

Baitul Mal Management in Social and Economic Support for The Aceh Community

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ABSTRACT

Baitul Mal is an Islamic financial institution whose objective is to distribute wealth to the needy and its management faces many challenges in the modern economic and social context. This study aims to identify the major challenges faced in contemporary management of Baitul Mal. This study used descriptive analysis to evaluate literature and related data, and conducted interviews with Baitul Mal managers, indigenous communities, and entrepreneurship experts. Research shows that one of the biggest challenges in solving the Baitul Mal problem is the imbalance between economic growth and wealth distribution. In a modern economic context that often leads to greater social inequality, Baitul Mal's management often struggles to ensure fair and equitable distribution. In addition, economic globalization is also a factor complicating the management of Baitul Mal. The integration of global markets has expanded the scope of financial transactions and requires more complex management strategies to ensure compliance with Islamic principles in an increasingly globally interconnected context. Other challenges include demographic changes, with increasing and diverse populations making it difficult to identify and meet diverse needs. At the same time, technological changes have also impacted the way Baitul Mal is managed, requiring the adoption of more advanced information and communication technologies to increase efficiency and transparency. In short, the management of Baitul Mal faces complex and diverse challenges in the modern economic and social era. Addressing these challenges requires a comprehensive and innovative approach that takes into account Islamic principles and the changing needs of society.

1. INTRODUCTION

The Islamic financial institution Baitul Mal, which is primarily intended to assist the impoverished, has been a significant component of the Islamic economic system for centuries. However, in response to the modern economic and social dynamics, the management of Baitul Mal has encountered several challenges that negatively affect its relevance and effectiveness in regards to achieving a fair distribution of income (Kuran, 2018). In this complex, global economy, income disparities are increasing and uneven economic growth is a concern. This difficulty demonstrates the significance of the Baitul Mal's management in making sure that wealth is distributed equally and fairly across varying economic conditions (Khawaja, 1989). Additionally, economic globalization has presented new challenges to the management of Baitul Mal. Global market integration necessitates the adjustment of investment and financial principles to international

standards while maintaining the Islamic principles of operation that underlie Baitul Mal's finances (Farooq, 2013).

"Demographic shifts" also have an effect on the way Baitul Mal is managed. With increased population and diversity, it is more difficult to identify and satisfy the various needs of society, according to the professor of microbiology at UBC, who was in a research interview with scientists in 2020. Additionally, the importance of information and communication technology in the management of Baitul Mal is increasing. The utilization of technologically appropriate methods can enhance the efficiency, transparency, and accessibility of Baitul Mal services to the general public (Hefner, 2006). These difficulties are also affected by ongoing social and cultural evolution. The administration of Baitul Mal must be able to adjust to social and cultural changes while still maintaining the Islamic principles that are the foundation of this organization (Ridwan and Saebani, 2013).

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By understanding these issues in greater detail, it is hoped that effective strategies and solutions can be devised to address the difficulties associated with managing Baitul Mal in a modern economic and social context. These solutions will preserve the Baitul Mal's relevance and effectiveness in achieving its financial distribution goals according to Islamic principles (Kamal, 2016).

The management of Baitul Mal, an Islamic monetary institution that attempts to give wealth to the impoverished, has numerous difficulties in the modern economic and social sphere (Triana, 2020). Among the issues are:

Economic Inequality: Growing income differences and inequality in economic growth are the primary barriers to a fair distribution of wealth. The management of Baitul Mal must often operate amidst economic conditions that are unbalanced, this makes it difficult to achieve a distribution of equitable value (HASBI et al., 2020). **Economic Globalization:** The integration of the global market has become more difficult to manage. These obstacles include accommodating international regulations regarding investment and finance, as well as ensuring compliance with Islamic principles in an increasingly globalized economic environment (Rafiki, Pananjung and Nasution, 2023). **Demographic Changes:** Population growth and alterations to the population's makeup, including changes in migration patterns, have an effect on the management of Baitul Mal. Recognizing and addressing the different concerns of various demographic groups necessitates flexibility in the management of Baitul Mal (Murdani, 2022). **Innovation and Technology:** The increasing prevalence of information and communication technology has an effect on the way Baitul Mal is administrated. Investment in advanced information systems is necessary to enhance the efficiency, transparency, and accessibility of the Baitul Mal services to the public (Paulina, 2021). **Social and cultural Changes:** Also, changes in social and cultural values have an effect on the management of Baitul Mal. The management of Baitul Mal must be able to take into account the developing social and cultural dynamics while still maintaining basic principles of Islamic faith (Rahajeng, 2022).

