

The Role of Zakat for Poverty Alleviation in Indonesia

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ABSTRACT

Poverty is the most complicated problem faced by Indonesia for many years, where there are many small people who do not receive the government's attention in the distribution of direct assistance to meet the needs of life. According to BPS data in 2017, the poverty rate in Indonesia reached 26.58 million people (10.12 percent) (www.bps.go.id). Zakat is one of the efforts to help the poor in fulfilling their daily lives. This study aims to determine how the role of zakat on poverty alleviation in Indonesia in 2016-2017 by using secondary data listed on the BAZNAS website. This paper uses indicators contained in zakat such as; collection, distribution, and ACR (Allocation to Ratio) of zakat on the data listed on the BAZNAS website. The method we use is a quantitative approach by taking 68 samples contained in the August 2016-2017 report of the National Amyl Zakat Agency (BAZNAS). This study confirms that ZIS can reduce the poverty in Indonesia. The collection and distribution of ZIS has a directly proportional relationship to the poverty rate in Indonesia. When there is an increase in the collection and distribution of ZIS, the poverty rate in Indonesia also increases.

Keywords: Zakat, Poverty Alleviation, Role of Zakat

INTRODUCTION

Indonesia as a developing country with the largest Muslim population in the world has special attention to its people regarding welfare that has not been obtained by every resident. Furthermore, Indonesia is also inseparable from its complex problems regarding the way of life of its population, namely the problem of poverty. In short, Poverty is caused by several factors, for instance the population of Indonesia is inversely proportional to the quality of human resources which causes the quality of education to be uneven, difficulty in obtaining health assistance, lack of access to public services, unequal distribution of social security and family protection, and lack of job opportunities. Referring to the report from the Central Statistics Agency (BPS) that the number of poor people in Indonesia in the last 10 years has decreased but is not significant and tends to fluctuate,

this poverty problem is certainly not only a concern of the government but is a shared responsibility.

In the Islamic perspective, one of the obligatory religious-based donations made by Muslims is zakat. Zakat is a share of the poor on the wealth of the rich. (Kasri & Yuniar, 2021). Considering that a Muslim is required to pay zakat, zakat is one way to alleviate poverty. Zakat is known as a good and fair means of retribution where the givers of zakat funds (muzaki) who are required in religion to pay zakat can help recipients of zakat funds (mustahik) in meeting their needs and improving their quality of life productively. Zakat, so that they can turn into muzakki. Nevertheless, the problem that often arises in the management of zakat in Indonesia today is the unequal distribution of zakat funds which causes social inequality.

The issue of zakat distribution is complex. Some of the problems are uneven distribution, wrong distribution method and target, as well as obstacles, while channeling zakat program that can be found in our society (Rahmat & Nurzaman, 2019). This study seeks to explain how the role of zakat in reducing the number of poor people in Indonesia. Thirty-four provinces in Indonesia were chosen as the object of the case study because the poor and Muslim population do not only dominate in some areas but are almost evenly distributed in all provinces in Indonesia. As the region is dominated by Muslims, the creation of the awareness and knowledge of Islamic social finance is likely to contribute to poverty eradication. Moreover, many studies established the indispensable (Umar et al., 2021).

This study proposes to use multiple linear regression research methods to determine the relationship between Islamic social finance knowledge and poverty alleviation. This study proposes to use multiple linear regression research methods to determine the relationship between Islamic social finance knowledge and poverty alleviation. we use secondary data on the distribution, collection, and effectiveness of zakat fund distribution from BAZNAS and data on the poor in Indonesia from BPS.

The remainder of the study is organized into four sections. The second section provides a literature review. Section 3 presents the research method. Furthermore, the results and discussion are shown in fourth section. The last is the conclusion in the section five

LITERATURE REVIEW

Previous Research

a. According to Nazamul, et al. (2015) This study designed an explanatory sequential mixed method. For qualitative data, 17 managers were

interviewed and 85 zakah recipients were purposively surveyed (disproportionate sampling) for quantitative purpose between August 1 and December 30, 2013. The study investigated the cause of poverty in Muslim countries, the effectiveness of zakah management institutions, the mode of zakah distribution, and the necessity for an entrepreneurial framework. The results indicate that zakah has significant bearing on the conditions of zakah recipients and lie the foundation of developing small business entrepreneurship by mobilizing zakah as seed money (investment) and not as spent money (consumption).

