

# Analysis of the Role of Productive Zakat in Strengthening Local Institutions in an Effort to Improve Farmer Welfare in Cipanjalu Village: Case Study of Koperasi Agronative

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## Abstract

**Purpose:** This research aims to analyse the role of productive zakat in empowering farmers through strengthening Koperasi Agronative as an effort to improve farmer welfare.

**Design/methodology/approach:** The research method used is descriptive research with a qualitative approach. This research will use primary data sources and secondary data. The respondents for this research consisted of 19 beneficiary farmers, 7 Koperasi Agronative administrators and 1 person from the Dompêt Dhuafa Economic Division. The management of the Koperasi Agronative and the DD Economic Division were key informants.

**Findings:** Dompêt Dhuafa's productive zakat plays an important role in strengthening Koperasi Agronative. The role of Koperasi Agronative in improving farmers' welfare is carried out through three things: coaching in aspects of plant cultivation, character development to increase farmer discipline, and offtakers or market hubs for sharing farmers' products so that they feel calm about the selling prices offered by the koperasi. The role of Koperasi Agronative for farmers consists of three dimensions of expectations, needs and experiences. The hope dimension is in the strongly agree category, the needs, and experiences of each are in the agree category. An NTRP percentage >1 indicates that the horticultural farmers of Desa TaniKoperasi Agronative are included in the prosperous category.

**Research limitations/implications:** This research has limited respondents and time in exploring the productive role of zakat.

**Practical implications:** This research can be a reference for further research related to the role of productive zakat in improving farmers' welfare.

**Originality/value:** This research shows that the Koperasi Agronative as Dompêt Dhuafa's productive zakat management partner has an important role in improving farmers' welfare.

**Keywords:** productive zakat, empowerment, farmers, koperasi agronative, farming

## Introduction

Indonesia is known as an agricultural country. This is shown by the large number of residents or workers who work in the agricultural sector. Based on data from the Central Statistics Agency (BPS), there were 38.7 million workers in the agricultural sector in August 2022. This number reached 28.7% of the total population of 135.3 million people and was the largest compared to other main employment opportunities. Indonesia's location in a tropical climate

means that the weathering process of rocks occurs perfectly, making the soil fertile. Indonesia experiences a monsoon climate which is influenced by the Asian continent and the Australian continent which are separated by the equator, which causes Indonesia to have two seasons, namely the dry season and the rainy season. This season has an influence on agricultural activities in Indonesia. Agriculture has an important contribution to the economy and fulfils people's basic needs (Ayun et al, 2020). As the population increases, the need for food increases.

Farmers in Indonesia still face various problems that can affect their welfare. According to Habibullah (2020), several indicators related to farmer welfare are the Farmer Exchange Rate (NTP), wages received by farm workers, inflation, and per capita income (Yacoub and Mutiaradina, 2020). The per capita income earned by farmers in Indonesia shows that farmers still live below the poverty line. Based on BPS integrated agricultural survey data (2021), 72.19% of farmers in Indonesia are small-scale farmers with an average net income of IDR 5.23 million a year. This figure is below the poverty line with an average monthly income of IDR 535,547 per month. Large-scale farmers earn an average net income of IDR 22.98 million a year.

Farmers in Indonesia are still dependent on middlemen in selling their crops. According to Megasari (2017), farmers' dependence on middlemen in the village is a reality that shows that farmers are in a disadvantaged position and middlemen are the ones who really help farmers out of their economic problems (Suhartatik and Batubara, 2023). The results of research by Suryadi et al (2017) on Gondangwetan farmers, Pasuruan show that the factors that influence farmers to sell rice to middlemen are related to capital factors as a need for the next planting period and the factor of fulfilling basic needs such as food and education requiring loans from middlemen. The length of the rice supply chain, from purchasing the grain to the grain mill until the rice reaches the consumer, causes a disparity in prices at the farmer level and rice prices at the consumer level. The supply chain for paddy into rice is quite long so it requires large costs and the availability of panicle threshing and grain milling machines. For farmers, this is quite burdensome. Farmers sell rice panicles to middlemen and post-harvest handling costs are the responsibility of the middleman (Lisarini and Adillah, 2020).

