ISSN: 2655-6251

Does Zakat Improve Welfare in Indonesia?

Fitriani[1], Fauziah Chairiyati[2], Alfin Nurin Najhah[3]

Faculty of Economics and Business, Airlangga University, Surabaya, Indonesia
[1]fitriani-2023@feb.unair.ac.id, [2]fauziah.chairiyati-2024@feb.unair.ac.id,
[3]alfin.nurin.najhah-2024@feb.unair.ac.id

Paper was presented at the 8th International Conference of Zakat (ICONZ)
17 – 19 December 2024, Bandung, Indonesia

ABSTRACT

This study aims to analyze the effect of zakat distribution in five priority sectors of BAZNAS consisting of humanity, education, economy, health, and religion on the Islamic Human Development Index (IHDI), which includes Non-Material Welfare (NMW) and Material Welfare in Indonesia. This study uses zakat distribution and IHDI values during the period 2019–2023, using Ordinary Least Square (OLS) regression through EViews 12 software. The results of the analysis show that zakat distribution in the economic sector has a significant effect on MW. Meanwhile, zakat distribution in the health, humanity, education, and religion sectors does not have a significant effect on NMW due to less than optimal program implementation, lack of holistic program integration, and a focus that is more theoretical than practical empowerment. Meanwhile, economic programs increase MW through productive economic empowerment. This study emphasizes the importance of a comprehensive zakat program with a preventive education approach, long-term empowerment, and cross-sector collaboration to maximize the contribution of zakat to NMW and MW so that it can improve welfare in Indonesia.

Keywords: *Zakat Distribution, Baznas Priority Sector, Material Welfare, Non Material Welfare, IHDI*

INTRODUCTION

Poverty is a global and national challenge that is encouraged in sustainable development goals (SDG's) as the first priority to be resolved (Bappenas, 2024; United Nations, 2024). Various policy models have been implemented by the government to eradicate poverty in order to increase national economic growth. However, the problem of poverty continues to be an obstacle to economic growth, although based on data from the Central Statistics Agency in 2024, the number of poor people in Indonesia as of March 2024 was 25.22 million people, down by 0.68 million people from March 2023, and down by 1.14 million people compared to September 2022. In terms of the percentage of poor people in Indonesia, in March 2024 it was 9.03 percent, down by 0.33 percentage points compared to March 2023 (BPS, 2024). This cannot be separated from the role of zakat as an instrument for poverty alleviation which has become a mandate in Article 3 of Law No. 23 of 2011. Article 3b of the Law, it is stated that zakat management is aimed at realizing community welfare and poverty alleviation based on five standards, namely the extreme poverty line, poverty line, UMP, had kifayah, and zakat niqab. Based on

these five standards, in 2023, zakat managers nationally have eradicated poverty by 577,138 people, with 321,757 of them coming from the extreme poverty zone. This figure contributed 2.28% to national poverty alleviation in March 2024 of 25.90 million people. So, the role of zakat in providing welfare for the people has been seen (BAZNAS, 2024).

Welfare can be measured through the Human Development Index (HDI), but this instrument only measures three dimensions, namely a long and healthy life, knowledge, and a decent standard of living (Rusanti et al., 2023). In Islam, the Islamic Human Development Index (I-HDI) model has been developed to integrate aspects of material welfare and non-material welfare (Hasbi et al., 2023; Rukiah et al., 2019). The measurement of I-HDI is based on the concept of Maqashid Syariah which consists of five dimensions, namely Hifdz ad-Dien (protecting religion), Hifdz an-Nafs (protecting the soul), Hifdz al-Aql (protecting reason), Hifdz an-Nasl (protecting descendants) and Hifdz al-Mal (protecting property). This concept is considered capable of measuring holistic human development that is oriented towards welfare (maslahah) (Dwi Lestari & Nur Azlia Arumi, 2024). Zakat has the potential to improve welfare, both material and non-material. The impact of zakat from a material perspective is to provide direct financial support to those in need, which enables them to meet basic needs and improve their welfare (Aziz et al., 2020; Pratama, 2023). In this context, zakat functions as a mechanism to reduce economic inequality and improve the standard of living of the poor. Proper distribution of zakat can have a direct impact on increasing the Human Development Index, especially in the aspects of education and health, which are the main indicators of welfare and thus contribute to the Sustainable Development Goals (SDGs) (Riswandi et al., 2024; Riyaldi et al., 2020).

From a non-material aspect, Zakat has a significant contribution to welfare in social inclusion and empowerment. Zakat enables recipients (mustahik) to obtain financial benefits and opportunities for long-term economic independence (Ali et al., 2016; Beik & Arsyianti, 2016). However, challenges in managing zakat remain. The effectiveness of zakat in poverty alleviation is highly dependent on targeted and sustainable distribution (Kholis & Mugiyati, 2021). This approach not only provides financial assistance but also creates opportunities for mustahik to develop skills and earn a stable income. This study aims to fill the gap in the literature on the impact of zakat on poverty alleviation, especially in the dimensions of material and non-material welfare. This study will provide new insights into the effectiveness of the five BAZNAS priority programs on the material and non-material welfare of the community so that its potential can be integrated into national development policies to achieve Sustainable Development Goals (SDGs) through comprehensive poverty alleviation.

