

## DOES ZAKAT AND GOVERNMENT SOCIAL EXPENDITURE AFFECT POVERTY LEVEL? EVIDENCE FROM NORTH SUMATRA INDONESIA

Muhammad Yafiz<sup>1</sup>, Budi Dharma<sup>2</sup>

### *Abstract*

*The purpose of this study is to investigate whether zakat and government social expenditures affect poverty level. This article also discusses the possibility of other variables that contributing the poverty level in North Sumatra, related to the possibility of misuse of funds received by beneficiaries. Research type is associative research with quantitative approach in resolving the causality relationship. Research conduct in North Sumatra, Indonesia, with time series data originating from published records by BPS-Statistics and Baznas. The analytical method used is the multiple linear regression model (OLS) to analyze the influence of zakat distribution and Government Social Expenditure to Poverty level in North Sumatra, Indonesia. The result show that independent variables partially and simultaneously have a significant negative effect on the Poverty Level. The influence of independent variables is 44.9% while the remaining 56.1% is influenced by other variables not included in this study. This study explains that zakat can influence poverty alleviation as one of the Islamic fiscal policies.*

*Keywords: Government Social Expenditure, Islamic Fiscal, Poor, Poverty Level, Zakat.*

### **Introduction**

The issue of poverty is one that developing nations like Indonesia frequently face. One of Indonesia's development goals is to provide prosperity to the Indonesian people by alleviating poverty. In macroeconomics, poverty is a disease for the development of the country.

The only thing that can be done is to improve the condition by curing or reducing it. When a person or group of people is unable to meet minimum living needs based on certain living standards in certain

---

<sup>1</sup> Universitas Islam Negeri Sumatera Utara Medan, Indonesia,  
muhammadyafiz@uinsu.ac.id

<sup>2</sup> Universitas Islam Negeri Sumatera Utara Medan, Indonesia,  
budidharma@uinsu.ac.id

areas, the term poverty appears. Poverty was then understood as a state of lack of money and goods to ensure survival.

The World Bank (2004) states that humans need basic needs for life, namely the need for food, clothing, education, and support for health. Human failure to fulfill these needs is called poverty. The vicious circle of poverty is the main theory approaching the causes of poverty. This theory states that there are variables that greatly affect certain conditions that cause an area to remain poor and will cause various difficulties in achieving a better and more productive level of development. In macroeconomics, the measurement tool that can be used to reflect poverty is the poverty level. In terms of poverty alleviation, the regional government and its people must jointly take regional development initiatives. It is the most effective way to reduce the number of poor people and the main strategy as an instrument of development. Development instruments can be seen in the amount of government spending as an indicator of the size of government activities. In macroeconomic theory, according to Boediono in Prasetya (2012), government spending is divided into three main categories: (1) for purchases of goods and services; (2) for employee salaries; and (3) for transfer payments. Transfer payments include subsidies given to the public, pension payments, and interest payments for government loans to the public. These transfer payments then become one of the variables that are considered in assessing their impact on poverty alleviation, especially known as government social expenditure.

Government social expenditure can take the form of subsidies. Subsidies are a form of encouragement given by the government to some citizens who can lower the price paid by consumers for an object because the government helps lower production costs. The purpose of the subsidy is to help the market mechanism work better with the methods provided by the government for the poor and underprivileged and by correcting market failure mechanisms by producing efficient allocations of goods and services (Triest, 2009). Due to its relatively large impact on the poor directly, several studies have examined its relationship with the poverty level in Indonesia, supporting the hypothesis that government social expenditure has a significant impact on the poverty level.

North Sumatra Province is an ideal province to represent Indonesia; apart from continuing to represent Islam as the largest percentage of the population (66.43%), the proportion of other religions varies quite a bit. Therefore, including zakat as a variable that affects poverty at a macro level remains relevant. Zakat is the first fiscal system developed by Islam that has an extraordinary complex of rules, starting from collecting funds in terms of the subject of zakat payment, the object of zakat assets and their obligatory value, the minimum wealth limit

(nisab), the period of ownership (haul), and zakat distribution to those who are entitled (those who are entitled are called mustahik). In macroeconomic terms, zakat can be a fiscal policy instrument in the Islamic public space or can be considered a country's fiscal policy. In a microeconomic perspective, zakat has the potential to play a vital role in the distribution of money, especially to the poor through the zakat distribution mechanism. Even this distribution of zakat is regulated directly in the Qur'an's surah at-Taubah verse 60, where the groups of people who are entitled to receive zakat (mustahik) include the needy (fakir) and the poor.

