

Article History

Received : 30 April 2024
Revised : 26 June 2024
Accepted : 30 June 2024
Published : 30 June 2024

BAYT MAL AND THE REAL SECTOR IN THE VIEW OF ISLAMIC

Putra Halomoan Hsb¹, Erwin Pane²

¹ Universitas Islam Negeri Syahada Padangsidimpuan

¹putrahsb@uinsyahada.ac.id | ²erwinpane@iaisbarumunraya.ac.id

ABSTRACT

Utilizing a mixed-methods approach, This study explores the role of Bayt Mal (Islamic treasury) in fostering the real sector within an Islamic economic framework. The research integrates qualitative and quantitative methodologies to provide a comprehensive analysis. Qualitative data were gathered through in-depth interviews with Islamic finance experts, scholars, and practitioners, providing insights into the operational mechanisms and challenges faced by Bayt Mal in modern economic contexts. Quantitative data were derived from financial reports and economic indicators to assess the impact of Bayt Mal on various sectors, including agriculture, trade, and manufacturing. The findings reveal that Bayt Mal is crucial in resource mobilization and distribution, promoting economic justice and social welfare. However, regulatory constraints, lack of awareness, and inefficient management practices hinder its potential. The study concludes with recommendations for enhancing the effectiveness of Bayt Mal, emphasizing the need for robust governance structures, increased public awareness, and integration with contemporary financial systems to optimize its contribution to the real sector and achieve sustainable economic development in line with Islamic principles.

KEYWORDS *Bayt Mal; Real Sector.*

INTRODUCTION

Islamic economists continue to Islamize economics. This is done because the current economic policy is incompatible with maqasid ash-shariah, which is the main foundation of muamalat in financial behavior. The dominance of capitalism, which controls the global economy, has created economic inequality only provides *instant* solutions and slowly creates global poverty.

A concept expected to provide the best for people's lives should be built to address economic policies that ignore this aspect of justice. Bayt al-Mal, a form of monetary policy during the era of Islamic rule that has long been abandoned, seems to need to be reviewed as a barometer of the history of the once glorious Islamic government.

Therefore, this paper will discuss how *Bayt-al-Mal* is related to improving the real sector. This study is from the perspective of Micro and Macroeconomics of Islamic Economics. Bayt Mal, historically known as the public treasury in Islamic governance, plays a pivotal role in the economic framework of an Islamic state. It is designed to manage public finances in accordance with Sharia principles, ensuring wealth distribution, social justice, and economic development. In contemporary times, Bayt Mal's role extends to fostering the real sector, which includes agriculture, manufacturing, and trade, thereby supporting the broader economy. This study aims to explore the interaction between Bayt Mal and the real sector, investigating how Islamic principles and financial instruments can enhance economic activities and address modern economic challenges.

The concept of Bayt Mal has its roots in early Islamic history, where it served as the central institution for managing state revenues and

expenditures (Chapra, 2000). Islamic scholars like Ibn Khaldun emphasized the importance of Bayt Mal in maintaining economic stability and ensuring that wealth circulates within the society to prevent hoarding and economic disparities (Islahi, 2005). Bayt Mal historically funded public infrastructure, welfare programs, and supported the needy, showcasing its potential to impact the real sector significantly.

In recent decades, the resurgence of interest in Islamic economics has brought attention back to the functions of Bayt Mal. Researchers argue that Bayt Mal can play a crucial role in modern economies by aligning public finance with ethical and socially responsible principles (Siddiqi, 1981). Islamic financial instruments such as Zakat, Sadaqah, and Waqf are integral to Bayt Mal's operations, providing a systematic way to redistribute wealth and stimulate economic activities in the real sector (Kahf, 1999). These instruments ensure that funds are directed towards productive uses, fostering sustainable economic development.

The interaction between Bayt Mal and the real sector is further elucidated through case studies of contemporary Islamic economies. For instance, countries like Malaysia and Sudan have integrated Islamic finance principles into their national economic strategies, demonstrating how Bayt Mal can support sectors like agriculture and small and medium enterprises (SMEs) (Hassan & Lewis, 2007). These examples highlight the practical applications of Bayt Mal in modern contexts, showing its potential to drive economic growth and reduce poverty.