Other problems faced by farmers are capital, fertilizer, and marketing of agricultural products. According to Wereh (2019), limited capital is one of the factors inhibiting progress in agricultural management, capital has an important role in farming businesses (Koib and Simamora, 2022). One way to overcome these agricultural problems is by presenting an agricultural koperasi institution. The existence of Koperasi for farmers is very important to increase agricultural production and help farmers market their products (Nurfitasary et al, 2020). According to Agustia et al (2017), Koperasi are built because of mutual interests to meet common needs. The important role of Koperasi is to gather strength to strengthen the bargaining position of farmers through cooperation in both the economic and social fields (Putra et al, 2020). Based on the research results of Koib and Simamora (2022), Koperasi play an important role in improving the welfare of members and increasing income in obtaining production facilities. Fauzi and Maula's (2022) research on sugar cane farmers found that the role of Koperasi in improving farmers' welfare was influenced by the variables of ease of administration, interest rates, marketing guarantees, member meetings and training.

Zakat is an important instrument in efforts to eradicate poverty in society. Based on the results of calculating the Multidimensional Poverty Indicator (IKM) by the National Zakat Amil

Agency (BAZNAS), zakat can reduce the poverty rate by 2.5 million people or 1.1 percent of the total poor population in Indonesia. In the history of its development, zakat is an instrument that can shift the social status of the people from *mustahik* to *muzakki* and is able to empower the people's economy. Zakat is one of the most effective instruments to unite humanity to help each other with problems in social life and poverty. Poverty alleviation efforts carried out through zakat can take the form of a productive zakat program by empowering *mustahik*. Sukri's research (2019) shows that the productive zakat program in empowering the community's economy at zakat management institutions in Yogyakarta is very effective in increasing the income of *mustahik* economically and spiritually. Zakat is able to reduce the number of poor families, and this can also reduce poverty and income gaps. For this reason, there is a need for strong commitment and cooperation among all zakat stakeholders, including the government, the House of Representatives (DPR), the Amil Agency and zakat institutions as well as society as a whole in realizing sustainable zakat development (Beik, 2009 in Sabik Khomeini and Anto Apriyanto 2018).

Productive zakat is the productive way to manage zakat funding, which is done by providing business capital to the needy and poor as zakat recipients and then developed to meet their living needs in the future (Asnainu, 2008). Productive zakat is clearly different from consumptive zakat because the distribution of consumptive zakat is in the form of direct funding such as donations to fulfill the recipient's basic needs (*mustahik*) including food, clothing, education costs and other things related to daily needs. In other words, consumptive zakat is for one-time needs, while productive zakat will provide a multiplier effect because of the rotation that can produce and continue to run.

The use of zakat also needs to be made for long-term investments which can be converted into several forms, firstly zakat is distributed to maintain work incentives or earn their own income among the poor. Second, at least 50% of the zakat collected is used to finance productive activities for the poor, such as using zakat to finance various activities and productive skills training, providing working capital or initial capital assistance. If such zakat distribution can be implemented, it will really help the government program in alleviating poverty, equalizing income, and narrowing the gap between rich and poor (Jamal, 2004).

Dompot Dhuafa is a national zakat fund management institution in Indonesia. Dompot Dhuafa has an economic empowerment program for farmer groups; the Tani (farm) Village (*Desa Tani*) program. *Desa Tani* Program is in the PTPN Cipanjal Village area, Lembang District, Bandung Regency. There are 52 farmers who are being its beneficiaries (PM) of the program. The aim of the program is to increase the income of horticultural farmers, who are *mustahik* or beneficiaries and to provide market guarantees to farmers so that they continue to increase their income. In *Desa Tani* program there are four key interventions carried out including: (1) provision of production assets for farmers, (2) Capacity Building provided to farmers to increase their knowledge and abilities, (3) market hub or market expansion and expansion so that data on sales and uptake of *Desa Tani* products becomes wider, (4) initiation of local institutions, namely the formation of *Koperasi Agronative*.

The *Koperasi Agronative* was founded on February 4, 2021, and is a *koperasi* intended for producers of goods and services. These *koperasi* (koperasi) markets goods made or produced by its members. *Koperasi Agronative* plays a role in maintaining price stability and certainty. Farmers' prices to *koperasi* tend to be stable in accordance with contracts at the beginning of the planting period. In this case, the role of *Koperasi Agronative* is so that farmers can continue

to finance their lives properly so that they can set aside income for savings. Based on this background, this research aims to analyze the role of productive zakat in empowering farmers through strengthening Koperasi Agronative as an effort to improve farmer welfare.

## Literature Review

### Productive Zakat

Zakat is one of the important pillars of Islamic teachings. Etymologically, zakat is developing words (*an-namaa*), purifying (*at-thaharatu*) and blessing (*al-barakatu*). Meanwhile, terminologically, zakat means the transfer of certain assets with certain conditions to be given to certain groups (*Mustahik*) with certain conditions as well. (Hafidhuddin, 2002 in Romdhoni, 2018). Zakat is an obligation that must be fulfilled by a Muslim/Muslim woman as the implementation of the third pillar of the five pillars of Islam.

