

Designing an Integrated Zakat and Waqf to Empowering Fishery Sector

Azizah Fathma¹, Firdan Thoriq Faza²

Universitas Gadjah Mada¹, Lembaga Perekonomian Nahdlatul Ulama (LPNU) Jawa Tengah²
Azizahfath12@gmail.com¹, Firdanhoriq98@gmail.com²

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Abstract

Accessing funding from traditional financial institutions is often challenging for traditional fishermen in Indonesia, despite the country being a significant hub for fishery commodities. Therefore, an alternative funding scheme for fishermen is necessary, apart from relying solely on conventional financial institutions. This study's objective is to propose an integrated and innovative model for the fishery commodity sector, involving the National Zakat Agency (BAZNAS), and to address the associated risks. The author utilized a conceptual approach and conducted a thorough literature review by examining high-quality articles. To validate the literature analysis, qualitative research was employed to support the research objectives. The suggested model is Integrated waqf and zakat, which involves intermediary agents responsible for technical field functions. This scheme combines various Islamic social funds for *ta'awun* or long-term purposes. Furthermore, this paper aims to foster innovation and inclusivity of social financial products through the collaborative efforts of sharia parties in the fishery commodity ecosystem.

Keywords: *Integrated Financing Model, Fishery Commodity Sector, Zakat, and Waqf*

INTRODUCTION

The role of the fisheries sector in supporting food security and the national economy is significant, especially for an archipelagic nation like Indonesia. In 2022, Indonesia is projected to have the second largest number of fishermen, with approximately 90% being classified as small-scale fishing businesses based on socio-economic and technical attributes (Sari et al., 2021). In 2014, there were about six million small-scale fisheries in Indonesia, consisting of fishermen and fish farmers. Additionally, estimates from 2016 indicated that approximately 960,000 households were engaged in fishing and over 1.5 million households were involved in aquaculture (Stacey et al., 2021). Small-scale fisheries play a crucial role in improving people's welfare and

livelihoods. According to Bene (2016), they contribute around half of the global fish supply and employ about 90% of the world's fishermen from developing countries, participating in various aspects of the fisheries supply chain such as harvesting, processing, and marketing.

Despite the commercialization of the fisheries sector in Indonesia, its progress has not been entirely reliable in enhancing the national economy, as indicated by evidence so far (Parsaulian et al., 2023). Small-scale fisheries in developing countries often encounter challenges such as ineffective fisheries management, diminishing fisheries resources, and competition with large-scale commercial fisheries (Sari et al., 2021). Small-scale fishers also face additional challenges, including unstable income, lack of health insurance and social

security (Ariando & Arunotai, 2022). Moreover, they encounter difficulties due to insufficient skills and knowledge, inadequate access to infrastructure, limited market access, and conflicts of interest throughout the value chain (Jacquet & Pauly, 2008; Wiranthi et al., 2024). In national and global fisheries policies, small-scale fishers are frequently marginalized, their working conditions are unfavorable, and their contributions are underreported. Furthermore, the prices they receive for their produce do not align with the prices paid by consumers, leading to poverty and food insecurity (Wiranthi et al., 2024).

Islamic finance, with its distinctiveness, equity, and effectiveness in its tools, has the potential to be an alternative solution in addressing this issue. Islamic microfinance institutions can extend their reach to grassroots economic activities, such as coastal areas, and assist small-scale fishermen in enhancing their quality of life (Alam et al., 2021). This is because Islamic microfinance institutions play a role in providing capital, infrastructure, or fishing equipment, as well as offering training for fishermen. In accordance with Stacey (2021), who indicated that empowerment programs for small-scale fishermen can succeed when collaborating with local NGOs and linking fishermen to markets where they can sell their products. The partnership between fishermen and Islamic financial institutions will benefit the fishermen. Islamic social financial institutions uphold a profit-loss sharing principle, which entails not only sharing profits with fishermen but also sharing their risks. Some financial tools that can be leveraged are zakat and waqf. Joan (2019) suggested that zakat can serve as a means for fishermen to obtain credit assistance by using productive zakat as credit collateral. Through productive zakat, fishermen can enhance their productivity and optimize their production in the fisheries sector. Salim (2024) also formulated a

comprehensive model in the agricultural field by integrating zakat funds and CSR to empower farmer groups. The findings of Wahyuni (2021) study indicate that cash waqf instruments can also contribute to improving the welfare of fishermen through life and health insurance programs.

