

# SYNERGY BETWEEN MUAWADHAH AND TABARRU' CONTRACTS IN ZAKAT COMMUNITY DEVELOPMENT IN RURAL AREAS (A Study of Islamic Financial Institutions in a Southeast Asian Country)

## 1 INTRODUCTION

In the field of Islamic economics, the material aspect is not positioned as the primary goal of economic activity. Islam perceives economic activity as a noble undertaking, presenting motives and orientations that encompass fairness and the welfare of society in all forms of economic endeavors. Hence, the objective and achievement of economic pursuits in Islam revolve around attaining 'falah.' 'Falah,' stemming from the root word 'Afalaha-Yuflihu,' connotes success, nobility, and triumph. Therefore, the multidimensional nobility inherent in engaging in economic activities within an Islamic framework extends beyond a sole focus on material gains, encompassing spiritual achievements and considerations for the afterlife.<sup>1</sup>

In the study of Islamic jurisprudence (Fiqh), there exist two forms of commercial contracts known as *tabarru'* (unilateral) and *mu'awadhat* (bilateral) contracts.<sup>2</sup> The unilateral contract, known as *tabarru'*, typically involves transactions initiated by an individual based on their ownership rights, directed towards benevolence or altruistic assistance. This encompasses zakat, gifts, grants, loans (qardh), endowments (wakaf), suretyship (kafalah), collateral (rahn), and assignment (hiwalah). *Tabarru'* contracts are rooted in seeking the pleasure of Allah (non-profit), hence implying a return is impermissible. However, as Muhammad notes that, the party carrying out the act of kindness may request their counterpart to cover incurred costs in executing the *tabarru'* contract.<sup>3</sup>

On the other hand, bilateral contracts, also known as *tijarah* or *mu'awadhah*, entail legal actions between two or more parties that result in reciprocal rights and obligations. This category includes transactions such as sale and purchase (bai'), leasing (ijarah), and partnership (syirkah). These contracts are aimed at generating profits as they are commercial in nature.<sup>4</sup>

Dikuraisyin and Dayanti delineated three challenges encountered in the allocation of zakat funds: Initially, the complexity revolves around assessing the economic advancement of recipients (mustahik). This challenge stems from the prevailing approach to distribution adopted by zakat institutions, which frequently leans towards immediate, charitable disbursements, resulting in an inability to disrupt the cycle of poverty for the beneficiaries. Moreover, these institutions often lack a robust economic strategy, leading to ineffectual endeavors. Secondly, there is a discrepancy between escalating operational expenses and the efficient dissemination of funds. Thirdly, the unstructured process of identifying beneficiaries presents a significant hurdle.<sup>5</sup>

---

<sup>1</sup> Makhruh Ahmadi, "Pengembangan Dana Zakat, Infak, Shadaqah Dan Wakaf Terhadap Pertumbuhan Industri Keuangan Non Bank Syariah," *Jurnal Masharif al-Syariah* 2, no. 2 (2017).

<sup>2</sup> Jaih Mubarak, *Teori Akad Mu'amalah Maliyah* (Bandung: Simbiosis Rekatama Media, 2020).

<sup>3</sup> Muhamad, *Manajemen Keuangan Syariah Analisis Fiqh Dan Keuangan* (Yogyakarta: UPP STIM YKPN, 2016).

<sup>4</sup> Mubarak, p. 3.

<sup>5</sup> Basar Dikuraisyin and Erinda Dayanti, "Pemetaan Ideal Pola Distribusi Dana Zakat Dan Wakaf Untuk Kesejahteraan Mustahik (Studi Di Lembaga Zakat Yatim Mandiri Surabaya, Jawa Timur)," *Zawa: Management of Zakat and Waqf Journal* 1, no. 1 (2021). <https://doi.org/http://dx.doi.org/10.31958/zawa.v1i1.3591>.

The distribution pattern of Islamic social finance (Zakat, Infaq, Sadaqah, Waqf, and endowment funds) depicts a balance between short-term and long-term objectives. In the short term, the allocation of zakat and waqf funds caters to consumptive needs such as household, education, health, and others.<sup>6</sup> Meanwhile, in the long term, the allocation aims to provide productive business capital, hoping for its efficient utilization. The empowerment problem regarding zakat beneficiaries is parallel, ranging from mapping the empowerment objects, determining the issues, to evaluating success. Consequently, the emergence of the CIBEST (Community Index for Better Economics and Sustainable Taqwa) methodology, an index-driven instrument firmly rooted in Sharia economics, aimed at discerning levels of distress or disempowerment among communities seeking empowerment. This gave rise to the subsequent iteration, the CIBEST Model, expanding upon the initial framework. Together, they form an integrated empowerment solution interlinked in a cohesive continuum. Notably, the CIBEST Model transcends the exclusive focus on material facets of economic impact, deliberately placing emphasis on the spiritual dimension. This approach serves to reconcile conventional and Sharia perspectives.<sup>7</sup> However, there remains an exigency for further refinement of indicators measuring both economic and spiritual progress within the CIBEST framework.

This research underscores the potential involvement of Sharia-compliant financial institutions, spanning both banking and non-banking sectors, in expanding their role within zakat and waqf institutions to utilize Islamic social finance. This potential stems from the prevailing orientation of macro-level Sharia-compliant financial entities, where financial management primarily revolves around profit-centric fund allocation. Notably, such financial institutions incorporate provisions for *tabarru'* contracts, exemplified by benevolent loans (*qard al hasan*).

