

The Strategy of Indonesian Islamic Philanthropy Institutions in Recovering the Economic Crisis During Covid-19 Pandemic

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ABSTRACT: *The rapid spread of COVID-19 which is still ongoing in Indonesia had a profound impact on the community's lives. This pandemic does not only affect the public health but also the economic sector, as indicated by layoffs; increase in the price of goods, scarcity of goods produced, decrease in purchasing power, and food crisis. Moreover, the rise of layoffs and the decline in people's purchasing power, especially, lead to a sluggish and unstable economic activity. This makes Indonesia which has Muslims as the majority population, adopt philanthropic instruments as one of the solutions during and post-Covid-19 catastrophic, and the collection and distribution of ZIS (Zakat, Infaq, and Shadaqah) by Islamic philanthropic institutions are believed to be a strong stabilizer for economic empowerment during and post the pandemic. This study uses a qualitative approach to analyse the strategies and contributions made by NU Care-LAZISNU and LAZISMU through literature review and interviews. Furthermore, Nu Care-LAZISNU comprises Amil Zakat, Infaq, and Shadaqah of Nahdlatul Ulama while the LAZISMU consists of Amil Zakat, Infaq, and Shadaqah of Muhammadiyah. During the COVID-19 pandemic, NU Care-LAZISNU and LAZISMU have conducted their duties and functions as institutions to collect ZIS funds and distribute them to mustahik with the right to improve people's living standards, both Islamic philanthropic institutions have helped in serving primary measures in minimizing the economic crisis like protecting the poor and vulnerable, delivering health education, providing psychological consultation, and supporting the covid-19 vaccination. For Nahdlatul ulama and Muhammadiyah, the large members of the organization involving grassroots to the top-national levels and reputable philanthropic institutions were their added-values and strengths in their performing those activities.*

KEY WORD: *Covid-19 Pandemic, Economic Crisis, Islamic Philanthropy*

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I. INTRODUCTION AND LITERATURE REVIEW

The coronavirus, which initially emerged in Wuhan City, China, at the end of 2019, has spread to over 180 nations and affected millions of people worldwide. As a result, authorities worldwide are implementing policies to reduce the impact of the spread. These include closing schools, workplaces, tourist sites, and worship places, as well as limiting large gatherings called "Great Lockdown," as adopted by the Indonesian government (Puspitasari Gobel, 2020).

The existence of restrictions on community activities, specifically in the economy, and the rapid spread of COVID-19 profoundly impacted the community's lives. This pandemic affected the public health and economic sector (Hudaefi & Beik, 2020), causing an increase in the price of goods, a scarcity of goods produced (Ivanov, 2020), a decrease in purchasing power, and a food crisis (Othman et al., 2020). The rise of layoffs and the decline in people's purchasing power lead to a sluggish and unstable economic activity. Therefore, the Central Statistics Agency report stated that the people's per-capita income decreased by 2.53%, from IDR 11.3 in 2019 to IDR 11.01 in 2020. This is in line with the World Bank Country Classifications report by Income Level: 2021-2022. Furthermore, Indonesia experienced an increase in poverty during the COVID-19 pandemic (Suryahadi et al., 2020).

As one of the countries with more than 80% Muslim population, Indonesia has a large potential for *zakat*, *infaq*, and alms (*shadaqah*) (ZIS) (Cahyadi, 2019). The trend of collecting ZIS based on reports from the National Amil Zakat Agency (BAZNAS) proves that the people have high awareness and empathy to help others (BAZNAS, 2021). Public interest in donating through digital platforms grew during the pandemic, supporting this claim (Hanafi, 2020). Based on the Charities Aid Foundation report in the 2021 World Giving Index, Indonesia has been named the most generous country in helping foreigners, donating to charities, and volunteering in an organization (cnnindonesia.com, 2021).

Studies showed that Islamic social finance mechanisms such as ZIS can reduce poverty rates following

the COVID-19 pandemic (Karmanto et al., 2021) and act as significant stabilizers (Haji-othman et al., 2020). These instruments can promote people to invest their wealth, which will boost the level of production and productivity of the community (Ninglasari & Muhammad, 2021; Saad & Farouk, 2019). Good management and distribution of ZIS by *zakat* institutions will increase the income and welfare of *mustahik* during and after the pandemic (Islam & Khan, 2021).

Zakat institutions active in intensifying the collection and distribution of ZIS are based on Islamic community organizations, such as NU Care-LAZISNU and Muhammadiyah *Amil Zakat, Infaq*, and Alms Institution (LAZISMU), which are under Nahdlatul Ulama (NU) and Muhammadiyah, respectively. These Islamic organizations have many members (ummah) and are spread in Indonesia and beyond. Therefore, the wide distribution allows these two organizations to optimize the collection and management of ZIS funds.

