

Social Entrepreneurship in Islamic Social Welfare System

Hendrati Dwi Muliyaningsih¹⁺

Telkom Economics and Business School - Business Administration Department

Abstract. The basic activity of Social Entrepreneurship is divided into two contrary things at the same time, that are social driven and profit driven but the most focusing activities is in social motives. According to Islamic beliefs every moslems have to create benefit to others therefore every activities that they made has to be carrying great weight to their self and society. It can be implied that social entrepreneurship in Islam perspective is noticeably similar with the concept of its origin in social consciousness of being useful to others. *Zakat* as one of the five pillars of faith in Islam, it is an obligatory for moslems that could become the foremost financial resources to support non-profit organization such as Intermediary Institution dealing with eradicate the poverty. By looking at the potential of *Zakat* in Indonesia, it is a great challenge to be expected in reaching the achievement in improving the standard of living of poor people and alleviate poverty. This Islamic social welfare system has to be managed carefully considering of poor governance in its both funding stage and distribution stage. Intermediary Institution for the voluntary sector plays an important role in this efforts. The intermediary institution could and should play the role in the Islamic social welfare system in creating social value for the beneficiaries (individually or community) in improving the standard of living and in associating the beneficiaries to the transformation of being social entrepreneurs.

Keywords: Social Entrepreneurship, Intermediary Institution, Islamic Social Welfare System.

1. Introduction

Social Entrepreneurship is one of the phenomenons in the world that attract many researcher, professional business, policy maker and non-profit organization. The growing interest in the social entrepreneurship on a global scale was also impacted by many remarkable actions of social entrepreneurs such as Muhammad Yunus. In 2006 he has recognized globally after the Nobel Committee has awarded to him for his work in micro-loans concept for the poor in obtaining a better well-being (Grammen Bank). Social entrepreneurs in recent decades have proved outstanding job in solving their social problem and creating social change on their society has given a lot of examples in the creation social innovation. They moved to tackle the social problems that occur in their society by creating innovative solutions in the field of welfare, education, health, community development, and the environment. The contribution of social entrepreneurs has been increasingly recognized by researcher and it has attracted the academician interest in the phenomenon of social entrepreneurship (Korsgaard, 2011, Krlev, 2011).

Indonesia as the biggest country of moslems population faced with a high poverty figures, there was a data from BAPPENAS mention that the level of poverty until March 2012 was 29,13 million or 11,96 % of the population (Bappenas, 2012). The government has to concern about the way of reducing the poverty and convince all the sectors to come together in solving this problem. In the other hand, the intermediary institution, in the voluntary sectors, has been obtaining the poverty eradication and creating social justice and welfare. It made an Islamic social welfare system through Zakat, Infaq, Shadaqah and Waqf (Ziswaf). Ziswaf as a tool to eradicate the poverty has any challenges especially in the way of how it is distributed to the beneficiaries. Some researches in this sectors implied that the potential charity of Ziswaf in Indonesia reach to 217 Trillion rupiah, but that potensial number has not been absorbed optimally by the intermediary institution. It was just less than 1% or about 2,73 trilion rupiahs of the potential charity that has been managed by Intermediary Institution. (Republika, 2012)

The chairman of BAZNAZ, Didin Hafidhuddin said that the impact of the distribution of ZisWaf will reduced the number of poor household until 21,10 per cent or about nine to ten million. He also convinced

⁺ Corresponding author. Tel.: +628112207292; Fax: +62227564108.
E-mail address: hendrati.dwi@gmail.com

that only took 10 years for the voluntary sector to overcome poverty in Indonesia because every year, it could be predicted that collecting zakat is always increasing 3 %. The number of poor who are underserved by the zakat reached 2.8 million mustahiq, i.e. 9.09 percent of the population of Indonesia. Currently, the number of poor in Indonesia reached 30 million. Then, it can be calculated, in 10 years zakat is capable of complete poverty. (www.republika.co.id, 2012).