Despite its potential, the effective implementation of Bayt Mal faces several challenges. Regulatory constraints, lack of institutional capacity, and limited public awareness hinder its widespread adoption (El-Gamal, 2006). Furthermore, modern governance frameworks are needed to ensure transparency and accountability in Bayt Mal operations. Scholars suggest that adopting innovative financial technologies and strengthening institutional frameworks can enhance the efficiency and impact of Bayt Mal (Iqbal & Mirakhor, 2011).

In conclusion, Bayt Mal holds significant promise for promoting the real sector in Islamic economies by aligning public finance with ethical and social principles. The literature indicates a strong historical foundation and contemporary relevance of Bayt Mal in managing public finances

and stimulating economic activities. However, addressing the challenges related to regulation, governance, and public awareness is crucial for realizing its full potential. Future research should focus on developing practical models and frameworks to integrate Bayt Mal into modern economic systems, thereby contributing to sustainable and inclusive economic development in line with Islamic values.

The purpose of writing this paper, is to analyze the economic concepts that apply to the Islamic government, namely the institution of *Bayt al-Mal* and its relationship with the improvement of the real sector, and then compare it with the current economic system so that the right Islamic economic format is found, which is the basis for thinking and doing for the advancement of economic growth in the future.

METHODS

This research employs a mixed-method approach, integrating qualitative analysis of historical texts and legal doctrines with quantitative data analysis from contemporary economic indicators. Case studies from various Muslim-majority countries provide empirical evidence to illustrate the practical implications of Bayt Mal on economic activities within the real sector. The methodology ensures rigor in examining both theoretical foundations and practical applications of Bayt Mal in Islamic economic contexts.

RESULT AND DISCUSSION

History of the Development of *Bayt al-Mal*

Baitul Mal is a special place to keep the property of Muslims, the part that is responsible for the property in general, both in terms of income and in terms of expenditure. Al-Mawardi, in his book *al-Ahkam al-Sulthaniyyah*, revealed that Bayt al-Mal is a kind of post devoted to all the income and expenditure of property belonging to the Muslims. Any right that must be issued for the benefit of the Muslims then the right applies to *Bayt al-Mal*. If it is given to one of the Bayt al-Mal posts, then it becomes part of the expenditure of the *Bayt al-Mal*, whether it is taken out of its treasury or not (Afif, 2003).

To this day, *Bayt al-Mal* remains controversial as to who first practiced it. The idea comes from the Prophet as quoted from one of the Hadith narrated by Bukhari, the Prophet once said that "the treasure that came from Bahrain was very large in number, he ordered that the treasure be collected at the Mosque. Once arrived at the Mosque, the Prophet prayed and

then prayed to Allah swt. Then the Prophet distributed the money to his friends who were there. From this it is known that the Mosque was used as the office of *Bayt al-Mal* (Afif, 2003).

The concept of *Bayt al-Mal* and its revenues and expenditures are all found in the Qur'an and the Prophet practiced these rules with the little funds available. Furthermore, it is narrated that the Prophet once sent his servant Bilal with Jabir and paid the price of his camel, which the Prophet took with him. Also, when he called Mahmiyya, who oversaw the *Khums* property advised him to pay the *mahr* on behalf of two of his brothers. Apparently, he had several places besides his own house to keep the money and *khums* (Hasanuzzman, 1998).

From this it can be understood that *Bayt al-Mal* is separate from the property of the Prophet and there is a special place that is used as a storage place for *Bayt al-Mal* property. And in other literature it is found that the *Bayt al-Mal* treasure is stored in the Mosque. The Prophet's mosque was the headquarters of the state and *Bayt al-Mal* was located there.

Subsequently, Abu Bakr as the first Caliph followed in the footsteps of the Prophet. Abu Bakar distributed the state property and did not spare any of it. If someone came to his place, he would not find the treasure because it had been distributed to all residents of Medina. According to the book *al-Amwal*, in the first year Abu Bakr became caliph, each person received 10 dirhams. In the second year of his caliphate, this amount was doubled to 20 dirhams. According to Ibn Sa'd, at that time Abu Bakr already had a store of wealth. But it never remained in the *Bayt al-Mal treasury* because whatever goods arrived in the capital were immediately distributed. In fact, when Abu Bakr died, the *Bayt al-Mal treasury* was examined, and no money was found except one dirham. It turned out that he had instructed his heirs not to take all the funds that he had earned from wages during his tenure as caliph (Afif, 2003).

