Zakat, Local Social Organization, and Social Capital in Rural Economic Development

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Abstract
Zakat as a source of development funding encourages well functioning of local organizations and social capital formation. Zakat management conducted by an organization with a set of norms promotes the development of local community organizations' function for the rural economic development activities. A case study was conducted in the Village of Patila, South Sulawesi Province. The community in this village successfully managed the self-supporting development of social and agriculture infrastructures. Data collected were the activities of local organization of the board members of the mosque and educational development foundations, farmer group, and collective stall group. The results showed that a community truth on the mosque and educational development foundations was formed by the social infrastructure development of mosque and schools through the effectiveness of the zakat payment by rules (norms). Both development foundations could function well through the network with villagers who migrate to other island as a potential zakat payer. Strengthening the social development organization supported the development of collective stall and pump farming system. The process of social and economic development in the Village of Patila as well as social capital formation encouraged people to carry out self-support development activities.

Keywords
Zakat, local organization, social capital, rural economic development

The rural economy is a based economic development for the Indonesian economy as an agricultural country. Community-based rural development is very popular among the planners of development in terms of the participatory approach. This approach could encourage the functioning of local community organizations and increase community capacity through institutional strengthening in the form of organizations and norms.

There are three elements of development, namely resources, organization, and norms. The three development elements could be seen in the management of zakat as a form of development activities. Zakat is an obligation for every Muslim: The amount to be paid is 2.5 percent of professional workers, 5 percent of the irrigated agriculture, and 10 percent of rain-fed agriculture from income earned. Zakat is a tax form known for the Islamic civilization as presently as a form of fiscal policy which could be considered as a resource and should be used to meet those who are less able to fulfill their basic needs (biological, education, and health needs). Zakat as a

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source of development financing has a dual function, which not only is used in accordance with the Islamic rule as a social safety net, but also encourages the development of organizational functions, both in managing the zakat and the development of social infrastructure and rural economy. Based on the norms or rules in the religion of Islam, zakat collected as a financial development resource is managed by the agency of amil zakat (Bazis)\(^2\) as a development organization.

This paper aims to describe the potency of zakat associated with the functionality and role of local community organizations in rural development activities. Self-help village development will encourage the institutional capacity of communities and social capital formations.

The synergy between the potency of zakat and the potency of rural community in the forms of culture, society, and economy will support the implementation of self-help rural development activities. Zakat as a development activity mover has three development elements, which consists of funds (resources), Baziz (organizations), and norms (provisions). These three elements are the great potency in the development of social organizations, the strengthening of social capitals, and the rural economic development. Rural development defined as the ability of local community acts collectively in pursuit of generalized mutual interest (Perkins et al. 1999; Parisi et al. 2002). Local community development as well as rural development is influenced by the institutional structure, such as cultural religious values, social capital and ethnicity on which the community is embedded (Ostrom 1998; Rudd 2000; Castle 1998).

Zakat is an obligation on faith as a Moslem and the development of local communities will be more effective when based on the conviction, so that religious organizations tend to be more effective in encouraging people to conduct collective action governed by norms. The potential of faith-based organizations involved in the development community is doing more on social services (Vidal 2001). Social organization is equipped with a set of norms that govern the structure and role with the functions of organization that are to encourage the formation of social capital, as a feature of social life consists of networks, norms, and confidence (trust). The institution as a set of norms and behaviors represents the social values, while the organization is a medium to understand and accept the role (Uphoff 1986; Fowler 1992), and the norm is a regulation of actions so that the members comply with collective rules (Putnam et al. 1993). Organization functions strongly mobilize the participation of members of the group to achieve common goals (Putnam 1995; Fukuyama 1999). Social capital as the resource in the form of the ability of people works together for common purposes in groups and organizations (Fukuyama 1995). If the organization is equipped with a network, the organization is a functioning to form the social capital. Social organization can improve the effectiveness of collective action of the community members because it is supported by three elements consisting of trust, norms, and networks. Interaction of three elements encourages the development activities and strengthens solidarity in the society as a whole and simultaneously forming social capital. Norms regulate the actions of members to strengthen solidarity within the community, the network as a medium of social interaction and trust facilitates coordination and cooperation for mutual benefit. According to Coleman (1988) and Putnam et al. (1993), social capital was generally defined as a set of norms, networks, and organizations. With social capital, local people can easily mobilize and manage the zakat and other communal resources for development activities in rural areas. Coleman and Putnam depicted social capital as a resource for the individual agent. In their views social capital is an aspect of social structure that facilitates certain actions for individuals that participate in the structure with trust, norms and networks that can improve efficiency in society by
facilitating coordinated actions (Coleman 1988; Putnam et al. 1993; Putnam 1995).

