

ZAKAT AND ITS INFLUENCE ON COMMUNITY WELFARE IN INDONESIA

Lailan Safina Hasibuan¹

¹Universitas Muhammadiyah Sumatera Utara

*¹*email:* lailansafina@umsu.ac.id

Abstract: Welfare is the final condition aimed at by development activities in Indonesia. Various efforts are made by the government so that people are in a better condition in terms of material and non-material. For Indonesia, which has a majority Muslim population, zakat is an alternative that can improve people's welfare. This study uses analytical tools in the form of Human Development Index (HDI) indicators, namely life expectancy, average years of schooling and the number of poor people. The test was conducted in a period of 13 years (2011-2023). The data used is secondary data collected by documentation method from several sources. With Ordinary Least Square (OLS) regression analysis. It was found that zakat has a positive influence on life expectancy and years of schooling. This study provides implications for several parties, such as the government, zakat institutions and Muslims who are already subject to the obligation to pay zakat, in order to further optimize the collection and distribution of zakat.

Keywords: zakat, community welfare

Introduction

Welfare is the dream and hope of every human being who lives on this earth. Every country that carries out development has the ultimate goal of improving the welfare of its population. Welfare is material and non-material, economic and non-economic. In the early days of development theories and models, the main focus was still on how to increase economic growth, per capita income and other material indicators. But now there has been a change in the development paradigm. It not only focuses on economic matters but also on non-economic matters, such as education, health, security and so on.

Development is both the physical reality and the mental state of a society that, through a particular combination of social, economic and institutional processes, has the means to realize a better life. Whatever the components of that better life, development in all societies must have at least the following three objectives:

- Increased availability and widened distribution of basic life necessities such as food, shelter, health and protection.
- Improved standards of living include not only increased income, but also more jobs, better education and greater attention to cultural and human values. Taken together, these can not only improve material well-being but also foster individual and national self-esteem.
- The expansion of economic and social choices available to individuals and nations as a whole, which not only frees them from the confinement of servitude and feelings of dependence on other people and countries but also from the various factors that cause ignorance and misery, (Todaro, 2011).

Since 1990 the United Nations Development Programme (UNDP) introduced an indicator used to measure the achievement of a country's socio-economic development, which combines achievements in education, health and adjusted real income per capita

known as the Human Development Index. Statistical data published by the Central Bureau of Statistics (BPS) shows that Indonesia's Human Development Index (HDI) over the past 10 years has shown an increase. In 2013, Indonesia's HDI of 68.31 increased in 2023 to 74.39. Although Indonesia's HDI has increased, Indonesia is ranked 114th out of 189 countries in the world. This ranking indicates that Indonesia is still lagging behind compared to other countries.

Poverty is a social phenomenon that is often found in developing countries, including Indonesia. Although Indonesia has started its development since 1966, it has not been able to drastically reduce the poverty rate or the number of poor people. In the last 3 years, there has indeed been a decrease in the number of poor people. In 2021 there were 26.9 million people while in 2023 there were 23.9 million. However, this number is still relatively large.

Various efforts have been made by the Indonesian government to overcome this poverty problem in the form of financial assistance or incentives and programs, such as the poverty alleviation and urban program (P2KP), rice assistance for the poor (Raskin), the National Independent Community empowerment program (PNPM) and other assistance. Unfortunately, these efforts have not had a significant impact because most of the assistance is consumptive in nature, leading to community dependence on assistance. For the education sector, the government created the Indonesia Smart Card (KIP) program which provides tuition assistance to students, both at the elementary school level, to higher education.

In the field of health, the government also seeks free health services for the poor through the National Health Insurance (JKN) program. Since its launch in 2014 until May 1, 2024, the number of JKN participants reached more than 272 million people or 97.27 percent of the total population of Indonesia (Indonesia.go.id).

Poverty can be interpreted where a person is unable to meet his basic life needs such as food, clothing, shelter, health and education levels (Nafiah, 2021). The problem of poverty in Islam cannot be separated from zakat. Zakat is an obligation for Muslims for those who are subject to mandatory zakat. Of the 8 groups of zakat recipients, two of them are fakir and poor. Considering that the number of Indonesian population who are Muslims is around 87%, it is very possible that zakat can be used as an instrument in improving the welfare of the Indonesian people.

