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Analysis of the Impact of Productive Zakat on Poverty Reduction in the Padang Panjang City, West Sumatera

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BAZNAS
Badan Amil Zakat Nasional

Analysis of the Impact of Productive Zakat on Poverty Reduction in the Padang Panjang City, West Sumatera

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Abstract

Poverty is one of the main problems faced by developing countries including Indonesia. One instrument that can help to reduce poverty in Islam is zakat. This study analyzes the impact of productive zakat in reducing the poverty of Mustahik households by approaching conditions before and after receiving zakat earning aids in Padang Panjang City. Padang Panjang City is one of the cities in West Sumatera, which has Local Regulation Number 7 Year 2008 about zakat management. In addition, the city has the highest Gini index compared with other cities. This research was conducted by using survey method through interview by using questionnaire. Sampling was done by purposive sampling technique. The analytical tools used in this study are CIBEST Model, Modification of HDI and Independence Index so as to produce an indicator of the impact of zakat called the Welfare Index of BAZNAS. It is found that the value of BAZNAS Welfare Index equals 0.51, which falls under quite good category.

Keywords: productive zakat, BAZNAS Welfare Index, poverty

1. Introduction

Poverty is one of the problems is still faced by most developing countries including Indonesia. The large number of people below the poverty line will affect the main objectives of economic development, namely achieving people's welfare, alleviating poverty and minimizing the gap between the rich and poor groups (Beik and Arsyianti 2015). According to the BPS 2017 the Indonesian Gini Index is 0.393. The Gini index is an index that states the level of disparity between the rich and the poor. The Gini index value ranges from 0 to 1, if the index value is close to 0 then the gap between the rich and the poor is getting lower but, if the Gini index value approaches 1, the gap between the rich and the poor is higher.

Indonesia's poverty rate is based on World Bank standards of $ 1.90 per day which is 10.7 percentage. Based on the ratio of the number of poor people who are below the national Poverty Line (GK) by BPS in 2016 amounted to 10.9 percentage.

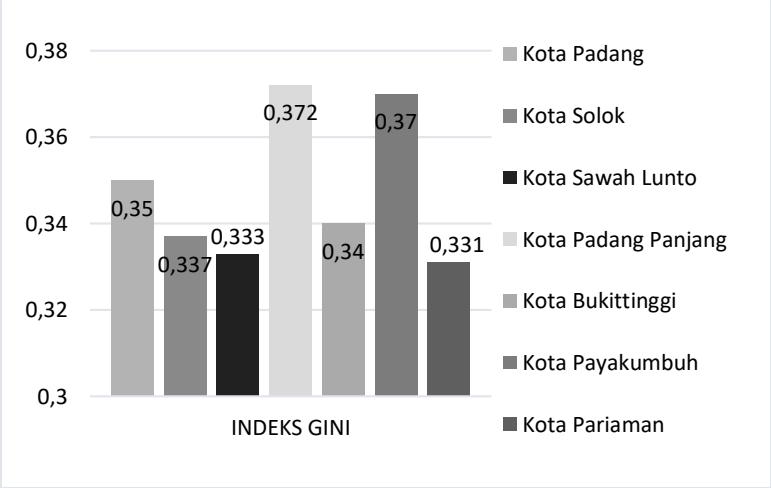
Table 1 Amount of Poor Population (million), Percentage of Poor Population (%), and Indonesian Gini Index in 2012 until 2017

Year	Amount of Poor Population	Percentage of Poor Population	Gini Index
2013	28.07	11.37	0.413
2014	28.28	11.25	0.406
2015	28.59	11.22	0.408
2016	28.01	10.86	0.397
2017	27.77	10.64	0.393

Source: BPS 2017 (processed)

West Sumatera is one of the provinces with Muslim population level of 97.24 percent. Viewed from the cities in West Sumatera, Padang Panjang City is one of the cities in the West Sumatera Province which has higher level of inequality compared to other cities in West Sumatera. The Gini index of Padang Panjang City in 2015 was 0.372. The following is graph 1 of the 2015 Gini Cities Index in West Sumatera.

Figure 1 The Gini Index of Cities in West Sumatera Province in 2015



Source: BPS West Sumatera 2018 (processed)

The high gap can be minimized by the existence of an instrument that can reduce or reduce poverty levels, one of which is the zakat solution. In concept, the charity of Mustahik can improve the level of life by utilizing the zakat obtained both for production activities and utilized for daily consumption activities (Qonita 2015). Regulations that support the existence of zakat, namely Law No. 38/1999 concerning Management of Zakat, which was replaced by the Law No. 23/2011. The law is a trigger for the birth of zakat regulations in several regions. The Regional Government of the City of Padang Panjang has issued the Regional Regulation of Padang Panjang City Number 7 of 2008 concerning Management of Zakat. The birth of this regulation is inseparable from the embodiment of the nickname as the Serambi City of Mecca and the desire of the regional government to manage zakat in a professional manner for the welfare of the community.