During the pandemic, NU Care-LAZISNU and LAZISMU held many programs to help overcome various social problems, specifically the national economy, which focused on poverty. They act as bridges for *muzakki* in the form of institutions, organizations, individuals, and other agencies to channel their *zakat* funds directly or through digital payments. Furthermore, they received awards from BAZNAS during the pandemic. NU Care-LAZISNU received the 2022 BAZNAS Award as the National Amil Zakat Institution (BAZNAS) in the largest service network (Mubarok, 2022). Meanwhile, LAZISMU received the 2022 BAZNAS Award as BAZNAS in the Best COVID-19 Response Program (Doddy, 2022).

This study examines the strategies carried out by NU Care-LAZISNU and LAZISMU to minimize the impact of COVID-19 on the lives of Indonesian people, specifically in economic problems through programs held during the pandemic, as the role of *zakat* institutions in carrying out their duties and functions under goals, vision, and mission.

1.2 Research Objectives

The objective of the research is to identify and explore the strategies carried out by NU Care-LAZISNU and LAZISMU to minimize the impact of COVID-19 on the lives of Indonesian people, specifically in economic problems through programs held during the pandemic, as the role of *zakat* institutions in carrying out their duties and functions under goals, vision, and mission.

1.3 Research Methodology and Data Analysis

The Library Research approach was used, which is a technique of collecting data through the documentation by reviewing or exploring several journals, books, and documents (both printed and electronic) as well as other sources of data and information deemed relevant (Puspitasari Gobel, 2020).

1.4 Findings and Interpretation

1. Terminology of *Zakat, Infaq*, and Alms (ZIS)

Zakat is divided into *fitrah* and property (*mal*) (Sareye & Othman, 2017). *Zakat fitrah* is paid by a Muslim in the month of Ramadhan (Satrio & Siswanto, 2016), while *zakat mal* is imposed on the wealth of people who have reached the haul and *nishab* with a rate of 2.5% (Aji et al., 2021). *Zakat* is related to the divine and the human dimensions. It describes the human relationship as mutual assistance to others built with values. It is a builder of humanity and a source of socio-economic funds for Muslims (Asnaini, 2017; Manurung, 2014). Furthermore, *infaq* and alms are gifts from a Muslim to those entitled to receive them with sincere intentions and hoping for the pleasure of Allah SWT. At the same time, the law of alms is *sunnah* (Sangid, 2008).

ZIS instruments are potential sources that can support national development, specifically in improving people's welfare and income, when they are collected and managed by an organized *zakat* management institution (Solikin & Syamsudin, 1967). Moreover, according to the BAZNAS report in *Zakat in Time of COVID-19 Pandemic: Evidence from World Zakat Forum*, *zakat* is one of the potential solutions offered to reduce socio-economic problems (BAZNAS, 2020).

Management of ZIS funds has been conducted since the entry of Islam by individuals and certain groups or agencies. However, most scholars in the world and Indonesia agree that the government should carry out *zakat* management to increase the effectiveness of the collection and allocation of targeted funds. Therefore, social justice can be created to alleviate poverty through equitable distribution of wealth to the poor (Qorib, 2020).

2. NU Care-LAZISNU strategy in collecting and managing *zakat, infaq*, and alms during the COVID-19 pandemic

NU Care-LAZISNU is a rebranding of LAZISNU to create awareness to the global community that it is an NU philanthropic institution. It was established in 2004 to help the community, according to the mandate of

the 31st NU congress at the Haji Donohudan Dormitory, Boyolali, Central Java. Legally, it was confirmed by the Decree of the Minister of Religion Number 65/2005 to collect ZIS for the wider community.

NU Care-LAZISNU is a non-profit organization belonging to the NU association which aims to help the welfare and independence of the people; elevating social dignity by utilizing *Zakat, Infaq*, Alms (ZIS), and other socio-religious funds (DSKL), promoting the growth of public awareness to issue ZIS regularly as well as manage and distribute them transparently. It functions as a vehicle for serving the people in collecting, managing, and utilizing ZIS.

During the pandemic, this institution was actively involved in forming and handling issues in the NU Cares COVID-19 Task Force Team. The programs aim to help the affected poor and orphans. The response focuses on public health, such as supporting the holding of free vaccination programs, free medical treatment, providing free ambulances, distributing aid to residents undergoing self-isolation, free oxygen cylinder services, and socio-religious, educational, and economic programs for the community. The programs that NU Care-LAZISNU has implemented as a contribution to restoring the economy during and post COVID-19 are:

a. Cooperating with institutions to strengthen the community's economy

One of the programs implemented in responding to the economic crisis is collaborating with the Telkomsel Taqwa Assembly in empowering MSMEs in the form of business capital at several points on the island of Java (Sasongko, 2021). Then NU Care-LAZISNU provided business capital assistance to 21 MSME owners in Karawang affected by COVID-19 in IDR 1 million for each actor (NU Karawang.or.id). Furthermore, it has also distributed assistance in fertilizers and compensation to 30 tobacco farming families affected in Demak and many other programs.

b. Intensifying the collection of *zakat, infaq*, and alms funds offline and online.