Overcoming these obstacles necessitates a holistic and inclusive approach that involves government collaboration, Islamic financial institutions, and society. Additionally, a consistent approach to innovation is necessary to maintain the management of Baitul Mal in line with economic, social, and technological development (Rahajeng, 2022).

Today, the management of Baitul Mal is confronted with multiple challenges that negatively affect its capacity to achieve its goals and have a direct relationship to the distribution of wealth (Possumah and Baharuddin, 2012). Some issues that are raised are:

- a) How does the increasing economic disparity affect the distribution of wealth via the management of Baitul Mal?
- b) What is the influence of economic globalization on the management's strategy in regards to ensuring compliance with Islamic principles?
- c) What is the importance of information and communication technology in enhancing the efficiency and transparency of Baitul Mal management in today's society?
- d) By addressing these issues, we can better understand the difficulties associated with managing Baitul Mal in a modern economic and social context, and find solutions to address these difficulties.

From the issue description, the goals of the research are as follows:

- a) To understand the expanding financial disparity that affects the distribution of wealth via the management of Baitul Mal.
- b) To assess the effects of economic globalization on the management of the Baitul Mal in ensuring the implementation of Islamic principles.
- c) To determine the importance of information and communication technology in enhancing the efficiency and transparency of the management of Baitul Mal in a modern setting.

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3. LITERATURE REVIEW

a. *Grand Theories*

Four (4) grand theories are employed in this research, these are: (1) **Islamic Economic Theory:** This theory employs economic principles derived from Islamic doctrine and can be applied to discuss the troubles associated with running Baitul Mal. Ideas like economic justice, wealth distribution, and the Islamic financial system can elucidate the role of Baitul Mal in modern economic situations (Khatoon, Hashim and Rahman, 2023). (2) **Theory of financial and investment management:** This theory discusses the basis for financial and investment management strategies that are applicable to Baitul Mal management. Principles like portfolio diversity, risk management, and performance evaluation can be employed to surmount the difficulties associated with managing Baitul Mal (Askari, Iqbal and Mirakhor, 2014). (3) **Community Development Theory:**

This theory discusses methods of improving community well-being and can be employed to analyze the social issues involved in the management of Baitul Mal. Ideas like community empowerment, social participation, and sustainable development can contribute to the resolution of social issues associated with Baitul Mal (Al-Jarhi, 2017). (4) Organizational Management Theory: The foundation of this theory is related to the efficient management of organizations and can be utilized in the context of institutions that take care of Baitul Mal. Ideas like organizational design, leadership, decision making, and human resource management can facilitate an overcoming of the administrative and managerial difficulties associated with managing Baitul Mal (Shabbir, 2021).

b. A brief overview of the concept of Baitul Mal in Islam

A general description of the concept of Baitul Mal in Islam involves understanding its definition, purpose, and underlying principles. The following is a description that explains the definition of Baitul Mal in Islam: The term Baitul Mal is derived from the Arabic phrase "treasure house" or "state treasury". In the Islamic context, Baitul Mal is used to describe general funds or assets that are possessed by an Islamic state or community to address public and social concerns. Below, we'll discuss what the purpose of Baitul Mal (Abbasi, Rehman and Bibi, 2010). The three functions of Baitul Mal are: (1) Community Empowerment: Baitul Mal attempts to empower the community by providing financial assistance to those in need, including the poor, orphans, widows, and neglected individuals (Amirullah et al., 2016). (2) Social Welfare: Also involved in providing public services and facilities, such as education, health, housing, and infrastructure, in order to enhance the social welfare of the community (Hamidi, 2006). (3) Economic Development: Other than that, Baitul Mal has a role in promoting economic development by providing loans and capital to entrepreneurs and other economic participants who require it (Sharfuddin, 1987).