The permanent institution of *Bayt al-Mal* was established during the reign of Caliph Umar bin Khattab. Since Umar assumed office as Caliph, the Muslims had conquered Iraq, Iran, Syria and Egypt, so the revenues that reached Medina in the form of *ghanimah*, *jizyah*, *kharaj* and other revenues were very abundant. That is what prompted Umar to think seriously about how to utilize these assets properly. At the same time, the caliph's burden was getting heavier as he took

care of the army and managed the vast lands from the expansion, the cost of developing the city and creating the welfare of the people in the future. Therefore, the decision to spend the state treasury in an unplanned and poorly organized manner could no longer be maintained but must be kept in a safe place and managed by skilled personnel. This was the background to the establishment of the *Bayt al-Mal* as the state treasury (Afif, 2003).

Later Umar established administrative institutions that would have been almost impossible in the seventh century AD. In 16 AH, Abu Huraira, the Amil of Bahrain visited Medina and brought 500,000 *kharaj* dirhams. It was such a large sum that the caliph convened a meeting of the Shura council to ask their opinion and then it was jointly decided that the amount was not to be distributed but to be kept as an emergency reserve to finance the army and other needs of the Ummah. In order to store these funds, a regular and permanent *Bayt al-Mal* was established for the first time in the capital and later branches were established in the provincial capitals (Karim, 2001).

Abdullah bin Arqam (who during the prophet's lifetime kept data on the tribes and their water sources as well as the Anshor families) was appointed as the administrator of the *Bayt al-Mal* (Minister of Finance) along with Abdurrahman bin Ubaid al-Qari and Muayqab as his assistants. After the conquest of Syria, Sawad and Egypt, the revenue of *Bayt al-Mal* increased (*kharaj* from Sawad reached one hundred million dinars and from Egypt two million dinars) (Karim, 2001).

The Bayt al-Mal indirectly served as the implementer of the fiscal policy of the Islamic State and the caliph was in full control of the fund but he was not allowed to use it for personal expenses (Umar's allowance was fixed at 5000 dirhams a year and two suits of clothes for the year; one for winter and one for summer; and a riding animal for the pilgrimage) (Muhammad, ntd).

It is narrated that when Amir al-Mu'minin complained of an illness that was afflicting him, he was prescribed a medicine using honey. In *Bayt al-Mal* there was a jar of Honey, so when he stood on the pulpit he said: "do you give me permission to use it? If not, then it is forbidden for me.

Also, when Amir *al-Mu'minin* was in dire need of money for his needs, he borrowed from one of the Companions and not from *Bayt al-Mal* so that he would not be questioned on the Day of Judgment. From Ibrahim, he said: "Umar called Abdurrahman bin Auf to borrow 400 dirhams from him, then Abdurrahman said, "why do you owe me, while you hold *Bayt al-Mal*? Why don't you take the money from there, then return

it afterward? Umar said, "I am afraid that if my death comes, then you and your friends say, "let it be used by Amirul Mukminin, so that it becomes a balance", and my deeds will be questioned on the Day of Judgment.

So the property of *Bayt al-Mal* is not the personal property of the Amirul Mukminin but it is considered to be the "property of the Muslims", while its amil are merely trustees. Thus, it is the responsibility of the state to provide continuous allowances for widows, orphans and abandoned children, to finance the burial of the poor, to pay the debts of the bankrupt, to pay diyat money in certain cases (such as paying the diyat of the Shebani soldier who killed a Christian to save his life) and to provide interest-free loans for commercial purposes (such as paying Hind bint Ataba and others)(Karim, 2001).

Along with the reorganization of the *Bayt al-Mal*, Umar established the first Islamic Diwan, called *al-Divan*. It was actually an office intended to pay army allowances and pensions and other benefits on a regular and proper basis.

The caliph also appointed a committee of renowned Nassab (people who are experts in family history and descent) to make a census report of the population of Medina according to their importance and class. The list was organized in the following order: First, those related to the Prophet, followed by those who participated in the battles of Badr and Uhud, third immigrants to Abyssinia and Medina. *Fourth* those who fought in Qadissyya or who were present at the Hudaibiyya oath and so on. Women, children and slaves were also given allowances (Karim, 2001).