Given the advantages of social funds in the form of zakat and waqf, this approach is deemed suitable for empowering small-scale fishermen residing in coastal areas. The presence of Islamic financial institutions will connect muzaki and small-scale fishermen in need of funds to develop their businesses with the accumulated social funds. The implementation of zakat waqf integration in empowering small-scale fishermen is anticipated to serve as a solution for enhancing the standard of living of fishermen.

LITERATURE REVIEW

Zakat and Waqf in Fishery Sector

The potential utilization of national zakat collection is significant. According to Firdaus (2012), the potential for national zakat could reach IDR 217 trillion, which was 3.4% of the GDP in 2010. Meanwhile, Wibisono (2015) estimated the potential zakat can reach IDR 106.6 trillion, equivalent to 1.7% of the 2010 GDP. BAZNAS (2020) estimated the potential for zakat to reach IDR 233.84 trillion. Saripudin (2020) stated that the potential for household zakat nationally reaches IDR 82.7 trillion, which is 1.3% of the total GDP. Additionally, the potential for industrial zakat reaches IDR 114.89 trillion, with IDR 22 trillion from the processing industry, and BUMN zakat reaches IDR 2.4 trillion. Moreover, the potential for zakat savings reaches IDR 17 trillion. The objective of Islamic social finance through zakat, waqf, and alms instruments is to distribute wealth fairly and evenly, ensuring it benefits the wider community and helps alleviate poverty

among vulnerable groups such as fishermen and farmers (Riwanto, 2017). As mentioned in Surah At-Taubah: 60 in the Al-Quran, *"Indeed, zakat is only for the poor; the poor, the amil zakat, those whose hearts are softened (converts), to (free) slaves, to (free) people who are in debt, for the way of Allah and for people who are on the way (who need help), as an obligation from Allah. Allah is All-Knowing and All-Wise."*

Zakat and waqf organizations play an important role in providing funding for small-scale fishermen. Waqf institutions serve social and commercial purposes by providing endowment funds for continuous use and engaging in productive activities, such as managing waqf land and cash waqf (Effendi & Maulida, 2021). Meanwhile, zakat institutions aim to facilitate short-term social activities and promote the transformation of zakat recipients (mustahiq) into donors (muzaaki), empowering farmers and fishermen to be more independent (Husman & Sakti, 2021; Maisaroh & Herianingrum, 2020).

Empowering Fishery Sector

The study will further explore the concept of empowerment within the small-scale fisheries sector, which falls under the broader category of agriculture. According to Indonesian statistical data in 2020, the agricultural sub-sectors include food crops (rice and secondary crops), horticultural crops, plantations (plantation crops), livestock, forestry (forestry cultivation, wild plant/animal breeding, forest product collection, and wildlife capture), fisheries (aquaculture and fishing), agricultural services, and hunting. Around 100 million people at the bottom of the Indonesian economic pyramid work in agriculture (Ministry of Agriculture, 2018).

Empowerment means developing and improving through various engagements and education (Irawan & Tanzil, 2020). Institutions focused on zakat

and waqf express a vested interest in empowerment programs, aiming to achieve financial self-sufficiency. Alam (2021) identified several opportunities for innovative empowerment programs targeting the impoverished, utilizing products aligned with Islamic principles to enhance overall welfare. The challenges faced by fishermen have become increasingly intricate and multifaceted, particularly in relation to seasonal dependency and debt. Their economic circumstances are deteriorating due to inadequate support from social institutions. Wantah (2017) noted that fishermen currently lack proficiency in managing fish products, nurturing an entrepreneurial mindset, and achieving financial independence. Through the empowerment model, it is anticipated that these issues within the fishing community can be addressed.