The method of collecting *zakat* funds consists of Direct and Indirect Fundraising. Direct fundraising attracts the direct involvement of donors such as the Zakat Pick-up Service, Personal ZIS, Direct Mail, and the LAZISNU KOIN Movement. The NU KOIN Movement program is carried out by distributing wooden and glass boxes to every stall, such as kiosks, restaurants, and inns around the Regency/City Area. The mobilization results are periodically announced to residents and used to support community activities. This movement continues to increase annually, where in 2019 and 2020, it managed to record funds of IDR 3 billion and IDR 5 billion. Meanwhile, indirect fundraising is a method with techniques that do not involve the direct participation of donors, such as image campaigns, event organizers, establishing relationships through references, mediation of figures, and others (Sitompul & Harahap, 2022).

c. Digitalization of Fundraising

At the beginning of 2020, NU Care-LAZISNU collaborated with Bukalapak to hold a campaign and educate the public on accelerating the payment of *zakat fitrah* and *infaq* at the beginning of Ramadhan 1441 H according to the government's recommendation. Therefore, *mustahik* receives *zakat* assistance more quickly while introducing the public to the Bukazakat feature on Bukalapak marketplace to pay ZIS online easily.

To facilitate fundraising, LAZISNU holds many donation campaigns with various categories such as humanitarian, education, health, and socio-religious through the official website and collaborated with various digital wallets to make payments easier for the community. This continues to be intensified to provide convenience and relief for prospective donors to donate with clear *mustahik* information and a minimum nominal value of IDR 10,000. It also holds campaigns in collaboration with kitabisa.com to provide capital assistance to farmers in Demak.

3. LAZISMU strategy in collecting and managing *zakat, infaq*, and alms during the COVID-19 pandemic

LAZISMU is a national-level *zakat* institution dedicated to community empowerment through the productive utilization of *zakat, infaq, waqf*, and other generous funds from individuals, institutions, and companies. It was founded by PP Muhammadiyah in 2002 and confirmed by the Minister of Religion as BASZNAS in November 2002.

LAZISMU stands for the fact that Indonesia is shrouded in poverty, ignorance, a very low human development index, and the belief that *zakat* can contribute to promoting social justice and eradicating poverty. One of the visions and missions is to optimize the utilization of ZIS, which is creative, innovative, and productive. Programs that have been carried out to restore the economy during the pandemic are:

a. Collaborating with agencies to hold social programs to strengthen the community's economy

LAZISMU collaborated with PT PLN to inaugurate electricity in five villages in Kotabaru Regency, South Kalimantan. As part of the community-based Laying Chicken Light Business Group's economic program in Banjarbaru City's Gunung Kupang Village, it also worked with YBM PLN to distribute IDR 30 million in financial assistance. In Banjarmasin, three MSME empowerment programs benefit fried food sellers, traditional cake merchants, and tire mending enterprises. The assistance provided was cash for additional

capital and basic materials such as flour, cooking oil, sugar, and tire patching equipment. A region's economy will be revived with the support of LAZISNU's additional business capital because the MSME sector is the heart of the community that has been most impacted.

b. Conducting community health empowerment programs

This is the LAZISNU program which focuses on fulfilling the rights of *mustahik* to obtain a quality life through health services or programs, such as the Healthy Empowered Village program, which integrates Health and the Economic Pillars. The benefits of the integration impact public health, the environment, and the community's economy. An empowered village is the foundation from which a healthy community and environment may be built, leading to economic empowerment. For example, Nyalindung Hamlet, Bogor, is a village where most people lack proper bathing, washing, and latrine (MCK) facilities. It has poor sanitation, reduced access to education, and water supplies are extremely restricted. The assistance provided was in the form of a nutrition package program for toddlers, assistance for integrated service post medical equipment, Bedah Warung and business capital, Back to Mosques, and Sanitation for the Community (SAUM). LAZISNU also supports free vaccination activities in the form of supplements for residents in self-isolation and holds free health checks for the community.

c. Digitalization of fundraising

LAZISNU cooperates with PCS Indonesia as a strategic partner in developing the cashless movement launched by the government. Digitizing ZIS payments can make the provision of services to donors easier. It has also implemented a payment channel with QRIS to support others through OVO, GoPay, and Link Aja, making it easier for donors. Campaigns for digitalization of fundraising are also continuously intensified through the internet, one of which is on the official LAZISNU website.

IV. Conclusion and Suggestion

During the COVID-19 pandemic, NU Care-LAZISNU and LAZISNU have conducted their duties and functions as institutions to collect ZIS funds and distribute them to *mustahik* with the right to improve people's living standards. In addition, they collaborate with various institutions or agencies to build community social initiatives and then strengthen digital fundraising to increase the number of donors by using digital payment. Community health empowerment is important for these institutions because a healthy community and environment will create an empowered economy.

The large distribution of NU Care-LAZISNU and LAZISNU members can be a potential to raise ZIS funds easily. However, the structural coordination path is too long from the central board to the branch level. The lack of understanding of the members, specifically the villagers, on using the digital collection of philanthropic funds are considerable challenges these two institutions face. Therefore, in intensifying the digitization of fundraising and ZIS payments, all institutional administrators need to understand and have practiced this beforehand to easily educate the public on online participation, specifically in remote areas of Indonesia.

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