

## The Impact of Z-Mart BAZNAS Program on Community Welfare Enhancement

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### ABSTRACT

*The number of people living under poverty in Indonesia in 2017 is 38.4 million. There are many factors contributing to cause poverty, including economic factors. Low income causes them to be unable to fulfill daily needs. One of the instruments that can be used to overcome poverty and empower people is zakat. Utilization of Zakat funds and infaq for productive enterprises is one of the important and strategic agenda in economic empowerment. BAZNAS through the Lembaga Pemberdayaan Ekonomi Mustahik (Eng: the organization of beneficiary economical empowerment; abv. LPEM) encourages the strengthening of mustahik (Eng: beneficiary of zakat) economy through strengthening retail businesses in the form of stalls or called Z-Mart. This program intensively carries out coaching and mentoring so that the businesses run by the beneficiaries could run progressively. The target of this program is to encourage mustahik to transform into muzaki (Eng: zakat giver) with the standard had kifayah and SDGs in the 1st Goal (No Poverty) to reduce poverty. The purpose of this study was to observe the impact of the Z-Mart Program on improving the economy of the poor. This research was conducted in May 2019 in Bandung Region. The sample of this study were 21 Z-Mart Program Beneficiaries. Data was collected by in-depth interviews and Focus Group Discussion (FGD) methods. The measurement of the impact of the Z-Mart program is carried out using the Social Return on Investment (SROI) method suggested by the SROI UK Network (Social Value International). The results showed that overall, since the implementation of the Z-Mart program, the SROI value was 0.91. This means that during 1 year of the program, every IDR 1 invested has benefit of IDR 0.91. This value shows that socially to return the value invested in the Z-Mart program takes more than 1 year. Nevertheless, the results of the study show that the Z-Mart program has succeeded in increasing Mustahik's welfare through increased income, decreased moneylender practices, and increased social attitudes with infaq (Eng: the practice of giving) and alms practices.*

*Keyword: Economic Empowerment, Mustahik, Z-Mart, SDGs, BAZNAS*

### INTRODUCTION

Poverty is a multidimensional problem that is not only related to the economic field but also related to other fields. According to data from Badan Pusat Statistik (BPS), the number of poor people in Indonesia in 2017 reached 38,445,000 people, consisting of 10,674,000 people living in poverty in urban

areas and 27,771,000 people living in rural areas (BPS, 2017). Meanwhile, the absolute number of urban poor will continue to increase along with ongoing urbanization in Indonesia, from 45 percent of the current urbanization rate to 70 percent projected in 2030. Therefore, this group is increasingly becoming an important target of poverty

reduction policies in Indonesia (World Bank 2013).

Poverty does not just happen, there are many factors leading to poverty, including economic factors. The lack of household income that makes it unable to meet their daily needs. Income is very closely related to the work done by someone. This can be anticipated by encouraging the lower classes to want to carry out entrepreneurial / business activities. However, economic limitations make them unable to open a business because of limited capital.

One of the instruments that can be used to overcome the problem of poverty and empower people is zakat. Utilization of zakat and infaq funds for productive business is one of the important and strategic agendas in the framework of community

economic empowerment (BAZNAS, 2016). It was said so because the structure of Indonesia's economic configuration as a whole showed that the majority of business actors were dominated by micro business actors, namely around 51.3 million business units or 99.97% of all existing business units (Kemendag, 2013). While the existence of micro-business itself overlies even parallel with the conditions of poverty in Indonesia.

In the design of the BAZNAS Empowerment Implementation, there are three pillars in poverty alleviation, namely Social, Advocacy / Da'wah, and Economy (Figure 1). Meanwhile, Zakatnomic BAZNAS (2018) states that the problem of capital and production is a pillar in the Implementation of BAZNAS Empowerment.