Indonesia has already regulations in managing zakat funds. Based on the Law No. 23 of 2011 concerning Management of Zakat, the Indonesian National Zakat Board (BAZNAS) takes responsibility and authority to coordinate all BAZNAS in each province, city or district, and all formal Amil Institutions (LAZ) launched by communities throughout Indonesia. This Amil institution also operates in Indonesia in every province and city or district in Indonesia.

The birth of zakat regulations in Indonesia, especially the regulations in the City of Padang Panjang shows that the government cares about zakat and expects zakat to encourage economic growth and prosperity in reducing inequality and poverty. Based on the regulations that have been enacted, the importance of reviewing how to empower zakat by BAZNAS after the existence of these regional regulations, along with the Gini index of Padang Panjang City which also increased. This research was conducted to see the suitability of the theory of zakat as a reduction in poverty and inequality among the people.

The Padang Panjang BAZNAS program which will be studied on the prosperous zakat program that has been running since 2004. This program aims to improve the standard of living of mustahik by providing productive zakat to be used as well as possible so that it can support the long-term mustahik life. Whereas the long care program, long healthy fields, and smart long fields were given in the form of consumptive zakat funds that had taken place from the beginning of the establishment of the Padang Panjang BAZNAS.

This paper aims to assess the impact of productive zakat funds carried out by BAZNAS Kota Panjang Panjang based on the CIBEST model, HDI Modification, and the Independence Index. Therefore, this study was to analyze the transformation before and after receiving zakat funds, and to analyze poverty and the condition of Mustahik household welfare before and after the productive zakat program.

2. Literature Review

Zakat in economic terms is an act of transferring wealth from the rich to the poor. Wealth transfer means the transfer of economic resources. This will result in economic changes. Zakat can be used for consumption or production. Thus, zakat even though basically is worship to Allah, can have economic meaning (Sartika 2008). Productive zakat is assets or zakat funds given to Mustahik not spent, but it is developed and used to help their business, so that with this effort they can fulfill their daily needs (Widiastuti 2015). The utilization of zakat must have a positive impact on Mustahik, both economically and socially. From an economic standpoint, Mustahik is really required to be able to be independent and live a decent life while from a social perspective, Mustahik is required to be able to live in line with other communities. This means that zakat is not only distributed for consumptive matters but also for productive and educational purposes (Sartika 2008).

Empirically, among the studies that have been done is about analyzing the role of zakat in reducing poverty by Beik (2009). The results of the analysis show that zakat can reduce the number of poor families from 84 percent to 74 percent. Then from the depth aspect of poverty, zakat is also proven to be able to reduce the poverty gap and income gap as indicated by the decline in P1 and I. Pratama (2015) conducting research on the utilization of productive zakat in reducing poverty based on CIBEST models by conducting case studies on *Masyarakat Mandiri Dompet Dhuafa*. The results showed that the material poverty index decreased by 49.6 percent, meaning that zakat is able to reduce poverty in terms of material. While the spiritual poverty index also decreased by 1.6 percent thanks to guidance and direction from the Dompet Dhuafa.

Ali, Amaliya, and Ayyubi (2016) conducted a study of the comparison of productive zakat and consumptive zakat in improving the welfare of Mustahik. The analytical tool used is the CIBEST Model and uses logistic regression analysis. Based on the results of research on productive zakat and consumptive zakat, it is able to improve welfare while reducing poverty. However, productive zakat is better able to reduce poverty compared to consumptive zakat. Pratiwi's next research (2016) regarding the analysis of the utilization of productive zakat as a poverty alleviation based on the CIBEST model which conducted a case study on the BAZ and Dompet Dhuafa in Serang City.

The productive zakat utilization program has a positive impact on the household income of Serang City Mustahik. There is an increase in income after getting productive zakat aids from BAZ and Dompet Dhuafa. Based on the CIBEST Model classification, there was a decrease in the material poverty levels of 12.13 percent. Previous studies have shown that zakat can reduce the condition of poverty, but previous research did not discuss the impact of zakat utilization seen from permanent Mustahik jobs and stable businesses / businesses, and the willingness to save from Mustahik after giving zakat. This is calculated using the Independence Index. One of the variables derived from the BAZNAS Welfare Index

3. Research Methodology

CIBEST model

The CIBEST model consists of CIBEST Quadrant and CIBEST Index. The CIBEST quadrant is a quadrant that is useful for mapping families in four areas, namely the welfare area (quadrant I), material poverty area (quadrant II), spiritual poverty area (quadrant III), and absolute poverty area (quadrant IV). While the CIBEST index is used to see the index values in each of the CIBEST quadrants (Beik and Arsyianti 2016).