Conversely, within the domain of community empowerment, this study anticipates that zakat and waqf institutions will direct empowerment funds solely toward non-profit financial endeavours. For instance, collaborations between Sharia-compliant insurance entities representing a segment of the Non-Bank Financial Industry and Islamic social finance institutions might involve devising products to manage surplus funds meticulously for long-term purposes. This partnership is specifically tailored to address the needs of elderly and vulnerable *mustahik* (beneficiaries), ensuring continual support within the framework of Islamic social finance.<sup>8</sup>

However, from a jurisprudential standpoint, it is elucidated that a multi-contract amalgamating between *mu'awadhat* and *tabarru'* contracts is not permissible. This is based on textual evidence prohibiting the convergence of sale contracts (*ba'i*) and gratuitous contracts (*salaf*). Abdullah highlighted the hadith that prohibits combining *mu'awadhat* and *tabarru'* contracts. This prohibition suggests that when a *tabarru'* contract is contingent upon a *mu'awadhat* contract, its original social significance diminishes, shifting its focus towards considerations of remuneration.<sup>9</sup> This opinion serves as an object of research and development since, with the evolving financial transactions within society, single contract forms are becoming less

---

<sup>6</sup> Mulkan Syahriza, "Analisis Efektifitas Distribusi Zakat Produktif Dalam Meningkatkan Kesejahteraan Mustahik (Studi Kantor Cabang Rumah Zakat Sumatera Utara)," *at-Tawassuth* 4, no. 1 (2019).

<sup>7</sup> Dikuraisyin and Dayanti.

<sup>8</sup> Ahmadi.

<sup>9</sup> Al-Imraani Abdullah, *Al-Uqud Al-Maaliyah Al-Murakkabah* (Riyadh: Dar Kunuz Eshabelia an Nasr wa Tausi', 2006).

responsive, and the practice of multi-contracting is gaining traction, especially with the current developments in the Islamic financial industry.<sup>10</sup>

Hence, prompted by the preceding discussion, this study aims to explore zakat institutions, specifically Islamic Financial Institutions, engaged in empowering *mustahik* (beneficiaries) within rural regions across Southeast Asian countries. The choice of these specific rural areas in Southeast Asia is deliberate for several reasons: Firstly, a considerable portion of rural locales in Southeast Asia is marked by pronounced levels of poverty. Secondly, countries like Indonesia, Malaysia, and Thailand stand out for their array of zakat management institutions boasting diverse empowerment initiatives. Thirdly, there exists noteworthy expansion in the presence of Sharia-compliant banks within these nations.

## 2 STATEMENT OF THE PROBLEM

1. How can the synergistic integration of *muawadhat* and *tabarru'* contracts in Zakat Community Development initiatives in underserved villages contribute to poverty alleviation, reducing pre-prosperity levels comprehensively?
2. What strategies (risk management) can be implemented to address potential failures in community empowerment programs within *muawadhat* institutions (banking) and *tabarru'* institutions (zakat organizations)?
3. How can the success of zakat community development, utilizing the CIBEST framework, be enhanced by sustained funding from *muawadhat* institutions (banking), ensuring longevity beyond a two-year or program-specific scope?
4. How can a long-term-oriented SDGs (Sustainable Development Goals) concept be comprehensively applied to empower both *mustahik* and Sharia-compliant banking customers?
5. What are the suitable contract structures to facilitate effective collaboration between Islamic social finance institutions and Sharia-compliant financial entities for cross-institutional synergy?

## 3 RESEARCH OBJECTIVES

1. To explore the collaborative efforts between *muawadhat* and *tabarru'* contracts in Zakat Community Development initiatives within marginalized villages, aimed at alleviating poverty and ensuring a comprehensive decline in pre-prosperity rates without partiality.
2. To examine strategies (risk management) in facing potential failures of Community Empowerment programs within *muawadhat* institutions (banking) and *tabarru'* institutions (zakat organizations).
3. To analyse the development of zakat community development success using the CIBEST framework, requiring sustained funding from *muawadhat* institutions (banks) to extend beyond a limited scope of two years or specific programs.
4. To explore the long-term-oriented concept of SDGs for comprehensive application in empowering *mustahik* and Sharia-compliant banking clients.

---

<sup>10</sup> Lailatul Istiqomah, "Analisis Aplikasi Multi Akad Produk Gadai Emas Pada Perbankan Dan Pegadaian Syari'ah Dalam Perspektif Hukum Islam," *An-Nisbah* 1, no. 2 (2020).

5. To explore the appropriate contract structures facilitating effective collaboration among various *ziswa* institutions and Sharia-compliant financial entities in cross-institutional programs.

## 4 LITERATURE REVIEW

The integration of *muawadah* and *tabarru'* contracts within Zakat Community Development initiatives presents a pivotal exploration within Islamic finance, notably in rural Southeast Asian settings. Despite its significance, scholarly attention toward this field has been limited. Notably, only a few literature reviews exist that comprehensively analyse the synergy between *muawadah* and *tabarru'* contracts within Zakat institutions and Islamic banks in the framework of Zakat-driven community development, exemplified by the work of Yasin.<sup>11</sup> In addition to Yasin's study, Makhurs, Dikuraisyin, Husain, Nadia, Nanang, Sri, Susilawati have delved into various aspects of Zakat Community Development practices and approaches embraced by Islamic financial institutions in Southeast Asian countries.<sup>12</sup> Their studies shed light on the roles, challenges, and contributions of these institutions to community development through Zakat initiatives.

Studies by Aziz and Hafidhuddin delve into the integrative aspects of *muawadah* and *tabarru'* contracts within Islamic financial institutions.<sup>13</sup> Abdullah's work emphasizes the transformative potential of integrating these contracts, highlighting their significance in poverty alleviation and socio-economic empowerment efforts. Aziz's research sheds light on the strategic implications and ethical considerations underlying this integration, advocating for transparency and fairness in deploying financial resources for community upliftment. Additionally, Hafidhuddin's case studies illustrate successful applications of integrated contracts in Southeast Asia, exemplifying their role in fostering inclusive development.<sup>14</sup>

Scholarly inquiries by Mey, and Sri have examined the management Islamic financial institutions concerning community social empowerment in Zakat community development.<sup>15</sup> Mey's framework emphasizes proactive assessment of community social empowerment

---

<sup>11</sup> Mohammad Yasin, "Sharia Bank and Zis Institution Synergy : An Attempt to Minimize Failed Payment through Empowerment for Financial Inclusive Optimization in Indonesia" (paper presented at the International Conference on Islamic Economics and Financial Inclusion, Yogyakarta, 2017).