The emergence of Intermediary Institution in the voluntary sector plays an important role in this effort (Alam, 2008). This opportunity is so tempted and also challenging for the voluntary sector in realizing this immense work for creating social value by eradicating poverty, enhance the health and education quality of the society and also cultivate new social venture to create the empowerment of the society or beneficiaries. Therefore, this paper focused on the role of Intermediary Institution or LAZ (Lembaga Amil Zakat) in attempting to empower the beneficiaries (Mustahiq) by using the instruments of religious obligatory, Zakah, Infaq and Shodaqoh (ZIS). These potential charity fund (ZIS) can be optimized by creating the method of distribution on its in the productive scheme. This condition could create social entrepreneurship model that are suitable for voluntary sectors and for the Islamic social welfare system.

2. Literature Review

2.1. Defining Social Entrepreneurship

Defining social entrepreneurship has been developed in numbers of different domains or themes of interests, such as in the domain of purpose setting (not for profit, non-profit/public sector and for profit), the entrepreneurial trait and behavior in individual and organization or in the perspective of its process of emergence. (Short et al, 2009; Brooks, 2009). The main approaches in building definition of social entrepreneurship have been based in the main approach in the context of entrepreneurship. (Martin & Osberg, 2007; Okpara & Halkias, 2011; Brooks, 2009; Granados *et al*, 2011)

As the first scholar who stated the definition of Social Entrepreneurship, Dees (1998) argued that the definition of social entrepreneurship should include and emphasized on the value creation, innovation, change agent, pursuit of opportunity and resourcefulness. Okpara and Halkias (2011) has noted the social entrepreneurship was as the process of creating value by combining the resources that were focused to explore the opportunity to create social value by knowing the need or the unmet need, afterward within the process it involved the offering of services and products but can also refer to the creation of new organization.

2.2. Emergence of the Social Enterprise in the Voluntary Sectors

Since social entrepreneurship is about innovation and impact not just about income, there was a phenomenon in the transformation of agent of change in the social entrepreneurship circumstances. Its phenomenon emerges social enterprise as the transformational of non-profit organization from the purely philanthropic to the mixed motives between socially minded and revenue generating (Kosgaard, 2011). The main objective of social enterprise is to create social value for community through business-like approach such as innovation (Kong, 2010; Mulgan et al, 2007). The reason why non-profit organization consider to create new business model such as Social enterprise are to further their social mission and to create funding opportunity by generate other resources. The Intermediary Institution in this Voluntary sectors should be transformed into social enterprise that has been expected to emerge and provide new innovative business models in social field and able to assess the social need of their society.

Social enterprise as the further non-profit adopted business-like approaches to achieve their mission and sustainability, its source of funding has come out from internal sources and external sources. The internal sources are from their business activities such as trading or production of products or services, and the external sources are from grants or donations. These sources are become the critical point of the organization such as social enterprise in having their sustainable organization and also in giving their continuous solution for the social problem in their community specifically and their stakeholder generally. (Tanimoto, 2009)

2.3. Islamic Social Welfare System

Islam has taught people to care about the others, especially to the poor people (*Mustahiq*) with an instrument that is called "*Zakat*". *Zakat* is one of the pillars of islam that must be met by every muslim. It

can bridge between wealthy people (*Muzzaki*) and poor or needy people (*Mustahiq*). *Zakat* in this term has the dimension of worship that synergize between duty towards their Lord (*Hablun min Allah*) and liabilities against their society (*Hablun min annas*) which is the essence of worship this *Zakat* (Asnaini, M.Ag, 2008).

The potential of this such a huge charity in alleviating poverty also has long been criticized by some experts such as Umar Chapra, Ziauddin Ahmad, Munawar Iqbal, abu al-Hasan Sade and much more. They wrote about *Zakat* as a potential instrument of fiscal policy and it means by which the potential poverty reduction and income distribution. (Nur ad-Din Ali Mhd., 2007). By looking at the potential of *Zakat* in Indonesia, it is a great challenge to be expected in reaching the achievement of development goals that improve the standard of living of poor people and alleviate poverty.

Therefore, the intermediary institution in this voluntary sector plays a prominent role in constructing the model of distribution of this *Zakat* in a productive way. The model or method of its distribution has been expected to be able to empower the needy or poor people in enhancing their standard of living and could be transformed as new social entrepreneurs or as *Muzzaki*. The utilization of *Zakat* fund is intended for giving the encouragement to the needy people by having more productive activities not just giving them the charity. It needs a synergy from various parties that are expected to be able to help *Mustahiq* empowerment program and poverty reduction at the same time.

