



Does Zakat Reduce Poverty In Aceh? Evidence From Selected Regencies

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Abstract. This study investigates whether zakat has contributed to poverty reduction in four selected regencies in Aceh Province (Banda Aceh, Langsa, Aceh Besar, and Bireuen). This study uses the realization of zakat funds distribution to determine which regencies. The time series technique is used to test the hypothesis of poverty reduction driven by the distribution of zakat funds in these regencies. The results show that the distribution of zakat funds from three regencies, Banda Aceh, Aceh Besar, and Langsa, can reduce poverty. However, Bireuen does not show a significant contribution. The empirical findings of this study provide important policy implications for local government.

Keywords: Ordinary least squares · Poverty reduction · Zakat funds

1 Introduction

Poverty has become a widespread issue in many developing countries, including Indonesia. BPS (2021) reported that the percentage of poor people in September 2020 was 10.19 percent, an increase of 0.97 percentage points compared to September 2019. The number of poor people in September 2020 was 27.55 million, an increase of 2.76 million compared to September 2019. The COVID-19 pandemic is the main factor in increasing the percentage of poor people in various regions in Indonesia.

One instrument of poverty alleviation in Indonesia is zakat. From the Islamic perspective, zakat has become one of the most critical socio-economic instruments or mechanisms in helping the government to reduce poverty [1]. Discussions on the role of zakat in poverty alleviation have been widely studied in Indonesia [2]-[5]. The empirical evidence shows that zakat has a significant influence on poverty alleviation. So in the future, the government can use zakat as an additional tool to improve the national economic performance.

In Aceh Province, since the enactment of Law Number 18 of 2001 concerning Special Autonomy for the Province of the Special Region of Aceh as the Province of Nanggroe Aceh Darussalam, zakat has become one of the sources of local revenue (PAD). The law's birth has given the Aceh Government a legal umbrella in increasing zakat receipts by forming a zakat collection institution, Baitul Mal.

Table 1. Description of Variables

Variable	Description	Period	Source
<i>lnPoverty</i>	Natural Logarithm of Poverty (persons)	2008–2020	BPS - Statistics Indonesia
<i>lnZakat</i>	Natural Logarithm of Zakat (Rupiahs)	2008–2020	Baitul Mal, Provinsi Aceh

This paper aims to investigate zakat's impact on poverty alleviation. This paper presents the progress of realizing zakat receipts and distribution in selected districts in Aceh Province, Indonesia. After Part 1 of the introduction, Part 2 describes the method used, Part 3 provides an overview of the results and discussion, and Part 4 concludes with a conclusion.

2 Methods

This paper uses annual secondary data from 2008–2020 sourced from BPS - Statistics Indonesia and Baitul Mal, Aceh Province. The number of poor people is used as a proxy for poverty, and the distribution of zakat funds is realized as a proxy for zakat. OLS regression technique has been applied, and the model has been estimated in a natural logarithm. Furthermore, the description of all variables is shown in Table 1.

$$Poverty = f(Zakat) \quad (1)$$

Based on previous research, to measure the impact of zakat on poverty alleviation, the functional form is used as follows:

$$\ln Poverty_t = \alpha + \beta_1 \ln Zakat_t + \varepsilon_t \quad (2)$$

where *ln* represents the natural logarithm, *P* is the number of poor population, *Zakat* is the realization of zakat distribution, and ε_t is the error term.

3 Results and Discussion

3.1 Results

3.1.1 Realization of Zakat Receipt and Distribution

Paying zakat is one of the obligations of Muslims whose assets have reached the specified *nisab*. As the only province that implements Islamic law, Aceh also collects the value of zakat annually through the Baitul Mal. Baitul Mal Aceh noted that the collection of zakat funds in Banda Aceh City reached more than IDR 4.1 billion in 2008. This value is increasing by 2020 to more than IDR 15 billion.

On the other hand, the distribution of zakat funds in Banda Aceh City reached more than IDR 2.8 billion in 2008. This value continues to increase until 2020 to more than IDR 15 billion (Fig. 1).