CIBEST Quadrant Classification

Each quadrant has its own meaning. First quadrant, households that are able to meet material and spiritual needs so that the sign of both is (+) then it is categorized into the prosperous quadrant. The second quadrant, households that are able to meet spiritual needs (+) but are not able to meet their material needs (-) well, then this household is categorized as material poor. Third quadrant, households that are able to meet material needs (+) but are unable to fulfill their spiritual needs (-) well, meaning that households experience poor spiritual conditions. Fourth quadrant, households that are unable to fulfill their material and spiritual needs simultaneously, so that the sign of both is (-).

In the material poverty line, approaches are used before and after getting zakat assistance based on MV calculations (Material Value). MV is a measure to find out whether a household is materially sufficient. A household is said to be materially capable if their income is above the MV value (Beik and Arsyianti 2016) as indicated by the following formula:

$$MV = \sum_{i=1}^{n} PiMi$$

Where:

MV = Minimum standards for material needs that must be met by households

(Rp. Or other currencies) or can be referred to as the Material Poverty Line
Pi = Price of goods and services (Rp. Or other currencies)
Mi = The minimum amount of goods and services needed

Modification of HDI

This HDI modification uses only two components, namely access to health and quality of education. The revenue and purchasing power component is not used because in the Puskas Welfare Index in the CIBEST model there is this component (Puskas BAZNAS 2017). The HDI modification can be formulated as follows:

Health Dimension: $I_{health} = \frac{AHH - AHHmin}{AHHmaks - AHHmin}$

where:
AHH = Life Expectancy Number
AHH min = 20 (UNDP standard)
AHH max = 85 (UNDP standard)

Education Dimension: $I_{HLS} = \frac{HLS - HLSmin}{HLSmaks - HLSmin}$

Where:
HLS = Years of Schooling Expectancy
HLS min = 0 (UNDP standard)
HLS max = 18 (UNDP standard)

$I_{RLS} = \frac{RLS - RLSmin}{RLSmaks - RLSmin}$

Where:
RLS = Average Years of Schooling
RLS min = 0 (UNDP standard)
RLS max = 15 (UNDP standard)

$I_{education} = \frac{IHLS - IRLS}{2}$

Thus, the HDI Modification can be formulated as follows

$$IPM = \sqrt{Ieducation\ x\ Ihealth} \times 100$$

Independence Index

The independence index is one of the determinants in the BAZNAS welfare index formula. Independence of Mustahik becomes the end of the purpose of distributing zakat. Therefore, Mustahik is assisted by zakat should be able to encourage a reduction in the amount of poverty,

increased welfare and contribute to the environment that helps other people who need support and assistance.

This independence index assessment is measured by 2 indicators, namely Mustahik having a permanent job or Mustahik that has a business that is considered stable and ownership of savings. To determine the independence assessment, there are criteria for scala likert for the Independence Index (Puskas BAZNAS 2017).

Table 4 Independence Index Criteria

Criteria				
(1 = very weak, 2 = weak, 3 = enough, 4 = strong, 5 = very strong)				
1	2	3	4	5
Do not have job and business	Have a temporary job	Only have one permanent job or business	Have one permanent job or business and have savings	Having permanent job, business and savings

Source: Puskas BAZNAS 2017

Calculate the Independence Index with the following formula:

$$Ii = \frac{(Si - Smin)}{(Smax - Smin)}$$

Where,
Ii = Independence Index in Variables i
Si = actual independence score on variable measurement i
S max = maximum independence score
S min = minimum independence score

BAZNAS Welfare Index

This index consists of three variables, namely the CIBEST Welfare Index, the variable index of the HDI modification, and the justification of the Independence Index obtained from the Likert. The formula for calculating the BAZNAS Welfare Index, is:

$$X_{22} = (X_{221}) \times 0.40 + (X_{222}) \times 0.40 + (X_{223}) \times 0.20$$