- b. According to Widiastuti, et al. (2021) This study examines the business growth as a mediating variable on the relationship between the impact of the zakat empowerment programs and mustahiq's (zakat recipient) welfare. This quantitative study employs Partial Least Square Structural Equation Modelling (PLS-SEM) analysis on 100 mustahiqs from different zakat empowerment programs in East Java and DI Yogyakarta. Zakat empowerment positively affects mustahiq's welfare. This study confirms the zakat empowerment role in improving the mustahiq's welfare but not on business growth. Further, business assistantship positively affects business growth but not mustahiq's welfare.
- c. According to Debriyanto and Mulyati (2020) This study aims to provide empirical evidence related to the effect of accountability amil zakat institutions and distribution of productive zakat by the amil zakat institutions, in this case of National Amil Zakat Agency (BAZNAS) of Central Sulawesi Province, on the welfare of zakat recipients. This study is quantitative research with a survey method. The survey was conducted on zakat recipients recorded in BAZNAS of

Central Sulawesi Province, which amounted to 165 people. The conclusion of this study is, the accountability of amil zakat institutions and the distribution of productive zakat have a significant effect on the welfare of zakat recipients.

Zakat

The pillars of Islam consist of 5 elements, of which Zakat is the third pillar of Islam which has many wisdoms and goals. Some of the goals of zakat include helping, reducing, and elevating the poor in life's difficulties, as well as avoiding the accumulation of individual wealth collected on the suffering of others. The wisdom of zakat itself is that it can help maintain and develop the stability of economic and social life. According to Shaikh Hamzah (2020), Zakat or zakah which is commonly known as the "wealth tax", is an individual Muslim obligation that is paid 2.5 percent of the wealth a person owns. Giving zakat, which is the third of the five pillars of Islam, is a second socio-economic worship (*tazkiyah al-mal*). Giving zakat or alms aims to cleanse the property and souls of Muslims who pay zakat from miserliness, passionate lust, and a high sense of selfishness. Giving zakat can be considered as a means to purify oneself and achieve a balance between the accumulation of wealth in life during the world and the hereafter, where the obligation of zakat has been stated in the Qur'an, Hadith, and *Ijma'*.

Shaikh & Ismail (2017) state that the ratio of zakat to GDP exceeds the ratio of the Poverty Gap Index to GDP (PGIGDP) except in 3 countries where the poverty line is set at \$1.25 per day. From the statement above, it can be said that if the resources are combined together from the potential collection of zakat in the 17 countries of the Organization of Islamic Cooperation (OIC) then this will be sufficient to fund the resources aimed at alleviating the poverty alleviation mission

that exists in the 17 combined countries of the OIC.

Imam Nawawi said that the proportion and share of zakat for the poor must take into account how the recipients work and their current living conditions. He suggested that the poor and needy zakat recipients (*asnaf*) should be assisted based on the skills they have as well as with sufficient zakat so that it is hoped that this zakat can help them get out of the abyss of poverty. For zakat recipients who are unable to work to support all their needs due to physical disabilities, it is hoped that zakat will be given which is certainly able to meet all aspects of their needs throughout their lives. The proportion of zakat is reviewed based on how the average public expenditure in today's life is. Scholars define poor and needy people differently and have different opinions. Defined as those who have very minimal income and less than the cost of living needed to live in an environment with certain economic conditions, they do not have enough clothing, food, shelter needed to sustain life. The poor and needy need to be cared for and given enough zakat to support themselves and their families for a whole year. Poor people who want to get married and do not have enough money must be provided with adequate facilities for this purpose, students who are still studying (school or college) must also be provided with adequate facilities and pocket money to meet their needs during school. Even poor workers have to get additional zakat funds. They are also people who do not have property, or it can be said that they do not have assets that exceed basic needs (clothing, food, housing), and those who have assets that exceed the fulfillment of daily basic needs but are still below the *nisab* value (Mahyuddin and Abdullah, 2011).

In staging poverty there are several ways that can be done, which one is the distribution of zakat. Therefore, the collection and distribution of zakat must be appropriate because it involves the lives of many people and there is also muzakki property collected. According to Sharia, it has been divided into 8 groups of people who are entitled to receive zakat funds. In Al-Qur'an 9:60 it is stated that these people are: *Fuqaraa* (poor people), *Al-Masakin* (people in need), *Aamileen* (people who collect zakat/zakat committee), *Muallafatul Quloob* (people who convert to Islam), *Ar-Riqaab* (slave), *Ibnus-Sabeel* (traveler), *Al Ghaarimeen* (debtor), and *Fi Sabilillah* (jihadist).