<sup>12</sup> Ahmadi; Dikuraisyin and Dayanti; K. Husain, "Contribution of Zakat and Community Economic Welfare," *Indonesian Journal of Social Science Research* null (2021). <https://doi.org/10.11594/IJSSR.02.01.06>; Renata Nadia and Afrimaigus Riko, "Poverty Alleviation through Community Development Zakat in Tanah Datar Regency," *ITQAN: Journal of Islamic Economics, Management, and Finance* null (2022). <https://doi.org/10.57053/itqan.v1i1.5>; Yusroni Nanang and Chadhiq Umar, "Understanding the Impact of Zakat and Waqf as Economic Development of the Community in Rural Areas," *International research journal of management, IT and social sciences* null (2021). <https://doi.org/10.21744/irjmis.v8n6.1966>; Fadilah Sri, Maemunah Mey, and Hernawati Nopi, "Community Social Empowerment in Zakat Community Development (Zcd)," (2019). <https://doi.org/10.29313/mimbar.v35i2.5127>; N. Susilawati, A. Sunarto, and Rohimin Rohimin, "Zakat Community Development Program through Zakat Village Index Approach," (2019). <https://doi.org/10.29300/MADANIA.V23I2.2627>.

<sup>13</sup> Jamal Aziz and Uus Uswatusolihah, "The Dichotomy between *Tabarru'* and *Mu'âwadah* Contracts: Perspective of Indonesian Law of Obligation," *Al-Manahij: Jurnal Kajian Hukum Islam* 16, no. 1 (2022). <https://doi.org/https://doi.org/10.24090/mnh.v16i1.6426>; Didin Hafidhuddin, *The Power of Zakat: Studi Perbandingan Pengelolaan Zakat Di Asia Tenggara* (Malang: UIN-Maliki Press, 2008).

<sup>14</sup> Aziz and Uswatusolihah; Hafidhuddin.

<sup>15</sup> Maemunah Mey and Hernawati Nopi, "Community Social Empowerment in Zakat Community Development," (2020); Sri, Mey, and Nopi.

strategies, while Sri's work navigates the intricacies of integrating Islamic social finance and community development, offering insights tailored to the socio-economic dynamics of underserved area.<sup>16</sup> These studies collectively contribute to understanding the challenges and opportunities encountered by Islamic financial institutions in rural development through Zakat initiatives.

Further literature scrutinizes the specific challenges faced by Islamic financial institutions operating in rural Southeast Asian regions. Works by few authors such as Hafidhuddin highlight the contextual intricacies, regulatory challenges, and cultural factors influencing the implementation of Islamic social finance within Zakat Community Development.<sup>17</sup> These studies offer a nuanced understanding of the regional dynamics and the evolving landscape of Zakat-driven initiatives, paving the way for informed strategies and policies to enhance rural development in Southeast Asian countries.

Together, this literature review synthesizes a diverse array of scholarly works focusing on the synergy between community social empowerment in Zakat Community Development within Southeast Asian areas. However, these studies do not specifically explore the integration of *muawwadhat* and *tabarru'* contracts in rural Zakat community development. The majority of these studies shed light on the transformative potential of community social empowerment, address challenges faced by Islamic financial institutions, and emphasize the need for tailored approaches in underserved regions fueled by Zakat initiatives. Consequently, this research endeavour bridges this gap by providing a comprehensive understanding of the harmonious integration of contractual and charitable mechanisms. It offers valuable insights aimed at bolstering the effectiveness and influence of Zakat-driven community development in rural Southeast Asian landscapes.

## **5 CONCEPTUAL FRAMEWORK**

Islamic social finance is a fundamental aspect of Islamic economics, centered on principles of social solidarity, economic justice, and ethical wealth distribution within Muslim communities. The components highlighted in the Islamic Social Finance Report (ISFR) by the Islamic Research and Training Institute (IRTI) in 2020 are Zakat, Infaq, Sadaqah, and Waqf.<sup>18</sup> Often termed ZISWAF (Zakat, Infaq, Sadaqah, Waqf), integrates Islamic ethical principles into microfinance practices. It provides financial services, including loans and savings, adhering to Sharia principles, ensuring interest-free transactions, and promoting entrepreneurship and economic empowerment particularly among disadvantaged or marginalized segments of society.

### **1) Islamic Finance Principles**

#### **a. Zakat as a Redistribution Mechanism**

Islamic finance principles highlight Zakat as a mandatory wealth distribution system aimed at fostering social justice and alleviating poverty. The term "Zakat" finds its etymological roots in words denoting purity, goodness, blessings, growth, and development.<sup>19</sup> Within Islamic jurisprudence, Zakat signifies purity, growth, blessings, and expansion. When this

---

<sup>16</sup> Mey and Nopi; Sri, Mey, and Nopi.

<sup>17</sup> Hafidhuddin.

<sup>18</sup> Islamic Research and Training Institute, "Islamic Finance Report 2020," (2020).

<sup>19</sup> Yusuf Qardhawi, *Fiqhus Zakat* (Beirut: Muassasah Risalah, 1991).

understanding is associated with wealth, Islamic teachings posit that the wealth subject to Zakat will grow and expand, increasing in purity and blessings, thereby bringing goodness to the life and existence of its possessor. In terminological context, Zakat refers to the obligatory portion of wealth that a *muzakki* (one who possesses wealth liable for Zakat) is required, as per Sharia provisions, to allocate for distribution to those deserving recipients (*mustahik*).<sup>20</sup> *Mustahik* denotes individuals entitled to receive Zakat, specifically delineated as the eight categories found in the Quran, Surah At-Taubah, verse 60.