When local organizations routinely participate in any village development activity, the collective action of community is a learning process by doing and practicing, the so-called experience-based learning process. The learning process approach to organization is a key to sustain the local social organization in development activity (Korten 1980; Israel 1990). This condition will create a strong institutional capacity, which in turn will create social capital and encourage the economic activity and development in the village. In addition, social organizations ensure the sustainable community as well as sustainable development (Bridger and Luloff 2001). Sustainable development can be done by local people by the cooperation among society members on the principle of trust. “Trust” is defined as an informal norm that encourages cooperation among members of the community and at the same time is a form of social capital (Fukuyama 1999). Local community organizations have a significant role in developing local economic development activities. Community organization that serves as a development organization has more emphasis on community participation process to innovate the use of the community resource and in turn to realize the self-reliance development (Korten 1980; Fowler 1993; Salamon 1994).

RESEARCH METHOD

The study was conducted in the Village of Patila, Wajo District, South Sulawesi Province. This village was selected because many development activities were carried out independently and supported by local community organizations.

The research method was a case study with in-depth interview on several key informants, such as village head, mosque and school development committee, the board of farmer groups, and group members of the collective stall who knew about the aspects related to local organizations or village development activities. The data collected related to the activities of the organization, capital/physical resource management, method of resource development (asset formation), the management of organizations related to the activity, and the history and development of community organizations.

The data analyzed related to the potency and function of local social organizations such as the collection and usage of zakat, the forms of interaction and cohesiveness among members, a so-called functional category of collective action. “Collective action” is helping each other (mutual support), collection of resources (resource pool), asset management, resource management for the creation of income (income generating), and the autonomous communities. Method analyzed is the function of zakat as an engine of organization functional capability relating to management of zakat, social infrastructure development process, and rural economic activity development. The effectiveness of zakat management compared to the management of tax as a financial resource for public social infrastructure and other social security expenditure is also analyzed.

RESULTS AND DISCUSSION

Description of Patila Village

Patila Village is a self-supporting village in Pammana sub-district, Wajo District, Province of South Sulawesi. The area of this village is approximately 16.71 km² with a population of 2,542 people (population density is moderate with 152 inhabitants/km²). Economic activity of this village is dominated by rice farming. It is also interesting to note that the people from this village are very dynamic and many of them have been moving around and relocated to other regions in Eastern Indonesia.

This village has experienced rapid growths since it
was managed by village heads or leaders who were elected directly by the people of the village through village head elections. This form of village leader election was first started in 1993. The current village head has served the village for 13 years. During this time, the village has been successful in developing socio-capital through self-supported social and economic developments which include development activities related to the religion and education such as the commemoration of Maulid day to celebrate the birth day of the Prophet Mohammad and the commemoration of Islamic new year. In addition, the village has also been successful in developing farmer groups for collective pumping irrigation and collective stall.

The success of development activities in Patila Village, which was initiated through socio-capital development, has made it as a model for village zakat (charity) collection. In 2005, the Patila Village community together with the Major of Wajo District has launched the Gema Bupati—Gerakan Masyarakat Bulu Patila (Patila Society Movement) as a motto for the village movement in promoting the self-help development.

Social Development

Social developments in the village were carried out through interaction or a combination of religious guidance and the development of educational facilities. Education facilities for kindergarten, elementary (Madrasah Ibtidaiyah), and junior high school (Madrasah Tsanawiyah) were built by the village community using money collected within the community through charity (zakat).