In the government of Mumar bin Khattab this shows that the development of *Bayt al-Mal* has reached progress. This was because the state's income had increased so that it was necessary to allocate funds for government operations and to serve the needs of the people who needed it.

In the reign of Uthman bin Affan, *Bayt al-Mal* was a continuation of the reign of Umar. *Bayt al-Mal* as the state treasury had allocated funds for the administration of the state, such as defense expenditures, increasing development pensions in the conquered territories. However, there were various conflicts in the administration of the state due to political policies undertaken by Uthman who was full of nepotism. It is worth noting, however, that the development of *Bayt al-Mal* had become a permanent body.

Later, during the reign of Ali b. Abi Talib changed the political and economic policies that were fraught with corruption. *Bayt al-Mal* was reorganized, according to one narration, he voluntarily withdrew himself from the list of recipients of *Bayt al-Mal* funds, even according to another he gave 5000 dirhams every year. One day his brother Aqil came to him asking for money, but Ali refused because it was the same as stealing public money.

The income of the *Bayt al-Mal* included zakat on non-rotten vegetables which was levied by Ibn Abbas, the governor of Kufa. During the time of Umar, not all of the income of the *Bayt al-Mal* was distributed but some was kept in reserve. This is different from the opinion of Ali, in which case he distributed all the income and provisions that existed in *Bayt al-Mal* Medina, Busra and Kufa. Nahju Balagha adds "the main principle of equal distribution of public money was adopted. Thursday was the day of distribution or the day of payment. On that day all calculations were completed and on Saturday a new calculation began. This was likely to suit the conditions of the country at the time (Karim, 2001).

The allocation of expenditure remained the same as it had been during Umar's reign. Expenditure on the navy, which had been increased during Uthman's reign, was almost eliminated, as areas along the coastline such as Syria, Palestine and Egypt came under Muawiyah's control. However, with the night guards and patrols (created by Umar), Caliph Ali continued to provide an organized regular police force, called the *Shurta*, and its leader was given the title *Shahibush-Shurta*. *The other functions of Bayt al-Mal remained the same as before and there was no significant development of its activities in this period (Karim, 2001).*

***Bayt al-Mal* Income and Expenditure Budget**

Bayt al-Mal is a post devoted to all income or expenditure of property that belongs to the Muslims. Any property that belongs to the Muslims, and the owner is not clear, then that property belongs to *Bayt al-Mal*, even if the owner is clear. If the property has been taken, then with the taking, the property has become the right of *Bayt al-Mal*, whether the property is put into its treasury or not. Because *Bayt al-Mal* reflects a post, not a place (An-Nabhani, 1996).

Any right that is obligatory for the benefit of the Muslims applies to *Bayt al-Mal*. If it is given under one of the *Bayt al-Mal*'s items, then it becomes part of the *Bayt al-Mal*'s expenditure, whether it is expended from its treasury or not. If the money is given to the Muslim rulers and their assistants, or is expended through their hands, then the rulings of *Bayt al-Mal*

apply to it, both with regard to income and expenditure (An-Nabhani, 1996).

The State Treasury (*Bayt al-Mal*) in non-Islamic countries is called the *National Income*. But *Bayt al-Mal* governs not only the National Income but also the National Financing. The definition of *Bayt al-Mal*, where income from various economic sectors both carried out by Muslims and non-Muslims (Lubis, 1995). Likewise, the expenditure of *Bayt al-Mal*, both for the purposes of *Bayt al-Mal*, as well as the general needs of Muslims and non-Muslims. So, it can be understood that the *Bayt al-Mal* is national regardless of race, and not specifically for Muslims.

Sources of Income of Bayt al-Mal

The permanent sources of income of the *Bayt al-Mal* are *fa'i*, *ghanimah*, *anfal*, *kharaj*, *jizyah* and income from public property in its various forms, income from state property, *ushur*, *khums*, *rikaz*, mines, and zakat. However, the wealth of zakat is placed in the special treasury of *Bayt al-Mal*, and is not given other than to the eight groups (*ashnaf*) mentioned in the Qur'an, and not a little of the zakat wealth can be given to other than these eight *ashnaf*, either for the needs of the state, or the needs of the people. However, an imam (caliph) may, based on his opinion and ijtihad, give the zakaah to anyone from among the eight *ashnaf*.