LITERATURE REVIEW

Islamic Human Development Index

The Islamic Development Index (IHDI) is a framework used to create a measurable index to see all dimensions of human development based on the concept of maqashid sharia (Zidny Nafi' Hasbi et al., 2023).The existence of IHDI is intended to obtain a more profound and more comprehensive measurement in measuring the Human Development Index, which adopts 5 dimensions of maqshid sharia, namely hifdz-din (protection of religion), hifdz aql (protection of reason), hifdz nafs (protection of soul), hifdz nasl (protection of descendants), and hifdz mal (protection of property). IHDI measurement includes two aspects, namely material welfare and non-material welfare, where the non-material welfare aspect is not included in the calculation of the Human Development Index (HDI).

The HDI calculation only contains three dimensions, namely the health dimension, which is measured through life expectancy figures (Life Expectancy); the knowledge dimension, which is measured through literacy rates and the average length of schooling; and finally, the dimension of quality of living standards, which is measured by per capita income (Zidny Nafi' Hasbi et al., 2023). HDI is considered unable to describe Human Development perfectly. Therefore, several studies have attempted to modify HDI to obtain a more representative index in measuring human development (Rama & Yusuf, 2019).

Stanton (2006) in(Rama & Yusuf, 2019)explains that the HDI model only looks at the standard of living based on per capita income. The existence of income distribution equity (DE) is not explained in it. An even distribution of income becomes an important component in seeing the quality of human living standards. This is because so that income increases do not only revolve around a certain group of people, but can be evenly distributed to all levels of society to reduce the creation of a larger gap of inequality.

The existence of equal distribution of income will greatly influence the reduction of poverty rates. In this case, zakat, which is one of the Islamic social financial instruments, can effectively reduce poverty rates for Muslim communities due to the distribution of wealth (Mawardi et al., 2023).This role shows that the distribution of zakat funds has an impact on IHDI, especially on material welfare, namely related to increasing property ownership (PO) and distribution equity (DE).

Zakat

Zakat is a mandatory expenditure for every Muslim, which has a direct impact on the economic system (Wahab & Rahim Abdul Rahman, 2011). The main objective of zakat is to achieve wealth distribution, create justice in socio-economics and economic growth, and reduce poverty and inequality in society (Widiastuti et al., 2022). This is in line with research(Asep Nurhalim et al., 2022), which conveys that zakat does not only have an impact on the material side in terms of increasing the income of mustahik but can also be socially beneficial to create income or wealth distribution. An effective zakat empowerment program also shows a positive relationship to the welfare of mustahik (Mawardi et al., 2023). In addition, zakat is also a fiscal instrument that can encourage economic growth in Muslim countries (Ahmad, 2019). Based on these studies, it is known that zakat has a relationship with IHDI which is shown by the role of zakat in economic growth in general, especially in increasing the income of mustahik, increasing the distribution of wealth, and reducing poverty rates.

Zakat Distribution and Islamic Human Development Index

Based on the report from Baznas Indonesia in terms of distribution, ZIS (Zakat, Infaq, Sedekah) and DSKL (Other Religious Social Funds) are distributed to 5 main types of programs, namely social/humanitarian, health, education, economy, and da'wah. The first in the humanitarian sector, zakat funds are distributed through the family logistics package program, namely in the form of basic food assistance for mustahik, especially for the disabled, widows, the elderly, and people affected by disasters with the aim of being able to meet their basic needs. In addition, in the humanitarian sector there is also a program for assistance with decent housing, for orphans and the poor, and for people with disabilities. Second, in the health sector, there is the Baznas Healthy House, a health service program for mustahik which includes various programs that are curative, preventive, rehabilitative, promotive, and advocacy.

Next in the field of Education and da'wah, there is the Baznas Cendekia Scholarship program, which includes scholarships for domestic students, scholarships

for Islamic boarding school students, research, and so on as well as the Baznas Da'wah program whose distribution focuses on a group of converts and marginalized people in the 3T (Frontier, Outermost, Disadvantaged) areas. The last is the economic sector; the distribution is carried out in various programs such as Lumbung Pangan (an empowerment program for farmers with the aim of forming productive business groups), Zakat Community Development (community empowerment through communities and villages that integrate the five main areas in distribution), and empowerment of MSMEs which aims to develop businesses and expand employment opportunities through training, capital assistance, and business mentoring.

The five Baznas programs are related to IHDI. For example, various programs in the Health sector can increase life expectancy, which is included in the hifdz nafs dimension index. In the education sector, literacy and the average length of schooling can be increased, which has an effect on the hifdz aql dimension. As well as other programs in the economic sector that help improveincomemustahik on a micro scale and increasing GDP on a macro scale, which is included in the hifdz mal dimension. Thus, the zakat distribution scheme from Baznas not only affects material welfare but also the non-material welfare dimension.