Haq's research (2013) found that poverty alleviation in the context of macroeconomic effects relates to the dimensions of economic growth, income, and wealth distribution, as well as how the government provides social security and country stabilization. These findings are part of allocative efficiency. This finding is important as a starting point for the inclusion of government social expenditure variables that affect poverty levels. Choudhury & Harahap (2008) found that zakat distribution significantly affects aggregate demand (in this case, total consumption or public spending and investment), which is closely related to a country's economic growth. Distribution of zakat that focuses on mustahik will lead to an increase in consumption to fulfill their basic needs, especially for mustahik who are identified as poor. Zakat can also be given for productive purposes (micro projects) carried out by mustahik, which causes an increase in the amount of investment. Other research that supports the results of this hypothesis has also been carried out by Anggraini (2016), Babynah (2017), Ardhiastuti (2018), Munandar, Amirullah, and Nurochani (2020), with the conclusion that the hypothesis of zakat is a macroeconomic variable. The next hypothesis built in this research is that the distribution zakat system has a significant role in reducing poverty levels as an Islamic fiscal policy.

Most of the studies only consider the effect of zakat on income distribution. Economists generally do not believe that zakat has an impact on macroeconomic variables, especially poverty alleviation. This study will examine how the distribution of zakat and government spending in the social sector can affect the macroeconomic environment, especially by reducing poverty levels.

## **THEORETICAL DESCRIPTION**

### **Poverty**

Discussing poverty is an interesting thing because poverty is an abstract concept where the results of the analysis are very dependent on the perspective, understanding, and experience of the researcher. The World Bank (2004) defines poverty as a human being or a group

of people who live in families where their consumption capacity is below certain limits. Tambunan (2001) revealed that there are many factors that influence poverty both directly and indirectly, and these factors influence one another. The data used in this study comes from the BPS, which reflects the population living below the poverty line based on data from the National Socioeconomic Survey (Susenas). The poverty line in question is based on the calculation of the number of poor people based on the basic needs approach.

#### Government Social Expenditure

Government expenditure is simply part of government policy, which reflects the amount of costs incurred by the government in buying goods and services. Government social expenditure is part of government spending that is more focused on government policies and making transfer payments. The data used in this study comes from BPS, which reflects government spending as a transfer payment process, especially in the form of subsidies, both in cash and in goods.

#### Zakat

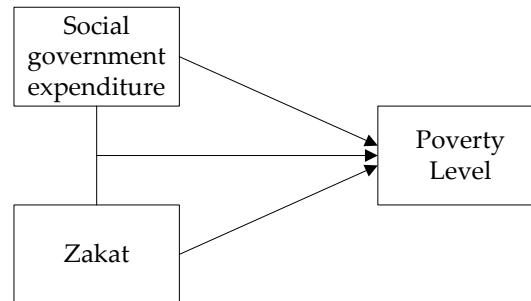
The terminology of zakat in Islam, based on its etymological review, is defined as a blessing, clean, and growing, or it is also called a process that will provide greater wealth and protect it from harm. This reference is based on Ibn Taimiyah's translation, which states that the zakat payer will guard his heart so that it becomes pure and his wealth increases in meaning. Referring to this terminology, zakat is an obligation from Allah towards a number of assets of a certain size that must be given to those who need it (mustahik), or it can also be referred to as a part of assets taken from people who are obliged to pay zakat to be given to people who need it more (including the poor). The data used in this study comes from Baznas' financial report records, which reflect the amount of zakat distributed to those who need it (mustahik).

## RESEARCH METHODS

### Method

The research type is associative research, where the author tries to reveal the discovery of relationships between variables (Bungin, 2017), with a quantitative approach to resolving the causality relationship. Research tried to reveal the relationship between the independent variables and the dependent variable. The variables that were concerned in this study were the relationship between zakat and social government expenditure on poverty levels. The constructed model, which will be analyzed, is attached in Figure 1.

