

## The Role of Zakat in Poverty Reduction (Case Study: Zakat Productive Program at the National Amil Zakat Agency)

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### ARTICLE INFO

### ABSTRACT

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This study aims to determine the extent of the role of productive zakat in empowering underprivileged people identified as mustahik in entrepreneurship. Zakat intended for mustahik can be used as business capital where the business developed by mustahik is generally still small scale, which bank financial institutions do not access. The mentoring process includes planning, implementation, supervision and control, and program evaluation, becoming one of the amil zakat agency programs in managing productive zakat so that it is expected to create economic circulation, increase community business productivity, increase income / economic results, and be sustainable.

The methodology used in this research is a descriptive qualitative method to see the effect of productive zakat on the empowerment of the poor through the poverty index. This research consists of primary data and secondary data. Primary data is obtained from survey results or the results of distributing questionnaires and conducting in-depth interviews with productive Zakat program managers at Baznas and Mustahik as participants in community empowerment programs through productive Zakat. Secondary data is obtained from BAZNAS Program Reports on the internet, some literature, articles in magazines, journals, newspapers, and the internet. The study results show that overall mustahik assesses the productive zakat program by Baznas has been running very well.

## INTRODUCTION

The high poverty rate in Indonesia has become an evaluation material for this nation to find the right instrument to accelerate poverty reduction. Various policies, both sectoral, monetary and fiscal, and other policies, have not been effective in reducing the poverty rate significantly for this nation. This is reflected in the current poverty rate which reaches 14% of the total population in Indonesia, meaning that there are around 30 million poor people in Indonesia. In addition, the large gap between the wealth and poverty levels of the Indonesian population shows that there are

problems in the distribution of wealth and income in Indonesia. This is shown by the Gini coefficient, which is a parameter in showing the level of wealth inequality, which reaches 0.4.

The cycle of poverty that occurs in Indonesia is caused by the lack of poor people to get capital. The current economic system that does not favor the poor is suspected to be the cause of the difficulty in reducing poverty in Indonesia. Financial institutions as intermediary institutions that channel funds from people with a surplus of funds to people with a deficit of funds do not carry out their functions properly, this can be seen from the large number of *unbankable* people, because they do not have assets for collateral as the basis for credit loans, and the lack of entrepreneurial skills also makes it difficult for the poor to escape from poverty. The low ratio of entrepreneurs to the total population in Indonesia, which is only 0.3

This has resulted in low job creation that is not proportional to the large labor force, which in turn has resulted in high unemployment and poverty levels. Therefore, a method and instrument is needed that can empower the poor, and make it easier for the poor to get access to capital for business. One such instrument is the zakat.

Zakat is one of the Islamic instruments used for income and wealth distribution. The existence of zakat *firah*, zakat *maal* and professional zakat is expected to reduce the level of wealth inequality in Indonesia, besides that zakat can be relied upon as one of the mechanisms in overcoming the problem of poverty that occurs in Indonesia, through productive zakat programs.

In the Book of Fiqh Zakat (Qardhawi, 2000), the purpose and impact of zakat for the recipient (*mustahik*) include:

1. Zakat will free the recipient from need so that they can feel at peace and can increase their worship of God.
2. Zakat eliminates envy and hatred. Because these traits will weaken productivity. Islam does not combat this disease with mere advice and guidance but tries to uproot its roots from society through the mechanism of zakat and replace it with a brotherhood that cares for each other.

Hafidhuddin (2005) explains that scholars such as Imam Syafi'i, an-Nasa'i, and others state that if a zakat *mustahik* can trade, he should be given business capital that allows him to earn profits that can meet his basic needs. Likewise, if the person concerned has certain skills, he can be given production equipment that is suitable for his work. If the *mustahik* does not work and does not have certain skills, according to Imam Shamsuddin ar-Ramli, he should be given a life guarantee from zakat, for example by investing (from the zakat money) in a certain business so that the *mustahik* has an income from the circulation of zakat.

Zakat will be able to provide a wider impact (*multiplier effect*), and touch all aspects of life if the distribution of zakat is more directed towards productive activities. As Jamal (2004) argues the utilization of zakat also needs to be done in the direction of long-term investment. This can be in the form of, *first*, zakat is distributed to maintain the incentive to work or seek their income among the poor. *Second*, part of the collected zakat, at least 50% is used to finance productive activities for the poor, for example, the use of zakat to finance various activities and productive skills training, provision of working capital, or initial capital assistance. If this kind of zakat distribution can be implemented, it will greatly help the government program in alleviating poverty, equalizing income, and narrowing the gap between the rich and the poor.

Hafidhuddin (2004) explains that zakat management in Indonesia has been done since the beginning of Islam, either by individuals or certain groups or institutions. However, the majority of scholars in the world and Indonesia agree that zakat management should be done by the government.