The distribution of zakat certainly helps a lot in the social life of the recipients, such as in the aspect of education and empowerment of human resources, so that the social life of the recipients becomes better than before and more prosperous. Thus, increasing zakat in the short term also provides many benefits so that it can improve social life, quality of education and quality of zakat recipients (muzakki). Reviewed based on long-term effects, it can certainly have many positive effects on the country's economy, such as increasing consumption, investment, demand for labor, and also stimulating zakat recipients to participate as zakat payers. Increased social life of the community can be interpreted as hope and education is also the most important part as an indicator used in measuring the Human Development Index (HDI) (Badrudin, 2015; Kusuma & Badrudin, 2016; Haron & Rahman, 2016; and Stevan & Sessions (2008)).

Zakat collection mainly comes from income, which comprises about 66 percent of the total collection followed by business (20 percent) and savings (5 percent). While the remaining 9 percent is came from other forms, such as gold, silver, shares, withdrawals of THR funds, etc. From the total collected, 75 percent is distributed directly without intermediaries, while 25

percent is distributed indirectly. There are many kinds of direct distribution which consist of: contributions to social, economic, educational and religious activities, as well as the welfare of the zakat recipients themselves. The "social" category includes expenditures for monthly allowances for zakat recipients, basic housing needs, and treatment of serious illnesses and payment of debts for zakat recipients. Economic activities are related to business activities and business capital for zakat recipients.

Hypothesis Formulation

X1 against Y

H0 = ZIS revenue does not affect the number of poor people in Indonesia partially.

H1 = ZIS revenue partially affects the number of poor people in Indonesia.

X2 against Y

H0 = Distribution of ZIS does not affect the number of poor people in Indonesia partially.

H2 = Distribution of ZIS partially affects the number of poor people in Indonesia.

X3 against Y

H0 = ACR ZIS does not partially affect the number of poor people in Indonesia.

H3 = ACR ZIS partially affects the number of poor people in Indonesia.

X1, X2, and X3 against Y

H0 = ZIS revenue, ZIS distribution, and ZIS ACR, have no effect on the number of poor people in Indonesia simultaneously.

H4 = ZIS revenue, ZIS distribution, and ZIS ACR, simultaneously affect the number of poor people in Indonesia

Methodology

The method used in this study is a quantitative method. Quantitative methods involve the processes of collecting, analyzing, interpreting, and writing the result of a study. (Creswell, 2013). This study designed to see the role of ZIS (Zakat, Infaq, Sadaqah) in alleviating poverty in Indonesia and to find the potential step to gaining awareness and knowledge of ZIS (Zakat, Infaq, Sadaqah) in alleviating the poverty. Secondary data will use in this study and obtained from the BAZNAS RI's Indonesia zakat outlook and Badan Pusat Statistik (BPS) Indonesia. Thus, the quantitative method best suits this study. The sample chosen in this study by the available data of ZIS published by BAZNAS RI for the period chosen. This study selected 34 provinces in Indonesia as a sample with 2016-2017 period and used poverty data from BPS RI. Thus, this study used 68 samples. This number was believed to be a good sample size for statistical analysis. Because, according to the rule of

statistical analysis, 30 is a minimum sample in statistical data. More than 30 is accepted to give statistical power for data analysis (Cohen, et.al, 2017). Further, according to the sample, this study used data of zakat collected, zakat distributed, zakat ACR, and number of poor populations in 34 provinces in Indonesia. Moreover, there is no way to found a current sample year to establish the appropriate sample. The quantitative method in this study uses observation through collecting data from BAZNAS RI and BPS RI. Data resources are coming from secondary source, secondary data are obtained by collecting data from statistical reports. Furthermore, the statistical reports published by BAZNAS RI, the document is available on its website (www.baznas.gi.id). Similarly, the data of poor population collected from BPS RI website (www.bps.go.id).

In this study, there are one dependent variable and three independent variables, as presented in Table.

Table of Description of Variables

<i>Symbol</i>	<i>Nature of variable</i>	<i>Description</i>	<i>Unit</i>
Zakat collected by province (X_1)	Independent	The sum of zakat collected in 34 provinces with certain time period	IDR
Zakat distributed by province (X_2)	Independent	The sum of zakat distributed in 34 provinces with certain time period	IDR
Zakat Allocation to Collection Ratio (ACR) by province (X_3)	Independent	Number of the ability as a percentage of a zakat institution in distributing its zakat funds in 34 provinces	%
Number of poor people by province (Y)	Dependent	Number of poor people as a thousand of total population	Thousand people

This study proposed the following multiple linear regression models to test the hypotheses:

Model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where:

Y = Number of poor people in Indonesia

A = Constants

b_1, b_2, b_3 = Regression Coefficient

X_1 = Collected ZIS
 X_2 = Distributed ZIS
 X_3 = ACR ZIS

RESULT AND DISCUSSION

Classic Assumption Test Results

Based on the normality statistical using Kolmogorov Smirnov test shows a *p-value* of 0.000 which is smaller than 0.05. According to the "Central Limit Theorem",

the distribution is considered normal because the sample in this study is more than 30. The distribution curve will center on the population parameter values and will have the properties of a normal distribution.

1. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
X ₁	0.266	3.756
X ₂	0.236	4.243
X ₃	0.694	1.441

Based on the data in the table shows that the tolerance value not less than 0.10 and a VIF value of no more than 10. All independent variables pass the multicollinearity test, it can be concluded that all independent variables used in this study do not correlate between one independent variable with another independent variable.

2. Heteroscedasticity Test

The data points on the scatterplot spreader above and below around 0, the points do not spreader just above or below it. Therefore, all existing data does not occur symptoms of heteroscedasticity.

2.1. Multiple Linear Regression Results Analysis

Based on the result of statistical calculation using SPSS program as shown in the table, the multiple linear regression equation can be mad as follows:

$$Y = 689638 + 4.514E - 9X_1 + 4.154E - 8X_2 - 5.462X_3$$

Model	Coefficients
X ₁	4.514E-9
X ₂	4.154E-8
X ₃	5.462

An explanation of the regression equation above, described as follows:

- a) The constant of 689.638 indicates if the value of ZIS collected, ZIS

distribution, and ZIS ACR is zero, then the value of the number of poor people in Indonesia is 689.638.

- b) Regression coefficient of Collected ZIS (X₁) is 4.514E-9, meaning that every 1 % increase in the collection of ZIS will directly affect the number of poor people in Indonesia by 4.514E-7%, thus any increase in number of poor people in Indonesia.
- c) Regression coefficient of Distributed ZIS (X₂) is 4.154E-8, meaning that every 1 % increase in the distribution of ZIS will directly affect the number of poor people in Indonesia by 4.154E-6%, thus any increase in number of poor people in Indonesia.
- d) However, the coefficient value - 5.462 on the ACR ZIS (X₃) variable indicates that there is an inverse relationship between ACR ZIS and the number of poor people in Indonesia. When the ACR ZIS increases, there is a decrease in the number of poor people in Indonesia. Every 1% increase in the ACR ZIS will affect decrease in number of poor people in Indonesia. It turns out that ACR ZIS has a good influence on number of poor people in Indonesia.

Correlation and Coefficient Analysis and Determination

The relationship and the amount of influence of each independent variable and on the dependent variable based on correlation and terminated as presented in the table.

Model	R	R Square	Adjusted R Square	Durbin-Watson
1	0.423	0.179	0.141	1.804

The Correlation of coefficient (R) is 0.423 which shows the correlation between

the independent variables with the dependent variable in medium level. The correlation between Collected ZIS, Distributed ZIS, ACR ZIS, and the number of poor people in Indonesia is 42.3%, and the *Durbin Watson* value of 1.804 shows that there is no autocorrelation on the regression model.

The coefficient of determination shown in table is 0.141 or 14.1%. This means that as much as 14.1% of the contribution of the influence of the variable Collected ZIS, Distributed ZIS, ACR ZIS, to the number of poor people in Indonesia. While the role of 85.9% are other factors that can influence the number of poor people in Indonesia variable.

a. Partial Testing (t Test)

The results of the t statistical test can be seen in table, shows that:

<i>Model</i>	<i>t-count</i>	<i>t-table</i>	<i>Sig</i>
X1	0.394	1.99773	0.695
X2	1.578	1.99773	0.119
X3	-0.147	1.99773	0.283

- i. The results of the t-test on the collected ZIS variable with a significance value of 0.695. The t-table value is 1.99773 and the t-count is 0.394, so $-1.99773 \leq 0.394 \leq 1.99773$ with a significance value of $0.696 \geq 0.05$. Thus, H_0 is accepted, and ZIS acceptance has a significant negative effect on the number of poor people in Indonesia.
- ii. The results of the t-test on the distributed ZIS variable obtained a significance value of 0.119. The t-table value is 1.99773 and the t-count is 1.578, so $-1.99773 \leq 1.578 \leq 1.99773$ with a significance value of $0.119 \geq 0.05$. Thus, H_0 is accepted, and the ZIS distribution has a significant negative effect on the number of poor people in Indonesia.
- iii. The results of the t-test on the ACR ZIS variable obtained a significance value of 0.283. The t-table value is 1.99773

and the t-count value is -0.147, $-1.99773 \leq 1.578 \leq 1.99773$ with a significance value of $0.283 \geq 0.05$. Thus, H_0 is accepted, and ACR ZIS has a significant negative effect on the number of poor people in Indonesia.