The collection of zakat was conducted by a zakat committee, first established in 1984, which was formed through a discussion forum conducted by the community. The members of the zakat committee were remaja mesjid (mosque activists, mostly teenagers). The amount of zakat paid by each farmer was as much as 10 percent of the value harvested crops. The zakat was submitted to the zakat committee after each harvest. Total amount of zakat collected was around Rp5 million each time of harvest in 2006. Payment of zakat is considered as an effective than the tax payments that the amount of income tax to be paid is 10-15 percent, while taxes in Indonesia are paid only for residents whose income is recorded or known by the tax agency as civil servants, business entities, and the company’s workforce. Sometimes companies try to manipulate financial data to reduce tax payments. Residents who pay in the village are recorded as a public servant or private sector, while other residents do not pay taxes even though they can contribute hundreds of millions rupiah of charity for social infrastructure.

The money raised from zakat is distributed within the community in accordance with the provisions of the Islamic law. In Islamic teaching, there are eight groups of people who are eligible to receive money from zakat. However, not all of the eight categories of eligible zakat-recipients could be found in Patila village. Therefore, there has been undisbursed zakat every year. Upon discussions among community members, village leaders and ulama (religious leaders in the village), they agreed to use the undisbursed zakat to construct rural infrastructures such as construction of duikers and security posts (POSKAMLING). In addition, the leftover money has also been used to partially support schools initiated by the community which include a kindergarten, an elementary school (Madrasah Ibtidaiyah), and a middle school (Madrasah Tsanawiyah) which are currently managed by a local foundation called Jabal Nur Foundation.

In addition to money collection through zakat (viewed as obligatory to every moslem), in recent years, fund raisings for specific purposes (e.g., construction of additional school facilities and renovation of mosques) have also been conducted via voluntary charity during special events. Through this voluntary charity, people in the community were
asked to pledge donations and they were given the right to determine which parts of activities their donations could be spend on. For people in the village who have better economic life, they were offered opportunities to fund a specific part of an activity or project. This bidding system is especially used for financing activities or projects which need substantial amount of fund. The planned activity was presented in a meeting held at the end of the month of ramadhan or two or three days after the day of Eidul Fitri.

The timing for the meeting for presentation of planned activities was chosen by zakat committee and village leaders based on the fact that many people of Patilla origin who have migrated to other parts of Indonesia use the Eidul Fitri as a homecoming event for celebration of Eidul Fitri with their family and relatives at their native village. The meeting was also held as a forum for the zakat committee and those who were in charged of the funds raised in the current year to disclose to the community all activities or projects that have been funded and how much money have been spend on each of them. In this forum, social activities and education budgets planed for the next year (e.g., addition of classrooms, salaries of teachers and staffs, and other social activities) were both presented and offered to residents as well as to those who just came back for Eidul Fitri for pledge of support and funding. One of routine activities was to offer those who attended the meeting to have the opportunity to pay the salaries of school teachers and staffs for any particular month of their choice. Based on experience, pledges for teachers’ and staffs’ salaries were always enough to cover the whole year. In 2000, for example, the amount of pledges and money raised were enough to pay teachers and staffs salaries for two years. A family would normally pledge to pay for the teacher salary for a month, even though sometimes there were families who pledge to pay the teacher salary for two months. Payments of the pledge were usually made during the month previously agreed by each donor. The success of social infrastructure development activities in Patila Village is based on a common objective and each development planning is always decided by consensus at each annual meeting. Organization can function in development activities based on the same goals and needs that are made based on consensus or decided democratically (Darma 2011).