Management by formal institutions is expected to increase the effectiveness of collecting and allocating zakat funds to achieve the targeted goals. Based on research by the National Zakat Agency

(BAZNAS) in 2011, the potential of zakat nationally reached Rp 217 trillion or equivalent to 3.40% of the total Gross Domestic Product (GDP). This figure will increase along with the increase in GDP. This national zakat potential is classified into three major groups: First, the potential of national household zakat. Second, the zakat potential of national medium and large industries, as well as the zakat of State-Owned Enterprises (SOEs). The potential calculated in this second group is corporate zakat, and not the zakat of directors and employees. Third, the potential of national savings zakat. The number and percentage of each group can be seen in Table 1.2. The largest potential comes from private industry zakat and household zakat.

**Table 1.2 National Zakat Potential**

Description	Zakat Potential	Percentage to GDP
Household Zakat Potential	IDR 82.7 trillion	1,30%
Private Industry Zakat Potential	IDR 114.89 trillion	1,80%
SOE Zakat Potential	IDR 2.4 trillion	0,04%
Savings Zakat Potential	IDR 17 trillion	0,27%
Total National Zakat Potential	IDR 217 trillion	3,40%

**Source: BAZNAS Research**

The potential of zakat that reaches Rp 217 trillion per year is a challenge for the amil zakat agency in maximizing its performance so that the zakat funds can be useful in alleviating poverty which is the parameter of the mustahik group. The existence of a productive zakat program is one of the means to alleviate poverty, by turning mustahik into muzaki within a certain period. BAZNAS was chosen as the object of this research because BAZNAS is a representation of the government's zakat management organization (OPZ) and is the largest OPZ in Indonesia.

For the mustahik's income to increase, it is necessary to be careful in selecting mustahik in the hope that the funds will be utilized for entrepreneurial activities by avoiding the level of return on business capital that is stuck, which then the funds will be rolled over to other mustahik. In addition, to effectively achieve the goal of increasing the independence of mustahik businesses, a targeted and effective program is needed where existing funds are allocated to mustahik by knowing their socio-economic conditions and their ability to use funds.

## METHOD

This research was conducted on mustahik who participated in the productive zakat utilization program available at the national zakat management institution called the National Amil Zakat Agency. This program is one of BAZNAS's productive zakat programs that distributes its productive zakat funds to mustahik through community empowerment with a Qardhul Hasan contract. amil zakat national. This program is one of the productive zakat programs of BAZNAS that distributes its productive zakat funds to mustahik through community empowerment with a Qardhul Hasan contract.

The type of data used in this research consists of primary data and secondary data. Primary data is obtained from survey results or the results of distributing questionnaires and conducting in-depth interviews with Mustahik as participants in community empowerment programs through productive zakat. Secondary data is obtained from BAZNAS Program Reports on the internet, some literature, articles in magazines, journals, newspapers, and the internet.

Besides, the respondents who will be taken as a sample are 40 mustahik out of 365 mustahik who are selected by following the productive Zakat program at BAZNAS. This study uses two groups of data to be tested. The first is the mustahik family income data before zakat is received and the second is the mustahik family income data before zakat is received.

## RESULT AND DISCUSSION

This session will present the results of data processing and analysis of the results of the research that has been carried out as follows.

### 1. Respondent Characteristics

This study involved 40 respondents with different demographic backgrounds such as gender, age, latest education level, business experience, etc.

**Table 1. Mustahik Demographics**

Demographics	Number of People	Percentage
Gender		
Male	6	7,5%
Female	34	92,5%
Age Group		
<20 years	0	0%
21-30 years old	2	5%
31-40 years old	15	37,5%
> 40 years	23	57,5%
Last Education		
SD	14	35%
SMP	6	15%
HIGH SCHOOL	18	45%
S1/diploma	2	5%
Business Experience		
Inexperience	1	2,5%
< 1 year	14	35%
1-2 years	5	12,5%
2-4 years	4	10%
≥ 5 years	16	40%

**Source: Baznas Respondents (data processed)**

In this study, the largest number of genders is women, totaling 34 people or 96%, and the men contained in the respondents only numbered 6 people or 7.5%. Thus mustahik in this study are more women. According to the data obtained from Baznas, women dominate.

In this study, the age category is grouped into four categories, namely <20 years, of which there are 0 respondents or 0%; the second is 21-30 years, there are two respondents or 5%; the third is 31-40 years, there are 15 respondents or 37.5% and finally > 40 years, there are 23 people or 57.5%. So the mustahiks in this study are more likely to have an age of > 40 years.