Zakat is an instrument that has an influence on the social economy among Muslim communities. The obligation of zakat for Muslims who can afford it is mandatory. Zakat is a religious service of *maaliah ijtim'iyah* (material and social in nature) which has a strategic and decisive position for the development of the welfare of the people (Huda, 2015 in Anwar 2018). Zakat not only functions as vertical worship to Allah, but functions as a form of horizontal worship (Anwar, 2018). Practically, zakat is an act of worship that has a socio-economic dimension because in practice, zakat is used to help members of society who experience socio-economic difficulties (Fitri, 2017). The aims and impacts of zakat for recipients (*mustahik*) according to Yusuf Qardhawi's book of zakat jurisprudence include (1) zakat will free the recipient from need so that they can live a peaceful life and increase their devotion to God; (2) zakat eliminates envy and hatred.

According to Arif Mufraini in Zalikha (2016) there are four forms of innovation in the distribution of zakat; (1) distribution that is 'traditional consumer' in nature, namely zakat is distributed to *mustahik* for direct use; (2) distribution is 'creative consumptive' in nature, namely zakat which is realized in other forms than the original goods, such as providing school equipment or scholarships; (3) distribution is 'traditional productive' in that zakat is given in the form of productive goods such as goats, cows, and so on; (3) distribution is 'creatively productive' in that zakat is realized in the form of capital either to increase capital or build social and economic projects. Zakat will be able to have a wider impact (multiplier effect) and touch all aspects of life if the distribution of zakat is directed at productive activities (Pratama, 2015).

Productive zakat is basically a method of giving zakat which is allocated to productive businesses to make them more efficient. Productive zakat is the activity of managing zakat funds by aiding aimed at productive business activities so that it can have a long-term impact on *mustahik*, not just for one-time consumption. *Mustahik* who receive zakat distribution productively should not spend it but develop it and use it to help their business so that with zakat funds they can produce something sustainable (Widodo and Sunarso, 2009 in Bintoro, 2022). Productive zakat is a zakat distribution model where zakat funds are given to a person or group of people to be used as working capital (Rahardjo, 1999 in Effendi, 2017).

According to Asnaini (2008), productive zakat is zakat in the form of assets or zakat funds given to *mustahik* which are not spent directly for consumption for certain needs but are developed and used to help their businesses so that these businesses can meet their daily needs continuously. Productive zakat is the result of collecting zakat which will be utilized to be

managed into a business that will bring benefits (Wahyuningsih and Rahmatika, 2020). The productive zakat allocation model does not have to be given directly to *mustahik* who own a business but can also involve establishing a business or providing a business place for *mustahik* (Erliyanti, 2019).

Farmer poverty in various regions in Indonesia is caused by education, capital, market access and institutional factors. Therefore, the use of zakat in the context of economic empowerment for rural farmers is the main capital. For agriculture, the distribution model is related to productive economic activities which are known as three patterns, namely grants, which are the most popular and widely practiced. The second is benevolent funds, zakat funds that are lent and returned in the amount of zakat money. Then, thirdly, LAZ (*Lembaga Amil Zakat*) cannot accept refunds, meaning it is immediately rolled back to other *mustahik* (Sani, 2022).

### **Farmer Institution: *Koperasi***

Institutions are the totality of ideal patterns, organizations, and activities center around basic needs such as family life, state, religion, and obtaining food, clothing, and enjoyment and shelter. An institution is formed to fulfil various human needs so that the institution has a function (Anantanyu, 2011). Institutions are a collection of norms and actions related to the basic needs of social life in society and form social tools to meet human needs when socializing in society. Institutions in rural areas were born to meet the needs of the community and the main benefit of institutions is to accommodate the needs of one side of the community's social life and as social control so that everyone can regulate their behavior according to the wishes of the community (Elizabeth, 2003 in Elizabeth, 2007). According to Syahyuti (2006), the institutional component consists of the people involved in an institution that can be clearly identified, the interests of these people are bound by one interest so they must interact with each other, the rules that each institution develops a set of agreements that are held together, and the structure that each People have positions and roles that they must carry out correctly (Hadi, 2010).

The institutional rationale needed by farmers includes: (1) the agricultural process requires strong human resources supported by infrastructure, credit equipment, and so on; (2) farmer institutional development is more complicated than natural resource management because it requires supporting factors and production units; (3) agricultural activities include preparing inputs, converting inputs into products with labour and management efforts, and placing outputs into value; (4) agricultural activities require support in the form of policies and institutions from central to local; (5) the complexity of agriculture, which includes business units and institutions, makes it difficult to achieve optimal conditions. The farmer institutions in question are farmer institutions located in local areas in the form of membership or cooperation organizations; farmers who are members of *koperasi* groups (Uphoff, 1986 in Anantanyu, 2011).

