

The Synergy Concept of Corporate Zakat and The Corporate Social Responsibility Program to Enhance Salt Farmer Welfare

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Abstract. *Zakat* (alms-giving) is a religious obligatory for Moslem. However, the existence of *zakat* is still debatable. Some scholars interpret the obligatory of corporate *zakat* due to zakat for business income. By applying socio legal research method, this research found that less companies including Islamic financial institution or state enterprises allocate the corporate zakat fund. They concentrate more in Corporate Social Responsibility (CSR) than company *zakat*. The samplings are the management bodies of zakat in Surabaya. They collect mostly individual zakat and hardly ever receive the corporate zakat. On the other hand, they often conduct the collaborating program with the company to distribute CSR funds. Therefore, it appears the idea to synergize the concept of corporate *zakat* and the CSR to avoid double burdens. The payment of *zakat* reduces the expense of CSR. Corporate zakat funds are distributed for needy and the rest can be used for environmental repairing.

Keywords: Corporate Zakat, Corporate Social Responsibility, Welfare.

1 Introduction

Poverty is the main classic problem in every state in the world. Therefore, government plans the structure program to overcome the problem of poverty. The purposes of the program are to reduce the number of poverty and to achieve welfare community. In fact, the grade of welfare influences the position of particular country in the world. The status of welfare determines the status of countries whether they categorize as poor country, developing country or developed country. Therefore, government must give special attention to the target of the achievement of community welfare. Community welfare determines as the first national target written in the *preamble* (introduction) of *Undang-undang Dasar Negara Republik Indonesia Tahun 1945* (1945 Republic of Indonesian Constitution), alley four. On the other word, 1945 Indonesian Constitution entrusts Indonesian government to arrange the program of community welfare.[1] As the result, the country development must focus on the effort of reducing the number of poverty.

The success of the reducing poverty not only depends on the reducing poverty not only depends on the government program but also must be supported by the will of the community to struggle on reducing the poorness, the participation of society, optimizing of the similar vision regulation. One of the regulations which has similar vision on poverty reduction is Law Number 23/2011 on Management of *Zakat*. The management *Zakat* issued for optimizing the collecting and distribution *zakat* as well as their transparency.[2] The regulation on *zakat* (almsgiving) was conducted after economic crisis 1998. Economic crisis 1998 took the history of the development of the legitimacy of Islamic Economy law in Indonesia, especially Islamic banking. Besides developing Islamic banking, Indonesian government also had willingness to strengthen the fundamental of economy based on the Islamic principle by the instrument of *zakat* (almsgiving). *Zakat* (almsgiving) is the instrument of income distribution. Every Moslem should share his 2.5% from his income for the charity to fulfill the obligation of *zakat maal* (property almsgiving). The charity is distributed to the need person and for public purpose. Unfortunately, the awareness of fulfillment of the obligation of *zakat maal* (property almsgiving) is still less numerous compared to the majority demography of Indonesia is Moslem. The scope of *zakat* (almsgiving) is actually not only for individual but also including the business corporation. The potency of *zakat* (almsgiving) in business corporation is surely greater than individual. The payment of corporation *zakat* (almsgiving) may cover the great number of need. Unfortunately, this potency has not yet been accelerated. Actually, the funding resource from company for social need may be based on the obligation of Corporate Social Responsibility (CSR) and *zakat perusahaan* (corporate almsgiving).

Corporate Social Responsibility (CSR) is the social responsibility of the company to the stake holder. The legitimacy of CSR is based on *Undang-undang Republik Indonesia Nomer 40 Tahun 2007 Tentang Perseroan Terbatas* (Law Number 40/2007 on Limited Company), section 74. It means that all limited companies in Indonesia must share their income for social and environmental need.[3] The income sharing is the social responsibility of the company toward the environmental impact or social cost of the operation of the company. Meanwhile, Corporation *Zakat* (corporate almsgiving) is a distribution income for social charity based on Islamic Law. Therefore, the object of corporate *zakat* (corporate almsgiving) may not be all corporation but limited to the government corporation, Islamic banking, Islamic financial corporation. However, corporate *zakat* (corporate charity) is not only restricted to the limited company but also other business company such as firm, joint venture business (CV), trade service and individual company. It means that the concept of CSR and corporate charity actually have identical vision to the society. The two concepts should be synergized to create the concept of community development