A number of studies have shown that zakat has a significant impact in alleviating poverty, and productive zakat is an effective distribution model in solving social problems related to poverty (El Ayyubi et al., 2023). The distribution of zakat in the social humanitarian field such as providing logistical assistance to the poor, victims of natural disasters, disasters and various other social activities will have a positive impact on reducing poverty in Indonesia. (Hardana, 2022)

Zakat is a religious practice that has a socio-economic dimension. Zakat is used as a means of helping community members who experience social and economic difficulties. Zakat is a vehicle that forms the community to work together and acts as a guarantor of social protection for the community (Fitri, 2017). Zakat is one of the main pillars in Islamic teachings that has broad implications not only in spiritual aspects, but also in social and economic dimensions. Zakat has two dimensions: apart from being an act of worship to achieve the pleasure and reward of Allah SWT, zakat also has a social dimension, namely equalizing income distribution and reducing social inequality (Zayadi, 2022).

Zakat management receives support from the government. The management of zakat, infaq and sadaqah is regulated by the government in Law No 23 of 2011. This law regulates the Zakat Management Organization (OPZ) that may operate in Indonesia. The law states

that OPZ are Badan Amil Zakat (BAZ) and Lembaga Amil Zakat (LAZ). BAZ is an institution that collects and utilizes zakat funds formed by the government, starting from the central to regional levels. Meanwhile, LAZ is an OPZ formed on the basis of community self-help.(Sumarni, 2022). In order to perfect the obligation of Muslims to give zakat, the government established a non-structural zakat institution called Badan Amil Zakat Nasional (BAZNAS) under the supervision of the Minister of Religion and directly responsible to the president who is subject to Law No. 23 of 2011 concerning financial reporting (Law, 2011). OPZ is a zakat organization that is responsible to the Amil Zakat Agency (BAZNAS), so that OPZ is also subject to and complies with Law NO. 23 of 2011, the zakat manager must provide financial reporting (Law, 2011). 23 Year 2011, zakat managers must provide their financial reports to Baznas.(Hastuti, 2022)

Literature Review

Zakat

The definition of zakat in Islam is expressed in several verses in the Quran that state the obligation to pay zakat. These verses include:

- Surah At-Taubah (9:103) which means “Take zakat from some of their wealth, with which you cleanse and purify them, and pray for them. Indeed, your prayers will give them peace of mind. Allah is All-Hearing, All-Knowing”. This verse contains instructions about zakat and describes the groups who are entitled to receive it. Zakat here is seen as a way to clean and purify wealth and foster peace of mind.

- Surah At-Taubah (9:6), which means “Indeed, zakat is only for the poor, the needy, the amil zakat, the softened of heart (converts), for (freeing) slaves, for (freeing) debtors, for the way of Allah and for those who are on a journey, as an obligation from Allah. Allah is All-Knowing, All-Wise.” This verse describes the groups that are entitled to receive zakat.(Arnita, 2024).

Islam does not condone the gap between the rich and the poor. To minimize the gap between the rich and the poor so that there is a more equitable distribution of income, Islam introduced zakat and alms. Income distribution according to Islam, is the distribution of existing assets either privately or publicly owned to those entitled to receive which is intended to improve the welfare of the community in accordance with sharia. As referred to in (Q.S. Al-Hasr, 7) “... so that the wealth does not circulate among the rich only among you ...” (Fitri, 2018)

Zakat etymologically (language) is the basic word (masdar) zaka which means blessing, clean and good growth, viewed from the point of view of language, is pure, growing, blessing, and tested all used in the Qur'an and Hadith. The root word zakat means increase and growth, so it can be said, the plant is zaka, meaning growth, while everything that increases is called zaka, meaning increase. If a plant grows without defects, then the word zakat here means clean (Anis, 2020).

Zakat is divided into two, namely zakat fitrah and zakat mal. Zakat mal has undergone many developments in terms of its types which at the time of the Prophet Muhammad were not included as assets that must be zakaah. There are 4 forms of zakat management and distribution, namely first, traditional consumption zakat. In this case the distribution of zakat directly to the mustahik to help meet their needs. Second, creative consumptive zakat in the form of goods not to meet the needs of life but can be in the form of goods that are used as tools in production activities. Third, zakat is given in the form of productive goods, and

fourth, creative productive zakat is the process of giving zakat in the form of revolving capital (Mujiatun, 2016).

Welfare

Welfare refers to indicators or parameters used to measure or assess the extent to which a society achieves good conditions socially, economically and psychologically. Welfare is a condition where individuals have a good quality of life, including the fulfillment of basic life needs, health, education, security and happiness. Welfare is not only seen from the material aspect but also includes non-material aspects such as quality of life, happiness and social relationships. Economic welfare can be seen from the level of income, in this case per capita income. The higher the income per capita, the more likely it is that people can fulfill their basic needs and obtain goods and services that improve the quality of life.