Farmer institutions can take the form of *koperasi*, which are legal entities owned by many farmers and which aim to improve farmer welfare through managing farmer productivity. *Koperasi* are people's economic institutions mandated by the 1945 Constitution. *Koperasi* functions to build and develop members' economic potential and abilities to improve their economic and social welfare. Farmer *Koperasi* is a forum for farmers to develop agricultural businesses, gain market access to wider markets and increase bargaining power in negotiating prices for agricultural products. As is often found in developed and developing countries, *Koperasi* are one of the best alternatives for farmers to improve their bargaining position.



Joining farmers in a *koperasi* can increase the ability to access a wider market without having to compete between farmers themselves. Farmers who are members of *Koperasi* need the necessary competencies, especially competencies for partnering (Baga, 2009). According to Manda (2020), smallholder farmers' perceptions of how effective the *koperasi* organization they are in will be a function of their past, present, and future experiences combining their context, expectations, needs and goals.

### Farmer Welfare

According to the Indonesian Dictionary, prosperity comes from the word *sejahtera* which means safe, secure, prosperous, and safe. Welfare can be interpreted as a word or expression that refers to a good condition or a condition where the people involved in it are healthy, peaceful, and prosperous (Sodiq, 2015). The concept of welfare according to Todaro (2003) states that the welfare of the lower middle class can be represented by the community's level of living, namely the poverty level, health level, education level and community productivity level. Welfare in the Islamic view includes material, spiritual and moral welfare. Welfare is not only measured by the fulfillment of physical and material needs, but also the fulfillment of spiritual needs which aim to achieve happiness in this world and the hereafter as well as a better and more honorable worldly life (Wardani and Faizah, 2018).

According to Mosher in Purba (2015), the most important thing about welfare is income, welfare at the household level depends on the level of income. Meeting needs is limited by household income, especially for those with low incomes (Mudatsir, 2021). The types of activities that are sources of income for farmers are divided into three sub-sectors, namely on-farm and off-farm, including sources of income from activities in the agricultural sector, and non-farm are sources of income that have nothing to do with the agricultural sector (Mudatsir, 2021). Therefore, investigating farmers' perceptions is important because it helps them to communicate their understanding of what and how they view their experiences so far with their agricultural *Koperasi* in terms of how their needs are being met as members of these organizations. According to L. Arsyad (1992) in Bintoro (2022), societal welfare is the sum of the choices people have and the freedom to choose between these options and will be maximized if people can read, eat, and choose.

### Factors that Influence the Level of Welfare

It is known that prosperity can be obtained if there is a balance or harmony between fulfilling physical needs and spiritual needs. The Indonesian Central Bureau of Statistics (2000) explains that to see the level of household welfare in a region, several indicators are used as measures, including: a. Family income level. b. Composition of household expenditure by comparing expenditure on food and non-food. c. Family education level. d. Family health level, and e. Housing conditions and facilities owned in the household.

One element of farmer welfare is the purchasing power of the farmer's income to meet the expenditure needs of the farmer's household. The higher the purchasing power of farmers' income relative to consumption needs, the higher the farmer's exchange rate and the relatively more prosperous they are (Rachmat, 2013). One of the indicators used in measuring farmer welfare is the exchange rate of farmer household income (Setiawan *et al*, 2019).

$$\begin{aligned}
 \text{NTRP} &= \text{Y/E} \\
 \text{Y} &= \text{YP} + \text{YNP} \\
 \text{E} &= \text{EP} + \text{EK}
 \end{aligned}$$

Information:

<b>NTRP</b>	=	Exchange Rate of Farmer Household Income
<b>E</b>	=	Farmer Household Expenditures (Rp)
<b>Y</b>	=	Farmer Household Income (Rp)
<b>YP</b>	=	Total Income from Farming (Rp)
<b>YNP</b>	=	Total Income from Non-Agricultural Businesses (Rp)
<b>EP</b>	=	Total Expenditures for Farming (Rp)
<b>EK</b>	=	Total Expenditures for Non-Agricultural Businesses (Rp)

So, the exchange rate of farmer household income is used as a benchmark for the level of welfare:

1.  $NTPRP < 1$  means that the farmer's welfare level is included in the prosperous group
2.  $NTPRP > 1$  means that the farmer's welfare level has entered the prosperous group

### Method

The research method used is descriptive research with a qualitative approach because this will explain in writing the influence of productive zakat on *Mustahik's* welfare. Arikunto (2005:234) states that descriptive research is research that is intended to collect information about the status of existing symptoms, namely the state of symptoms according to what they were at the time the research was conducted.