c. Baitul Mal principles

Justice and Egalitarian: The primary rule in regards to managing Baitul Mal is justice and equal treatment of funds and resources, this is beneficial to the entire community (Abbasi, Rehman and Abbasi, 2010). **Accountability and Transparency:** The management of Baitul Mal must be conducted in a transparent and accountable manner, this will allow the public to observe and comprehend how the funds are utilized for the benefit of the public (Paulina, 2021). **Effectiveness and Productivity:** Also important in the management of Baitul Mal is the effectiveness and productivity of the funds, which must be used to achieve the greatest possible results in regards to community welfare and development (Junaedi et al., 2020). Through the understanding of the term Baitul Mal in Islam, society can create a practical and sustainable system of

management that supports the general interest and economic development.

The purpose and function of Baitul Mal in the traditional Islamic community is of great importance in order to understand the role of this institution in promoting general well-being and community development. The following is a description of the purpose and function of Baitul Mal in traditional Islamic society (Rizquallah, 2022). There are four roles of Baitul Mal in traditional Islamic society, these are: (1) Providing Social Help: One of the primary functions of Baitul Mal is to provide social assistance to the needy, including the poor, orphans, widows, and marginalized individuals. This involves providing food, clothing, shelter and other practical help (Saputra and Rochis, 2014). (2) Public Infrastructure Management: Baitul Mal is tasked with the management and preservation of public infrastructure like roads, bridges and water sources. This goal is to ensure that the community has equal and fair access to public facilities that are necessary for everyday living (Ridwan and Saebani, 2013). (3) Education and Health Support: Also, Baitul Mal promotes education and public health by creating schools, hospitals, and other educational and health institutions. The objective is to increase the quality of education and health in the society as a whole (Possumah and Baharuddin, 2012). (4) Economic Empowerment: Baitul Mal promotes community economic empowerment by offering loans and capital to entrepreneurs and other local stakeholders. It attempts to increase production, create jobs, and enhance the local economy (Safinal and Riyaldi, 2021).

The four goals of Baitul Mal in Traditional Islamic Society are as follows: (1) Maintaining Social Justice: The primary objective of Baitul Mal is to maintain social justice by ensuring that the basic needs of all members are met with equal and equitable distribution (Junaedi et al., 2020). (2) Reducing Social Inequality: Through the equitable distribution of baitul mal funds, another goal is to reduce social inequality between groups in society, this will lead to a more balanced and harmonious society (Ridwan and Saebani, 2013). (3) Promoting shared prosperity: Baitul Mal attempts to facilitate the social and economic prosperity of society by providing financial assistance and public infrastructure that is necessary to achieve this (Abdullah and Fulazzaky, 2023). (4) Maintaining Community Solidarity: Through social assistance and economic support, Baitul Mal also attempts to maintain community solidarity and togetherness, which would lead to a stronger association between members of society (Ridwan and Saebani, 2013). By comprehending the purpose and function of Baitul Mal in the context of traditional Islamic society, we can appreciate the significant role of this institution in the support of social and economic development in Islamic society.

Four (4) issues regarding the management of Baitul Mal are discussed below, these are: (1) Economic Changes: The investigation of how modern economic changes, such as globalization, liberalization, and

technology, affect the management of Baitul Mal (Ridwan and Saebani, 2013). (2) Social Changes: The discussion of the effects of modern social changes, including urbanization, social value changes, and societal diversity, regarding the management of Baitul Mal (Junaedi *et al.*, 2020). (3) Political Instability: A discussion of how political instability and conflict can negatively affect the management of Baitul Mal and threaten its long term viability (Kamal, 2016). (4) Legal Opposition: The evaluation of the legal challenges associated with managing Baitul Mal, including government regulations, tax rules, and compliance with international law (Adnan *et al.*, 2019).