**Figure 1. Constructed model.**



Research is conducted in North Sumatra, Indonesia. In the process of exploratory research, the dominant data used is secondary data originating from published records (Sugiyono, 2016) by BPS-Statistics and Baznas (Badan Amil Zakat Nasional). The data used is time series data from 2016 to 2021, then interpolated into a monthly period. This method can be used if the annual data has a clear and consistent pattern (Gujarati, 2003; Mulyono, 2009), such as the variables that were investigated in this article. The generated data was then tested for validation and reliability using statistical tests (Sinulingga, 2017) and measuring internal validity, namely by measuring external validity with transferability where the data obtained can be generalized properly (Bungin, 2017).

The analytical method used is the multiple linear regression analysis model, also called the ordinary least squares method (OLS). OLS is used to obtain parameter estimates when analyzing the influence of dependent and independent variables. Regression line X over Y (in macroeconomics) then formed the model into a regression model as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \mu_t$$

Notes:

Y = Poverty Level in North Sumatra

X1 = Zakat distributions in North Sumatra

X2 = Government Social Expenditure in North Sumatra

## DISCUSSION AND ANALYSIS

### Mathematical Model Regression Results

The classical assumption test aims to test the goodness of the regression model according to the Best Linear Unbiased Estimator (BLUE) rule. The classic assumption test in this study consists of a normality test, an autocorrelation test, a multicollinearity test, and a heteroscedasticity test. Appendix 1 contains the results of the classical assumption test on the model formed. The results show that the data

processed in the mathematical equation model produces a graph of plotting data that follows a diagonal line, and according to Ghozali (2016), this is sufficient to indicate a normally distributed regression model. The results of the multicollinearity test show that all variables have a tolerance value of > 0.1 and a VIF value of < 10. According to Ghozali (2016), this is sufficient to indicate that the regression model passes the multicollinearity test. The results of the autocorrelation test show that all variables have a Durbin Watson value that lies between (du) and (4-du). According to Ghozali (2016), this indicates that the regression model passes the autocorrelation test (Gozhali, 2016).

Regression line X over Y (in macroeconomics) notated:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \mu t$$

Based on the OLS processing results, it becomes:

$$\text{Poverty Level} = 44,67 - 2,8814 X_1 - 5,110 X_2 + \mu t$$

**Table 1. T Test**

| Model              | t.     | Sig. |
|--------------------|--------|------|
| (Constant)         | 44.647 | .000 |
| Zakat              | -2.814 | .006 |
| Social_Expenditure | -5.110 | .000 |

Source: processed data by SPSS

Based on Table 1, the effect of government social expenditure on poverty levels in North Sumatra has a partially negative and significant effect. Reciprocally, Zakat distribution has a partially negative and significant effect on the poverty level in North Sumatra.

**Table 2. F Test**

| Model        | F      | Sig. | R     | Rsquare |
|--------------|--------|------|-------|---------|
| 1 Regression | 28.062 | .000 | 0.670 | 0.449   |
| Residual     |        |      |       |         |
| Total        |        |      |       |         |

Source: processed data by SPSS

Based on Table 2, the F test value shows Prop > F is smaller than 0.05 (sig. value = 0.000). So that it is influential, the effect of government expenditure in the social sector and Zakat has a significant influence. Together, they influence various levels of poverty in North Sumatra. Table 2. Also showing the R and R square values, it is known that the R square value is 0.449, or 44.9% of the independent variable is able to explain the existence of the dependent variable, and the remaining 56.1% is influenced by other variables outside Zakat and government expenditures in the social sector.