Previous Studies

The low distribution of zakat and waqf funds is still a challenge in various Islamic financial institutions, especially in the fisheries sector. In fact, zakat and waqf funds have great potential to improve the welfare of small-scale fishermen groups. Several experts have proposed a model that integrates zakat and waqf in supporting empowerment in the fisheries sector. Joan (2019) offers a literature model in the field of Islamic microfinance and zakat to create a conceptual model. The results they offer a feasible alternative model to overcome the problem of credit distribution by integrating credit distribution strategies between financial institutions and zakat institutions through zakat funds and kafalah contracts. Ridwan (2019) investigated the model of utilizing ziswaf funds through Baznas to empower coastal communities using four modes, namely the consumptive model, creative consumptive, traditional productive and creative production. The results of this study explain the importance of building a mentoring team to implement

empowerment programs as well as the importance of strategic planning and effective resource allocation in improving the socio-economic conditions of coastal communities through zakat funds.

Next studies come from Kurnia & Safitri (2020) proposed a zakat distribution model for fishermen. This model emphasizes productive zakat distribution, which aims to increase fishermen's income. This is achieved through various means, including improving fishermen's technological capabilities, increasing access to capital for fishing equipment, and improving skills in pond management. The zakat distribution model collaborates with Islamic microfinance institutions which aims to create synergy, facilitate better financial access for fishermen and ensure that zakat funds are used effectively. Sukmana (2020) proposed an implementation model between waqf and technology so that waqf who are not reachable to donate their money can still channel waqf funds to small-scale fishermen. Waqf funds are collected through a digital platform and in collaboration with BMT institutions, so that waqf funds can be distributed to fishermen groups and are able to increase financial independence for fishermen. In addition, Nurhab et al. (2021) tried to offer an alternative in empowering in the fisheries sector through a mentoring program by Islamic Micro Finance (IMF). The results of the study indicate that IMF through the utilization of Islamic social funds can be used to establish MSMEs to create added value in producing fish-based products, compared to selling raw fish.

Last but not least, Mutmainah (2022) with a conceptual approach proposed a cash waqf and blue sukuk model that aims to create synergy between various stakeholders, including the government, waqf institutions, and stakeholders in the marine area. One of the goals of the collaboration between various parties is to empower fishermen by providing funding and capital assistance,

so that they can improve their livelihoods and promote sustainable fishing practices. In line with this, Aisyah (2023) proposed a productive waqf empowerment model by developing facilities and infrastructure to support community economic activities. The results of this model are that with structured supervision from waqf institutions, the empowerment program is able to contribute to community welfare.

RESEARCH METHOD

Data Sources

This study uses secondary data collected from scientific journals from various Scopus-indexed databases such as Springer, Emerald, and Science Direct, as well as regular scientific journals. In addition, data is taken from books and reports from official authorities. Information-formation collected from the above institutions is useful for providing in-depth analysis in accordance with the provisions applicable to scientific studies.

Data Analysis

This study uses a literature review analysis approach. Literature research involves examining and using written materials to analyze historical and contemporary texts, drawing from a variety of sources such as personal archives and online documents, including scientific journals, books, and reports. The systematic literature review of this study is based on a formal, straightforward and reproducible method of selecting and evaluating research contributions. This paper follows the steps recommended by Hart (2001) to conduct a literature review analysis:

- Searching for information references;
- Finding related articles;
- Finding item reviews.

The last step of ranking publications is carried out depending on their content. This paper attempts to find similarities between research papers during the review process. During the analysis, procedural

- b) Supervise the production process and types of fish commodities caught based on product quality including size, shape, and freshness of the fish.
 - c) Ensure the estimated number of fish catches produced and the due date for delivery of the catch according to the predetermined agreement.
- 5) When the fishing season has started, the fishermen send the ordered commodities to the market according to the initial contract that has been promised in the form of a time limit, type, quantity, and quality of the order.
 - 6) After receiving and having the commodities according to the order, the commodity orderer can continue or resell them in the traditional market or other market trader segments. In addition, it can also be sold to donors at a price agreed upon.
 - 7) At this stage, it is expected that the sales results obtained can provide maximum profit so that the fishermen who receive the benefits can return their capital and sufficient income to save. Fishermen are expected to be independent so that they can become muzakki.