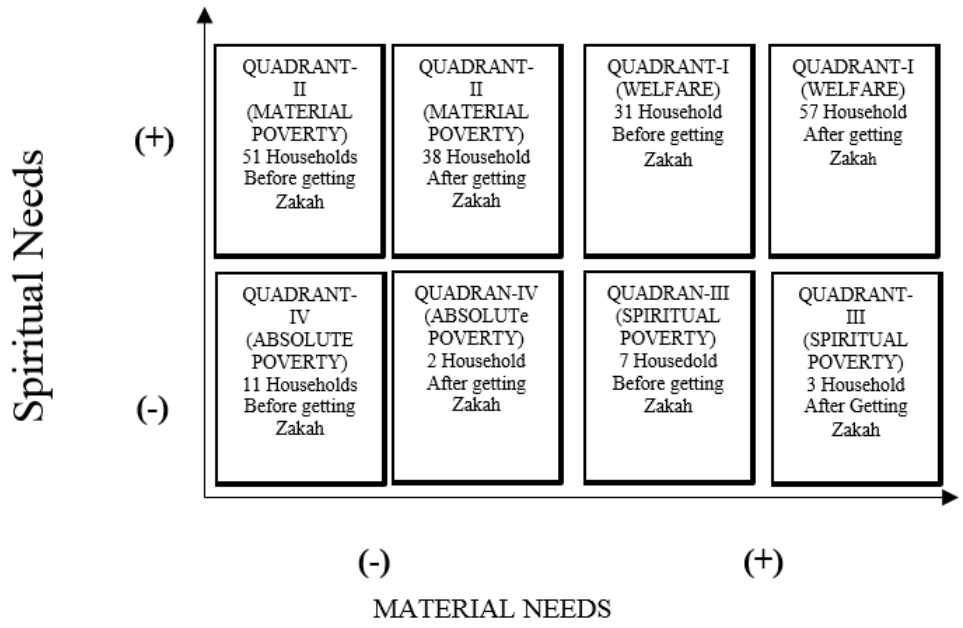
Where,
X_{22} = BAZNAS Welfare Index
(X_{221}) = value of material and spiritual welfare (CIBEST Welfare Index)
(X_{222}) = education and health value (Modification of HDI)
(X_{223}) = independence value

4. Results and Discussion

CIBEST model

Based on data from figure 3, it is known that 31 households entered into the wealthy quadrant I of the family are materially and spiritually rich. This also illustrates that 31 of these mustahik were able to fulfill their material and spiritual needs even though they had not received zakat funding and guidance from BAZNAS. This is due to several possibilities, namely, first at that time the condition of Mustahik households was experiencing economic downturn so that income at that time could not meet the needs and continue the business. In addition, BAZNAS also pays attention to aspects of willingness and seriousness in developing businesses that have been run by mustahik households so that the zakat funds are used properly.

Figure 3 CIBEST Quadrant Before Zakat and After Productive Zakat



Source: 2018 Primary Data

Based on the CIBEST quadrant before and after zakat there is a reduction in the poverty rate in quadrant II, quadrant III, and quadrant IV and an increase in quadrant I. Quadrant I illustrates the condition of prosperous Mustahik increases, this is indicated by an increase in the number of Mustahik households from 38 to 51 household. Change in increase in quadrant I by 26 percent. This increase occurred because of the costs of zakat and guidance from BAZNAS and increased public awareness to improve the economy and improve worship. This increase is also due to the supervision and monitoring of BAZNAS to remind each other of Mustahik.

In quadrant II, which explains Mustahik households fall into the category of materially and spiritually rich poor. Before receiving zakat and guidance from BAZNAS Mustahik households numbered 51 households. After giving zakat funds and guidance, this figure decreased by 13 percent. The zakat funds and BAZNAS assistance were able to reduce the number of households in this quadrant to 38 households. This must also be followed by good public financial management. Because there are still around 38 households that have not been able to manage their finances properly so they still fall into this category.

Next, in quadrant III Mustahik households that are categorized as poor spiritually but are materially rich. In the conditions before being given zakat funds and guidance by BAZNAS this quadrant numbered seven people. After being given zakat funds and guidance there is a reduction of four percent so that the number of households after zakat in this quadrant is equal to three households. Awareness to worship and remind each other for worship has been carried out by BAZNAS. However, it depends again on the personality of each Mustahik.

Quadrant IV describes absolute household poverty experienced by Mustahik households. Based on the results of the study, before the existence of zakat funds the number of Mustahik households that entered this quadrant was eleven households. Furthermore, when there was zakat assistance and guidance to Mustahik households there was a decrease of nine percent. This means that there are still two Mustahik households in the quadrant IV of absolute poverty.