Three strategies are mentioned below, including: (1) Institutional Innovation: A case study of how the management of Baitul Mal institutions responds to modern economic and social changes (Safinal and Riyaldi, 2021). (2) Collaboration with Other Parts: The value of collaboration with the government, non-governmental organizations, and the private sector in addressing problems associated with managing Baitul Mal (Noor-Kaziemah *et al.*, 2018). (4) Education and Community Awareness: The discussion of the role of education and community awareness in the effective and sustainable management of Baitul Mal (Bakar, 2018).

4. METHODS

This research will employ a qualitative methodology to investigate and discuss the difficulties associated with managing Baitul Mal in a modern economic and social context. A qualitative methodology allows researchers to understand the perspectives, experiences, and perspectives of various participants in the management of Baitul Mal (Green *et al.*, 2007). Several methods are employed as follows:

Literature Review: The investigation will start with a comprehensive Literature Review that will gather information about the difficulties associated with managing Baitul Mal in the modern economic and social context. Relevant literature will be studied in order to comprehend the conceptual framework and associated findings (Hair *et al.*, 2007). **In-depth Interview:** The method of in-depth interviews will be employed to gather information from experts, practitioners, and stakeholders regarding the management of Baitul Mal. This interview will be facilitated by a preplanned question guide that includes inquiries about the difficulties encountered (Maxwell, 2008).

Data Analysis: The data from literature studies and interviews will be interpreted in qualitative terms. A theme analysis methodology will be employed to identify trends, patterns, and significant findings associated with the difficulties of managing Baitul Mal in a modern economic and social context (Hair *et al.*, 2007). **Triangulation:** To enhance the legitimacy and reliability of the findings, data triangulation will be employed. This will necessitate the comparison and

integration of findings from multiple data sources, including literature and interviews, this will lead to a greater understanding of the obstacles encountered (Crowther and Lancaster, 2012).

Presentation: The findings of the analysis will be summarized to explain the troubles encountered and their effects on the management of Baitul Mal. These findings will be described in a lucid and comprehensive manner, which can be utilized as a means of recommending effective strategies for improvement (Crowther and Lancaster, 2012). Through this qualitative methodology, it's hoped that the research will provide a comprehensive understanding of the difficulties associated with Baitul Mal management in a modern economic and social context, as well as provide significant insight into the development of more effective and relevant policies and practices (Utama *et al.*, 2022).

5. RESULTS AND DISCUSSION

a. *The Growing Economic Gap Affects*

This discussion and discussion discuss three significant aspects of the problem-solving approach and the objectives of the research mentioned above (Bakar, 2018). Some of them: Having knowledge of the increasing economic disparity affects the distribution of wealth via the management of Baitul Mal. The increasing financial disparity has a significant impact on the distribution of wealth via the management of Baitul Mal. Here is some discussion of the ways in which economic inequality affects the distribution of wealth via these organizations (Rist, 2010):

- a) **Access Restriction:** Economic inequality often results in the majority of wealth being owned by a small number of people or groups. As such, the wealthier individuals have greater access to resources, while the less fortunate have limited or no access to them. The management of Baitul Mal is confronted with the difficult task of ensuring that wealth is distributed equally and fairly, despite the significant difference in economic standing (Maulana, Zulham and Sartiyah, 2020).
- b) **Adequate supply of Diversity:** Economic disparities often lead to differences in the supply of basic commodities between different economic classes. communities that are underserved typically have trouble meeting basic requirements like food, housing and education. The management of Baitul Mal must be able to recognize and prioritize the groups that need the most assistance, and devote resources to them effectively (Azis *et al.*, 2023).

b. *Baitul Mal Management*

Economic Empowerment: One of the primary goals of Baitul Mal management is to enable impoverished communities to be autonomous and productive. However, significant economic differences can impede these initiatives. The management of Baitul Mal should create programs that take into account the diverse

economic conditions of the community in order to make sure that the assistance provided is not only temporary, but also long-lasting in improving the community's economic conditions compare with (Nugroho *et al.*, 2022).