H1: Zakat distribution of economic sector has significant effect on material welfare

H2: Zakat distribution of the humanitarian sector has a significant effect on non-material welfare

H3: Zakat distribution of the education sector has a significant effect on non-material welfare

H4: Zakat distribution of the health sector has a significant effect on non-material welfare

H5: Zakat distribution of religious sector has significant effect on non-material welfare

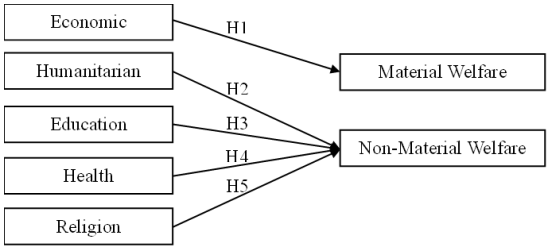

Figure 1. Research Framework

METHOD

This research is included in the category of quantitative research. The data used is panel data. Panel data refers to a data set that combines information from cross-sectional data and time series data(Widarjono, 2013).In addition, this study used time series data covering 2019 to 2023. The sample of this study consisted of seven islands: Sumatra, Java, Kalimantan, Sulawesi, Nusa Tenggara and Bali, Maluku, Papua. The data collection method is carried out by taking reports from the website of the Central Statistics Agency and Annual Report of Amil Zakat Nasional (BAZNAS).

The dependent variable in the study is the Islamic Human Development Index (I-HDI), which is described into two new variables according to its correlation with Zakat distribution, namely the Material Welfare Index (Y1) and the Non-Material Welfare Index (Y2). The Independent variable in this study is Zakat distribution, which is described into five new variables according to the division of priority programs for zakat distribution, namely

Economic (X1), Religion (X2), Humanities (X3), Health (X4) and Education (X5).

Table 1. Operational Definition of Variables

Variable	Sub Variable	Indicators	Reference
Zakat Distribution (X)	Economics (X1)	Economics Programs	(Rusanti et al., 2023)
	Social/Humanities (X2)	Social/Humanities Programs	
	Education (X3)	Education Programs	
	Health (X4)	Health Programs	
	Religion (X5)	Religion Programs	
Islamic Human Development Index (Y)	Material Welfare (MW) (Y1)	**The Protection of One's Self** Adjusted Real Per Capita Expenditure (PPP) Rupiah, Gini Ratio, Poverty Depth Index (P1)	(Rukiah et al., 2019)
	Non-Material Welfare (NMW) (Y2)	**Hifdzu ad-Deen** Crime Rate	(Rukiah et al., 2019)
		The Mind of the Aql Literacy Rate and Average Years of Schooling	(Rukiah et al., 2019)
		The Mindfulness of the Nasl Population Growth Rate	(Verawaty et al., 2021)
		Keeping the Self in Mind Life Expectancy	(Arhadi, 2022)

Sources: Authors, 2024

This study used panel data regression analysis. Panel data regression is a very effective technique to improve data informativeness, reduce collinearity between variables, and increase degrees of freedom and efficiency(Hasbi, MZN, Munajat, M., & Qoyum, 2023)by using Eviews 12 for student software to map the equations and impacts of Zakat on Material Welfare and Non-Material Welfare, the following are the equations used.

(1) $MWit = \alpha + \beta 1 \cdot ECOit$

(2) $NMWit = \alpha + \beta 1 \cdot RELit + \beta 2 \cdot HUMit + \beta 3 \cdot HLTit + \beta 4 \cdot EDUit + \varepsilon it$

Results

Based on the results of statistical data processing obtained from zakat distribution data for 5 priority programs of BAZNAS RI and data from the Central Statistics Agency (BPS) of Indonesia, which are used in calculating the

Material Welfare Index and Non-Material Welfare Index, in 2019, 2020, 2021, 2023.

Table 2. Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Maximum	Minimum
ECO	35	4.98e+10	1.18e+11	4.68e+11	8.56e+07
HLTH	35	3.18e+10	7.52e+10	2.76e+11	3.87e+07
EDU	35	7.44e+10	1.78e+10	7.32e+11	8.98e+07
HUM	35	2.71e+11	5.67e+11	2.33e+12	1.11e+09
RELG	35	1.46e+11	3.41e+11	1.32e+12	4.58e+07
NMW	35	0.4437143	0.1667172	0.77	0.11
MW	35	0.9025714	0.272832	1.63	0.66

Source: Data Processed EViews V.12 (2024)

The descriptive results indicate a significant difference in the data, particularly concerning economic, humanitarian, and religious variables. High fluctuations in the standard deviation for certain variables suggest substantial variation within the data, which may imply inequality or uneven distribution within programs related to these variables. Furthermore, the following research model selection test was carried out.