In 2003, a Patila residence donated land and money for construction of four classrooms, an estimated value of Rp 217 million, and another residence donated Rp 90 million for construction of three classrooms. In that year alone, seven classrooms were built. The developments of social infrastructure are important in building a stronger socio-capital within the community. This socio-capital building has also been strengthened through networks that have been developed in several regions or districts where many people of Patila origin have resided. Each of these regions or districts appointed one representative whose main job was to coordinate fund raising activities and zakat collection. By 2006, such networks have been established in 13 regions, namely Merauke, Sorong, Biak, and Timika in Papua Island; Tarakan, Bontang, Samarinda, and Banjarmasin in Borneo Island; Ternate, Tobelo, Buli in the Moluccas Islands; Kendari in Southeast Sulawesi; and Sabah in Malaysia. All payers of zakat or social contributions do not pay taxes except for those who have a business entity. This information suggests that the effectiveness of the payment of zakat is higher than the payment of taxes, resulting that many regions tend amil zakat institutions functioning as public institutions through a local regulation, so the zakat has been a financial source of development.

The amount of zakat and other charity collected through these networks has been significant. In 2005, the amount of funds raised within Patila Village and through the networks of Patila community in other regions mentioned previously was approximately Rp 120 million. In 2006, Patila community successfully completed the construction of a mosque,
worth approximately Rp1 billion, on a piece of land that was previously used as a football field. A new football field was then constructed on a land bought by the community from a resident for Rp79 million. The change in the utilization of the land was decided through a discussion forum held by the community. The construction of the mosque was mostly done by the community through a system called Gotong Royong (voluntary work by every community members). Through this system, the community only needed to pay the labor cost for a few skilled masons thus significantly reduced the labor cost for the mosque construction. In addition, foods for the construction workers were prepared by residents in a rotation way. Based on the successes of Patila community in developing social infrastructure, which leads to the formation of a stronger socio-capital within the community, this community has been used as a model for zakat collection and management not only in Wajo District but also in Indonesia.

Zakat management by village communities is a form of merging Patila resources (resource pooling) to enhance their leverage in meeting their needs for education, worship, and other public facilities. Merging resource for the implementation of activities to achieve a common objective is a typology of social functional organization (Ohama 1999). Various results of self-help development achieved through the use of zakat encourage the strengthening of social institutions, the establishment of farmer organizations, and at the same time realize social capital, so Patila Village serves as a pilot of zakat village in the Wajo District, even though it can be said in Indonesia.

The success achieved of remaja mesjid as a mosque development committee and the board of the Jabal Nur Patila Foundation in the village have been able to enhance the institutional capacity and foster social capital, so that the organization has succeeded in realizing the various activities of social and economic infrastructure development in the village as a self-supporting and sustainable development. The strong capacity of local organizations and social capital is formed by the trust through the principles of transparency, convention, democracy, networking, mutual support, and norms (rules). The potency of local organizations as a forum of social capital formation could be used and developed in the planning process and socio-economic development activities in the village. According to Coleman (1988), that social capital was generally defined as a set of norms, networks, and organizations in making decision for development.

THE DEVELOPMENT OF RURAL ECONOMY

The Development of Collective Stall

The development idea of livestock collective stall appeared with increasing the rampant theft of cattle and extensively disturbing Patila villagers. In 1994, a collective corral was built on the ground area owned by a resident who also had a stall. Every villager who wants to join in collective stall should construct his livestock stall on the defined land. Every owner of livestock is required to keep the stall once a week and about 4-6 people keep the stall every day.

During this collective stall has been constructed, a number of stable livestock increased rapidly, from about 40 heads in 1994 to about 300 heads in 2006 and had unprecedented theft of livestock after the cow stall collectively built, while some residents who did not join in the collective stall had experienced the theft of livestock. The collective stall development is a form of resources pool and management together. The form of collective stall development is the organizations typology in resources merging (resource pool) and asset management (Ohama 1999).

The potency of manure and livestock feed residual untapped is a waste of the collective stall that has not thought out by the group to be used into biogas and organic fertilizer. If the manure is processed into organic fertilizer and biogas, the residual feed is
processed into compost, cow urine is processed into liquid fertilizer through fermentation, the result of a collective stall waste can provide economic benefits which represent revenues earned for the group. Asset management and providing income (income generation) is the collective action of a social organization typology.