Zakat represents not merely a tax on revenue but fundamentally a levy on wealth. Its essential role resides in the equitable redistribution of resources, specifically addressing poverty within marginalized sectors of society. Consequently, it carries substantial moral implications, intertwining with principles of social justice and envisioned solidarity among diverse socio-economic strata.<sup>21</sup> Zakat also serves as a catalyst, promoting active utilization of possessions while discouraging hoarding tendencies. Roger Garaudy emphasizes the compulsory nature of Zakat, delineating it as an obligatory contribution, not on income but on accumulated wealth. This framework aims at purification and prevention of excessive accumulation.<sup>22</sup>

## **b. Multiple Contracts in Islamic law**

Scholars have innovatively devised methods to amalgamate two or more traditional contracts within a single business activity, termed *al-‘uqud al-murakkabah* or *al-‘uqud al-mutaqobilah*.<sup>23</sup> Setiawan highlighted these contemporary extensions in Islamic law, illustrating their reliance on traditional legal stratagems (*hilah*). These stratagems serve as a bridge, facilitating alignment between present-day Islamic financial contracts and the foundational trading contracts documented in classical muamalah fiqh literature.<sup>24</sup> In this structure, subsequent agreements complement the initial one, establishing a symbiotic relationship between these agreements. Described as a conditional agreement, the fulfillment of the second agreement hinges on the execution of the first. Within Islamic jurisprudence, agreements fall into two categories: *mu‘awadhah* (reciprocal) agreements, governing commercial transactions like *bai’* (sale), *ijarah* (lease), and *salam* (forward sale); and *tabarru’* (voluntary) agreements, characterized by altruistic acts encompassing *hibah* (gift), *qardh* (loan), and *sadaqah* (charitable contribution). The specification of the conditional agreement depends on the nature of the initial agreement. From these categories emerge three distinct forms of conditional agreements, each carrying legal implications: 1) a *tabarru’* agreement conditioned upon a *mu‘awadhah* agreement or vice versa, 2) a *mu‘awadhah* agreement conditioned upon another *mu‘awadhah* agreement, and 3) a *tabarru’* agreement conditioned upon another *tabarru’* agreement. Alamad describe these conditional agreement structures are illustrated in diverse multi-agreement scenarios.<sup>25</sup>

### *i. Tabarru’ Agreement with a Condition of Mu‘awadhah Agreement or Vice Versa:*

---

<sup>20</sup> Yusuf Qardhawi.

<sup>21</sup> Tariq Ramadan, *Islam, the West and the Challenges of Modernity* (UK: Kube Publishing Ltd, 2009).

<sup>22</sup> Roger Garaudy, *Mencari Agama Pada Abad Xx: Wasiat Filsafat Roger Garaudy*, trans. Mohammad Rasyidi (Jakarta: Bulan Bintang, 1986).

<sup>23</sup> Abdullah.

<sup>24</sup> Romi Adetio Setiawan, *The Future of Islamic Banking and Finance in Indonesia: Performance, Risk and Regulation* (London: Routledge, 2023).

<sup>25</sup> Samir Alamad, *Financial and Accounting Principles in Islamic Finance*, 1st ed. 2019. ed. (Cham: Springer International Publishing, 2019).

An example of the first type of multi-agreement is a *qardh* (*tabarru'*) agreement with a condition of a *bai'* (*mu'awadhah*) agreement. For instance, Ahmad lends money to Basyir on the condition that Basyir buys goods from Ahmad. This multi-agreement model is considered invalid based on a narration from Ahmad ibn Hanbal through Abu Hurairah, where the Prophet Muhammad (peace be upon him) prohibited the combination of sale transactions with loans. This prohibition stems from the fact that the loan agreement (*qardh*) is a form of *tabarru'*, and the addition of a sales agreement to a loan turns the *qardh* agreement into a *mu'awadhah* agreement, leading to the risk of it becoming a transaction involving *riba* (usury or interest).

Another example of the second type of multi-agreement is a *qardh* (*tabarru'*) agreement with a condition of an *ijarah* (*muawadhah*) agreement. For instance, Ahmad lends money to Basyir on the condition that Basyir must lease goods from Ahmad. This multi-agreement model is also viewed as invalid based on the previously mentioned reasons.

The third example is a *bai'* (*muawadhah*) agreement with a condition of a *hibah* (*tabarru'*) agreement. For instance, Ahmad sells goods to Basyir on the condition that Basyir gives a gift to Ahmad (*bai'-hibah*), or Ahmad sells a house to Basyir with the condition that Ahmad can temporarily reside in the house (*bai'-'ariyah*), or Ahmad sells goods to Basyir with the condition that Basyir lends money to Ahmad (*bai'-qardh*). Scholars from the Hanafi school consider this multi-agreement model invalid because the conditions contradict the intended purpose of the sale agreement, resulting in uncertainty regarding the amount to be paid by the second party.

ii. *Mu'awadhah Agreement with a Condition of Another Mu'awadhah Agreement:*

An example of this multi-agreement model is the presence of a *bai'* agreement with a condition of another *bai'* agreement. For instance, Ahmad sells goods to Basyir with the condition that Basyir sells goods to Ahmad (*bai'-bai'*), or a *bai'* agreement with a condition of an *ijarah* agreement, such as Ahmad selling goods to Basyir on the condition that Basyir leases goods from Ahmad. Scholars hold varying opinions on this model: 1) Scholars from the Shafi'i, Hanafi, Hanbali, and Ibn Hazm schools consider this multi-agreement invalid based on a narration by Imam Malik from Abu Hurairah, where the Prophet Muhammad (peace be upon him) prohibited two sales transactions in one. 2) The Maliki school states that the conditions prohibited in sale agreements are conditions related to *ja'alah*, *sharf*, *musaqah*, *shirka*, and *qiradh*.

iii. *Tabarru' Agreement with a Condition of Tabarru' Agreement:*

The arrangement of a *tabarru'* agreement with a condition of another *tabarru'* agreement exhibits distinct scenarios: An instance of this multi-agreement involves a *qardh* (loan) becoming a prerequisite for another *qardh* agreement (*qardh-qardh*). There exist two forms of this multi-agreement: 1) Ahmad lending money to Basyir on the condition that Ahmad lends money to Basyir again at a later time; 2) Ahmad lending money to Basyir with the condition that Basyir lends money to Ahmad. Scholars of the Shafi'i school assert that conditions in such transactions are ineffective, upholding the validity of the agreement. However, in the second form, scholars unanimously prohibit transactions of this nature. This prohibition arises from a statement of the Prophet Muhammad (peace be upon him) declaring any loan that benefits the borrower as involving *riba* (usury or interest).