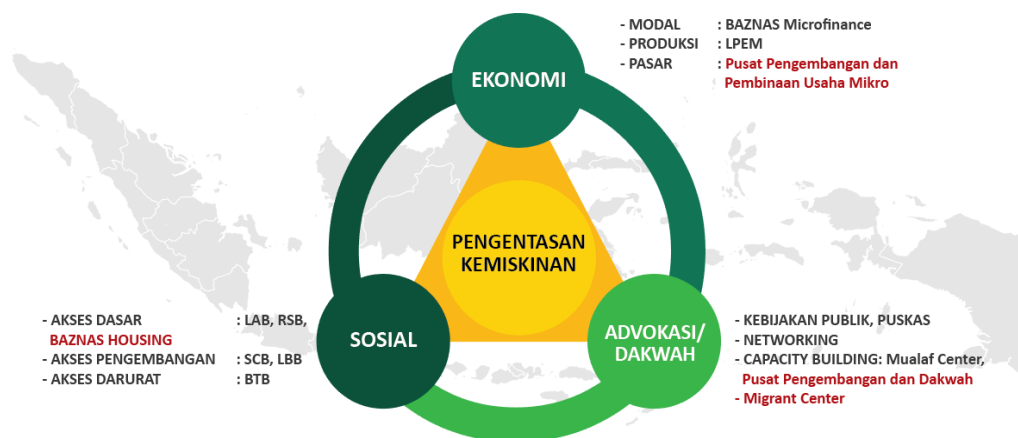


Figure 1. BAZNAS Poverty Reduction Strategy

However, one of the main and classical problems for micro businesses is capital. Observations show that micro entrepreneurs are generally not supported by adequate own capital. In fact, it is not uncommon that capital used by micro businesses is money for daily needs. To get access to capital, micro business operators are generally constrained by business conditions that are less feasible or bankable.

Many microfinance institutions - both conventional and sharia - have been developed within the framework of providing access to micro entrepreneurs, such as the Grameenbank model, the BMT model, the BQ model, the Kopdit model, and others. However, World Bank Data (2009) related to public access to financial services in Indonesia states that 40 percent of Indonesians are unable to access credit

services from financial service providers and around 20 percent of Indonesians get loans from banks. This data reinforces that the grassroots community in general has barely been undeserved and is seen as having no financial potential. As a result, the pace of economic development is hampered at the level of subsistence alone.

In the midst of limited resources, retail business is a relevant intervention in urban areas considering the high fulfillment of daily needs that can be met by retail businesses in the form of stalls. However, the existence of stalls that are the foundation of poor communities in obtaining livelihoods is threatened by the growth of modern mini markets (LPEM, 2018).

As an effort to strengthen the retail shop, BAZNAS through Lembaga Pemberdayaan Ekonomi Mustahik (LPEM) encourages mustahik economic strengthening through the Z-Mart program. This program intensively conducts coaching and mentoring so that the business that is run progresses periodically by mustahik beneficiaries. The target of this program is to encourage mustahik to transform into muzakki with the standards of kifayah and UN SDGs in the 1st Goal (No Poverty) to reduce poverty (LPEM, 2018).

To achieve this optimal target requires a process of continuous community empowerment. Economic empowerment is built by fostering social capital and participatory development, to process these desires it is necessary to clarify the concept, direction and steps of empowerment. This research was conducted to see how big the impact of the Z-Mart program on improving the welfare of mustahik/beneficiaries from several aspects. The researcher hopes that the results of this study will be used as material for program improvement and development. The results of this study are also expected to be a recommendation for a

model of community economic empowerment program.

## LITERATURE REVIEW

Prajino and Pranaka (1996) stated several things about community empowerment, namely: a. Empowerment is basically giving power to those who are less / powerless (powerless) in order to have the strength that is the basis for self-actualization; (b). Community empowerment does not only involve economic aspects; (c). Community empowerment can be seen as a program or process; (d). Empowerment that fully involves community participation; (e). The concept of community empowerment includes development that is community based.

Suharto (2005) argues that empowerment refers to the ability of people, especially vulnerable and weak groups so that they have the power or ability to (a) fulfill their basic needs so they have freedom, in the sense of not only being free to express an opinion, but free from hunger, free from ignorance, free from pain; (b) reach productive resources that enable them to increase their income and obtain the goods and services they need; (c) participate in the development process and decisions that affect them.

The development movement undertaken by the government must essentially be coupled with mobilizing greater community participation for the activities that they do themselves. Thus it becomes a very important task for the development management to move, guide, create a climate that supports development activities carried out by the community. These efforts are made through government policies, regulations and development activities aimed at supporting, stimulating and paving the way for community development activities (Noor, 2011).