Figure 2 shows that the collection of zakat funds in Aceh Besar District reached more than Rp. 3.88 billion in 2008. This value is increasing until 2020 to more than Rp. 14.88 billion. On the other hand, the distribution of zakat funds in Aceh Besar District reached more than Rp. 4.7 billion in 2008. This value is increasing until 2020 to more than Rp. 12.4 billion.

The collection of zakat funds in Bireuen Regency reached more than Rp. 12.4 billion in 2008. This value is decreasing until 2020 to Rp. 8.88 billion. On the other hand, the distribution of zakat funds in Bireuen Regency reached more than IDR 702 million in 2008. This value increased in 2020 to more than IDR 7.2 billion. The development of zakat receipts and distribution realization fluctuates but tends to increase (Fig. 3).

The realized value of zakat receipts and distributions from year to year tends to increase (Fig. 4). The collection of zakat funds in Langsa City reached more than IDR 590 million in 2008. This value is increasing by 2020 to more than IDR 2.6 billion. On

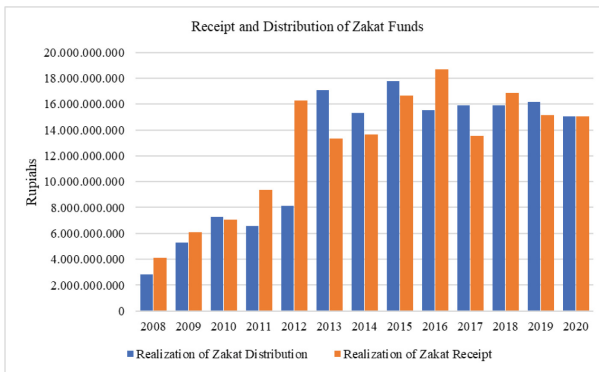


Fig. 1. Realization of Zakat Receipt and Distribution in Banda Aceh City, 2008–2020

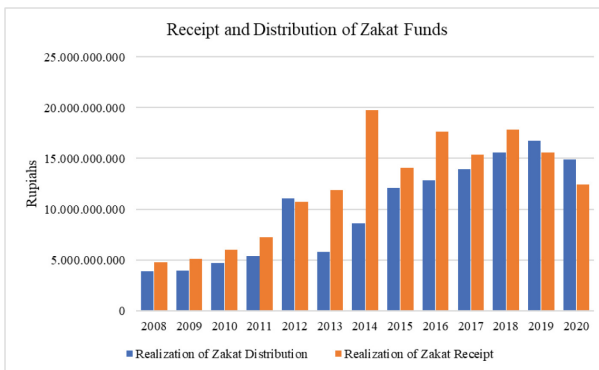


Fig. 2. Realization of Zakat Receipt and Distribution in Aceh Besar Regency, 2008–2020

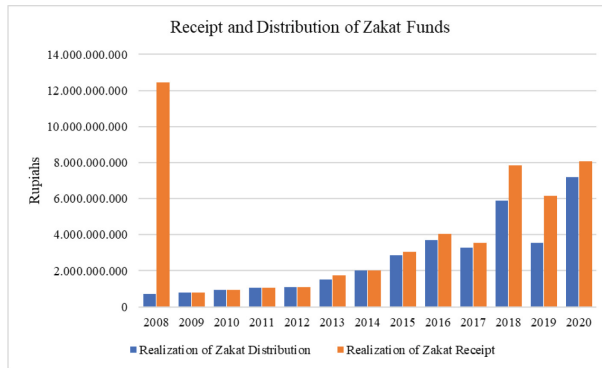


Fig. 3. Realization of Zakat Receipt and Distribution in Bireuen Regency, 2008–2020

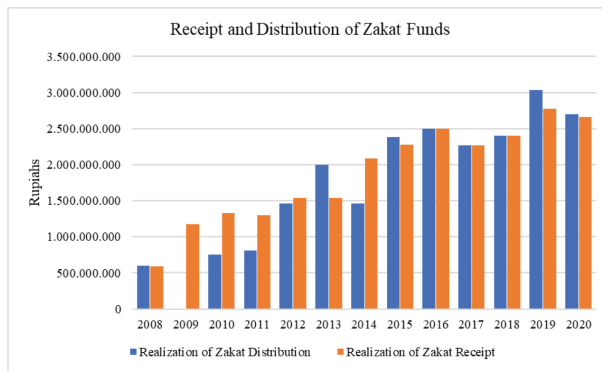


Fig. 4. Realization of Zakat Receipt and Distribution in Langsa City

the other hand, the distribution of zakat funds in Aceh Besar District reached more than IDR 600 million in 2008. This value is increasing by 2020 to more than IDR 2.7 billion.