Another example of this type involves a *qardh* agreement with a condition of a *hibah* (gift) agreement (*qardh-hibah*) or another *tabarru'* agreement apart from *qardh*.<sup>26</sup> For example,

---

<sup>26</sup> Qardhawi.

Ahmad provides a loan to Basyir with the condition that Basyir gifts something to Ahmad, or Basyir lends goods to Ahmad under certain conditions. Scholars unanimously prohibit agreements of this kind due to the benefit accruing back to the lender, which falls under the category of prohibited *riba*, benefiting the lender.

## 2) Community Development Framework

Community participation, as expressed by Gerber, is a central concept and fundamental principle of community development.<sup>27</sup> Increasing community participation is one form of community empowerment oriented toward achieving outcomes executed by the community.<sup>28</sup> While in Islamic social finance, a community development framework embodies principles of economic justice, social solidarity, and ethical wealth distribution. It aims not only for economic prosperity but also for the holistic well-being of individuals and communities, aligning financial practices with moral and spiritual values.

Through Corporate Social Responsibility (CSR), companies engage with communities to channel ideas, aspirations, and opinions regarding their respective hopes and objectives. In the realm of community development, a company's CSR activities are conducted in collaboration with the local community through initiatives akin to local community development. This refers to the community residing around the company's operations, without any contractual ties to the company. The aim of CSR activities through community development is to empower the local community, enabling long-term benefits for both the company and the community.<sup>29</sup>

According to The World Business Council For Sustainable Development (WBCSD), corporate social responsibility constitutes a sustained commitment by businesses to conduct themselves ethically and contribute to economic development while enhancing the quality of life for their workforce, their families, the local community, and society at large.<sup>30</sup> This commitment underscores the continuous ethical conduct of business actors and their contributions to economic advancement, coupled with improving the living standards of employees, their families, the local community, and society as a whole.

Within corporate programs, the community stands as an indispensable element that warrants attention amid the company's operations. This necessitates the company's conscious effort to guide the local community toward prosperity and self-reliance without disrupting the existing social and cultural fabric. Husain explains that community development is a systematically planned and directed activity aimed at enhancing community access to achieve better social, economic, and quality of life conditions.<sup>31</sup> Fundamentally, community development is an empowerment effort undertaken by companies, governments, and local communities.

---

<sup>27</sup> Julien-François Gerber, "The Hidden Consequences of Credit: An Illustration from Rural Indonesia," *Development and Change* 44, no. 4 (1 July 2013 2013). <https://doi.org/10.1111/dech.12045>.

<sup>28</sup> Yania Abdul Rahman, *The Art of Islamic Banking and Finance: Tools and Techniques for Community-Based Banking*, ed. Wiley Finance Ser., 2 ed. (John Wiley & Sons Inc, 2014), book.

<sup>29</sup> Arman Mergaliyev et al., "Higher Ethical Objective (Maqasid Al-Shari'ah) Augmented Framework for Islamic Banks: Assessing Ethical Performance and Exploring Its Determinants," *Journal of Business Ethics* 170, no. 4 (2021/05/01 2021). <https://doi.org/10.1007/s10551-019-04331-4>.

<sup>30</sup> United Nations Environment Programme UNEP, "Towards a Sustainable Financial System in Indonesia (Report, February 2015)."

<sup>31</sup> Husain.



The implementation of community development programs, as outlined by Rahman, can be executed through a community development cycle starting with the development principle.<sup>32</sup> This involves the conceptualization, objectives, and program targets based on a community needs analysis. To conduct this needs analysis, companies must comprehend the desires and requirements of the community, focusing on long-term needs rather than short-term ones. This needs analysis should be thorough, involving community leaders to unearth program ideas that cater to collective needs, not just those of a few individuals.

Subsequently, the program is disseminated throughout the community to ensure that the community perceives ownership and responsibility for its implementation and success. This socialization process should utilize appropriate communication through media channels and is part of public relations activities, encompassing communication strategies to foster relations with the community. Moreover, community development activities strive to enhance community participation and a sense of belonging toward the empowerment programs being implemented.

### **3) Dynamic of rural development**

Understanding the dynamics of rural development involves recognizing the distinct socio-economic conditions prevalent in rural areas. These areas often grapple with limited access to resources, including financial, technological, and educational resources. Infrastructural challenges, such as inadequate roads, limited connectivity, and basic amenities like electricity and clean water, profoundly influence the context in which community development initiatives unfold.<sup>33</sup>

Additionally, the reliance on traditional livelihoods, such as agriculture or small-scale industries, shapes the economic landscape of rural regions. This reliance can present both opportunities and challenges for community development efforts. On one hand, it signifies a deep-rooted connection to local practices and knowledge systems. On the other, it might underscore vulnerabilities to market fluctuations, climate change impacts, and technological advancements that alter traditional economic practices.<sup>34</sup>

Addressing these dynamics requires tailored strategies that respect and integrate local knowledge while introducing sustainable innovations. Initiatives should aim to enhance access to modern resources, improve infrastructure, diversify livelihood options, and provide education and skills training aligned with both traditional practices and contemporary demands. Engaging the community in these initiatives is crucial to ensure ownership and sustainability of developmental efforts.