b. Simultaneous Testing

<i>Model</i>	<i>f-count</i>	<i>f-table</i>	<i>Sig</i>
Regression	4.654	2.748	0.005

The results of the f-test for the three variables obtained a significance value of 0.005 with a f-table value of 2.748 and an fcount of 4.654. So that $4,654 > 2,748$ with a significance value of $0.005 < 0.05$. Thus, H_0 is rejected, and ZIS acceptance, ZIS distribution, and ZIS ACR, together have a significant positive effect on the number of poor people in Indonesia.

Discussion

As presented in the previous section, show that the collection of ZIS and the distribution of ZIS has a significant negative effect on the number of poor people in Indonesia. On the other hand, the result of ACR ZIS show has a positive significant effect on the number of poor people in Indonesia. However, the results on simultaneous test show that the collection of ZIS, distribution of ZIS, and ACR of ZIS simultaneously have a positive effect on the number of poor people in Indonesia.

The analysis of poverty in this study is based on ZIS collection, ZIS distribution, and ZIS distribution effectiveness (ACR). The collection and distribution of ZIS has a directly proportional relationship to the poverty rate in Indonesia. When there is an increase in the collection and distribution of ZIS, the poverty rate in Indonesia also increases. Previously, Rinia et.al (2020) explain about the gap between zakat collection and distribution in 34 provinces in Indonesia. Around 27.5% of zakat is not distributed at the provincial level, despite the fact that poverty levels are high. Zakat

distribution is lower than zakat funding in several regions because of the low collection of zakat data. Although some regions have zakat distribution data, they have not reported it to BAZNAS. The existence of a zakat database is helpful for representing the distribution of zakat for eradicating poverty in Indonesia.

Based on these results, conclude ZIS can reduce the poverty in Indonesia. Similarly, Abdullah et. al (2015) explain zakat proves to be a very effective way of helping the poor to rid them of severe poverty, the collections and disbursements of zakat must be pursued. Our findings are in line with Khoutem Ben Jedidia (2020), shows that zakat stimulates the country's growth. According to Johari et. al (2015) explain zakat-based poverty threshold in Nigeria provides feedback on zakat foundations to improve the effectiveness of zakat for poverty alleviation. Those mean ZIS (Zakat, Infaq, and Sadaqah) simultaneously alleviate the poverty in Indonesia.

CONCLUSION

This study aims to determine the role of zakat, infaq, and sadaqah (ZIS) in alleviating poverty in Indonesia. This study reveals how the collection, distribution, and ratio between those two can play a significant role in helping to reduce poverty in Indonesia. This paper concludes that the independent variable that we tested, namely the allocation-to-collection ratio of ZIS (ACR)'s has a positive and inverse effect on the population in Indonesia. This study shows that when the allocation-to-collection ratio of ZIS (ACR) increases, the number of poor people in Indonesia will decrease. This situation not only has a positive impact on poverty alleviation but also has an impact on the Indonesian economy because the ZIS is an effective institution and means of retribution for wealth where the ZIS is a right for the poor and debt for the rich.

Therefore, this paper explains with regression calculations and hypotheses that the applicable and mandatory ZIS for Muslims who can pay it plays an important role for the government in alleviating poverty in Indonesia, because the turnover of assets that occurs in zakat institutions can prosper the lower class community and maintain the welfare of the poor. Wealth of the upper class society by cleaning the wealth of the rich in this world and the hereafter through ZIS. Social protection through an effective and efficient ZIS can generate interest and purchasing power of the lower classes, so that ZIS can also eliminate existing social inequalities.

Indonesia needs to improve the performance and management of Islamic social finance management through ZIS, considering that Indonesia's population is dominated by Muslims and Indonesia is a country with the largest Muslim population in the world. Therefore, it must be a common concern because Indonesia has great potential in advancing friendly countries in the halal industry and Islamic finance.

Financial literacy analysis through ZIS is needed in further studies to improve the poor management of ZIS by provincial agencies. Therefore, it is necessary to create a database regarding the collection and distribution of ZIS funds so that the existing ZIS funds can be known transparently by the wider community, especially ZIS actors. We also suggest that BAZNAS can continue to display data on the collection and distribution of ZIS funds for each province in the annual statistical data file so that our research can continue.

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