**The Development of Irrigation Pump**

In 2003, the farmer group in Patila Village received a loan assistance of water pumps and pipe fittings valued at Rp150 million, but for two years running, the pump cannot be operated properly and afford to pay all its obligations, so that administrators want to return or transfer the water pumps to another group.

One villager’s thought who is the head of the farmer group is that the pump could not be returned or transferred to the other party. The new board selected of group made an agreement among members, such as pump management mechanism, technical cultivation or schedule of land preparation and planting, partnership formation with funders, including the afford to pay all its obligations with 20 percent amount of gas costs to be borne to the farmers. Revenue generated from the water pump is used as a reward for the water regulator. In addition, the members will be penalized if the water is set individually to their own fields. One sack of grain is as a punishment for each taking individually water and the members will not be given anymore water if they have been three times in individually taking water to his field. These sanctions have been applied to two members and after then, the individual water taking did not happen yet again.

The board of farmer group has run water pump management in two planting seasons and the farmer members have reached productivity 5-6 tons per hectare, and in the second harvest, the farmer is rewarded with a rice cooker who attain highest productivity. It has been decided that the third planting season will be given a prize of 20 inch television to the farmer who attain the highest productivity over 8 tons per hectare.

Programs conducted by the board of farmer group were to build the farm arcade and irrigation canal renovation which were both financed from the farmer group surplus of water pump charge. The board can work with third parties who provide financial support of Rp30 million for pumps’ operating costs, hire three people with incomes of at least Rp5 million per person for each planting season, and provide cheap water pump charge. The using charge of water pump in other areas is imposed a 20 percent of harvested production after harvest costs incurred and before deducting other farming costs, whereas the water pump charge for farmer groups in Patila Village was only imposed 20 percent after reducing all costs of crop production.

The development implementation activities of group was facilitated by the village head who was also a chairman of the mosque development committees. The empowerment approach was used to support the members to establish the new board, create a plan for the pump management, and provide the rules of the pump operation. In addition, the character of the facilitator as a role model due to the village head has been successful developed by the community organizations through the activities of school construction, mosque construction, and collective stall establishment as a key factor that encourages the development of farmer groups for water pump management.

The development of rural economic infrastructure described above lays farmer group ability to foster social capital, both at the group level and village level. Formation of social capital through the strengthening of social organizations encourages the creation of mutual support (complement), fosters the trust (mutual trust), and creates compliance with the norms (rules). “Trust” is defined as an informal norm that encourages cooperation among members of the community and it is also a form of social capital.
The potency of local organizations as a forum for the collaboration between members of society driven by the principle of trust and a formation of social capital could be used and developed in the planning process and socio-economic development activities as well as promoting the sustainable development in the village.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The potency of zakat resource was utilized for the construction of social infrastructure in the form of mosques and schools which encouraged the development of a local organization based on the principle of purpose and the same needs, norms based on Islamic rules and additional rules made under the conditions of members and organizational goals.

The key success factors based on self-help development and local social organization function are the clear existence norms; a sense of trust between boards and members become stronger because of the transparency of resources (zakat) management, activities formulated jointly implemented by the community, and community participation at every stage, from planning and implementation to evaluation.

The strengthening of social organization encourages the collective action as a mutual support, fosters the trust, creates compliance with the norms, and forms a social capital which could be employed in the planning process and socio-economic development activities as well as promoting the sustainable development in the village.

Recommendations

Implementation of village government in fulfilling its development function should develop and take into account the function of local community organizations in formulating the plan, budgeting, implementation, and evaluation of a development activity.

Zakat board management as an local organization should be also functioned in the activities of a rural development. Management of zakat will enhance the functioning of local organizations, encourage public participation, and simultaneously foster a better village governance.

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Notes

1. As an alms, it is stated in the Holy Quran that zakat payment is an obligatory to each moslem (Sûrat Al-Baqarah, verse 43) and eight categories are eligible to receive zakat (Sûrat At-Tawba, verse 60).
2. Many districts in Indonesia make amil zakat institutions as public institutions to manage the collection and utilization of zakat through a local regulation.

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Bios
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