## RESEARCH METHOD

### *Design, Time and Place of Research*

The design of this study is cross sectional, namely data collection (which is also one of the descriptive research methods) where information is collected only at a certain moment (Kountur, 2003). Data was collected in May 2019. This research was carried out only in the Z-Mart program area which is still ongoing. From 9 Z-MART program areas that have been implemented, namely Langkat Regency, Bekasi Regency, South Tangerang, Bogor, Karawang, Bandung, Depok, North Lombok, and West Lombok. The selected region is Bandung. The research location was chosen purposively because the mustahik in the Bandung area accepted the Z-Mart Point program.

### *Population and Sample of Research*

The population of this research is all of the Mustahik beneficiaries of the Z-Mart program in the Bandung area. Meanwhile, the study sample was drawn using the  $1 / 2n + 1$  method. The total sample of the study were 21 people.

### *Data Processing and Analysis*

This research uses quantitative and qualitative analysis. Retrieval of data obtained from primary data and secondary data. Primary data collection is done by in-depth interviews (indepth interview) and focus group discussions (FGD). While secondary data collection is obtained from the initial proposal, program reports and program manuals. Data processing techniques using Microsoft Office Excel 2010 and SPSS version 20.

This impact study was conducted by referring to the principles and guidelines for the Social Return On Investments (SROI)

assessment suggested by the SROI Network UK (Social Value Int'l). Furthermore, an approach to calculate the impact and monetization is carried out as well as an analysis of the calculation results.

## RESULTS AND DISCUSSION

### *Z-Mart Profile*

Z-MART is a BAZNAS mustahik economic empowerment program to increase the existence and capacity of micro retail businesses to lift the scale of BAZNAS mustahik businesses. The objectives of the Z-Mart program are: (1) Increasing the capacity of stalls so that they can grow and develop in the midst of the modern retail market, (2) Increase the target income through increased capital, improving business management and strengthening branding, (3) Improving work ethic and mustahik skills in business management, (4) Overcoming poverty especially in urban areas.

Based on the size of the business scale, Z-Mart is divided into three, namely Z-Mart Point, Z-Mart Store, and Z-Mart Wholesale. Z-Mart Point is a retail trade business with a very small scale of business and is managed very traditionally, both in terms of financial management, operations, purchasing to marketing. The form of Z-Mart Point can be in the form of a rombongan (counter-shaped stalls) or small stalls that sell daily necessities. The main activities in the Z-Mart Point program are: (a) Renovation or improvement of business premises (average <6 m<sup>2</sup>), (b) Making the ZMART Point Branding, (c) Integration of product supply with Z-Mart Store, (d) Business capital grant assistance for product procurement, (e) Modern retail technical management and management (simple finance, operations and sales), and (f)

Continuing trade assistance that meets Islamic sharia principles.

Z-Mart Store is a form of cooperation (syirkah) of several mustahik (groups) given capital assistance by BAZNAS, forming a bigger and more complete shop. The management of the Z-Mart Store business is run more professionally and the management is neatly organized. The main activities in the Z-Mart Store program are: (a) Setting and repairing business premises (min. 24 m<sup>2</sup> in size), (b)

Making the ZMART Store Branding, (c) Assistance for venture capital grants to 20 people mustahik groups (joint business ownership), (d) Training and assistance on modern retail management (business financial management, modern retail operational management, and sales management), (e) Integration with Z-Mart Wholesale as a product supplier, and (f) Continuous assistance commerce that meets Islamic sharia rules.