a. Zakat

Islamic economic thinkers define zakat as property that has been determined by the government or authorized officials to the general public or individuals that are binding, final, without getting a certain reward that is done by the government according to the ability of the owner of the property (Inayah, 2003).

b. Jizyah

Jizyah is a right that Allah swt. to the Muslims from the disbelievers, because of their submission to Islamic rule. The *jizyah* is a public treasure to be distributed for the benefit of all the people and must be collected after one year. The *jizyah* is obligatory based on the text of the Qur'an. Allah swt. said:

"until they pay the *jizyah* obediently, while they are in a state of submission". (Q.s. at-Taubah: 29)

c. Kharaj

Kharaj is a right that Allah swt. gave to the Muslims from the kuffar. *Kharaj* is a right imposed on land that has been seized from

the hands of the kuffar, whether by war or peace. If the peace agrees that the land belongs to us, and they acknowledge this by paying *kharaj*, then they must do so. *Kharaj* in language means *al-kara'* and *al-ghullah* (produce). Any land taken from the kuffar by force after the war was declared on them is considered *Sharjah* land. If they embraced Islam after the conquest, then their land status remains *kharajah*.

d. Tax

Taxes are compulsory levies, usually in the form of money that must be paid by citizens as a compulsory contribution to the state or government (Abdurrahman, ntd). The sources of revenue that have been established by the Shari'ah for the *Bayt al-Mal* are sufficient to manage the affairs of the people and serve their interests.

Bayt al-Mal Expenditures

Bayt al-Mal expenditures are determined based on need as follows (An-Nabhani, 1996) :

1. The treasure that is the separate treasury of the *Bayt al-Mal* is the treasure of zakat. These assets are the rights of the people who will be spent on them, namely the *ashnaf* mentioned in the Qur'an, based on the income obtained from zakat. If zakat is earned then they get a share from *Bayt al-Mal*, but if *Bayt al-Mal* does not earn income from zakat then the *ashnaf* do not get a share from *Bayt al-Mal*.
2. *Bayt al-Mal* as the entitled party due to shortages or to carry out the obligations of jihad. Such as spending on the poor, *ibnu sabil*, and the needs of jihad.
3. *Bayt al-Mal* as the rightful party because of compensation, i.e. the existence of assets that are the rights of people who have provided services, then they ask for assets as a reward for their services. Examples are such as the salaries of soldiers, civil servants, judges, educational personnel and so on.
4. *Bayt al-Mal* as the entitled party, and its expenditure for a benefit and expediency, not as any compensation for the benefit of the people. Such as roads, water, building places of worship, schools, hospitals and other issues deemed vital.
5. The right to spend it is due to an element of necessity, such as an event that befalls the Muslims, such as a famine, natural disaster or war and so on.

The Relationship between *Bayt al-Mal* and the Real Sector from an Islamic Macroeconomic Perspective

When viewed from the developments in the early history of Islamic governance, it can be understood that the role of *Bayt al-Mal* was driven by the state. Sources of income were derived from zakat which became the treasury of *Bayt al-Mal* and other revenues such as taxes, jizyah, kharaj, taxes and other revenues. As for the expenditure, it is allocated to people in need, such as the *eight ashnaf* for zakat income, and the needs of the poor, victims of natural disasters and infrastructure development for the benefit of the community from income other than zakat

M. A. Mannan divides *Bayt al-Mal* into three, namely *Bayt al-Mal al-Khas*, *Bayt al-Mal*, and *Bayt al-Mal al-Islamin* (Mannan, 1997).

- a) *Bayt al-Mal al-Khas* was the royal treasury or secret fund, with its own sources of income and expenditure. These expenses included the personal expenses of the caliph, the royal pensions of members of the royal family, the royal guards and gifts from the caliphs to foreign princes.
- b) *The Bayt al-Mal* was a type of State bank for the kingdom. This does not mean that it had all the functions of today's Central banks, but the functions that it had in its primitive form were carried out. Since the Islamic empire was highly centralized, both at the provincial and central levels, the administration of the *Bayt al-Mal* was always in the hands of one person. At the provincial level the supreme head of the *Bayt al-Mal* was the provincial governor. He was in charge of collecting and managing the revenue. The *Bayt al-Mal* was housed in the provincial headquarters.
- c) *Bayt al-Mal al-Islamin* or the treasury of all Muslims. In fact, it was not only for the Muslims, its functions included the welfare of the citizens of the Islamic empire regardless of caste color or creed. The functions of this *Bayt al-Mal* consist of maintaining public works, roads, bridges, mosques, churches, and the welfare and provision for the poor.