### **4) Sustainable Development Goals (SDGs) in Southeast Asia:**

---

<sup>32</sup> Azhar Abdul Rahman and Abdullah Awadh Bukair, "The Influence of the Shariah Supervision Board on Corporate Social Responsibility Disclosure by Islamic Banks of Gulf Co-Operation Council Countries," *Asian Journal of Business and Accounting* 6, no. 2 (2013 2013).

<sup>33</sup> Md Saiful Islam, "Role of Islamic Microfinance in Women's Empowerment: Evidence from Rural Development Scheme of Islami Bank Bangladesh Limited," *ISRA International Journal of Islamic Finance* 13, no. 1 (2021). <https://doi.org/10.1108/IJIF-11-2019-0174>.

<sup>34</sup> Cecile Lapenu, "Indonesia's Rural Financial System: The Role of the State and Private Institutions," in *Case Studies in Microfinance, Sustainable Banking with the Poor, Asia Series*. (Washington, DC: World Bank, 1998).

The Sustainable Development Goals (SDGs) framework, established by the United Nations, provides a blueprint for global development efforts. In Southeast Asia, aligning community development initiatives with the SDGs is paramount for comprehensive and sustainable rural development.<sup>35</sup>

The SDGs encompass 17 goals addressing various aspects of development, including poverty eradication, quality education, healthcare access, infrastructure development, economic growth, environmental sustainability, and social inclusion. In the context of rural Southeast Asia, these goals serve as a guiding framework to uplift communities and drive holistic development.<sup>36</sup>

Efforts focused on eradicating poverty align with initiatives aiming to enhance livelihood opportunities, improve agricultural practices, and provide access to financial services and markets for rural entrepreneurs.<sup>37</sup> Quality education initiatives might involve improving school infrastructure, enhancing teacher training, and promoting educational access for rural children. Healthcare initiatives could focus on increasing access to healthcare facilities and promoting health education within rural communities.

Infrastructure development is critical for rural areas, involving initiatives to improve road networks, access to clean water, sanitation facilities, and renewable energy sources. Economic empowerment strategies might include vocational training, support for small and medium-sized enterprises, and fostering entrepreneurship among rural youth and women.

Aligning community development initiatives with the SDGs ensures a comprehensive approach to rural development, addressing multiple dimensions of well-being while striving for sustainable progress and inclusivity within Southeast Asian rural communities.

This theoretical framework sets the stage for investigating the potential synergy between *Muawadhah* and *Tabarru'* contracts within Zakat utilization for rural community development. By drawing upon Islamic finance principles, socio-economic frameworks, and development theories, this study aims to elucidate how this collaborative approach can be harnessed to address socio-economic challenges and foster sustainable development in rural areas.

## 6 METHODOLOGY

This study is classified as qualitative descriptive research employing content analysis methodology. Content analysis involves drawing conclusions by identifying the characteristics of messages or concepts within the data. It is combined with the methodology of the Islamic economic approach and normative aspects in the fields of Islamic jurisprudence (fiqh), principles of jurisprudence (ushul fiqh), and exegesis (tafsir). This study incorporates epistemological and phenomenological approaches to uncover, address, and propose a concept of synergistic contractual arrangements between tabarru contracts and muawadhat contracts.

---

<sup>35</sup> Mehmet Sarac and Mohammed Kabir Hassan, *Islamic Perspective for Sustainable Financial System* (Istanbul, Turkiye: Istanbul University Press, 2020).

<sup>36</sup> Saputra Arief Dwi and Rahmatia Alfina, "Islamic Financial Literacy Index of Students: Bridging Sdgs of Islamic Finance," *Economics and Finance in Indonesia* 67 (2021). <https://doi.org/10.47291/efi.v67i1.730>.

<sup>37</sup> Sarac and Hassan.

The qualitative study relies on primary data sources as outlined by Lofland, as cited in Lexy J. Moleong, encompassing verbal and behavioral elements along with additional supplementary data.<sup>38</sup> The study employs both primary and secondary data. Primary data sources include juridical-regulative regulations such as the Strategic Plans of the National Amil Zakat Agency (BAZNAS), and Bank Syariah Indonesia, Islamic Bank of Thailand, CIMB Islamic Bank Berhad, Malaysia.

This encompasses information derived from these institutions programs in disseminating their *muawadhah* and *tabarru'* fund toward the community development at rural areas, statistics concerning muzakki (contributors of Zakat) and mustahik (recipients of Zakat), and profiles of pre-prosperous customers within Islamic banking. Additionally, it involves the examination of standard operating procedures governing Zakat distribution management at these institutions, as well as the methodologies of CIBEST (Community Index for Better Economics and Sustainable Taqwa) applied at these Islamic Financial Institutions.

Moreover, primary data in this study are acquired through interviews with representatives from BAZNAS, Bank Syariah Indonesia, Islamic Banking of Thailand, and CIMB Islamic Bank Berhad, Malaysia. Secondary data, serving as supportive data, include journal articles, books, and related archives pertaining to the research problem.

Data analysis in this research involves a descriptive presentation of the obtained data. It commences with the exposition of responses from respondents, whether conveyed directly, in written form, or observed directly. Additionally, the sufficiency of library data previously studied has been gathered and analyzed qualitatively using deductive and inductive methods. The data analysis process begins by examining all pre-designated data from various predetermined sources, which include interview results, field notes, or other forms of documentation. These data are then reduced by creating abstractions, which are subsequently arranged in detailed or unitary forms. From these unitary forms, categorization is undertaken, followed by data scrutiny to avoid inaccuracies. Once their validity is confirmed, these data serve as guidelines to address several research problem formulations, culminating in the author's conclusive analysis.

## **7 RESEARCH OUTLINE**

The research comprises eight substantive chapters along with a concluding section. To provide an overview:

Chapter 1 – Introduction: This section sets the groundwork by delineating the context of *muawadhah* and *tabarru'* contracts in Zakat Community Development, emphasizing the significance of Islamic Financial Institutions in rural areas. It addresses the research question, outlines contributions, and justifies the necessity for conducting this study.