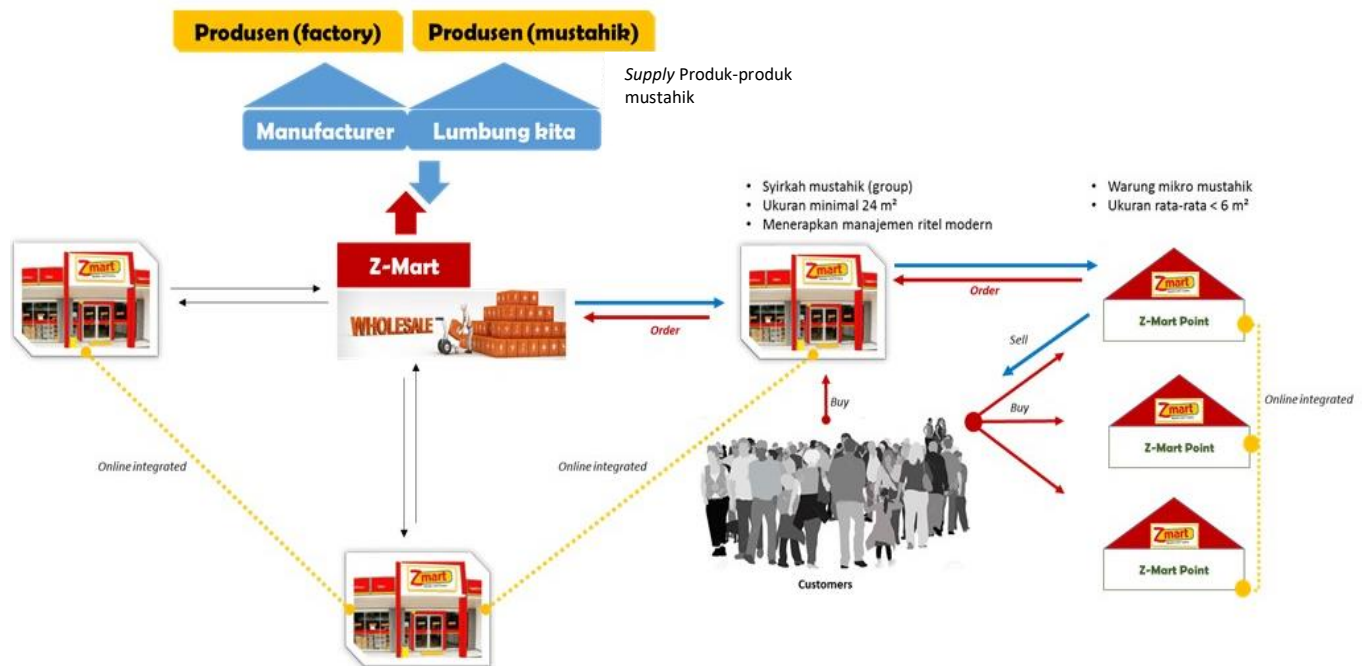


Figure 2. Z-Mart Wholesale Scheme

To support business activities in order to develop and compete with existing retail businesses, the Z-Mart Wholesale program will be developed as a distribution center. The benefits of the construction of Z-Mart Wholesale are the ease of supplying products and increasing price competitiveness. Z-Mart Wholesale can also be a joint venture which is a combination of Z-Mart Store owners. The Z-Mart scheme will be run as shown in Figure 2.

In the next stage, Z-Mart will be directed to become a market place or marketing board for all products produced by mustahik program beneficiaries. Z-Mart will also become a center for branding, marketing, selling, and developing for mustahik products.

### Stakeholder Identification and Impact Mapping

The main stakeholders involved in this program, along with the roles and impacts that have occurred in 1 year, can be seen in Table 1.

Based on the impacts identified in Table 1, an approach was made to calculate and monetize them as presented in Table 2.

**Table 1.** Stakeholder Identification and Impact Mapping

No	Stakeholder	Role in the Program	Impact that it has
1	Mustahik	Traders who are the beneficiaries of the Z-Mart program	<ol style="list-style-type: none"> <li>1. Increase in revenue (sales profit)</li> <li>2. Access to capital without interest</li> <li>3. The growth of better social ties such as kinship, donation and alms</li> <li>4. Increased revenue from revenue sharing / consignment with traders who entrust merchandise at Z-Mart</li> </ol>
2	Traders	People who consigned with Mustahik to leave their merchandise at Z-Mart	<ul style="list-style-type: none"> <li>• Increase income by consignment</li> </ul>
3	Wholesaler/ Supplier	Traders who supply merchandise to Z-Mart	<ul style="list-style-type: none"> <li>• Additional revenue / profit due to additional purchases from Z-Mart mustahik</li> </ul>
4	I-Warung/Mitra	Partners who sell systems and applications to Mustahik Z-Mart	<ul style="list-style-type: none"> <li>• Get fees from PPOB transactions</li> </ul>