Inquiry: Also, economic inequality has an effect on the ability to access capital and participate in investment. More wealthier communities have greater access to financial markets and profitable investments, while less wealthier communities often do not have the same access. The management of Baitul Mal must find ways to address this disparity by providing access to capital and entrepreneurship education to those who are less fortunate in order to take advantage of existing economic opportunities compare with (Sobana and Husaeni, 2019).

Through understanding the effects of economic inequality, the management of Baitul Mal can develop more effective methods of ensuring a proportional and equitable distribution of wealth while encountering unbalanced economic conditions, the Lhokseumawe Management explained. This includes not only the re distribution of wealth, but also the economic empowerment of the underprivileged and the creation of an opportunity matrix for the impoverished compare with (Anwar, Ridlwan and Laili, 2023).

c. Economic Globalization on Baitul Mal

Discover the effects of economic globalization on the management of Baitul Mal in regards to ensuring the implementation of Islamic principles. The influence of economic globalization on the management strategy of Baitul Mal that ensures the implementation of Islamic principles involves multiple aspects.

The following is a discussion of the effects of economic globalization:

- a) Increased Complexity: The economic globalization has increased the complexity of the economic environment, with an increased connection between markets and financial institutions across the globe. This poses a difficulty for the management of Baitul Mal in maintaining compliance with Islamic principles. For instance, financial products that are available on global markets may not always follow the principles of sharia, this necessitates a more cautious approach to risk analysis and management (Possumah and Baharuddin, 2012).
- b) Being involved with Conventional Practices: In a conventional financial climate that's predominate in the world, Islamic financial institutions, such as Baitul Mal, are expected to follow the mainstream financial rules. This can have an effect on Baitul Mal's investment and operating tactics, necessitating a strong commitment to Islamic principles in the presence of the tendency to deviate from conventional practices (Medias, Pratiwi and Janah, no date).
- c) Increased Investment Opportunities: However, economic globalization also leads to new opportunities for Baitul Mal management. With

more access to global financial markets, Baitul Mal can make more informed and profitable investments. However, this investment must follow Sharia principles, which necessitates more dedicated market research and analysis (Alwi and Sari, 2018).

- d) International Standards: Economic globalization is also responsible for the convergence of international financial regulations and standards. This may have an effect on the management of Baitul Mal regarding the implementation of Islamic principles. The management of Baitul Mal must make sure that their operational activities and investments are in compliance with the relevant standards and regulations while still maintaining their allegiance to Islamic principles (Terfiadi *et al.*, 2023).
- e) Increased partnerships: Also, economic globalization has led to an increase in collaboration and ties between Islamic financial institutions all over the world. The management of Baitul Mal can take advantage of this alliance to share knowledge, experience, and best practices in the pursuit of Islamic principles in a constantly evolving global economy (Shaikh, Cahill and Al-Elaiwi, 2000).

"In response to the effects of economic globalization, the management of Baitul Mal must take a proactive and innovative approach in order to ensure the implementation of Islamic principles," said Lhokseumawe Public Relations and the deputy mayor of Lhokseumawe. This involves finding a middle ground between the benefits of globalization while still maintaining a focus on sharia principles, while also acknowledging the risks and challenges that arise.

d. Information and Communication Technology of Baitul Mal Management

Understand the importance of information and communication technology in enhancing the efficiency and transparency of Baitul Mal administration in the modern world. The importance of information and communication technology (ICT) in the management of Baitul Mal is crucial in modern times (Tamida, Nanda and Dayyan, 2023). The following is a discussion of the subjects:

- a) Increased Operational Efficiency: The implementation of information technology in the management of Baitul Mal can lead to an increase in efficiency in operational processes. Advanced database management systems can facilitate more efficient information management regarding beneficiaries, programs, and financial statements. Also, automating administrative processes like processing requests for aid, scheduling distribution, and tracking budgets can increase productivity and reduce manual labor (Kamal, 2016).
- b) Increased transparency: The utilization of information technology can also lead to an increase in transparency in the management of Baitul Mal. A

digital information system or mobile app can facilitate access to the public that allows them to follow the spending of funds, the availability of assistance, and the financial status of a organization. This facilitates the public's access to and understanding of Baitul Mal's activities, which in turn increases trust and responsibility (Ridwan and Saebani, 2013).