Table 3. Selection Test Model

No	Variable	Chow Test	Hausman Test	Lagrange Multiplier Test	Best Model
1	Economic Program for Material Welfare Index	0.0000	0.0412	-	FEM
2	Humanities, Health, Education, Religion Program for Non-Material Welfare	0.0000	0.0001	0.0001	FEM

Source: Data Processed EViews V.12 (2024)

The results of selecting the research model are based on a series of analytical tests; First, the Chow Test (CEM or FEM) is carried out by looking at the probability value of the Cross-Section F value, if the prob < 0.05 then the application of the Fixed Effect Model (FEM) is more appropriate, but if the prob > 0.05 then the Common Effect Model (CEM) is used. selected. Second, the Hausman Test (FEM or REM) is used if in the Chow test the FEM model is selected, if the prob < 0.05 then the application of the Fixed Effect Model (FEM) is more appropriate, but if the prob is > 0.05 then the Random Effect Model (REM) is selected. Furthermore, the Langrange Multiplier Test (CEM or REM) is used if in the Hausman test the REM model is selected, if the prob < 0.05 then the application of the Random Effect Model (REM) is more appropriate, but if the prob is > 0.05 then the Common Effect Model

(CEM) is the selected model. Based on Table 1 data, the model selection test describes the results of the analysis of testing the influence of zakat fund distribution on economic, humanities, education, health, and religion programs on, the material and non-material welfare index, the Fixed Effect Model (FEM) was obtained as the best model (Hermani et al., 2023; Maysarah, 2023). The next step, reviewing the results of the Classical Assumption test analysis, namely the Heteroscedasticity, Autocorrelation, Normality and Multicollinearity Tests, shows the following test results.

Table 4. Classic Assumption Test (Heteroscedasticity, Autocorrelation, Normality)

No	Variable	Heteroscedasticity (Obs*R-Square)	Autocorrelation (Durbin-Watson)	Normality Jarque-Bera (Probability)
1	ECO □ MW	0.3779	1.892962	2.141675 (0.342721)
2	HUM, EDU, HLTH, RELG □ NMW	0.3046	1.767458	1.898885 (0.386957)

Source: Data Processed EViews V.12 (2024)

Based on the results of the data in table 2, in the heteroscedasticity test using the Glejser test, if the probability test is obtained from the significance value between the independent variable and the absolute residual, it produces a probability>0.05, meaning that there is no heteroscedasticity problem (Hermani et al., 2023; Suharti et al., 2023; Zambom et al., 2017).

In the autocorrelation test, there are several approach models, namely Durbin Watson, Box-Pierce Q Test, and Breusch-Godfrey. Researchers use the Durbin Watson analysis method to assess the results of the autocorrelation test, if the Durbin-Watson (DW) calculated value is not in the range of the lower and upper limits of the DW table values, it is stated that there is no autocorrelation problem. The autocorrelation test analysis uses the Durbin-Watson statistical value acquisition if it produces a value at number 2 or close to number 2, then it is free from autocorrelation. Furthermore, if the DW value is relatively much lower than number 2, it is concluded that there is a positive autocorrelation, but conversely if the DW value is much higher than number 2 and reaches a maximum of number 4, it is concluded that there is a negative correlation (Suharti et al., 2023). The normality test is used to determine whether the constructs are normally distributed. If the probability shows a value >0.05, it means the regression model meets the normality assumption (Maysarah, 2023). The next statistical data test is the multicollinearity test to assess whether the regression model is free from symptoms of a strong relationship between variables so that a multicollinearity test is needed as follows:

Table 5. Multicollinearity Test

No	Variable	Coefficient Variance	Uncentered VIF	Centred VIF
1	ECO □ MW	0.379495	2979.110	5.598661
2	HUM □ NMW	0.284815	2197.115	4.496957

3	EDU □ NMW	0.252351	2042.450	5.179703
4	HLTH □ NMW	0.287348	2410.684	4.054906
5	RELG □ NMW	1.082817	229.0687	3.339194

Source: Data Processed EViews V.12 (2024)

In the multicollinearity test, it can be seen from the Centered VIF, namely if the Variance Inflation valueFactor(VIF) is greater than 10, then there is a problem of multicollinearity, and conversely, if the value is less than 10, then there are no symptoms of multicollinearity (Gaweł & Mińska-Struzik, 2023; Kim, 2019). Based on the statistical data in table 3 above, the test resultsOverall, the conclusion is that the centered VIF value is 1, meaning it is below 10 and no symptoms of multicollinearity were found.

Furthermore, the Hypothesis Test analysis to determine the influence of independent variables on dependent variables partially and simultaneously uses the T Test (Partial), F Test (simultaneous) and Determination Coefficient Test as follows.

Table 6. Regression Analysis

No	Variable	Coefficient	T-statistic	F-statistic	Probability	Adjusted R-Square
1	ECO □ MW	0.049765	2.803809	0.0092	266.1559 (0.000000)	0.982011
2	HUM □ NMW	0.041194	1.706863	0.1008		
3	EDU □ NMW	-0.060224	-1.009114	0.3230	29.07658 (0.000000)	0.891983
4	HLTH □ NMW	0.045484	0.793142	0.4355		
5	RELG □ NMW	-0.14208	-0.255967	0.8002		

Source: Data Processed EViews V.12 (2024)