1 Literature Review

2.1 Legal Review of *Zakat* (Almsgiving)

Zakat is an Arabic word wherein its etymology comes from the word *zaka*. *Zaka* means growth, increase, purity. *Fiqh* terminology states that *zakat* is the Islamic Law obligation to distribute the specific number of particular property into the proper person. The distribution will be meaningfully used by others and increased by Allah. *Zakat* is usually distributed for reducing poverty. Therefore, it has social impact to create the increasing material and spiritual mentality both for the person who pays *zakat* and the person who receives *zakat*. [4]

The spiritual mentality can be developed for the person who pays *zakat* because they accomplish the third pillar of Islam. The spiritual and material mentality for the person who receives *zakat* is to build mental to be independent in material living cost. The officer of Baitul

Maal Hidayatullah reported that this institution succeeded transforming the receiver of *zakat* into the *zakat* payer.[5] The obligatory of *zakat* states in Al-Quran Surah At-Taubah verse 34-35, translated as follows:

“O ye who believe. There are indeed many among the priest and anchorites, who in Falsehood devour the substance of men and hinder (them) from the way of Allah. And there are those who bury gold and silver and spend it not in the way of Allah. Announce unto them a most grievous penalty: On the Day when heat will be branded their foreheads, their flanks, their backs. This is the (treasure) which ye buried for yourselves: taste ye, then the (treasure) ye buried.”[6]

The obligatory of *zakat* evenly comes together with the obligatory of *sholat* (praying), for at least 28 times in Quran. The familiar phrase of the compulsion of *sholat* and *zakat* is that *aqimish sholat wa'atuz zakat* (establishing regulat prayer/*sholat* and paying almsgiving). The compulsory of *sholat* and *zakat* together in one verse has a meaning that *sholat* and *zakat* has two different dimension, *hablumminallah* (relationship between human and God) and *hablumminannaas* (relationship between human and human). *Sholat* is the second pillar of Islam and the basic regular praying of Muslim. It developed the spiritual personal dimension and closed relationship between human and God. On the contrary, *zakat* is implementation of human solidarity. When human has close relation with God, they must also create solidarity as Moslem brotherhood. It means that Moslem must have sensitivity to their community, for the poverty and the proper person who need help. As the result, *zakat* has social impact to bound all Muslim as family.[4]

The philosophy of the compulsory of *zakat* is that all property in the world belongs to Allah. Allah supplies human need and wealth. The obligatory of Moslem is to acquire a blessing sustenance, as stated in Quran Surah Jumu'ah verse:10, translated as *“And when the Prayer is finished, then ye may disperse through the land, and seek the bounty of Allah; and celebrate the Praises of Allah often (and without stint); that ye may prosper.”*[6] This verse indicates that Moslem is able to acquire wealth but they must also conduct religious order especially praying. The achievement of wealth is important due to the three aims namely *“self-sufficiency, fulfill the needs of family and helping those who need.”* Based on the the third aim, human being must share their wealth to the other to create equal distribution of wealth.[7]

Equal distribution of wealth shows that Islamic law justifies a particular right of other people (such as poor man, orphan, handicap person, old person) in the sustenance gotten. When the man does not want share his sustenance, it means his wealth is not purity and unblessed by God. On the contrary, person who accomplish on paying *zakat* will receive Allah blessing and Allah will increase his wealth as the spirit of *zakat* as the order of *zakat* in Quran Surah At-Taubah verse 103, translated as, *“Of their goods, takes alms, that so thou mightest purify and sanctify them...”* This verse indicates that *zakat* is the way of Muslim to purify his wealth by giving *zakat* to the proper person. The parties who are eligible to receive *zakat* are stated in Quran Surah At-taubah verse 60, translated as: *“Alms are for the poor and the needy and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah, and for the wayfarer; (thus is it) ordained by Allah, and Allah is full knowledge and wisdom.”*[6]

Based on the verse above, the category of the receiver of *zakat* can be explained as follow:

1. *Faqir* (the poor man) is those who cannot fulfill his basic need (food, clothing, housing) but he can keep it from asking other charity. *Faqir* is also defined as those who has not proper income to fulfill his basic need