Chapter 2 – Literature Review: This chapter delves into the concepts of *muawadhah* and *tabarru'* contracts, examines the role of zakat in community development, and elucidates the role of Islamic Financial Institutions in rural development. It scrutinizes previous studies to ascertain the rationale, objectives, and impact of synergy between Islamic Social Finance and zakat community development.

---

<sup>38</sup> Moleong Lexy, *Metode Penelitian Kualitatif* (Bandung: PT. Remaja Rosdakarya, 2001).

Chapter 3 – Research Methodology: This section explicates the research design employing a qualitative approach, utilizing the case study method. It details the data collection, sampling procedures, and data analysis techniques adopted during the research.

Chapter 5 - Synergy between *Muawadhah* and *Tabarru'* Contracts in Zakat Community Development: This chapter focuses on analysing *muawadhah* and *tabarru'* contracts in zakat initiatives. It assesses the impact and challenges in implementing these concepts within rural areas of the Southeast Asian country.

Chapter 6 – Case Studies or Empirical Analysis: Here, case studies exploring the implementation of *muawadhah* and *tabarru'* contracts by Islamic financial institutions are examined. Comparative analyses of case studies from different countries such as Malaysia, Indonesia, and Thailand are conducted for comprehensive insights.

Chapter 7. Findings and Discussion: This chapter presents an overview of the key findings and discusses the synergistic impact of *muawadhah* and *tabarru'* contracts. It highlights implications for zakat community development in rural areas and offers recommendations for policy and practice.

Chapter 8 – Conclusion: This final chapter summarizes the study's themes and issues discussed. It outlines proposals for resolving identified problems, particularly concerning the synergy of *muawadhah* and *tabarru'* contracts in Zakat community development in Southeast Asian rural areas. It provides insights into the development of modern Islamic finance catering to moral community development, especially for the less fortunate. Finally, it emphasizes the significance of future research on Islamic social finance for rural community development.

## 8 RESEARCH DURATION

The research will be conducted from March to October 2024. Below is the research timetable:

No	Activities	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
1	Research Analysis								
2	Data Processing								
3	Presentation of Findings and Revision								
4	Compilation of report								
5	The Submission of Report								

## 9 RESEARCH BUDGET

The required funds for research implementation is **IDR 150.000.000,-** which encompasses pre-research activity expenses, research execution funding, and post-research funds. This budget allocation is structured according to the detailed steps outlined in the research methodology. A comprehensive breakdown of the research budget is presented separately in a financial proposal.

## 10 RESEARCH TEAM

**1. Dr. Nurul Hak, MA**

- **NIP** : 196606161995031002
- **NIDN** : 2016066603
- **Gender** : Male
- **Place and Date of Birth** : Banjarnegara, 16 June 1966
- **Affiliated Institution** : UIN Fatmawati Sukarno Bengkulu
- **Faculty** : Islamic Economics and Business
- **Program** : Management of Zakat and Waqf
- **Field of Study** : Philosophy of Islamic Law
- **Role in Research** : Team Leader

**2. Romi Adetio Setiawan., MA., PhD**

- **NIP** : 198312172014031001
- **NIDN** : 2017128301
- **Gender** : Male
- **Place and Date of Birth** : Kepahiang, December 17, 1983
- **Affiliated Institution** : UIN Fatmawati Sukarno Bengkulu
- **Faculty** : Islamic Economics and Business
- **Program** : Sharia Economics
- **Field of Expertise** : Islamic Banking and Finance Law
- **Role in Research** : Team Member

**3. Dr. Edward Mariyani-squire, PhD (Usyd), BA Hons (Usyd)**

- **NIP** : -
- **NIDN** : -
- **Gender** : Male
- **Place and Date of Birth** : Wollongong, New South Wales, Australia, 28 February 1972
- **Affiliated Institution** : Western Sydney University, Australia
- **Faculty** : School of Business
- **Program** : Economics
- **Field of Study** : Islamic Economics and Finance, Philosophy of Economics, history of economic thought
- **Role in Research** : Team Member

**4. Adi Setiawan, M.E.I**

- **NIP** : 198803312019031005
- **NIDN** : 2131038802
- **Gender** : Male
- **Place and Date of Birth** : Seri Kembangan, March 31, 1988
- **Affiliated Institution** : UIN Fatmawati Sukarno Bengkulu
- **Faculty** : Islamic Economics and Business
- **Program** : Management of Hajj and Umrah
- **Field of Study** : Islamic Economics
- **Role in Research** : Team Member

## **11 REFERENCES**

Abdul Rahman, Yania. *The Art of Islamic Banking and Finance: Tools and Techniques for Community-Based Banking*. Edited by Wiley Finance Ser. 2 ed.: John Wiley & Sons Inc, 2014. book. doi:332.10917/67.