Social welfare can be reflected in the level of health. This health indicator can be measured by life expectancy, mortality rate, disease prevalence and access to adequate health services. Health has an important role in creating quality human resources. Poor health conditions, especially in mothers and children, will create low quality resources. Health problems can hamper the education process at school, so that the quality of education decreases. The same applies to employment. An unhealthy workforce cannot work optimally so that labor productivity will be low. (Yuditya, 2018). In addition, education is also an indicator of welfare. A good education provides greater opportunities for individuals to obtain better jobs and improve overall quality of life.

Method

This research is a quantitative research with a quantitative descriptive approach that focuses on data analysis. The data used is secondary data, which is collected using documentation and literature techniques collected from various sources, in the form of annual data during the time period 2011 - 2023. The reason for taking the time period is because after the issuance of Law No. 23 of 2011 which regulates the collection of zakat by BAZ and LAZ, the amount of zakat collected has been documented. Data from the National Board of Zakat (BAZNAS) shows an increase in zakat collection and distribution during the period. Funds that have been collected by BAZNAS are then distributed to the rightful beneficiaries. There are several zakat distribution work programs related to HDI, such as consumptive zakat program, health, education and empowerment.

Data nominal penyaluran zakat diperoleh dari Statistik Zakat Nasional yang diakses dari baznas.go.id. Sedangkan data untuk kesejahteraan masyarakat yang di wakikan dengan jumlah orang miskin, angka harapan hidup dan lama sekolah diperoleh dari publikasi Badan Pusat Statistik dan diakses dari bps.bo.id. In this study, the dependent variable is the welfare of the community seen from the number of poor people, life expectancy and length of schooling. While the independent variable is zakat fund which is seen from the amount of zakat fund distribution for economic, education and health purposes.

This research uses simple linear regression analysis, with the Ordinary Least Square (OLS) method as the model applied by (Karuni, 2020). The model is built as follows:

$$LEP_{it} = \alpha_0 + \alpha_1 DZT_t + \varepsilon_t \tag{1}$$

$$EDU_{it} = \beta_0 + \beta_1 DZT_t + \mu_t \tag{2}$$

$$POV_{it} = \gamma_0 + \gamma_1 DZT_t + e_1 \tag{3}$$

LEP is Life Expectation, which indicates a long and healthy life that represents the health level; EDU is the average years of schooling that represents the education level; POV is the

number of poor people (Poverty) while DZT is the nominal zakat distributed by both Baznas and Lembaga Amil Zakat (LAZ) recorded in Baznas, α , β and γ are the estimated parameters, while ϵ , μ and e are estimation errors.

This study will examine the effect of zakat on community welfare in Indonesia in the 2011-2023 time span, developing research conducted by (Karuni 2020), and (Nafi'ah 2021). The hypothesis in this study is as follows:

H1; The distribution of zakat has a positive effect on people's life expectancy.

H2: The distribution of zakat has a positive effect on the average length of schooling.

H3; The distribution of zakat has a negative effect on the number of poor people.

Results and Discussion

Regression analysis in this study is used to see whether Zakat has an influence on community welfare, which in this case is represented by 3 (three) components, namely life expectancy, years of schooling and the number of poor people.

Table 1. OLS Regression Results of Zakat Distribution with Life Expectancy Rate

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	28.19697	0.429173	65.70064	0.0000
DZT	-1.34E-05	3.51E-06	-3.818879	0.0028
R-squared	0.570041	Mean dependent var		27.11783
Adjusted R-squared	0.530954	S.D. dependent var		1.700535
S.E. of regression	1.164644	Akaike info criterion		3.283347
Sum squared resid	14.92036	Schwarz criterion		3.370262
Log likelihood	-19.34176	Hannan-Quinn criter.		3.265482
F-statistic	14.58384	Durbin-Watson stat		1.267404
Prob(F-statistic)	0.002849			

Note : $p < 0,05$

Source: Eviews output, data processed

Life expectancy (LEP) is one of the indicators that can show the level of community welfare. The assumption is that the better the level of community welfare, the higher the life expectancy. The regression result of table 1 shows that the variable of zakat distribution has a positive and significant influence at $\alpha = 5\%$ on life expectancy. It is significant because the probability value is <0.05 . In addition, the Adjusted R-squared value in the table above is 0.797. This means that the zakat variable has an influence contribution of 79.7% to the Life Expectancy Rate while the other 20.3% is influenced by factors outside the distribution of zakat. Based on these results, the hypothesis H1 is accepted. This means that the greater the distribution of zakat, the more life expectancy increases, which also means that the welfare of the community has increased.