2. *Miskin* (the needy) is the one whose income is less than his need. The first and second category has identical character so that they become the priority receiver of *zakat*.
3. *Amil* (the administer of *zakat*) has right to receive *zakat* because they have significant roles to administer *wajib zakat* (the person who categorize as compulsion to pay *zakat*), the type of property becoming the object of *zakat*, the calculation of *zakat*, *mustahik zakat* (the eligible person for receiving *zakat*). Therefore, *amil* has right to receive *zakat* as a reward of his great responsibility.
4. *Muallaf* is the person who converts his religion to Islam. The purpose of giving *zakat* to *muallaf* is to strengthen his faith to Islam and his loyalty to Allah, to prevent from doubt and negative intention, to give benefit for them and to bind solidarity.
5. *Hamba Sahaya* is to buy the freedom of *slaves*. *Zakat* is eligible to buy the freedom of *slaves* especially for those who have intention to convert to Islam, such as Bilal. However, slavery has not yet applicable in modern context. Therefore, modern *ulama* (scholars) interpret slavery extensively as the country which still becomes colony of other country, such as Palestine.
6. *Gharim* is the party who has a numerous debt, note that the debt is for supplying family or basic need (lawful act) not for unlawful act, such as gambling.
7. *Fi-Sabilillah* is for the person or the action in the cause of Allah. *Fi-sabilillah* is the receiver of *zakat* for his struggle to defend and build up Islamic necessity or public development, for the sake of Allah. *Fi-sabilillah* has wide interpretation such as proving public facility for Moslem community such as school, mosque, street and highway.
8. *Ibnu sabil* is "wayfarer who has not enough money in the course of journey to his home." They may receive *zakat* in order to give him opportunity to course his journey to home.[4]

The *mustahik zakat* may receive either *zakat fitrah* or *zakat maal*. The object of *zakat fitrah* has stated above namely primary food but the objects of *zakat maal* (property almsgiving) are kinds of wealth such as gold, silver, animals, livestock, goods of trade and business, crops, personal income, investment (shares/stocks). *Wajib zakat (maal)* is Adult Moslem. However, *wajib zakat maal* has special category namely Moslem who has specific limit number (*nisab*) of wealth and has owned the wealth in specific period must pay *zakat maal*. [4] Based on the category of object *zakat maal*, it can be concluded that *zakat maal* is not only cover personal wealth but also company business such as in the object of goods of trade and business and investment (shares/stocks). Besides, personal income can be widely interpreted as company profit/income. Therefore, *wajib zakat* may not only cover Adult Moslem personally but also the company/corporate that belong to Moslem or corporates which is operated based on Islamic principle (such as Islamic banking or *takaful* insurance company).

2.2 The Concept of Corporate Social Responsibility

Corporate Social Responsibility (hereafter CSR) shows three components of words. Corporate usually refers to business activity. It is also commonly thought as company. Company has management whose the top position is Chief Executive Officer (CEO). CEO is considered as the representation of the company. Social refers to community and stakeholders. Stakeholders involve the related parties who have necessity access to the company. They are shareholders, workers, consumers, competitors, facilitator, government and non-government organization.[8] Responsibility is the state of being responsible. In conclusion, CSR is corporate responsibility (represented by its CEO) to their stakeholder.

Asyraf Wadji Dusuki has opinion that CSR is the action of company donation, (outside profit making, including “*protecting the environment, caring for employees, being ethical in trading, and getting involved in the local community.*” He agrees that CSR is related to the main issues namely “*promoting human rights, community involvement, human resource management, socially responsible investing and social reporting.*” The emergence developing concept of CSR develops regularly due to the necessity of community. It hopefully eradicates the social problem of poverty and reduces the impact of pollutant.[9] Anup Shah has opinion that the main issue of the significant of CSR is environmental impact. It relates to the mainstream of climate change because of the pollutant of operation of the company.[10] Therefore, it may be concluded that the concept of CSR comes up as the impact of the operation of the company.

