

CAN ZAKAT DISTRIBUTION REDUCE POVERTY RATE? AN EMPIRICAL EVIDENCE FROM PROVINCE ACEH

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ABSTRACT - In the perspective of Islamic economics, zakat is viewed as one of the Islamic fiscal policy instruments expected to reduce poverty levels. The institutionalization of zakat management through Baitul Mal in Aceh is anticipated to expedite poverty alleviation efforts in the region. However, the fact remains that the poverty rate in Aceh is relatively higher compared to other regions in western Indonesia. This study investigates the impact of zakat distribution on poverty reduction using panel data from 23 districts and cities in Aceh. The estimation model applied to test the functional relationship between the two variables is panel regression. The research proves that zakat distribution can significantly reduce poverty levels. These findings imply that zakat can be relied upon as a policy instrument to improve the standard of living, particularly in Aceh.

Keywords: Poverty Rate, Zakat Distribution

INTRODUCTION

Zakat is one of the Islamic fiscal policy instruments expected to reduce poverty levels. The province of Aceh, with its status as a region implementing Islamic law, places special emphasis on zakat management as a crucial pillar in the Islamic economic system (Haikal & Musradinur, 2023). Zakat institutions in Aceh, such as Baitul Mal Aceh, play a crucial role in collecting and distributing zakat to those eligible (mustahik). Baitul Mal Aceh not only focuses on zakat collection but also ensures that its distribution is well-targeted and effective in reducing poverty and improving community welfare. Through various programs, such as social assistance, economic empowerment, and education, Baitul Mal Aceh strives to empower mustahik to become economically independent and contribute positively to their communities. These efforts are supported by regional regulations and policies that enhance the role of zakat in social and economic development, reflecting Aceh's commitment to making zakat a powerful instrument in achieving



social justice and economic sustainability in accordance with the principles of Islamic law (Muhaddisin & Sartiyah, 2019).

Although the local government in Aceh province has institutionalized zakat management through Baitul Mal and ensuring that zakat distribution to the poor, Aceh still faces a high poverty rate (Yusuf et al., 2024). Currently, Aceh is recorded as the region with the highest poverty rate in Western Indonesia. Therefore, empirical studies on the impact of zakat distribution on poverty levels in Aceh are necessary.

Studies on the relationship between zakat distribution and poverty reduction have been conducted by several researchers. However, their findings have not reached a consensus. Zakat has been proven to significantly reduce poverty levels when managed and distributed effectively. Arif & Fitria (2021) revealed that targeted zakat distribution has led to increased income for zakat recipients (mustahik), thereby significantly reducing poverty levels. Their study found that zakat contributes to increasing mustahik household income by 25% to 60% over a certain period, significantly reducing poverty levels. Furthermore, research by Rahman & Haris (2022) using samples from Southeast Asian countries found that in nations such as Indonesia and Malaysia, well-managed zakat programs have successfully lifted thousands of families above the poverty line through direct financial assistance and support for small enterprises. They emphasized that a transparent and accountable zakat distribution mechanism is essential for effectively combating poverty. Contrary to these studies, previous empirical evidence has revealed that zakat distribution has not been able to reduce poverty levels. The effectiveness of zakat distribution in reducing poverty remains an open question. Zakat distribution is often uneven and poorly targeted, thus failing to have a significant impact on poverty alleviation (El-Ghattis, 2019). Dependency on zakat as the primary mechanism for poverty alleviation overlooks the need for more profound structural reforms in the economy and social system, which are actually more crucial in addressing the root causes of poverty (Kuran, 2011).

Our study reexamines the impact of zakat distribution on poverty levels in Aceh province. Using panel data from 23 districts and cities in Aceh, this study aims to contribute insights for policymakers in efforts to implement zakat distribution programs aimed at reducing poverty at the district level.

LITERATURE REVIEW

Zakat is one of the financial instruments in Islam aimed at reducing economic inequality and supporting social welfare (Pranata et al., 2022).



Various studies have shown that zakat has a significant impact on reducing poverty. A study by Beik & Arsyianti (2016) indicates that the proper distribution of zakat can significantly increase the income of zakat recipients (mustahik) and reduce poverty levels. They found that zakat contributes to increasing mustahik household income by 20% to 50% over a certain period.

Another study by Ahmed (2004) supports these findings. In his study, he argued that zakat can play a crucial role in reducing poverty if managed well and distributed effectively. Ahmed states that in countries like Pakistan and Sudan, zakat has helped thousands of families rise above the poverty line through direct financial assistance and support for small businesses. According to him, a transparent and accountable zakat distribution mechanism is essential to achieve this goal.

Besides its direct impact on recipients, zakat also has spillover effects that can drive overall economic growth. For instance, a study by Hassan & Khan (2007) revealed that zakat can enhance the purchasing power of the poor, which in turn can increase the demand for goods and services in the economy. This effect can create new job opportunities and promote more inclusive economic growth. They also emphasized the importance of integrating zakat into national economic policies to maximize its benefits.