- c) **More Effective Decisions:** Information technology can also facilitate more effective data and analysis that supports the appropriate management of Baitul Mal. Intelligent data analysis systems can be employed to analyze trends, patterns, and the needs of the community more concretely, this will allow Baitul Mal managers to create more effective and relevant programs of aid (Adnan *et al.*, 2019).
- d) **More Effective Communication:** Information technology also promotes more effective communication between the management of Baitul Mal, the staff, and the community. Communication platforms like email, instant messaging, and social media can be utilized to communicate important information, facilitate collaboration between teams, and support community participation in the decision-making process (Adi, no date).
- e) **Data Security:** However, in embracing information technology, it's crucial to pay attention to data security. Because of the sensitivity of financial and personal information maintained by Baitul Mal, effective security measures must be taken to guard the data from being accessed without authorization or misused (Possumah and Baharuddin, 2012).

By implementing information and communication technology in a strategic manner, the management of Baitul Mal can increase the efficiency of their operations, increase transparency, support more effective decision making, improve communication, and maintain data security. This will enhance the effectiveness and relevance of Baitul Mal in reaching the goals of wealth distribution in accordance with Islamic principles (Terfiadi *et al.*, 2023).

6. CONCLUSION

The management of Baitul Mal has multiple complex issues in the modern economic and social context. In the era of economic globalization and rapid social change, the management of Baitul Mal is confronted with multiple dynamics that affect its effectiveness and relevance in achieving their goal of fair distribution of wealth. The increasing economic disparity is one of the primary difficulties encountered. Uneven economic growth and income disparities increase the difficulty of distributing wealth equitably across society. Also, economic globalization has a negative impact on the management of Baitul Mal by increasing the scope of financial transactions and introducing universal rules that are based on Islamic principles. Conversely, information and communication technology (ICT)

promotes opportunities to enhance efficiency and transparency in the administration of Baitul Mal (Tamida, Nanda and Dayyan, 2023). The implementation of complex information systems allows for more efficient and accurate management, while an open approach to information can increase transparency and accountability.

In order to address these issues, a holistic and innovative approach is necessary. The collaboration between government, Islamic banks, and the community is essential in developing effective and long-lasting solutions. A steadfast commitment to Islamic principles is also necessary to maintain the Islamic management of Baitul Mal while also taking into account economic and social changes (Terfiadi *et al.*, 2023). By addressing these issues, the management of Baitul Mal can still be relevant and pertinent in achieving their goal of fair distribution of wealth in accordance with Islamic principles. This will have a positive effect on the inclusive economic and social development as well as the creation of a more just and sustainable society.

Here is a list of ideas for dealing with the challenges associated with managing Baitul Mal in a modern economic and social context:

- a) **Increasing Cooperation:** Creating a close association between Islamic financial institutions, the government, and society in order to overcome financial and social differences. This partnership would involve developing programs that are sustainable and inclusive, as well as providing entrepreneurship education and financial information to the community.
- b) **Technological Innovation:** The implementation of innovative information and communication technology (ICT) in the management of Baitul Mal. The creation of mobile apps, online platforms, and complex database management can facilitate access to services and improve information management.
- c) **Education and Awareness:** Increase the public's education and awareness of Islamic principles regarding financial management and the distribution of wealth. Educational programs and awareness campaigns can promote the understanding of the value of social justice and the importance of following Sharia principles.
- d) **Increasing Access to Economy:** Increasing the availability of capital, entrepreneurship education, and investment opportunities. The management of Baitul Mal can take an active part in funding and assisting those who want to begin or expand their own businesses.
- e) **Development of Standards:** Establish standards that are both clear and strict regarding the operation of Baitul Mal. This includes rules that ensure that all of the management activities associated with Baitul Mal are conducted according to Islamic principles and follow the best practices of the financial industry.
- f) **Constant Evaluation:** Constantly assess the effectiveness and relevance of the Baitul Mal

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