Global Reporting Initiative (GRI) states that the impact of company operation may be social, economy and environmental. Economic impact can be influenced directly such as the potency of prosperity and indirect consequence such as financial risk and the increasing of investment. The standard to measure economic impacts are. economic performance (share market, financial risk, worker insurance, government subsidy), market presence (standard minimum wage, government policy and worker recruitment). Social impact can be divided into four categories: human right, labor, society and product responsibility. There should be decreasing in discrimination, increasing on the benefit offered by company, participation in public policy and decreasing the corruption risk and consumer protection on the product. Environmental impact refers to biodiversity, energy consumed, emission, effluents and pollutant.[8]

The impact of the operation of company has created the relationship between corporate and society. Classical theory states that social responsibility in business has impact to increase the company profit.[9] Corporate social contract theory considers business and society as equal partner. They have “*a set of right and having reciprocal responsibility.*” It means that there is mutual relationship between company and community. CSR is a strategic tool of achieving economic purposes based on instrumental theory. Legitimacy theory justifies that CSR was born as “*a response to the environmental pressures, involving social, political and economic forces.*”[9] Stakeholder theory paid attention to all stakeholders need and right. Social responsibility figures out the decision making of manager to accomplish company obligation to its stakeholder. In another word, the stakeholder theory relates to good governance. The good governance company gives impact to the good management of social responsibility.

2 Methods

This research was basically socio legal research. It means that this research focused on evaluating the adequacy of existed law and its implementation.[11] Therefore, this research combines the study of documented law in Indonesia particularly Management Zakat Law and Limited Company Law, the norms about charity in The Islamic Holy book of *Qur'an* with the factual of obedience to pay zakat and CSR. It applied purposive sampling with the key informants were the officer of several zakat management bodies of Islamic banking and state enterprises. The data collected through unstructured interviewed and analyzed inductively.

4 Result and Discussion

4.1 Corporate Social Responsibility in Islamic Perspective

Islamic law enhances human being to have blessed effort to fulfill his basic need. The ways of getting Allah blessing of His sustenance is to avoid *riba* (usury) and conduct honesty business. The statement of enhancing business transaction is stated in Al-Quran Surah Al-Baqarah verse 275, translated as "...but Allah hath permitted trade and forbidden usury..."[6] This verse indicates the forbidden practice of getting profit from the activity of *riba* (interest or usury). The application of interest creates burden to the party involved, especially debtor. On the contrary, "Islamic law advises its follower to conduct business activity because trading/business has valuable benefit to improve the economic activity and financial transaction. Business transaction must be conducted do to the ethics namely honesty basic, reasonable profit, good corporate governance and accountability[12].

Recently, trading and business are organized by corporate (company). Company has also bound with the ethics. It has also social and economic responsibility due to the concept of *Tauhid* (Oneness of Allah, the Almighty Creator) . *Tauhid* creates material and spiritual dimension in economic responsibility as well as encouraging justice establishment. Therefore, the existence of *riba* or interest in business is forbidden based on Quran Surah Al-Baqarah verse 275 stated above because it is exploitation and unfair. On the contrary, Islamic law applies on the concept of *al-ihsan* (wellness), by giving aid to the poor, needy, orphan through the instrument of *zakat* [13]

The sensitivity of company to the social problem shows in modern context is called as CSR. The sensitive respond of company through CSR program reflects a company effort to build social justice vice versa the social justice could also be achieved through the practice of CSR. Social justice is indeed promoted in Quran Surah An-Nahl verse 90, translated as, "Allah commands justice, the doing of good, and liberty to kith and kin, and He forbids all shameful deeds, and injustice and rebellion: He instruct you, that you may receive admonition."[6] Suhaila agrees that Islamic Law recommends the practice of business but it must be held based on the ethics, fair way and good manner. Business may get maximum profit but it must also give contribution to society, for instance by charity and providing job offer. She agrees that the concept of CSR is appropriate to Islamic ethical framework, based on the underlying concepts of *tauhid*, *khalifah/leadership* (good governance in leading business concept), the perfect state for human sustenance (*rubbubiyah*), justice and purification (*tazkiyah*).[12] "The action of *tazkiyah* promotes the growth and purification, which is similar to *zakat*." [12] *Tazkiyah* promotes in Quran Surah Al-Baqarah verse 177, "It is not righteousness to turn your faces toward east or west; but righteousness to believe in Allah, And The Last Day, And the Angels, And The Book, And The Massanger; To spend of your substance, Out of love for Him, For your kin, For orphans, For the needy, For the wayfarer, For those who ask, and for the ransom of slaves, to be steadfast in prayer and practice regular charity.." [6]

CSR program may be in form of charity at which it is identical to corporate *zakat*. Besides, it covers the corporate compensation to its stakeholder, consumer, environmental impact and social welfare. Compensation can be reflected in conducting its business based on the ethic of honesty in quality product and reasonable price as stated above, give fair wage, repairing environmental impact, avoid any kind of fraud, as forbidden in Quran Surah Al-Maidah, verse 8, translated as "Oh you who believe. Stand out firmly for Allah, as witnesses ro fair dealing and let not the hatred of others to you make you serve to wrong and depart from justice..." [6] Nik Mustapha Nik Hassan supports that Islamic view on social responsibility business (recently, call as CSR) may be implemented in ethical business practice due to the principle of justice and fairness. By doing ethical business, corporation may enhance its performance, prosperity and accountability and give more benefit to the stakeholder.[13]

Therefore, the purpose of social justice can also be applied through CSR vice versa the social justice also may be achieved due to the implementation of Islamic principle of corporate *zakat*.