Respondents who participated in this study consisted of a variety of diverse educational backgrounds. For grouping in this study, it is divided into five categories, namely the first elementary level, of which there are 14 respondents (35%), junior high level, of which there are 6 respondents (15%), high school level, of which there are 18 respondents. respondents (45%), bachelor/diploma level of which there are 2 respondents (5%).

Respondents who participated in this study consisted from various backgrounds of diverse business experiences, for this reason, we divided them into five categories, namely, the first category consisted of inexperienced respondents of one respondent (2.5%), the second category consisted of respondents who had experience, < 1 year there were 14 respondents (35%), the third category consisted of respondents who had 1-2 years of experience there were 5 respondents (12.5%), respondents who had 2-4 years of business experience were 4 respondents (10%), and finally respondents who had business experience > 5 years were 16 respondents (40%).

From the table above, it is known that the majority of the mustahiks studied, namely 19 people, work as traders of snacks, groceries and other goods. Then 16 mustahiks do business by opening food stalls and selling other heavy foods. The remaining 5 people are in the service sector, such as tailors, rental goods, and others.

## 2. Analysis of Discussion with the Poverty Index

In this section, it will be presented how the effect of zakat in empowering the poor, through the application of various poverty indices, as presented in the following table:

**Table 3: Poverty Indicators Before and After Zakat Distribution**

Poverty indicators	Before zakat distribution	After zakat distribution
H	0,8	0,55
P1 (Rp)	547.843	210.020
I	0,44	0,17
P2	0,50	0,24
P3	0,27	0,10

- Headcount Ratio

*Headcount Ratio* shows how many poor people can be reduced in number through the utilization of zakat instruments. Based on the table, it can be seen that the ratio of the number of poor people before zakat is distributed is 0.8. After zakat is distributed, this ratio then decreases to 0.55. This means that there is a decrease in the number of poor people from 80 percent to 55 percent.

This ratio proves that the distribution of zakat carried out by Baznas through various productive zakat programs is able to reduce the poverty level of its assisted mustahik by 25 percent when compared to the condition before zakat was distributed and channeled.

- Poverty Depth Index

The poverty depth index is measured using 2 instruments, namely the *poverty gap ratio* (P1) to measure the poverty gap and the *income gap ratio* to measure income inequality. The pattern of zakat distribution carried out by Baznas empirically can reduce the level of poverty gap from Rp 547,843 to Rp 210,020 Similarly, the value of I has decreased from 0.44 to 0.17 which indicates a decrease in income gap. In general, it can be concluded that the productive zakat program is quite effective in reducing the depth of poverty, through the distribution of zakat to mustahik. This result becomes empirical evidence of the role of zakat in reducing poverty.

- Poverty Severity Index

As explained earlier, the poverty severity index is measured using the Sen Index (P2) and the FGT Index (P3). The results of the analysis show that the Sen index value has decreased from 0.50 to 0.24. The same is true for the FGT index. The FGT index value also decreased from 0.27 to 0.10. This shows that the channeling and distribution of zakat to mustahik is able to reduce the severity of poverty of the poor who are partners and fostered by Baznas.

## CONCLUSION

Based on this research, it can be concluded that the characteristics of mustahik who obtain productive zakat funds from Baznas are dominated by the female gender, where based on this research women reach 92.5%. The characteristics of the educational background of Baznas mustahiks who obtain productive zakat funds are dominated by people with a high school education

background followed by elementary school. The provision of zakat funds is also dominated by mustahiks who have more than 5 years of business experience.

Overall, mustahik assesses the productive zakat program has been running very well, this was stated by 45% of respondents involved in this study and quite well assessed by 55% of the total respondents.

From the empirical data above, it can be concluded that although the zakat funds collected are still very small, they have a real impact on efforts to alleviate poverty through productive zakat programs. And zakat becomes an effective financial instrument in the capital problems of the poor. This can be seen from the Headcount Ratio which decreased from 0.8 to 0.5. The poverty depth index also experienced a decline where the poverty gap decreased from Rp. 547,843 to Rp.210.020. Similarly, the value of I has decreased from 0.44 to 0.17, which indicates a decrease in income inequality. The Sen index value also decreased from 0.50 to 0.24. The same is true for the FGT index number. The value of FGT index also decreased from 0.27 to 0.10. This shows that zakat is the right instrument for empowering the poor. For the productive zakat program to run effectively and there is a significant improvement in the welfare of the poor, efforts are needed from all Muslims, including the government, amil zakat agencies, and the community in Indonesia, in developing zakat according to its potential, so that zakat can be utilized according to its function. In addition, to effectively achieve the goal of increasing the independence of mustahik businesses, a program that is right on target and effective is needed with one of them assisting in managing funds for those in need so that the funds allocated to mustahik will ultimately improve their welfare and bring them out of poverty.

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