The results of the hypothesis test regression above can describe the partial and simultaneous influence between the distribution of zakat in economic, humanities, education, health and religion programs on materialwelfareindex (al-Maal) and non-material welfare index (an-Nafs, al-Aql, an-Nasl, ad-Dien) on the seven large islands in Indonesia (Sumatra, Java, Kalimantan, Sulawesi, Bali and Nusa Tenggara, Maluku and Papua). Based on the analysis above, the distribution of Zakat in the Economic program has a partial effect on Material welfare, while the distribution of Zakat in the Humanities, Education, Health and Social programs has a partial effect on Material welfare. Religiondoes not have a partial effect on Non-Material welfare. However, if the relationship is viewed simultaneously, all variables are simultaneously significant.F-statistic valueZakat distribution in the Economic programof 266.1559 > f-table, namely 4.139252, meaning it has a significant simultaneous effect on Material Welfare.Then, analyze the determination of the valueadjusted R-square is 0.982011 or 98.2011%that the distribution of zakat in the Economic program can contribute 98.20% to Material Welfare.

Likewise onF-statistic valueZakat distribution in the Humanities, Education, Health and Religion programas big as29.07658> f-table is 2.689682, which meanshave a simultaneous effect on Non-Material Welfare. In the analysis of the determination of the valueadjusted R-square of0.891983or

89.1983%that the distribution of zakat onHumanities, Education, Health and Religion program can contribute 89.19% to Non-Material Welfare.

DISCUSSION

Economic and Material Welfare

The analysis results show that zakat distribution in the Economic program significantly impacts Material Welfare, with a T-statistic value of 2.803809, greater than the t-table value of 2.034515, and a probability (significance) of 0.0092 < 0.05. This indicates that zakat distribution in the Economic program has a partially significant effect on Material Welfare. This finding aligns with previous studies byAyuniyyah et al. (2017), Beik & Arsyianti (2016), Beik & Pratama (2017), MeeranganI & Zaham Azman (2019), and Ridwan et al. (2020), which demonstrated that productive zakat programs can enhance material welfare, reduce poverty, and decrease income inequality among zakat recipients.

BAZNAS funding for economic programs grew by 12.02% in 2020 and 27.42% in 2021 (Pusat Kajian Strategi Baznas, 2022). These funds are allocated to support BAZNAS's economic programs such as Balai Ternak, Lumbung Pangan, ZMART, and ZChicken, which empower mustahik (beneficiaries) through capital, training, and marketing support (Badan Amil Zakat Nasional, 2024b, 2024a). These programs demonstrate that productive zakat can reduce poverty and economic inequality by helping Mustahik achieve economic self-sufficiency. For example, the ZMART and ZChicken programs provide capital assistance and entrepreneurship training to mustahik, aligning with Beik & Pratama (2017) findings on the importance of zakat-based economic empowerment. Thus, BAZNAS exemplifies the tangible impact of zakat in improving material welfare and income distribution within society.

Furthermore, Ayuniyyah et al. (2017) highlight that production-based zakat can increase material welfare by up to 300 points on the Falah index and reduce the Gini coefficient by 0.017 points, indicating success in reducing income inequality among mustahik. Additional support for these findings shows that productive zakat reduces material poverty by 30.15% and absolute poverty by 91.30% among recipient households. In comparison, mustahik household income increases by 147.14% as a result of productive zakat programs, reinforcing zakat's potential as an effective tool to improve economic welfare and reduce inequality (Beik & Arsyianti, 2016; Beik & Pratama, 2017). With appropriate policy support and optimal management, zakat distribution in the Economic program holds the potential to be a sustainable solution for addressing poverty and income inequality, as underscored by the findings of this study, which highlight the tangible impact of zakat programs on material welfare in society.

Religion and Non-Material Welfare

The results of the analysis show that the distribution of zakat in the Religion program does not have a significant effect on Non-Material Welfare.Based on the report of the National Zakat Agency (2022), the BAZNAS religious program shows that the distribution of zakat for the religious sector is more oriented towards spiritual development than reducing social disparities such as the construction and renovation of mosques, training of Dai' and the distribution of books and scriptures that focus on strengthening spiritual values and community worship so that they do not have a direct relationship with the non-material dimension of welfare. The distribution of zakat to the religious sector is more related to spiritual guidance and the development of religious infrastructure than to the systemic eradication of social problems (Nugraha, 2021; Saripudin, U., Djamil, F., & Rodoni, 2020) so that it has an indirect and unmeasurable social impact (Athoillah, 2018) and does not directly affect

the welfare sector (Widiastuti, T., Mawardi, I., Zulaikha, S., Herianingrum, S., Robani, A., Al Mustofa, MU, & Atiya, 2022). This highlights the importance of zakat distribution that is in accordance with the direct needs of the mustahik (Athoillah, 2018) because the distribution of zakat which is not directed at socio-economic needs is difficult to provide a real contribution to the dimension of human welfare (Abdelmawla, 2014).