Risk Mitigation Mechanism in the Integrated Zakat and Waqf Linked Fishery-Sector (IZWF) Scheme Funding Risk

The benefits obtained must be commensurate with the risks borne and it is undeniable that risk is inherent in every funding. This concept shows that zakat in Islam must be adhered to as an effort to create wealth distribution. Therefore, the position of BAZNAS as a zakat distribution institution is linked to the purpose of ta'awun or an attitude of mutual assistance to the community. In addition, fishing equipment from waqf must also be managed properly so that its procurement is optimal. In this case, there are two approaches to how BAZNAS in the process of distributing its funds reduces financial risk:

- 1) BAZNAS employs agents who act as intermediaries/representatives who are responsible for proposing, monitoring, and evaluating fishermen who will receive business funding.
- 2) Agents are also involved in the commodity production process from the selection of fishing equipment and fishing groups to ensuring the quality and quantity of commodities during the catch period. The goal is to reduce the risk of production failure and the results can be continued to be sold in the market and make a profit.

In fact, funding a business using waqf is already an advantage in itself in terms of sustainability. The author suggests that the purpose of waqf in the form of fishing and shipping equipment is used to protect the value of the goods so that it creates a good relationship between the two parties. As we know, the purpose of ta'awun is to help each other so that it is hoped that both parties will strengthen their sense of brotherhood.

Price Fluctuation Risk

Price fluctuations are very likely to occur because commodity prices can differ between the time of ordering and the time of delivery of goods. At the time of delivery and delivery of commodities during the fishing period, the market price may be higher than that agreed at the beginning of the contract, so that fishermen will benefit because they can sell commodities at a price higher than the contract price. Conversely, if what happens is that the market price is lower than the contract price, then fishermen will experience a relative loss because the price of the commodity to be resold will fall.

In cases where the position of fishermen or the party ordering fish commodities experiences a relative loss, it can be overcome by mitigating the risk through the preparation of Islamic social reserves. BAZNAS can set aside a little Islamic social funds that will be received by fishermen for reserves in dealing with

market risks caused by price fluctuations. However, the model described above if applied by individuals requires high discipline, and is difficult to do independently. So here there is a role for a group or union, namely through fundraising which can be managed by the trade union or stakeholders in it. So if one of its members experiences obstacles due to unexpected things such as price fluctuations or urgent personal financial needs such as health and education, then the cash can help in paying off the loan installments and this is a protection for the parties involved.

CONCLUSION

IZWF is a sharia financial model that integrates waqf and zakat for the purpose of ta'awun or mutual assistance aimed at BAZNAS to overcome financing problems in the fisheries commodity business sector. In one integrated scheme, the scheme used is an Islamic social fund product to overcome capital limitations for traditional fishermen and to provide fishermen with access to down payment funding. In terms of mitigating risks related to the proposed model, the scheme designed to solve the problem is through maximizing the use of intermediary agents. Agents are employed to go into the field to supervise and evaluate fishermen until the commodity production process and also in market risks such as price fluctuations. In the worst case, If fishermen suffer losses and are unable to meet their production targets as stipulated, it is advisable to choose potential customers who belong to a group or trade union, as they can serve as third-party guarantors.

This model is expected to be a bridge to expand the scope of sharia finance in the fisheries sector. However, the study's scope is restricted due to a tight deadline, which has prevented the opportunity to gather information through comprehensive interviews with professionals and scholars. In addition, further research can attach a report on the results of the utilization of

this product by BAZNAS which is distributed to the business funding sector. It should also be re-evaluated whether BAZNAS may only receive and distribute zakat and alms. While integrating into waqf assets will be more maximal in empowering the community. This is worth considering for implementation as an innovation model that integrates all stakeholders in the ecosystem for mutual progress. Thus, further research can collect the data to strengthen and enrich the analysis.

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