

THE ROLE OF ZISWAF IN ENSURING THE RESILIENCE OF MSMEs DURING THE COVID-19 PANDEMIC IN INDONESIA

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Abstract: *The study aims to identify the contribution of ZISWAF to the availability of capital, management, and marketing of MSMEs' products. This study also looks at the development and role of ZISWAF and MSMEs during the COVID-19 pandemic in Indonesia. Indeed, the COVID-19 pandemic has affected the economic condition due to the implementation of large-scale social restrictions. This study used a qualitative approach with the library method. This study used secondary data taken from relevant research results, books, articles, and scientific works. The result showed that ZISWAF contributed to ensuring the resilience of MSMEs through their diverse financial and giveaway programs.*

Keywords: *ZISWAF, MSMEs, Islamic Social Finance*

INTRODUCTION

Referring to WHO data, the global number of COVID-19 cases has reached 504,571,336 cases and 6,198,460 deaths since its discovery in China from November 17th, 2019 to April 10th, 2022. The government of Indonesia has taken various policies such as lockdown and social distancing policies to stop the spread of the virus. Indeed, the implementation of these policies has affected many aspects of life, especially the economic sector so many MSMEs need to change their strategies such as reducing their production (Bahtiar, 2021). This also disturbs supply chains, income, and credit flows (Fernandes, 2020).

The rapid transmission of the virus due to the high mobility and connectivity of the global value chain affects Indonesian's economic sector. The Ministry of Finance has predicted that national

economic growth will decline by 0.4% in the worst scenario (Azwar, 2020).

MSMEs or micro, small and medium enterprises are mostly affected by this pandemic (Detik Finance Team, 2021). MSMEs are one of the leading sectors in the Indonesian economy with their large absorption of labor (Abidin, 2015). The COVID-19 pandemic becomes the main cause for the closure of the MSMEs as the government implements the lockdown and social distancing policies. Thus, a total of 3.5 million, or 5.4% of MSMEs were out of business in March 2021. Meanwhile, a survey showed that 19% of MSMEs had gone bankrupt in August 2021 (Natalia, 2021).

Another impact of the COVID-19 pandemic is significant increases in poverty and unemployment rates (Juliar, 2022). Statistics Indonesia (BPS) reported that the number of poor

people significantly increased from 24,780,000 people to 26.5 million in September 2021 (Central Statistics Agency, 2022). The Ministry of Manpower also reported that the number of layoffs had reached 538,305 people since the beginning of the pandemic until August 2021 (Ministry of Manpower, 2020).

Based on the explanation above, what are the solutions to help MSMEs to get through this critical time? Indonesia is dominated by Muslims and is one of the most generous nations with many social actions and donations to help the needy.

Therefore, this generosity attitude should be managed properly. Due to high generosity and the majority of the population being Muslim, Indonesia is predicted to have a high amount of *Zakat, Infaq, Sadaqah*, and *Waqf* (ZISWAF). ZISWAF is a worship that is not only an obligation of Muslims to Allah but also to fellow human beings. Even ZISWAF has been mentioned many times in the Qur'an where people are required to use some of their wealth to help fellow human beings and God denounces people who collect and accumulate their wealth without thinking about helping others.

Fundraising or charities by fundraising media can help survive during a pandemic. In Islam, charities are the pioneers to direct the funding and collection of ZISWAF to eligible beneficiaries. Based on the previous explanation, the study aims to identify the role of ZISWAF in helping MSMEs facing economic pressures during the COVID-19 pandemic and ZISWAF optimization in helping MSMEs affected by the COVID-19 pandemic.

THEORETICAL BACKGROUND

1. Definition of ZISWAF

ZISWAF stands for *zakat, infaq, sadaqah*, and *waqf*. ZISWAF is intended to maintain the common good, harmony, and balance at all levels of society. It is expected that there will be no divider between the rich and the poor. The first component of ZISWAF is *zakat*.