However, the effectiveness of zakat in reducing poverty also depends on other factors such as supporting infrastructure and public awareness. According to a study by Obaidullah (2008), education and socialization regarding the importance of zakat and effective zakat management are necessary to achieve optimal results. Obaidullah also noted that in some cases, a lack of coordination between zakat management institutions can reduce the efficiency of zakat distribution, ultimately hindering poverty alleviation efforts.

Thus, the literature shows that zakat has great potential to reduce poverty if managed well and supported by appropriate policies. Effective zakat distribution, public education, and integration with broader economic policies are key to maximizing its impact in reducing poverty and enhancing social welfare

METHODOLOGY

This study investigated the impact of zakat on poverty using panel data from 23 districts and cities in Aceh spanned the period from 2013 to 2021. The panel data approached was chose to capture both cross-sectional and time-series variations across the districts over the specified timeframe. Panel data methodology allowed for a more robust analysis by incorporating both within-district and between-district variations, thereby enhanced the reliability and validity of the findings.



The analysis employed panel regression models to examine the relationship between zakat distribution and poverty levels in Aceh. Panel regression is advantageous in this context as it controls for potential heterogeneity across districts and captures how changes in zakat distribution over time correlate with changes in poverty rates. By including time-varying factors and district-specific characteristics as control variables, the study aimed to mitigate omitted variable bias and improved the accuracy of the estimated effects of zakat on poverty reduction.

Furthermore, the study employed rigorous statistical techniques such as fixed effects or random effects models to account for unobserved heterogeneity and time-invariant characteristics across districts. These models enable the researcher to assess whether zakat distribution significantly influences poverty levels after controlling for other factors that might also affect poverty dynamics in Aceh. Overall, the panel data analysis approach adopted in this study provides a comprehensive framework to evaluate the effectiveness of zakat as a poverty alleviation mechanism in Aceh over the specified period.

RESULT AND DISCUSSION

The result of descriptive statistics

As previously explained, our study focuses on two main variables, namely poverty rate and zakat distribution. The descriptive statistics results are presented in Table 1.

Table 1. Descriptive statistic and correlation matrix

Descriptive statistics		
	Zakat distribution (IDR Per Capita)	Poverty rate (Percent)
Mean	30,011.00	16.689
Median	24,465.22	17.020
Maximum	92,111.85	23.700
Minimum	578.6675	6.900
Std. Dev.	22,011.96	3.752
Observations	207	207
Correlation matrix		
ZKT	1.000	
Poverty rate	-0.177	1.000

Source: Author's calculation by E-views, 2024.



Table 1 presents the descriptive statistics and correlation matrix between per capita zakat distribution in Indonesian Rupiah (IDR) and poverty rates in percentage across 207 districts/cities. On average, per capita zakat distribution amounts to 30,011.00 IDR. The maximum zakat distribution recorded is 92,111.85 IDR, while the minimum is 578.67 IDR. The standard deviation of zakat distribution is 22,011.96 IDR, indicating significant variation in the amount of zakat distributed across districts/cities in Aceh.

Poverty rates, measured as the percentage of the population living below the poverty line, have an average of 16.689% and a median of 17.020%. The highest recorded poverty rate is 23.700%, while the lowest is 6.900%. The standard deviation of poverty rates is 3.752, indicating lower variation compared to zakat distribution.

The correlation matrix shows the relationship between zakat distribution and poverty rates, with a correlation coefficient of -0.177. This negative correlation suggests that, in this sample, higher per capita zakat distribution tends to correspond to lower poverty rates. While the correlation is not strong, it indicates a potential relationship between zakat distribution and poverty rates in Aceh. This table provides an important initial insight into understanding the relationship between zakat and poverty at the district/city level in Aceh.

The result of panel estimation

The panel estimation results provide valuable insights into the relationship between zakat distribution and poverty levels in Aceh province over the period from 2013 to 2021. By employing panel data analysis across 23 districts and cities, this study aims to assess the impact of zakat distribution on poverty reduction while controlling for various time-varying and district-specific factors. The findings shed light on whether zakat, as a fiscal policy instrument in Islamic economics, effectively contributes to alleviating poverty in the region. This analysis not only explores the direct correlation between zakat distribution levels and poverty rates but also examines how other socio-economic variables may interact to influence poverty dynamics in Aceh.

The discussion of the panel regression results from 23 districts/cities in Aceh, indicating that the realization of zakat distribution to mustahik significantly reduces poverty levels, is highly significant. Zakat, as one of the pillars of Islam, plays a crucial role in reducing social and economic disparities in society. According to Islamic economic theory, zakat is a wealth redistribution mechanism aimed at assisting the less fortunate (mustahik) and improving their welfare. In the context of Aceh, these regression results provide empirical evidence that zakat not only functions as a religious obligation but also as an effective instrument in economic and social policy.