The average years of schooling can also be used as a measure of community welfare. The higher the welfare of the community, the higher the average years of schooling. This means that the longer the community can get an education

Table 2. OLS Regression Results of Zakat Distribution with Average Years of Schooling

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	70.61779	0.106627	662.2858	0.0000
DZT	6.06E-06	8.71E-07	6.956158	0.0000
R-squared	0.814778	Mean dependent var		71.10615
Adjusted R-squared	0.797939	S.D. dependent var		0.643707
S.E. of regression	0.289354	Akaike info criterion		0.498305
Sum squared resid	0.920982	Schwarz criterion		0.585220
Log likelihood	-1.238981	Hannan-Quinn criter.		0.480440
F-statistic	48.38814	Durbin-Watson stat		0.384783
Prob(F-statistic)	0.000024			

Note : $p < 0,05$

Source: Eviews output, data processed

The second hypothesis states that the variable of zakat distribution can increase the average years of schooling of the community. The regression result of table 2 shows that the variable of zakat distribution has a positive and significant influence at $\alpha = 5\%$ on the average years of schooling. It is significant because the probability value is < 0.05 . In addition, the Adjusted R-squared value in the table above is 0.807. This means that the variable of zakat distribution has an influence contribution of 80.7% to the average length of schooling, while the other 19.3% is influenced by factors outside the zakat distribution. Based on these results, the H2 hypothesis is accepted. It means that the distribution of zakat funds as social funds plays a positive role in providing assistance to people who need proper education.

The number of poor people can be used as an indicator of welfare. The more prosperous a society is, the fewer the number of poor people.

Table 3. OLS Regression Results of Zakat Distribution with Number of Poor People

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	28.19697	0.429173	65.70064	0.0000
DZT	-1.34E-05	3.51E-06	-3.818879	0.0028
R-squared	0.570041	Mean dependent var		27.11783
Adjusted R-squared	0.530954	S.D. dependent var		1.700535
S.E. of regression	1.164644	Akaike info criterion		3.283347
Sum squared resid	14.92036	Schwarz criterion		3.370262
Log likelihood	-19.34176	Hannan-Quinn criter.		3.265482
F-statistic	14.58384	Durbin-Watson stat		1.267404
Prob(F-statistic)	0.002849			

Note : $p < 0,05$

Source: Eviews output, data processed

The third hypothesis which states that the variable distribution of zakat has a negative effect on the number of poor people. This can be seen from the coefficient which is negative and significant at $\alpha = 5\%$. This means that there is an opposite relationship between the distribution of zakat and the number of poor people. The greater the distribution of zakat, the less the number of poor people. Significant because the probability is < 0.05 . The Adjusted R-squared value in the table above is 0.531. This means that 53.1% of the

number of poor people is influenced by the zakat distribution variable, while 46.9% is influenced by other variables outside the zakat distribution.

This is possible because the distribution of zakat to mustahik is not all for consumption purposes. Some of the zakat is distributed in the form of productive zakat that can help the mustahik to be able to have their own business so that they can increase their income. Thus, it is hoped that the situation can change from mustahik to muzakki.

Conclusion

From the results of this research, it is stated that the distribution of zakat funds has a significant relationship with community welfare. Zakat funds managed by Badan Amil Zakat (BAZ) and Lembaga Amil Zakat (LAZ) are proven to have a role in improving community welfare, in this case health, education and poverty. This indicates that if zakat institutions succeed in collecting larger zakat funds and managing and distributing them efficiently, it will further improve the welfare of the community and reduce the number of poor people in Indonesia.

Although zakat has great potential in improving the welfare of the community, there are obstacles in its management, among others:

- Public awareness. Although zakat is an obligation for Muslims, not all Muslims pay zakat regularly. Therefore, there is a need for continuous education about zakat among the community.

- Most people prefer to pay their zakat directly to the mustahik around them rather than to the zakat collection institution. Thus, the actual zakat distributed is greater than the data recorded in Baznas and LAZ.

- Distribution effectiveness. One of the main challenges in zakat management is to ensure that zakat distribution has been implemented effectively and on target. Therefore, cooperation with the government is needed to obtain information about the condition of the mustahik and their needs.

- Transparent and accountable management. This is very important to build public trust in zakat collection and distribution institutions. Zakat collecting and distributing institutions must provide reports on the use of their zakat regularly.

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