This research used primary data sources and secondary data. Primary data was obtained from questionnaire and interview methods, secondary data was obtained from study literature in the form of books, journals or scientific works, websites and other materials related to productive zakat, *Koperasi* and farmer welfare. This research was conducted in Cipanjalu Village from 24 July 2023 to 15 September 2023.

Data collection techniques involve conducting observations and in-depth interviews with key informants and filling out questionnaires by respondents. According to Sutopo (2006), in-depth interviews are a process for obtaining information. A questionnaire is a collection technique by providing or distributing a list of questions to respondents hoping that the respondents will provide responses. The respondents for this research consisted of 19 beneficiary farmers, 7 *Koperasi Agronative* administrators and 1 person from the Dompét Dhuafa Economic Division. The management of the *Koperasi Agronative* and the DD Economic Division were key informants. The questionnaire consists of respondent characteristics, farming income, non-farming income, household expenses, and *Koperasi Agronative* services.

The list of questions regarding the productive role of zakat will focus on economic empowerment programs, management of zakat funds, benefits of zakat, and local institutional assistance. Questions regarding the role of *Koperasi Agronative* will focus on *koperasi* governance, the role of zakat for *Koperasi Agronative*, assistance to farmers, and farmers' perceptions of *koperasi* services. Farmers' perceptions of *koperasi* services are viewed from three dimensions, namely expectations, needs and experiences. The indicators of the hope dimension are happiness and disappointment. Indicators of the experience dimension are behavior and memory. The indicator of the needed dimension is information. Questions for each indicator are answered on a four-point Likert scale and are then given a score of 1 =

strongly disagree to 5 = strongly agree. Farmer welfare is measured by the Farmer's Household Income Exchange Rate (NTRP)

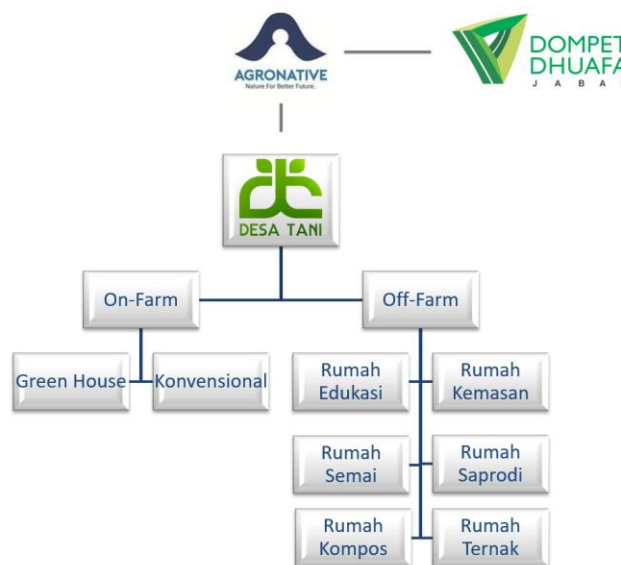
**Findings**

***The Role of Productive Zakat in Economic Empowerment Programs***

Dompot Dhuafa has a management, distribution, and empowerment role for its *mustahik*. The zakat funds collected by Dompot Dhuafa from *muzakki* are then utilized and distributed, one of which is through an economic empowerment program. One form of the economic empowerment program from the perspective of zakat fund management is the use of zakat funds to provide business capital to both individuals and groups in underprivileged communities. In this case, the zakat funds are used as business capital to start a business or develop a business so that the beneficiary can be economically independent and no longer depend on zakat assistance.

Desa Tani is one of the economic empowerment programs for poor communities in the field of horticultural agriculture through a productive zakat scheme. *Desa Tani* Program was initiated in 2018 and started running in 2019 involving 12 beneficiaries who work on a limited area of 1.2 hectares of land who are members of the *macakal farmer* group in Cibodas Village. In 2020, the *macakal farmer* group changed to an agronative farmer group and there was an increase in beneficiaries to 19 people. In 2021, an agricultural *koperasi* will begin to be formed with the name of the Indonesian Pratama Koperasi Agronative or known as the Koperasi Agronative, which consists of 27 core beneficiaries and 23 other farming communities.

Based on the results of an interview with Mrs. Hananingrum Wulandari (Mrs. Hana) as the Economic Division of Dompot Dhuafa, aid funds to farmers who join *Desa Tani* are not given directly to farmers but rather through the Koperasi Agronative. The background to the formation of Koperasi is to improve the performance of *Desa Tani*. The existence of *Koperasi* makes it easier for farmers to access supporting facilities for production in the form of fertilizers, seeds, and pesticides. *Koperasi* also act as off-takers of vegetable agricultural products produced by farmers and become a forum for the mentoring and coaching process carried out for beneficiaries. The program scheme can be seen in Figure 3.