Referring to Law Number 23 of 2011 concerning Zakat Management Article 1 (2), *zakat* is an obligation of a Muslim or business entity to donate a certain proportion of wealth to eligible beneficiaries according to Islamic law. Based on the linguistic perspective, *zakat* is holy, a blessing, growing, and commendable. In terms of *fiqh*, *zakat* is a certain proportion of wealth to be donated to the eligible beneficiaries as mentioned by Yusuf Al-Qardawi in his book in 1998. Meanwhile, in terms of terminology, *zakat* means donating a certain proportion of wealth that has met the *nisab* (a minimum amount that a Muslim has before being obliged to *zakat*) to eligible beneficiaries (in one of the books of Wahbah al-Zuhaili, 1989: 730 and Abdurrahman al-Jazairi, 2003: 536).

Thesecond is *infaq* and *sadaqah*. The *sadaqah* which comes from the word *Shadaqa* means 'right'. It means justification or proof of a person's faith in Allah and His Messenger in the form of material sacrifices. *Sadaqah* also means giving something to others in need without expecting anything in return other than a reward from Allah. Meanwhile, *infaq* is quite similar to *sadaqah* which is donating something for the sake of something. The difference is, *infaq* is usually only related to material forms, while *sadaqah* can be

non-material things such as dhikr, providing a living for the family, preventing oneself from immoral acts, and smiling at fellow Muslims.

The third is *waqf* which means holding back, stopping, or staying at a place. In terms of language, the word *waqf* means to prevent or restrain. In terms of Tajweed in reading the Qur'an, *waqf* is a stop sign. Similarly, in one of the pilgrimage activities, namely *wuquf*, precisely on the 9th of Dzulhijjah, which means staying in Arafah. In Islamic economic activities, *waqf* means holding back the ownership of the *waqf* object so that they are not inherited, sold, donated, pawned, rented, loaned, or others. *Waqf* is utilized according to the will of the giver without any reward.

2. MSMEs in Indonesia

Covid-19 has seriously affected the global economic sector, including in Indonesia. This pandemic has caused layoffs resulting in lower income due to the restrictions or limitations of social activities.

When the COVID-19 pandemic affected almost all aspects of life and stopped economic activity, MSMEs become the supporting factors for the Indonesian economy. MSMEs contributed 60% of Indonesia's GDP during the pandemic. Indonesia has diverse MSMEs which significantly absorb workforce resulting in a lower unemployment rate. The types of MSMEs in Indonesia cover:

a) Culinary

Culinary is a popular type of business as it is and is needed every day. Everyone can build a culinary business as cooking or making drinks is a necessity for each individual. However, it is not

easy to make innovations to differ the products from others in order to maintain the sustainability of the business. Nowadays, food delivery services are popular among the community so offering various foods and beverages as well as promos to consumers is important.

b) Education

Education becomes the main capital for the young generation. Education is a place for the young generation to develop and be able to compete in the professional world. Everyone has the right to get an education, both formally and informally. Many branches of education have not been explored. Indeed, formal education at school is not enough to survive in the real world.

c) Fashion

Besides culinary, fashion or clothing business is popular in Indonesia. People need clothes for daily wear, travel, work, worship, and other activities. Moreover, the generation is interested in the field of clothing in order to become a fashionable person. A person can run a fashion business without having to be proficient in sewing as many entrepreneurs in the fashion industry open reseller or drop shipper services that make it easier to open a fashion business.

d) Agriculture

Indonesia is known as an agricultural country with large and fertile agricultural land. Almost all plants can grow on Indonesian soil. Therefore, many entrepreneurs are interested in the agricultural sector as it is one of the essential sectors. From the beginning of the pandemic to the present, the

agricultural sector has not experienced a decline as everyone needs agricultural products to meet their daily needs. If there is no large area for agriculture, in this modern era farmers can use a hydroponic system. Hydroponics is a method of cultivating plants using water as planting media. This method is suitable for urban areas with limited available land.

e) Automotive

Automotive is one of the progressing sectors due to the development of technology including two-wheeled to four-wheeled vehicles as a mode of transportation that supports people's mobility. Some of the businesses in this automotive sector are selling spare parts, car/motorcycle wash services, and garage shops. All these businesses are widely needed by the community to maintain their vehicles in good and optimal condition. As Indonesia has wet and dry seasons, vehicles can easily get dirty, opening a car/motorcycle wash business is a potential business.