Humanities and Non-Material Welfare

The results of the analysis of zakat distribution in the Humanities program did not have a significant effect on Non-Material Welfare.Based on the Center for Strategic Studies - National Zakat Agency (2022), Zakat distribution in the humanitarian sector aims to improve the quality of life, disaster relief programs, disability programs and so on (BAZNAS, 2022). The humanitarian programs that have been implemented by BAZNAS include the BAZNAS Disaster Response (BTB) program, repairing or renovating uninhabitable houses for poor families, nutrition programs for toddlers from underprivileged families and distribution of basic necessities for poor families (especially during the pandemic) (BAZNAS, 2022). This can indicate that distribution programs in the humanitarian sector tend to be short-term and reactive because the programs run are consumptive. Because productive zakat and those that are empowering have a more significant impact on the sustainability and welfare of society (Idris, FM, Seraj, M., & Ozdeser, 2022; Widiastuti, T., Mawardi, I., Zulaikha, S., Herianingrum, S., Robani, A., Al Mustofa, MU, & Atiya, 2022). Although it provides direct benefits, it is not designed to produce significant structural changes in non-material indicators such as crime rates, literacy rates, or life expectancy that are directly related to education, health, or social policies that can reduce crime rates or increase life expectancy. Saripudin et al. (2020) stated that zakat distribution programs in the humanitarian sector are more effective in meeting emergency needs than in creating long-term impacts (Saripudin, U., Djamil, and Rodoni, 2020) and Nugraha (2021) showed that the distribution of zakat in this sector has direct benefits but is not intended to strengthen social welfare indicators (Nugraha, 2021).

Education and Non-Material Welfare

The results of the analysis show that the distribution of zakat in education programs does not significantly affect non-material welfare. This is in line with the research of Zidny Nafi' Hasbi et al. (2023), which states that government spending in the education sector is not significant to the Human Development Index (HDI), because the budget allocation is not optimal and is caused by less than optimal program implementation, such as focusing on improving theory rather than the quality of students and teachers (Alda et al., 2024). Although there are also differences in research results that show a positive relationship between zakat programs and welfare (Mawardi et al, 2023; Rusanti et al, 2023), this study only looks at the material welfare side without involving the non-material welfare dimension. Through BAZNAS education programs, such as research scholarships, final assignments, and student scholarships, it shows an increase in allocation from 668 billion (2020) to 859 billion (2021) or an increase of 28.53% (BAZNAS, 2021). However, this program still focuses on theoretical aspects and pays less attention to character development and soft skills training, and the education programs provided are more focused on higher levels, so they are not enough to create a broad impact on community welfare. So that its effectiveness on social welfare is limited (Alda et al., 2024). Therefore, to provide a broader non-material welfare impact, the implementation of a holistic, effective, and efficient education program is needed.

Health and Non-Material Welfare

The analysis results show that the distribution of zakat in the Health program does not significantly affect Non-Material Welfare.. BAZNAS health programs play an important role in improving human development, as reflected in the increase in health fund distribution from IDR 278 billion in 2020 to IDR 323 billion in 2021 (up 16.20%) (BAZNAS, 2021). BAZNAS health programs include BAZNAS Healthy Houses spread across various regions, such as Jakarta, Yogyakarta, Sidoarjo, and disaster areas, with a focus on curative, preventive, rehabilitative, promotive, and advocacy services. However, this program tends to focus on physical care without being accompanied by education or increasing awareness of the importance of a healthy lifestyle. The lack of a preventive and educational approach can limit its impact on non-material well-being. In addition, the negative impact on non-material well-being may also be due to evaluations that are only carried out in the short term, so that the long-term benefits of health programs have not been fully measured (Wang et al., 2016). WHO emphasizes the importance of long-term health care, including the management of chronic diseases and improving the quality of life of the community in a sustainable manner. With more appropriate allocation and holistic programs, health services can have a stronger impact on improving people's welfare, which ultimately contributes to national economic growth.

The simultaneous influence observed in this study shows that zakat distribution through BAZNAS's five priority programs significantly impacts both material and non-material welfare. This is reflected in the high F-statistic value for the Economic program (266.1559 > 4.139252) and for the Humanities, Education, Health, and Religion programs (29.07658 > 2.689682), indicating a significant effect on each welfare dimension when considered collectively. This simultaneous approach aligns with Athoillah (2018) theory emphasizes that integrated zakat distribution across various sectors according to societal needs provides holistic benefits, addressing limitations that may arise from single-sector interventions. Beik & Arsyianti (2016) and Beik & Pratama (2017) support the view that zakat allocated across various productive sectors has a more substantial impact in promoting social stability and sustainable welfare than purely consumptive zakat programs. Through this comprehensive approach, BAZNAS empowers mustahik across multiple sectors.

CONCLUSION

The conclusion of this study shows that zakat distribution has a significant influence on the material and non-material welfare of mustahik. Zakat programs in the economic sector, such as empowering MSMEs and entrepreneurship training, have been shown to have a direct impact on increasing material welfare through increasing GDP expenditure per capita. Meanwhile, the Health Program, humanitarian sector, education, and religion have not had a significant impact on non-material welfare due to the limited time frame and focus of the program. Therefore, zakat distribution needs to be directed at productive programs that have a direct impact. Accompanied by equalization and improvement of the approach to education and health programs to produce long-term impacts. The implications that are recommendations for zakat management policies, such as BAZNAS and LAZ, are expected to prioritize allocations to productive economic programs. Then, health and education programs also need to be expanded by targeting disadvantaged areas and utilizing technology to increase accessibility. In addition, it is essential to develop religious-based programs that are more socio-economically empowering and integrate spiritual approaches with broader welfare impacts. Further research is expected to design a sustainable zakat model that aligns spiritual, social, and economic elements to achieve the goals of maqasid sharia.