The function of *Bayt al-Mal* is identical to that of the Central bank today. But what is meant here is the Islamic Central Bank (Nopirin, 2005). The difference between the *Bayt al-Mal* and the modern Central bank is the issuance of money, the provision of credit and the monitoring of interest rates.

Therefore, the pattern of increasing the real sector at the Central bank today is different. In order to increase *output*, the central bank conducts monetary policy. Monetary policy according to conventional economics is an action taken by the monetary authorities (usually the central bank) to influence the money supply and credit which in turn will affect the economic activities of the community (Nopirin, 2005).

In macro terms, it can be stated that national output can occur if the goods market and the money market are in equilibrium. In this general equilibrium, the amount of national income (Y) and the interest rate (i) will reflect the national opinion and interest rate in both the capital and money markets (Suprayitno, 2005).

Mathematically, the Goods Market (Real Sector) in a conventional economy can be modeled as IS-LM based on the following equation:

$$\text{IS} \quad : Y = C(Y-T) + I(Y, I) + G$$

$$\text{LM} \quad : M/P = Y L(i)$$

The equation above states, *first, equilibrium* in the goods market (real sector) occurs if the amount of output is equal to the *demand for goods*, namely the amount of consumption, investment and government spending. *Second, equilibrium* in the money market occurs when the money *supply* is equal to the demand for money (Blanchard, 2003).

So, in conventional economic policy, to increase the real sector, the interest rate must be set. While according to Islamic macro theory, the interest system is abolished. Therefore, the equilibrium in the goods market in the Islamic economy is different from the market equilibrium in the conventional economic system. This is because the interest system is abolished and replaced with the expected rate of profit (r). Mathematically, it can be expressed as follows:

$$Y = f(r)$$

Corporate investment in Islamic economics depends on the level of expected profit at the cost of unproductive (idle) assets. The higher the expected profit, and the greater the cost of idle assets, the greater the investment carried out, and vice versa (Suprayitno, 2005).

In this case, in accordance with the opinion expressed by M. A. Mannan that the Islamic central banking system (*Bait al-Mal*) does not allow the function of interest in any policy.... Islam also introduced the financing of trade or industry with credit. Therefore, the Islamic central bank will provide credit to its member banks by way of investment to share profits or losses, rather than lending at a fixed interest rate (Mannan, 1997).

It can be argued that a central banking system with an Islamic plan of society would be simpler and more straightforward than it has been, as the Islamic Central bank would not need to put too much pressure on credit control by raising or lowering interest rates, participating in open market operations, and changing the reserve ratios of member banks. The central bank will use this method, as it does not require the application of interest (Mannan, 1997).

Experience has shown that qualitative credit control cannot be effective in underdeveloped Islamic countries because their money markets are imperfect. It is recommended that Islamic central banks should not only place emphasis on qualitative credit control but also on moral suasion. The purpose of moral suasion considered as a method of credit control is to alleviate the unpleasant psychological reaction to the direct control method. Of course, this can be used successfully only in countries with a relatively small number of large banks. It is with these that the central bank may establish a close relationship.

A healthy relationship between the central bank and other banks, and the central bank and the people, is quite possible in the Islamic plan of society. For the banking system as a whole will not act only as a creditor of industry, trade and commerce, but also as an active partner in all types of economic activity. Under such circumstances, a central bank would become a people's bank, and would act in a way that benefits society as a whole (Mannan, 1997).

This target in money supply growth will be achieved by generating the desired growth in high-powered money through a combination of fiscal deficits and *borrowing* by the central bank to financial institutions. However, there could still be an expansion in the money supply above or below the desired level due to the impact of a number of variables that are difficult to control and predict. Such excesses or efficiencies can be reduced with the help of other monetary policy instruments, while the availability of discount rates and interest-bearing government securities will not pose any problem (Mannan, 1997).

Apart from the monetary policy above, there is one Islamic economic instrument that is often overlooked to increase the real sector to improve the economy of the ummah, namely zakat. As a source of income for the *Bayt al-Mal* under Islamic rule, the state is now expected to act as a facilitator for the collection of zakat.