3.1.2 Impact of Zakat on Poverty Alleviation

Zakat is one of the instruments of social assistance in Islam. The research findings in Banda Aceh City prove that zakat is vital in poverty alleviation at a significance level of $p < 0.01$. Increasing the distribution of zakat funds by Rp. 1 billion can reduce poverty by 5.321538 percent. The R-squared value of 0.946017 shows that the allocation of zakat funds can explain the variation in the decrease in the poverty rate by 94.6 percent.

The research findings in Aceh Besar District prove that zakat also plays an essential role in poverty alleviation, at a significance level of $p < 0.01$. Increasing the distribution of zakat funds by Rp. 1 billion can reduce poverty by 4.243631 percent. The R-squared value of 0.788771 shows that the allocation of zakat funds can explain the variation in the reduction in the poverty rate by 78.88 percent.

On the other hand, the research findings for Bireuen Regency prove that zakat has not played a role in poverty alleviation. This can be seen from the probability value of $p >$

Table 2. Results of the Regression Estimation of the Impact of Zakat on Poverty Alleviation

Regencies	Coefficient	Std. Error	t-Statistic	p-Value	R-squared	Adj. R-squared
Banda Aceh	-5.321	3.833	-1.388	0.000	0.946	0.941
Aceh Besar	-4.243	0.662	-6.409	0.000	0.788	0.770
Bireuen	-1.279	9.051	-1.414	0.185	0.153	0.077
Langsa	-5.322	3.832	-1.388	0.000	0.946	0.941

Source: Own calculations

0.10. The results of research findings in Langsa City District prove that zakat also plays an important role in poverty alleviation, at a significance level of $p < 0.01$. Increasing the distribution of zakat funds by Rp. 1 billion can reduce poverty by 5.321538 percent. The R-squared value of 0.946017 shows that the allocation of zakat funds can explain the variation in the reduction in the poverty rate by 94.6 percent.

3.2 Discussion

The research findings in Table 2 show that zakat is important in reducing the number of poor people in each study area, except for Bireuen Regency. This proves that zakat also contributes to achieving the Sustainable Development Goals (SDGs) in alleviating global poverty. Several studies strengthen the findings of this research in Indonesia [2, 4]. In neighboring Malaysia, zakat also has a role in alleviating the poverty of its citizens [6]-[8]. Not only in these two ASEAN countries, but zakat also plays an important role in other Muslim-majority countries, such as Bangladesh, Pakistan, Nigeria, Turkey, and Tunisia [9]-[13].

On the other hand, the research findings for Bireuen Regency prove that zakat has not played a role in poverty alleviation. This can be seen from the probability value of $p > 0.10$. The results of research findings in Langsa City District prove that zakat also plays an important role in poverty alleviation, at a significance level of $p < 0.01$. Increasing the distribution of zakat funds by Rp. 1 billion can reduce poverty by 5.321538 percent. The R-squared value of 0.946017 shows that the allocation of zakat funds can explain the variation in the reduction in the poverty rate by 94.6 percent.

4 Conclusion

The westernmost province of Indonesia, where most of the population is Muslim, Aceh, has established zakat as a source of revenue from Regional Original Income. Zakat has become one of the crucial instruments in alleviating poverty in the province. This is evidenced by the results of this study, which generally state that zakat has a significant effect on poverty alleviation. For the more fantastic the receipt of zakat funds, it is necessary to increase socialization in the community and human resources capacity at zakat collection institutions. This increase can encourage an increase in the realization of zakat receipts to increase the number of beneficiaries in the future.

Acknowledgments. We thank LPPM Universitas Syiah Kuala (USK) for funding this research through the scheme of *Penelitian Lektor Kepala* with grant number: 145/UN11/SPK/PNBP/2022.

Authors' Contributions. The first and second authors conducted data collection and analysis. A third author assisted us in the literature review and translation. All authors have read and approved the final manuscript.

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