by zakat volunteers. Zakat institutions need to increase the number of volunteers to provide non-cash assistance to achieve the ideal ratio with beneficiaries to increase the assistance program's effectiveness. Zakat institutions should also provide volunteers with continuous training, including entrepreneurial skills, to improve their ability to assist beneficiaries and explore new business opportunities for themselves.

RZ, via its *Relawan Inspirasi* and its collaboration with the Local Government's village representative, is very important in selecting the targeted beneficiaries. These collaborations can be further expanded not only in the selection process but also in monitoring and evaluation. It is important to make sure there are no overlapping zakat programs in the same area. Zakat institutions can also coordinate with the Local Government regarding resource mapping, zakat funds distribution, and beneficiaries' assistance.

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