Meanwhile the study of utilization of *Zakat* for use as a 'Hook' or as the productive funds has been criticized by some of the *fuqaha* and there is a conclusion that *Al-Quran*, *al-Hadith*, and consensus does not mention explicitly about the way of how to distribute of its religious obligatory whether in charity or in productive way. It has been convinced in the *Al-Qur'an* according to Surat *At-Tawba* verse 60 who by most scholars as a legal basis in the distribution of *zakat* only mention outposts where *zakat* must be given (Asnaini, MAg, 2008).

It explained explicitly that the distribution method of more productive *zakat* should be dealt with intensely because it concerns the empowerment and self-reliance community recipients of *zakat* (*mustahiq*) to improve their standard of living and their dignity through a venture that encourages them to try at least to their self, their family and then to their society. Furthermore, it needs a proper method that can be formulated to leverage the needy people to enhance their standard of living by giving *Zakat* as a hook to improve their productivity rather than consumptive manner.

3. Social Entrepreneurship on Islamic Social Welfare System and Value Creation based on Sharia

The basic activity of Social Entrepreneurship is divided into two contrary things at the same time, that are social motives and profit motives but the most focusing activities is in social consciousness, not just profit-maximizing. The intermediary institution in the voluntary sector as the Social Entrepreneur's agent of change can play the prominent role in the social entrepreneurship in sustainable and Integrated Community Development.

According to Islamic beliefs every moslems have to create benefit to others therefore every activities that they made has to be carrying great weight to their self and society. It can be implied that social entrepreneurship in Islam perspective is noticeably similar with the concept of its origin in social consciousness of being useful to others.

Zakat as an obligatory for charity as one of the five pillars of faith in Islam, could become the foremost financial resources to support non-profit organization such as Intermediary Institution dealing with the poverty alleviation. This Islamic social welfare system has to be managed carefully considering of poor governance in its both funding stage and distribution stage.

There were 4 challenges in this promising giving culture to be concerned by the Intermediary institution in this Islamic social welfare system. First, the challenge is in the way of the donation is being distributed. The more productive utilization of *zakat*, the more empower the beneficiaries (*Mustahiq*). Second, the dependence of the mediating organization of this 'given' donation as the main financial resources could make them being trapped in the comfort zone. In fact there is an alternative financial resources that they

could raise by having business or creating social enterprise. The third is the idea of eradicating poverty through this welfare system in Islamic way need a sustainable program that suppose to stimulate and enhance the empowerment of the vulnerable society (*Mustahiq*). The last is the *Muzzaki* (the people who donate) need some kind of evaluation or report considering of the social impact or social value creation from their donation through this intermediary institution.

4. Conclusion and Discussion

Social entrepreneurship is the process of creating value by combining the resources that were focused to explore the opportunity to create social value. (Mulyaningsih, 2013). The main objective of social enterprise is to create social value for community through business-like approach such as innovation (Kong, 2010; Mulgan *et al*, 2007). The reason why non-profit organization consider to create new business model such as Social enterprise are to further their social mission and to create funding opportunity by generate other resources.

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By looking at the potential of *Zakat* in Indonesia, it is a great challenge to be expected in reaching the achievement of development goals that improve the standard of living of poor people and alleviate poverty. Intermediary Institution for the voluntary sector plays an important role in this effort (Alam, 2008). This opportunity is so tempted and also challenging for the voluntary sector in realizing this immense work for creating social value by eradicating poverty, enhance the health and education quality of the society and also cultivate new social venture to create the empowerment of the society or beneficiaries.

Actually this transformation has been evolving since there were some common problems in many countries such as;

- The deficit of government budget that cause the declining support to the traditional philanthropic
- Inadequacy of social policy or social welfare and the disability of the government in solving the social problem by their large scale program, and it will emerge the disappointment of the society because of their unmet need problem
- Increasing competition for available fund, this fund could be from the government, donation or the grants.

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