**Table 2.** Approach to Calculation of Impact and Monetization

No	Impact	Approach to Calculation	Monetization Approach
1	Increased income (profit) Mustahik	Calculate the turnover gap before the intervention and after the intervention	Stall profits 5% of turnover, PPOB profits Rp.1500 / trx. Profits from tokens Rp.2000 / trx
2	Access to capital without interest	Capital value given x 25% p.a (assumed moneylender interest)	25% x Rp. 9 million
3	The growth of better social ties such as kinship, infaq and alms	Counting the amount of donation / alms issued by Mustahik	Count the number of food packages prepared to be served, multiplied by the selling price of the food
4	Increased Trader's income from profit sharing / consignment with traders who entrust merchandise at Z-Mart	Profits from the sale of consignment products during the intervention period	Consignment benefit / week x number of weeks the Z-Mart program runs
5	Additional wholesale / supplier income / profits due to additional purchases from Mustahik Z-Mart	Addition of profits to suppliers from the purchase of mustahik after receiving program funds	Assuming an agent profit of 3%, the average expenditure of 500 thousand / week

### Calculation of SROI Values

This stage is the stage of calculating all information and assumptions into financial

value. With consideration of changes in currency values, the resulting benefit values will be converted into one value in the present value.

The value of the Z-Mart program funds spent on Mustahik is IDR 9,000,000 / mustahik. The sample in this study was 21 Mustahik. This means that the total program fund spent was IDR 162,000,000.

The Z-Mart program has been running for 1 year so the calculation of SROI is the impact of 1 year program. The value of the other party's role in the change is determined by assuming that there is another party's contribution that contributes 10% (compared to the role of LPEM BAZNAS) to the impacts that occur from other institutions, such as Bantuan Pangan Non Tunai (BPNT) from the Ministry of

Social Affairs. Whereas the deadweight and dropoff are assumed to be zero values.

Table 3 shows that the SROI value generated by the Z-Mart program for 1 year is 0.91. This means that every IDR 1 invested for 1 year has a benefit of IDR 0.91. However, this value can increase the following year. This shows that socially the Z-Mart program is still not feasible to be implemented within 1 year. This can be the focus of program managers' attention that if the program is carried out well, it will take more than 1 year to obtain greater benefits than invested.

**Table 3.** Calculation of SROI Values

No	Outcome	Values
1	Increased income (profit) Mustahik	Rp 81.967.750
2	Access to capital without interest	Rp 40.500.000
3	The growth of better social ties such as kinship, infaq and alms	Rp 11.800.000
4	Increased Trader's income from profit sharing / consignment with traders who entrust merchandise at Z-Mart	Rp 7.150.000
5	Additional wholesale / supplier income / profits due to additional purchases from Mustahik Z-Mart	Rp 30.253.800
	Total Input	Rp 162.000.000
	Total Outcome per tahun	Rp 171.671.550
	Attribution (10%)	Rp 17.167.155
	Total Outcome/year after attribution deduction	Rp 154.504.395
	Discount Rate (BI 2018 = 4,89%)	Rp 7.555.265
	NPV	Rp 147.301.359
	SROI	0,91

### CLOSING

From the results of this study, it can be concluded that there are several impacts resulting from the Z-Mart program, including: (1) Increasing Mustahik's income, (2) Lowering moneylender practices, (3) Growing attitudes and sharing practices to others through infaq / alms , and (4) Growing togetherness attitudes and practices with the existence of consignment activities among the community in trade.

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1. The formation of Z-Mart is carried out with consideration of the scope of regional access, the affordability of the community to Z-Mart, and the readiness of HR from the beneficiaries (in this case the productive age of Z-Mart beneficiaries).
2. LPEM needs to provide assistance / training / education to Z-Mart beneficiaries to increase their capacity so that the existence of Z-Mart is able to encourage them to help themselves in efforts to improve welfare. On the other hand, LPEM also needs to provide an adequate number of accompanying personnel who can reach the program implementation location.
3. LPEM needs to create a mechanism for regulating the supply of goods that is easy and fast from suppliers to Z-Mart, so that the stability of the turnover of goods can be maintained properly

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