Mrs. Hana form of

Figure 2. *Desa Tani* Economic Empowerment

also explained the productive zakat



intervention for the Koperasi Agronative, namely developing the business units run in the *Desa Tani* program. Initially it was only on-farm, then *Desa Tani* created off-farm business units such as agricultural products shops, educational tourism (see figure 2). The role of the Koperasi Agronative is to help manage all business units running in the *Desa Tani* program.

Activities carried out by the economic division to ensure that the Koperasi Agronative can carry out its role well, namely mentoring. According to Mrs. Hananingrum Wulandari, the assistance was carried out through a consolidation forum between the economic divisions, both central and branch (DD Jabar) and the management of the Koperasi Agronative. The consolidation forum is carried out to anticipate dynamics or problems that occur in the field and accept proposals submitted by Koperasi Agronative which will then be discussed together in the forum. Furthermore, assistance in standardizing financial reports. During the mentoring process, the economic division monitors and evaluates *Desa Tani* program which is carried out following the cycle of the commodities planted. In monitoring and evaluation activities, the activities carried out include recording the termination of program disbursement, following up on any activities that have been carried out, identifying any obstacles faced and discussing finding solutions to the obstacles that occur as well as coordinating regarding follow-up plans managed by the Koperasi Agronative.

#### ***The Role of Koperasi Agronative***

Based on the results of the interview, Mr Ade Rukmana (mang Ade) as Chairman of the Koperasi Agronative explained that the Koperasi Agronative was founded because of problems in the farming community such as human resources, land, capital, technology, and market networks. There are 7 people on board the Koperasi Agronative. Each person has their own role and responsibility. Starting from Mang Ade's role as a companion for the Farmer's Village program, Mang Dadan in the marketing department, Mang Jajang in the technical production department, Mang Lukman in the seed supply department and in charge of the seedling house unit, Kang Agu and Kang Rey role in the marketing and communication (markom) department.

The role and function carried out by Koperasi Agronative is assisting farmers who are beneficiaries of *Desa Tani* program. The form of assistance provided is in the form of coaching in aspects of plant cultivation. This activity takes the form of increasing the knowledge of beneficiary farmers related to agricultural cultivation techniques in terms of managing horticultural plants or vegetables starting from the sowing or planting process, plant maintenance, to the harvesting process. Second, developing farmer character. Mentoring in terms of character is provided to beneficiaries through coaching once a week or twice a week, a beneficiary gathering agenda to strengthen relationships and share knowledge related to agriculture and evaluations are also carried out regarding the farmers' discipline. There are three values applied to farmers, abbreviated as HOW (Honesty, Open Mind and Willingness).

According to Mang Ade, benchmarks for the success of mentoring farmers include: (1) behavioral changes (mental, social, and spiritual); (2) economic improvement; (3) cultivation quality. The Koperasi Agronative applies three cards to increase farmer discipline. The three cards have provisions, there are 1) Green Card for members who maintain all existing rules, 2) Removal of Rights for members who violate existing rules for the first time within the agreed period, 3) Yellow Card for members who have twice violated the rules with withdrawal of rights and a strong warning from the management, 4) Red Card for members who have received a yellow card and do not try to improve the existing situation. According to Mrs. Hana, farmer discipline has an influence on increasing farmer income. The farmer's disciplined attitude is

shown by being committed and serious in carrying out on-farm business processes, having good enthusiasm for the technical aspects of cultivation, and carrying out optimal maintenance to obtain maximum harvest results.

Regarding land and capital for farmers, the Koperasi Agronative has the role of providing agricultural production facilities (*saprotan*) whose funding is obtained from zakat funds. Koperasi contracts with beneficiary farmers use the term '*yarnen*' to pay for the harvest. Each farmer who receives the benefit of getting 2,000 m<sup>2</sup> of conventional land to cultivate is worth IDR. 12,210,000,-, a 250 m<sup>2</sup> Green House worth IDR 15,872,000,-, and agricultural inputs worth IDR. 14,041,834. Thus, the total rolling benefit is IDR. 42,123,834, -. The rules for returning investment funds that have been set by the Koperasi Agronative for farmers are:

1. The nominal amount of land rent will be divided over 15 months and will be set aside each month from production results.
2. The nominal amount for conventional land clearing will be set aside for 15 months or 3 planting seasons with agreed amounts of 50%, 30% and 20%.
3. The nominal amount for building the Green House Garden will be divided over 30 months and will be set aside each harvest season.