As Beik (2015) explains that zakat distribution has great potential to reduce poverty if managed properly and targeted accurately. In detail, the results of the panel regression estimation are presented in Table 2.

Table 2. The result of panel estimation

Constant & predictors variables	Dependent Variable: Poverty rate					
	Common Effect		Fixed Effect		Random Effect	
	Estimate coefficient	p-value	Estimate coefficient	p-value	Estimate coefficient	p-value
Constant	25.362 [9.961] (2.546)	0.000	22.807 [17.330] (1.316)	0.000	22.882 [15.181] (1.507)	0.000
logZakat	-0.872 [-3.423] (0.255)	0.001	-0.615 [-4.656] (0.132)	0.000	-0.622 [-4.760] (0.1307)	0.000
Goodness of fit test						
R ²	0.054		0.925		0.099	
Adjusted R ²	0.049		0.916		0.096	
F-stat	11.719		98.256		22.754	
Prob(F-stat)	0.000		0.000		0.001	
DW-stat	0.059		0.598		0.539	
Residual normality						
JB-test	7.213		0.113		7.941	
(p-value)	0.027		0.945		0.019	
Chow test and hausmann test						
			<i>Chow-test</i>		<i>Hausman Test</i>	
			Effects Test	Stat	p-value	Test Summary
			Cross-section F	96.71 8	0.000	Cross-section random
			Cross-section X ²	524.9 23	0.000	

Source: Author's calculation by E-views, 2024.

The reduction in poverty through zakat can be explained by several mechanisms. First, zakat provides direct additional income to mustahik, which increases their purchasing power. With increased purchasing power, mustahik can meet basic needs such as food, clothing, and housing, which directly reduces absolute poverty. Second, zakat can be used as capital for micro and small enterprises, enabling mustahik to start or expand their businesses. This creates new employment opportunities and sustainable income sources, thereby reducing long-term poverty. Ascarya (2016)



emphasizes that "zakat, if managed well, can become an effective source of microfinance for the poor."

The panel regression results also show that the effectiveness of zakat in reducing poverty does not only depend on the amount distributed but also on the distribution mechanisms. Accurate, efficient, and transparent zakat distribution ensures that aid reaches those who truly need it. In Aceh, the role of zakat management institutions is crucial in optimally managing and distributing zakat. They need to accurately identify mustahik and ensure that zakat is distributed sustainably rather than temporarily. The Ministry of Religious Affairs of the Republic of Indonesia (2020) highlights that "professional and accountable zakat management is essential to ensure that zakat achieves its goal of reducing poverty."

Furthermore, supporting policies from local governments also play a crucial role. For example, the government can provide skill training and business mentoring for mustahik receiving zakat to ensure that they can manage the aid productively. Local governments in Aceh can also collaborate with zakat institutions to enhance accountability and transparency in zakat distribution. Thus, zakat not only functions as temporary aid but also as a sustainable economic empowerment tool for mustahik, which will ultimately have a positive impact on overall poverty reduction. The National Amil Zakat Agency (BAZNAS) (2021) states, "Collaboration between the government and zakat institutions is crucial to increasing the effectiveness of zakat in reducing poverty."

CONCLUSIONS

Our research study indicate that zakat distribution significantly influences poverty levels in Aceh province during the period from 2013 to 2021. Although the relationship is not strong, there are indications that an increase in per capita zakat distribution tends to coincide with a decrease in poverty rates. These findings underscore the potential of zakat as a relevant poverty reduction instrument in the context of Aceh, albeit effective management and distribution of zakat are necessary to achieve more significant impacts. Additionally, other factors such as local economic conditions and comprehensive poverty alleviation policies also need to be considered in efforts to enhance community welfare in the region. This research provides a foundation for policymakers to consider the role of zakat in strategies for more inclusive and sustainable economic development in Aceh.

Based on these findings, it is recommended that the government and relevant institutions in Aceh enhance transparency, accountability, and efficiency in the management and distribution of zakat. These measures can strengthen the



positive impact of zakat in reducing poverty by ensuring that zakat assistance reaches its intended recipients effectively. Moreover, efforts should be made to strengthen coordination among zakat institutions, local governments, and communities in implementing sustainable zakat programs that are outcome-oriented.

The implications of this study underscore the importance of considering local contexts in designing inclusive economic and social policies. By maximizing the potential of zakat as a development tool, Aceh can direct further efforts towards structural economic reforms and enhancing the socio-economic capacity of its communities. Recommendations for future research include continuing to monitor the long-term effects of zakat distribution and exploring additional factors that may influence the relationship between zakat and poverty at the local level. These steps are expected to enhance the effectiveness of zakat as a primary instrument in poverty alleviation and promoting inclusive economic growth in Aceh.

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