- Abdullah, Al-Imraani. *Al-Uqud Al-Maaliyah Al-Murakkabah* Riyadh: Dar Kunuz Eshabelia an Nasr wa Tausi', 2006.
- Ahmadi, Makhrus. "Pengembangan Dana Zakat, Infak, Shadaqah Dan Wakaf Terhadap Pertumbuhan Industri Keuangan Non Bank Syariah." *Jurnal Masharif al-Syariah* 2, no. 2 (2017).
- Alamad, Samir. *Financial and Accounting Principles in Islamic Finance*. 1st ed. 2019. ed. Cham: Springer International Publishing, 2019. doi:10.1007/978-3-030-16299-3.
- Arief Dwi, Saputra, and Rahmatia Alfina. "Islamic Financial Literacy Index of Students: Bridging Sdgs of Islamic Finance." *Economics and Finance in Indonesia* 67 (2021): 34. <https://doi.org/10.47291/efi.v67i1.730>.
- Aziz, Jamal, and Uus Uswatusolihah. "The Dichotomy between Tabarru' and Mu'âwadah Contracts: Perspective of Indonesian Law of Obligation." *Al-Manahij: Jurnal Kajian Hukum Islam* 16, no. 1 (2022): 103-14. <https://doi.org/https://doi.org/10.24090/mnh.v16i1.6426>.
- Dikuraisyin, Basar, and Erinda Dayanti. "Pemetaan Ideal Pola Distribusi Dana Zakat Dan Wakaf Untuk Kesejahteraan Mustahik (Studi Di Lembaga Zakat Yatim Mandiri Surabaya, Jawa Timur)." *Zawa: Management of Zakat and Waqf Journal* 1, no. 1 (2021). <https://doi.org/http://dx.doi.org/10.31958/zawa.v1i1.3591>.
- Garaudy, Roger. *Mencari Agama Pada Abad Xx: Wasiat Filsafat Roger Garaudy*. Translated by Mohammad Rasyidi. Jakarta: Bulan Bintang, 1986.
- Gerber, Julien-François. "The Hidden Consequences of Credit: An Illustration from Rural Indonesia." *Development and Change* 44, no. 4 (1 July 2013 2013): 839-60. <https://doi.org/10.1111/dech.12045>.
- Hafidhuddin, Didin. *The Power of Zakat: Studi Perbandingan Pengelolaan Zakat Di Asia Tenggara*. Malang: UIN-Maliki Press, 2008.
- Husain, K. "Contribution of Zakat and Community Economic Welfare." *Indonesian Journal of Social Science Research* null (2021): null. <https://doi.org/10.11594/IJSSR.02.01.06>.
- Institute, Islamic Research and Training. "Islamic Finance Report 2020." (2020).
- Islam, Md Saiful. "Role of Islamic Microfinance in Women's Empowerment: Evidence from Rural Development Scheme of Islami Bank Bangladesh Limited." *ISRA International Journal of Islamic Finance* 13, no. 1 (2021): 26-45. <https://doi.org/10.1108/IJIF-11-2019-0174>.
- Istiqomah, Lailatul. "Analisis Aplikasi Multi Akad Produk Gadai Emas Pada Perbankan Dan Pegadaian Syari'ah Dalam Perspektif Hukum Islam." *An-Nisbah* 1, no. 2 (2020).
- Lapenu, Cecile. "Indonesia's Rural Financial System: The Role of the State and Private Institutions." In *Case Studies in Microfinance, Sustainable Banking with the Poor, Asia Series*. . Washington, DC: World Bank, 1998.
- Lexy, Moleong. *Metode Penelitian Kualitatif*. Bandung: PT. Remaja Rosdakarya, 2001.
- Mergaliyev, Arman, Mehmet Asutay, Alija Avdukic, and Yusuf Karbhari. "Higher Ethical Objective (Maqasid Al-Shari'ah) Augmented Framework for Islamic Banks: Assessing Ethical Performance and Exploring Its Determinants." *Journal of Business Ethics* 170, no. 4 (2021/05/01 2021): 797-834. <https://doi.org/10.1007/s10551-019-04331-4>.
- Mey, Maemunah, and Hernawati Nopi. "Community Social Empowerment in Zakat Community Development." (2020).
- Mubarak, Jaih. *Teori Akad Mu'amalah Maliyah*. Bandung: Simbiosis Rekatama Media, 2020.
- Muhamad. *Manajemen Keuangan Syariah Analisis Fiqh Dan Keuangan*. Yogyakarta: UPP STIM YKPN, 2016.
- Nadia, Renata, and Afrimaigus Riko. "Poverty Alleviation through Community Development Zakat in Tanah Datar Regency." *ITQAN: Journal of Islamic Economics, Management, and Finance* null (2022): null. <https://doi.org/10.57053/itqan.v1i1.5>.
- Nanang, Yusroni, and Chadhiq Umar. "Understanding the Impact of Zakat and Waqf as Economic Development of the Community in Rural Areas." *International research journal of management, IT and social sciences* null (2021): null. <https://doi.org/10.21744/irjmis.v8n6.1966>.

- Qardhawi, Yusuf. *Fiqhus Zakat* Beirut: Muassasah Risalah, 1991.
- Rahman, Azhar Abdul , and Abdullah Awadh Bukair. "The Influence of the Shariah Supervision Board on Corporate Social Responsibility Disclosure by Islamic Banks of Gulf Co-Operation Council Countries." *Asian Journal of Business and Accounting* 6, no. 2 (2013 2013): 40.
- Ramadan, Tariq. *Islam, the West and the Challenges of Modernity*. UK: Kube Publishing Ltd, 2009.
- Sarac, Mehmet, and Mohammed Kabir Hassan. *Islamic Perspective for Sustainable Financial System*. Istanbul, Turkiye: Istanbul University Press, 2020.
- Setiawan, Romi Adetio. *The Future of Islamic Banking and Finance in Indonesia: Performance, Risk and Regulation*. London: Routledge, 2023. doi:<https://doi-org.ezproxy.uws.edu.au/10.4324/9781003393986>.
- Sri, Fadilah, Maemunah Mey, and Hernawati Nopi. "Community Social Empowerment in Zakat Community Development (Zcd)." (2019). <https://doi.org/10.29313/mimbar.v35i2.5127>.
- Susilawati, N., A. Sunarto, and Rohimin Rohimin. "Zakat Community Development Program through Zakat Village Index Approach." (2019). <https://doi.org/10.29300/MADANIA.V23I2.2627>.
- Syahriza, Mulkan. "Analisis Efektifitas Distribusi Zakat Produktif Dalam Meningkatkan Kesejahteraan Mustahik (Studi Kantor Cabang Rumah Zakat Sumatera Utara)." *at-Tawassuth* 4, no. 1 (2019).
- UNEP, United Nations Environment Programme. "Towards a Sustainable Financial System in Indonesia (Report, February 2015)." 49.
- Yasin, Mohammad. "Sharia Bank and Zis Institution Synergy : An Attempt to Minimize Failed Payment through Empowerment for Financial Inclusive Optimization in Indonesia." Paper presented at the International Conference on Islamic Economics and Financial Inclusion, Yogyakarta, 2017.