Koperasi Agronative act as off takers or market hubs for products produced by beneficiary farmers which the *koperasi* will then help connect with the market. As a market hub, the Koperasi Agronative, through its packing house business unit, will absorb the harvests of beneficiary farmers in accordance with the minimum price agreement agreed at the beginning between the farmers and the Koperasi Agronative. If the selling price of vegetables in the market is lower than the agreed price agreement between the Koperasi Agronative and the farmers, the Koperasi will buy the harvest according to the minimum price agreed at the beginning. Meanwhile, if the selling price of vegetables in the market is higher, then the Koperasi's purchasing price to farmers adjusts to the market price. Koperasi Agronative carry out controller functions or carry out quality control activities both in terms of products, increasing in terms of quantity, and also stability or seeing opportunities for the phenomenon of fluctuations in selling prices of vegetables in the market with the hope that the products produced by farmers will have high competitiveness so that value sales can also be higher which will have an impact on increasing income for beneficiary farmers.

### ***The Role of Koperasi Agronatives for Farmers***

The role of Koperasi Agronatives for farmers can use the dimensions of hope, need and experience. Table 1 shows that the hope dimension with a score of 3.69 is in the strongly agreed category. This means that farmers strongly agree that the existence of Koperasi Agronatives can improve farmers' welfare because farmers feel calm about the selling prices offered by Koperasis and it is easier to sell their crops. In the needs dimension with a score of 1.44 and experience with a score of 2.66, each is in the agreed category. In the needs dimension, farmers agree that counseling and socialization can increase farmers' participation and awareness of the existence of Koperasis. In the experience dimension, farmers agree that the information provided by the Koperasi is good enough and easy to understand.

Table 1. Results of Data Analysis of Beneficiary Farmers' Perceptions of Koperasi Agronative  
Source: primary data processed in 2023

## Farmer Welfare

### *Koperasi Agronative Farmer Profile*

The respondents we interviewed and filled out questionnaires were 19 beneficiary farmers, recommended by the management of the Koperasi Agronative. This number was active at the PTPN *Desa Tani* location at least until September 2023 when the researchers carried out a field visit. Of the 19 farmers, we studied their backgrounds such as the number of dependents, educational background and farming experience and joining the *Desa Tani* program.

Based on table 2, more than half of the respondents, 63.2%, had an elementary school education, 31.6% of respondents had graduated from high school, and 5.3% of respondents had a junior high school education. Most respondents had a membership period of 1 to 5 years and only 1 respondent had a membership period of less than 1 year.

Table 2. Educational Background and Membership Period of Beneficiary Farmers

Dimension	Score	Score Range	Category
Expectation	3,69	3,74 – 4,44	Strongly Agree
Needs	1,44	1,34 – 1,66	Agree
Experience	2,66	2,35 – 2,91	Agree
Criteria	Categories	Numbers	Percentage
Level of education	Elementary School	12	63.2%
	Junior High School	1	5.3%
	Senior High School	6	31.6%
Membership Period	<1 year	1	5.3%
	1 year	5	15.8%
	2 years	3	26.3%
	3 years	4	21.1%
	4 years	5	26.3%
	5 years	1	5.3%

Source: Primary Data processed in 2023

### *Farmer Exchange Rates*

The calculation for the farmer's exchange rate is focused on the farmer's income from horticultural farming. The income of Horticulture farmers in *Desa Tani* is the main source for farmers to finance their daily needs. Farmers will receive payments or income from the sale of their crops every month. The average income of oil palm farmers is presented in Table 3 below:

Table 3. Calculation of Exchange Rates for Farmer Household Income

No	Description	NTPRP
A	Agricultural Income (Rp)	102.363.000
B	Production cost	42,123,834
C	Consumption	56,724,000
	● Food	34,527,000
	● Non Food	22,197,000

D	Total Expenditures	69,510,000
E	Income Exchange Rate	
	● Against total expenditure	1,04
	● Against production costs	1,39
	● Regarding food consumption	2,96
	● Regarding non-food consumption	4,61
	● To total consumption	1,80

Source: Data processed in 2023

This calculation of the exchange rate for farmer household income considers all aspects, not only calculating the exchange rate of income against expenditure but also calculating production costs, food and non-food consumption costs, as well as total consumption. Table 3 shows that the average income exchange rate for horticultural farmers in *Desa Tani Koperasi Agronative* is 1,04, which means the value is  $>1$ . If the farmer's income exchange rate is  $>1$ , the farmer's household can meet its needs for both agricultural and non-agricultural businesses, because the expenses it incurs are smaller than the income the farmer earns. The percentage who has an NTPRP  $>1$  indicates that the horticultural farmers of *Desa Tani Agronative Koperasi* are included in the prosperous category. Table 2 also shows that the exchange rate of income to total consumption is bigger; 1,80 compared to the exchange rate of income to production costs of 1.39. Therefore, it can be explained that *Desa Tani Koperasi Agronative* farmers are still focused on meeting their living needs rather than the needs for their business.