3. ZISWAF Distribution in Indonesia

Zakat distribution is an activity to regulate the distribution of zakat fund to *mustahik* and *muzakki* in accordance with the functions and management. The distribution system has changed following the times. In the past, zakat was distributed focusing on consumptive activities only. Recently, it focuses on productive activities. The distribution of zakat funds aims to achieve the vision of creating a capable society both in the economic and non-economic sectors (Fikri and Anwar, 2022).

The distribution and management of zakat funds in Indonesia cover two types, namely consumptive and productive distributions. Zakat funds that have been collected are then distributed in four forms, namely:

- a) Traditional consumptive, zakat given to *mustahik* in order to fulfill their daily needs such as the distribution of rice and money during *zakat fitrah*. This traditional consumptive system is a short-term program to address a few problems.
- b) Creative consumptive, zakat given to *mustahik* in the form of consumptive items to help people in need in order to alleviate social and economic problems, for example, providing scholarships to underprivileged students, providing agricultural equipment assistance to farmers or cart assistance for small traders.
- c) Conventional productive, given in the form of goods, work tools, animals, or sewing machines to support the economic activities of those in need.
- d) Creative productive, given in the form of business capital or social projects for developing business to be more advanced in the future. Meanwhile, the funds used for social projects can be used for the construction of schools, health facilities, and places of worship.

METHODOLOGY

This study used qualitative methods with library research techniques. Qualitative methods are the results of processed data with analysis

of relevant factors to research targets with detailed data to address the target of discussion (Prabowo & Heriyanto, 2013). This study used secondary data obtained from library research including relevant research results, books, articles, and scientific works. This study used library research as data sources can be obtained from archives, books, journals, scientific works, or other literature. Data were analyzed descriptively.

In collecting the secondary, the researcher screened journals and articles with good reputations and accreditation. This analysis covered some stages (Narayan & Phan, 2019) and Pimada (2021). First, in the initial stage, researchers identified journals from trusted databases such as Google Scholar and Portal Garuda. In the second stage, the researcher looked for related papers, journals, or research articles using keywords. The keywords covered "The Role of Ziswaf", "MSMEs", and "Covid-19 Pandemic". In the third stage, the researcher made categorizations from conceptual, case studies, reviews, related papers, and others. Then, the results were correlated with the previous studies. In the last stage, the researcher filtered the selected journals, papers, or articles with the oldest publications in 2017. This study used 13 references as materials for discussion.

RESULT AND DISCUSSION

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CLOSING

The COVID-19 pandemic has affected all aspects of life including the economic sector. In Indonesia, MSMEs have experienced an increased in their number and contribution to GDP in 2019, but due to this pandemic has reduced income and many MSMEs have gone bankrupt due unable to survive the pandemic. ZISWAF becomes

one of the solutions for MSMEs to survive and develop. ZISWAF helps MSMEs with both financial support and other assistance such as in the fields of management, HR, and marketing of MSME products to face the pandemic. Based on the results of the discussion, it can be concluded that:

- a) The optimal use of ZISWAF funds can help the MSMEs to obtain capital in the form of interest-free loans for maintaining the business.
- b) The interest-free loan program helps MSMEs to be free from moneylenders and usury.
- c) The ZISWAF funds can help MSMEs to rise up after experiencing a crisis during this pandemic.
- d) *Mustahik* will not only get loan funds from ZISWAF but also guidance to run the business to be free from moneylenders and usury by monitoring the turnover and costs of the business.

Mustahik will get some assistance from various parties in encouraging the marketing of its products such as from MUI which provides halal certificates for MSME products as well as assistance from the industry office to meet the standard quality.

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