REFERENCES

Abdelmawla, M. A. (2014). The impacts of zakat and knowledge on poverty alleviation in Sudan: An empirical investigation. Journal of Economic Cooperation and Development, 35(4), 61–84.

Ahmad, M. (2019). An empirical study of the challenges facing zakat and waqf institutions in Northern Nigeria. ISRA International Journal of Islamic Finance, 11(2), 338–356. https://doi.org/10.1108/IJIF-04-2018-004 4

Alda, R., Nasution, Z., Negara Lubis, S., & Abdi Rafiud Darajat Lubis, A. (2024). The influence of education, social, and healthcare expenditures on the Human Development Index (HDI) in Bireuen Regency. Asian Multidisciplinary Research Journal of Economy and Learning, 1(2), 20–25. https://argaelpublisher.com/

Arhadi, R. (2022). Determinan Islamic Human Development Index (I-HDI) di Indonesia Periode 2016-2020 (Vol. 33, Nomor 1). Universitas Islam Negeri Syarif Hidayatullah Jakarta.

Asep Nurhalim, Mawarni, L., & Resfa Fitri. (2022). Pengaruh Zakat dan Islamic Human Development Index terhadap Kemiskinan di Jawa Tengah Tahun 2017–2020. AL-MUZARA'AH, 10(2), 185–196. https://doi.org/10.29244/jam.10.2.185-1 96

Athoillah, M. A. (2018). The Zakat Effect on Economic Growth, Unemployment, and Poverty in The Island of Java: Panel Data Analysis 2001-2012. Ekspansi, 10(2), 205–230.

Ayuniyyah, Q., Huq Pramanik, A., Md Saad, N., & Irwan Ariffin, M. (2017). The Comparison between Consumption and Production-based Zakat Distribution Programs for Poverty Alleviation and Income Inequality Reduction. International Journal of Zakat, 2(2), 11–28. https://doi.org/10.37706/ijaz.v2i2.22

Badan Amil Zakat Nasional Program Kemanusiaan Program/ekonomi Pedesaan - BAZNAS. Diakses pada tanggal 12 Desember 2024

Badan Amil Zakat Nasional Program Kemanusiaan Program/kesehatan - BAZNAS. Diakses pada tanggal 12 Desembe 2024

Badan Amil Zakat Nasional Program Kemanusiaan Program/pendidikan Dakwah - BAZNAS. Diakses pada tanggal 12 Desember 2024

Badan Amil Zakat Nasional Program Kemanusiaan. Program/kemanusiaan - BAZNAS. Diakses pada tanggal 12 Desember 2024

Badan Amil Zakat Nasional. (2024a). PROGRAM EKONOMI PEDESAAN. Baznas.Go.Id. https://baznas.go.id/program/ekonomi-pe desaan

Badan Amil Zakat Nasional. (2024b). PROGRAM EKONOMI PERKOTAAN. Baznas.Go.Id. https://baznas.go.id/program/ekonomi-pe rkotaan

Badan Amil zakat Nasional. (n.d.). BADAN AMIL ZAKAT NASIONAL Laporan pengelolaan Zakat Nasional Tahun 2021.

BAZNAS. (2022). Outlook Zakat Indonesia.

Beik, I. S., & Arsyianti, L. D. (2016). MEASURING ZAKAT IMPACT ON POVERTY AND WELFARE USING CIBEST MODEL. Journal of Islamic Monetary Economics and Finance, 1(2), 141–160. https://doi.org/10.21098/jimf.v1i2.524

Beik, I. S., & Pratama, C. (2017). Zakat Impact on Poverty and Welfare of Mustahik: A CIBEST Model Approach. AFEBI Islamic Finance and Economic Review, 1(01), 1.

https://doi.org/10.47312/aifer.v1i01.16

Gaweł, A., & Mińska-Struzik, E. (2023). The digitalisation as gender equaliser? The import and export of digitally delivered services in shaping female entrepreneurship in European countries. International Journal of Gender and Entrepreneurship, 15(3), 293–313. https://doi.org/10.1108/IJGE-08-2022-0141

Hasbi, M. Z. N., Munajat, M., & Qoyum, A. (2023). Human Development Index from the Islamic Perspective: Roles of Taxation, Zakah, and Health and Education Expenditures. Jurnal Ekonomi Malaysia, 1, 57. https://doi.org/10.17576/JEM-2023-5701-08

Hermani, W. T., Setyawan, A., & Gravitiani, E. (2023). International Journal of Transport Development and Integration The Influence of Toll Road Operations on the Economy in Central Java Province. 7(2), 139–145.