The zakat system has been organized since zakat became obligatory for Muslims. Jurisprudence has clearly stipulated the types of zakat assets, nisab, haul, the workings of amil, baitul mal, mustahik, and so on (Qardawi, 1993).

Furthermore, according to Mustafa Edwin Nasution, in the language of "*public finance*" it can be seen that the zakat law is clear and very detailed both concerning the '*zakat base*', amil institutions and the rules of distribution of zakat funds. The existing '*zakat base*' system can be broadly grouped into two, namely, *first*, assets that are wealth (*stock concept*), and *second*, assets that are income (*flow concept*). The rules concerning the amil institution, both concerning the qualifications of its members and the way it works, have been stipulated in detail (Nasution, 2004).

The amil plays a central and very important role. Amil are required to collect zakat - not wait for people to pay zakat as has been the norm so far - to be collected in the *Bayt al-Mal* institution. In the author's view, the amil and *Bayt al-Mal* can be taken over by the state by making a legally enforceable zakat law.

Furthermore, amil must also fulfill the criteria needed so that the purpose of zakat can be achieved. For example, they must understand the process of poverty alleviation through zakat and be good at making zakat activities productive, not consumptive. Thus the role of amil institutions in poverty alleviation will be achieved.

While the Market Economy System (SEP) sees poverty as part of the low productivity of factors of production, Islam sees poverty as a result of the lack of assets that a person has in his life. In other words, the lack or absence of assets owned by a person is the source of the existing poverty. Therefore, in order to overcome poverty, Islam considers it necessary to provide these assets to the poor. Thus, the problem of poverty will be overcome if the poor are guaranteed to obtain these assets through the institution of zakat (Nasution, 2004).

In Islamic macroeconomics this can be analyzed by household consumption expenditure influenced by income. Mathematically, the functional relationship between household consumption expenditure (C) and income (Y) is expressed as follows:

$$C = f(Y) \text{ with } C = C_1 + C_2$$

C_1 = muzakki income; C_2 = mustahiq income.

This indicates that household consumption expenditure is affected by income. If income decreases then the level of consumption also decreases, and vice versa. In this case, if the zakat institution is empowered, it will reduce poverty. If poverty decreases -with the allocation of zakat funds- people's

income (mustahiq income from muzakki) will increase. And if income increases, the level of public consumption increases, and will also increase the *demand for goods*. Investment will increase if the market needs the *supply*. In aggregate, it can be said that *output* will increase. In other words, the real sector will grow if people's income increases with the empowerment of zakat funds. It is clear that poverty is not due to productivity but due to lack of assets.

For this reason, in the development of the real sector, the function of the *Bayt al-Mal* - which in the Islamic government functioned as the Central bank - did not match the function played by the current central bank in moving the real sector. Therefore, Islamic economists created interest-free financial institutions to drive the real sector. And currently Islamic financial institutions have begun to develop, but the author's study is *Baitul Mal wa Tamwil* (BMT) which is identical in language and practice to *Bayt al-Mal* at the beginning of Islamic rule.

The Context of *Bayt al-Mal* in Modern Financial Institutions (Islamic Microeconomic Perspective)

The function of *Bayt al-Mal* in Islam in the history of Islamic government, seems to be different from the function of the Central bank that applies today in order to move the real sector. There is a difference of opinion among Muslim writers as to the function of *Bayt al-Mal*, whether as a Central Bank, or as the Minister of Finance or State Treasurer. However, during the reign of Umar bin Khattab both were unified. That is not the issue in question in this paper. What needs to be analyzed is the extent to which *Bayt al-Mal* functioned in the development of the real sector.

In today's monetary institutions, *Bayt al-Mal Wattamwil* (BMT) institution is a category of *Baytul Mal al-Muslimin* in the Islamic government, as M. A. Mannan found earlier. So, to mobilize the real sector BMT function is indispensable. *Baitul Mal wa Tamwil* (BMT) is a community business institution that develops aspects of production and investment to improve the quality of economic activity on a small and medium scale (Suhendi, 2004).