### Discussion and Conclusion

Agricultural capital is a very important and vital factor to support the successful development of agricultural businesses. Zakat has a great opportunity to be used productively to help finance capital for farmers. Productive zakat as an alternative financing in the agricultural sector acts as a stimulus for farmers to develop (Baskoro et al, 2017) or is given to a person or group of people to be used as working capital (Effendi, 2017). According to Cahya (2020), productive zakat distributed by the Zakat Management Organization (OPZ) can have a positive impact and is very useful for improving the welfare of people in need. The productive use of zakat can improve holistic welfare which includes both material and spiritual dimensions. This research shows that productive zakat is given to the *Koperasi Agronative* to be managed in the form of capital financing in the form of providing arable land and agricultural inputs in the hope that it can improve the welfare of farmer recipients. The research results show that these two methods of distributing zakat are proven to be able to increase welfare while reducing *mustahik* poverty. Productive zakat is more capable of improving the welfare of *mustahik* compared to consumptive zakat.

Business capital financing programs for the poor must apply the principles of Islamic law by utilizing zakat funds. Rosmawati's research results (2014) show that developing the potential for productive zakat funds through LAZ is by providing guidance and counseling to business capital financing partners more intensively, namely through supervision, counseling, recording and documenting transactions to create authentic financial reports. Empowerment of *mustahik* can be done by establishing a business, strengthening business capital, mentoring, and involving *mustahik* in groups (Ryandono and Wijayanti, 2019). Dompot Dhuafa initiated the *Koperasi Agronative* to oversee *Desa Tani* empowerment program. Dompot Dhuafa places the *Koperasi Agronative* as a productive zakat fund management partner for farmers and *Koperasi* business development. Thus, *Koperasi* can play an optimal role, it is necessary to strengthen

Koperasi institutions. The results of this research show that Dompot Dhuafa, through the economic division, provides intensive coaching and assistance to the Koperasi Agronative.

*Koperasi* are business entities consisting of individuals or legal entities that are based on the principles of kinship and economic democracy (Wardhani and Karya, 2020). *Koperasi* are considered an empowerment strategy to help communities solve the problems they face. Based on the research results of Mustangin et al (2018) that *Koperasi* play a role in making it easier for society to access capital and knowledge through training, the existence of *Koperasi* can provide economic change for the community. The results of research by Kansrini et al (2020) show that the role of *Koperasi* in efforts to empower coffee farmers is considered to play an important and influential role in improving the economic standard of living of farmers. The important role of *Koperasi* as marketing facilitators and business partners as well as providing training and business motivators can positively support the value of empowering coffee farmers. This research shows that Koperasi Agronative has an important role in empowering farmers. These roles include fostering plant cultivation, providing training, character development, and easy access to farming capital.

After conducting research in Desa Tani regarding 'Analysis of the role of productive zakat in strengthening local institutions in an effort to improve the welfare of farmers in Cipanjalu Village (case study of Koperasi Agronative)', it can be concluded that:

1. Productive Zakat Dompot Dhuafa has an important role in strengthening the institution of Koperasi Agronatives through intensive assistance provided by the economic division.
2. Koperasi Agronatives is a productive zakat fund management partner for Dompot Dhuafa. The zakat funds obtained are used to provide capital to farmers in the form of arable land, greenhouses and supporting production facilities. Apart from that, the Agronative Cooperative has developed off-farm business units.
3. The role of Koperasi Agronatives in improving farmers' welfare is carried out through three things: coaching in aspects of plant cultivation, character development to increase farmer discipline, and off takers or market hubs for sharing farmers' products so that they feel calm about the selling prices offered by the cooperative.
4. Productive Zakat has a role in improving the welfare of farmers through Koperasi Agronatives. The results of the analysis of the welfare level of farmers when viewed using the farmer exchange rate have an average value of  $>1$ , namely 1.04, which means that each Koperasi Agronatives farmer can meet their needs, both for agricultural business and household needs.
5. Farmer cooperatives have an important role in the welfare of farmers. Therefore, the capacity of farmer cooperative managers needs to be increased through mentoring and expanding the role of farmer cooperatives so that it requires stimulant funds from the government. Strengthening the benefits of cooperatives for farmers can stop farmers from depending on middlemen.

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