Idris, F. M., Seraj, M., & Ozdeser, H. (2022). Assessing the possibility of financing social health insurance from zakat, case of Sudan. Journal of Islamic Accounting and Business Research, 13(2), 264–276.

Khasandy, Aisha, E., & Rudy, B. (2019). The Influence of Zakat on EconomicGrowth and Welfare Society in Indonesia. MPRA Munich Personal RePEC Archive.

Kim, J. H. (2019). Multicollinearity and misleading statistical results. Korean Journal of Anesthesiology, 72(6), 558–569. https://stat.duke.edu/~kfl5/Lock_RREE_Results_2010.pdf

Mawardi, I., Widiastuti, T., Al Mustofa, M. U., & Hakimi, F. (2023). Analyzing the impact of productive zakat on the welfare of zakat recipients. Journal of Islamic Accounting and Business Research, 14(1), 118–140. https://doi.org/10.1108/JIABR-05-2021-0145

Maysarah, D. (2023). How Corporate Governance Impact to Sustainability Report ? 2023 International Conference on Decision Aid Sciences and Applications (DASA), 68–72. https://doi.org/10.1109/DASA59624.2023.10286710

MeeranganI, K. A., & Zaham Azman, U. K. (2019). Keberkesanan Program Pembangunan Ekonomi Asnaf Oleh Lembaga Zakat Selangor. E-Academia Journal, 8(2). https://doi.org/10.24191/e-aj.v9i2.7380

Nugraha, D. H. (2021). Analisis Peran Zakat Pada Masa Pandemi Covid-19. QULUBANA: Jurnal Manajemen Dakwah, 1(2), 88–102.

Pusat Kajian Strategi Baznas. (2022). Laporan Pengelolaan Zakat Nasional Tahun 2022. In Badan Amil Zakat Nasional (Vol. 6, Issue 1). https://baznas.go.id/laporan-zakat-nasional

Rama, A., & Yusuf, B. (2019). Construction of Islamic human development index. Journal of King Abdulaziz University, Islamic Economics, 32(1), 43–64. https://doi.org/10.4197/Islec.32-1.3

Ridwan, M., Andalasari, L., Setiani, R. I., & Merliana, R. (2020). Pengelolaan Zakat Produktif Melalui Program Senyum Mandiri Dalam Pemberdayaan Ekonomi Mustahiq Di Rumah Zakat Cabang Cirebon. Ecobankers : Journal of Economy and Banking, 1(2), 44. https://doi.org/10.47453/ecobankers.v1i2.136

Rukiah, Nuruddin, A., & Siregar, S. (2019). Islamic Human Development Index Di Indonesia (Suatu Pendekatan Maqashid Syariah). Istinbáth: Jurnal Hukum Dan Ekonomi Islam, 18(2), 307–327. http://www.istinbath.or.id

Rusanti, E., Anindya, A. S., Atiya, N., &

Widiastuti, T. (2023). Does Zakat Impact on Human Development Index? Empirical Evidence from Indonesia. In International Journal of Zakat (Vol. 8, Issue 2).

Saripudin, U., Djamil, F., & Rodoni, A. (2020). The Zakat, Infaq, and Alms farmer economic empowerment model. Library Philosophy and Practice, 1–13.

Suharti, T., Aminda, R. S., Tina, R., & Rinda, K. (2023). Determinants of Market Capitalization in Consumer Goods Industrial Sector Companies. 24(195), 322–328. https://doi.org/10.47750/QAS/24.195.38

Verawaty, Gunarto, M., Wahasusmiah, R., & Merina, C. I. (2021). Determinants of human development index in Indonesia. Proceedings of the International Conference on Industrial Engineering and Operations Management, 10(September 2000), 4199–4210. https://doi.org/10.46254/an11.20210750

Wahab, N. A., & Rahim Abdul Rahman, A. (2011). A framework to analyse the efficiency and governance of zakat institutions. Journal of Islamic Accounting and Business Research, 2(1), 43–62. https://doi.org/10.1108/17590811111129508

Wang, F., Wang, J. D., & Huang, Y. X. (2016). Health expenditures spent for prevention,economic performance, and social welfare. Health Economics review

Widarjono, A. (2013). Ekonometrika: Teori dan Aplikasi Untuk Ekonomi dan Bisnis. (Edisi keem). Ekonesia FE UII.

Widiastuti, T., Mawardi, I., Zulaikha, S., Herianingrum, S., Robani, A., Al Mustofa, M. U., & Atiya, N. (2022). he nexus between Islamic social finance, quality of human resource, governance, and poverty. Heliyon, 8(12), e11885.

Zambom, A. Z., Kim, S., Zambom, A. Z., & Kim, S. (2017). A nonparametric hypothesis test for heteroscedasticity in multiple regression. 45(4), 425–441.

Zidny Nafi' Hasbi, M., Munajat, M., & Qoyum, A. (2023). Human Development Index from the Islamic Perspective: Roles of Taxation, Zakah, and Health and Education Expenditures. Jurnal Ekonomi Malaysia, 57(1). https://doi.org/10.17576/JEM-2023-5701-08