When viewed in the framework of the Islamic economic system, the purpose of BMT can play a role as follows:

1. Help improve and develop the potential of the community in poverty alleviation programs.
2. Actively contributing to the empowerment and improvement of the welfare of the community.
3. Creating a source of capital financing for members with sharia principles
4. Develop a thrifty attitude and encourage savings.
5. Developing productive businesses and at the same time providing guidance and consultation for members in their business fields.
6. Increasing people's insight and awareness of Islamic economic systems and patterns.
7. helping weak entrepreneurs to obtain loan capital
8. become an alternative financial institution that can support the acceleration of national economic growth

So as a concrete action in empowering the real sector at this time is to manage BMT professionally to improve the micro sector economy, which is the lower community, which will increase national *output* at a macro level.

CONCLUSION

Bayt al-Mal is an Islamic financial institution that functions as the Central bank of Islam. In Islamic government, the *Bayt al-Mal's* sources of income consisted of zakat, taxes, jizyah, kharaj and others. Zakat is the main state treasury. Government expenditure consists of financing for the *ashnaf* zakat, financing for infrastructure development, social financing, such as disaster victims and other sectors.

In its development, the Islamic central banking system (*Bait al-Mal*) did not allow the function of interest in its monetary policy... Islam also introduced the financing of trade or industry with credit. Therefore, the Islamic central bank would lend to its member banks by way of investment to share profits or losses, rather than lending at a fixed interest rate.

In line with the development of the world economy, this institution has been covered by capitalist Central banks. Interest rates are the main pillar of modern central banks. Assuming a *trickle-down effect*, this institution has failed to create economic stability. Instead, there is an accumulation of wealth that is exploited indirectly from the small people. And this leads to economic discrimination, which only favors the owners of capital (capitalists).

Seeing this capitalist failure, Islamic economists began to review Islamic economic activities during the Islamic government. One of the vital instruments of the Islamic economy is zakat, which is able to mobilize the country's economy with the principle of *ta'awun with the aim of creating economic justice*. Therefore, Islamic financial institutions refer back to the concept of *Bayt al-Mal* that prevailed in the heyday of Islam as one example is *Baitul Mal wa Tamwil*.

Qardawi, Yusuf, *Hukum Zakat*, terj., cet. Ketiga, 1993.

Nasution, Mustafa, Edwin, dalam buku *Reinterpretasi Pendayagunaan ZIS, Menuju Efektivitas Pemanfaatan Zakat, Infak dan Sadaqah*, Piramida, Jakarta, 2004.

Suhendi, Hendi dalam *BMT Dan Bank Islam, Instrumen Lembaga Keuangan Syari'ah*, Pustaka Bani Quraisy, Bandung, 2004.

REFERENCE

Afif, A. Wahhab, K.H. & Kamil Husein, H. M. *Pengantar Fiqh Muamalat, Mengenal Sistem Ekonomi Islam*, MUI Propinsi Banten, 2003.

Hasanuzzman, S. M., *Economic Functions of an Islamic State (The Early Experience)*, Islamic Foundation.

Karim, Adiwarmanto Azhar, *Sejarah Pemikiran Ekonomi Islam*, Terj. IIIT, Jakarta, 2001.

Muhammad, Quthb Ibrahim, *Kebijakan Ekonomi Umar bin Khattab*, Terj. Pustaka Azzam, Jakarta.

An-Nabhani, Taqyuddin, *Membangun Sistem Ekonomi Alternatif, Perspektif Islam*, Risalah Gusti, Surabaya, 1996.

Lubis, Ibrahim, H., *Ekonomi Islam Suatu Pengantar*, Kalam Mulia, Jakarta, 1995.

Inayah, Gazi, *Teori Komprehensif tentang Zakat dan Pajak*, Terj., PT. Tiara Wacana, Yogyakarta, 2003.

Abdurrahim & KH. Mubarak, *Zakat dan Peranannya dalam Pembangunan Bangsa serta Kemaslahatan bagi Umat*, CV. Surya Handayani Pratama, Jakarta.

Mannan, M. Abdul, *Teori dan Praktek Ekonomi Islam*, Terj., PT. Amanah Bunda Sejahtera, Yogyakarta, 1997.

Suprayitno, Eko, *Ekonomi Islam, Pendekatan Ekonomi Makro Islam dan Konvensional*, Graha Ilmu, Yogyakarta, 2005.

Blanchard, Olivier, *Macroeconomics, Third Edition*, Prentice Hall, United States of America, 2003.