In figure 3 of the CIBEST quadrant, changes before and after zakat, in general, illustrate that the presence of zakat can reduce the number of Mustahik households who experience material poor conditions, spiritually poor and absolute poor. In accordance with the theory that the existence of zakat and guidance can provide a positive influence and impact on the poverty condition of the household Mustahik and justify the concept of Beik and Arsyianti that poverty cannot be eliminated, but can be minimized by the existence of zakat.

Table 3 CIBEST Index Changes Before and After the Zakat Program

CIBEST Index	Index Value Before Getting Zakat	Index Value After Getting Zakat	Percentage Change
Welfare Index	0.31	0.57	26.00
Material Poverty Index	0.51	0.38	-13.00
Spiritual Poverty Index	0.07	0.03	-4.00
Absolute Poverty Index	0.11	0.02	-9.00

Source: Primary Data (2018)

HDI Modification Index

The HDI Modification Index is an index that reflects the educational and public health conditions observed. The results of the data in this study were obtained from the West Sumatera BAZNAS PUSKAS study in a good category of 0.75.

Table 4 Modification of HDI Components

Modification of HDI Components	Value	Index (Percentage)
Healthy Index	0.5007	50.07
Education Index	0.4915	49.15
Modification of HDI	0.4961	49.61

Source: 2018 Primary Data (processed)

Looking at table 4, as many as 100 Mustahik were observed to have an HDI Modification Index of 0.49 (quite good), the index value shown in the figure shows that the impact of zakat aids on Mustahik education and health sectors can be said to be successful. The HDI modification index which reached 0.50 (good enough) shows the results included in the fairly good category, where the conditions of education and health of Mustahik can be improved through zakat programs. This achievement is not only because most of the distribution and utilization of zakat is still centralized in these 2 fields, but the efforts of self-sufficiency in Mustahik are also carried out to strengthen these two fields. The pattern of giving zakat aids to Mustahik can be said to be dominant in these two fields.

Independence Index Analysis

The assessment of the Independence Index is measured from two main indicators, namely Mustahik has a permanent job or Mustahik has a business that is considered stable and ownership of savings by Mustahik. From the calculation of the data obtained, the results of the Independence Index in the City of Padang Panjang can be seen in the table:

Table 5. Independence Index

Variable	Actual Condition	Score	Category	Index	Category
Independence	Have one permanent business and have savings	3	Enough	0.44	Good Enough

Source: Primary data processed (2018)

The table above shows the results of the independence index, amounting to 0.44 into the fairly good category. This shows that the average Mustahik family has one permanent job or business in the Enough category and has savings so that the index value is 0.44, meaning that the independence of Mustahik is quite good. This can be seen from the average Mustahik household having one permanent job or business and having savings. For the average sum of savings of Mustahik in the city of Padang Panjang ranges from Rp. 500 000 to Rp. 1 500 000. From the results of interviews the level of saving awareness will be emerge because of the importance of provision in the future but on average only saving at home or attend local social gathering. There are still many who has lack of awareness to save money in financial institutions such as Islamic banks and

cooperatives. And there are still many who borrow money from moneylenders with pay high interest.

BAZNAS Welfare Index

The BAZNAS Welfare Index value of 0.51 also means that the welfare impact of post-aid Mustahik is managed and channeled by the BAZNAS of Padang Panjang City in a fairly good condition. BAZNAS's performance was felt to have a fairly good impact and encouraged the independence of the program recipients. If traced deeper in each variable, the average value is obtained for the Welfare Index CIBEST: 0.57, Modification Index of HDI: 0.49, and Independence Index: 0.44. The average value of the CIBEST Welfare Index and the HDI Modification Index is considered good enough. While the average value of the Independence Index is 0.44, which means it's quite good. Thus, it can be concluded that the average value of the BAZNAS Welfare Index which needs to be encouraged in the future is related to the independence of Mustahik and the level of health and education Mustahik. This needs serious attention especially the focus on the objectives of BAZNAS productive programs, namely to strengthen and empower the assisted Mustahik.

5. Conclusions and Suggestions

Based on the results of research on the impact of productive zakat utilization, it can be concluded that there is a change in the level of income of Mustahik. If we see from the classification of the number of CIBEST quadrants, there is an increase in the number of families included in the category of prosperous families. Judging from the HDI level after the zakat is 0.49. This means that at this HDI level Mustahik households fall into a fairly good category in terms of education and health. And the level of independence of Mustahik is 0.44 which falls into the category enough if we see from a permanent job or business and savings of Mustahik. The CIBEST welfare index, the Independence Index and the HDI Modification Index are derivative from the BAZNAS welfare index which is worth 0.51, that is, the impact of productive zakat after being distributed by BAZNAS falls into the Pretty Good category for the City of Padang Panjang.

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