4.2 The Synergy of The Implementation of Corporate Social Responsibility and Corporate *Zakat*

The obligatory of CSR in Indonesia stated in Indonesian Limited Company Law. Section 74 of this law explains that limited company whose operation is in the field in/or related to natural resources must perform CSR. Therefore, corporate must also allocate its budget for CSR program. The company whose does not join on CSR program is threatened with government sanction.[3] This law emphasis that CSR program is compulsory in limited company whose operation is related to natural resources. It means that the background of CSR regulation is natural destruction because of company operation, such as in forest industry and mining industry. It means that the issue on climate change, environmental impact as discussed previously has influenced the regulation of CSR in Indonesia. Since the Indonesian Limited Company law was conducted effectively on 2007, the company whose hold its business in Indonesia has allocated its budget to the program of CSR. The company which held CSR program was not only the natural resources empowerment company but also general industry, banking industry and governmental company. Most companies competitively conduct the CSR program and publish it in media due to the view that CSR is industrial own right. It may show good corporate governance, accountability and performance of the company.[9] In another word, CSR program has also became the way of company promotion and built company reputation in public area.

However, the implementations of CSR published in media were mostly in form of social activity (charity), educational care and health care. It is proven the concept that CSR emerges based on the needy of society because the recent main issues in Indonesia are poverty, less facility ion education institution and health service. Although the implementation of CSR program has come up, unfortunately there is no government evaluation toward the appropriate target of CSR program. In fact, the activity of environmental repairing is just sometimes organized as like the mangrove reforestation but CSR program is generally lack on the action of repairing environmental effect. Indeed, the main purpose of CSR is to repair environmental destruction. Besides, Government is also lack controlling to the limited company whose not join the CSR program. The sanction of disobeyed of the law has not yet established.

Despite the lack evaluation of government, the implementation of CSR in Indonesia has blew up. On the contrary, the implementation on corporate *zakat* has not yet cleared because no detail interpretation or Fatwa from Indonesian Council of Ulama. Whereas, Middle East countries, such as Saudi Arabia, has restricted obligation for corporate *zakat* because the number is greater than individual *zakat*. On the contrary, the implementation of CSR in Indonesia varies than the application of *zakat*, at which still personal orientation. Several Islamic banking, such as Bank Muammalat Indonesia (BMI), it has Management of *Zakat* collection but it focuses on individual *zakat*. [14] It published the CSR program but less issue on paying corporate *zakat*. Several state enterprises, such as PT. Semen Indonesia, PT Garam, they also collect *zakat* only from their workers. PT Garam management body of *zakat* argued that no company rule or government regulation enforce for corporate *zakat*. Whereas, the officer of PT Garam admitted that the individual *zakat* cannot cover the need of distribution

income. They said that allocation for CSR fund spread depended on the program, such as education, environmental repairing.

3 Conclusion

Thus, it can be concluded that obstacles of the implementation of corporate zakat were analysed as following:

1. Less clear regulation, fatwa or interpretation on corporate zakat.
2. The regulation of zakat regards to good governance of zakat management not to improve the obedience of zakat, both individual or company.
3. It has no synergized rules on tax, and *zakat* CSR.

CSR has actually similar vision to *zakat* and contains Islamic value as stated before. Therefore, there must be synergy between the regulation of corporate *zakat* and CSR. CSR is mandatory for limited company. Corporate *zakat* covers all business company but it is limited for the company which operated by Islamic principle. The number (nishab) of *zakat* is determined 2.5% thus company whose allocates for instance 10% for CSR budget may be share 2.5% for zakat or the compensation of tax because of the 2.5 % allocation of *zakat*. The obligatory party of Corporate *zakat* is restricted to Company which hold operation based on Islamic principle and/or state enterprises.

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