## Discussion

The results show government social expenditure has significant negative results, with an increase in government expenditure. Social expenditure can reduce poverty levels in North Sumatra, especially with results showing that government expenditure in the social assistance sector is significant at an error degree of 1%, 5%, or 10%. These findings indicate that the distribution of subsidies from the government to the public has been effective in reducing poverty. The purpose of social protection assistance provided by the North Sumatra Government is to ease the burden on the poor, such as cash social assistance (BLT), Hope Family Program (PKH), and non-cash aid (BPNT). In fact, this social protection is considered to be right on target so that it can be part of poverty alleviation in North Sumatra. One case that supports this result is the government's decision to take action to curb inflation when fuel prices increase (inflation rises by 1%). The government of North Sumatra takes swift action by providing social assistance in the form of direct cash assistance, basic food assistance, and program interventions in the real sector, such as assistance to farmers in the form of assistance in the provision of seeds and equipment, fishermen, and SMEs.

The research results for zakat show negative results, which means that an increase in zakat distributed to the community can reduce poverty in North Sumatra, especially with results showing that zakat expenditure is significant at the degree of error of 1%, 5%, or 10%. North Sumatra is a unique province where adherents of non-Islamic religions make up the top eight in Indonesia, with details of 4.09 million people (around 26.8%) being Christians, 654.76 thousand people (around 4.3%) being religious Catholics, and 355.45 thousand people (around 2.33%) being Buddhists (Kusnandar, 2022). However, the potential for zakat collection and distribution is good; this can be seen from the zakat collection reporting indicators issued by BAZNAS and compared to national achievements.

Zakat has religious and economic dimensions as well as social humanity, especially in Islam. Zakat implies the transfer of ownership of certain assets to certain individuals under certain conditions (Wahab et al., 2012), so in certain contexts, zakat is an obligation for a Muslim. In the micro context, namely individuals, zakat can be interpreted as to improve, to develop, and to make individuals better (Kasri & Putri, 2018). Azman and Ali (2019) define zakat as part of Islamic fiscality, whose goal is a program aimed at fighting poverty in general. Through the use of social and economic-driven programs, this Islamic fiscal system has considerable potential to combat vulnerability and marginalization.

The results of the study also show that the variable Zakat distribution and government social expenditure together influence poverty levels.

The R and Rsquare values show the opportunity for other variables that construct poverty at a macro level to be better than several studies using variables other than zakat, such as the results obtained by Yusri (2022).

There are some interesting findings, especially those relating to the provision of cash to the community, in the context of government spending in the social sector, which provides direct cash assistance or the provision of Zakat in cash to asnaf. In several studies related to this context, there is a possibility that money given (both from government assistance) has the opportunity to be converted into cigarette consumption and has the opportunity to influence poverty with a proven significant value of 1%. Cigarettes, according to Sitepoe (2000), are normal goods because the higher the price of these goods, the lower the demand for them. However, the effect of the price increase on the demand for cigarettes is estimated to be small, meaning that the price elasticity of demand for cigarettes is small because these goods are addictive. These characteristics make people continue to consume cigarettes even though their income decreases. Poor people, who are more likely to have low incomes, consume more cigarettes.

## **Conclusion**

The variables used in this study are the poverty level (Y), Zakat distribution (X1), and government social expenditure (X2). From a macro perspective, zakat partially has a significant negative effect on the poverty rate in North Sumatra, and government expenditure in the social sector has a significant negative effect on the poverty rate in North Sumatra. Simultaneously, the variables of zakat and government expenditure in the social sector together influence the poverty level in North Sumatra. The R square was obtained at 0.449, or 44.9%, which means that the influence of Zakat and government expenditure in the social sector is 44.9%, while the remaining 56.1% is influenced by other variables not included in this study.

Based on this study, researchers recommend conducting research involving more data and information to determine the long-term effect of zakat on poverty in Indonesia. And given the finding regarding the similarity of problems between government social expenditure and the distribution of zakat, which is indicated by the misuse of funds, the researcher recommends further research on this issue. In Islam, zakat is known as a fiscal and political instrument; this requires further exploration in broader research.

## Bibliography

- Abdullah, N., Yusop, M., & Awang, C. (2012). A Technical Note on The Derivation of Zakat Effectiveness Index (Zein). *International Journal of Economics, Management and Accounting*, 20(1), 75-86.
- Al-Bukhari, A. (2011). *Ensiklopedia Hadits; Shahih al-Bukhari 1*, Terj. Masyhar dan Muhammad Suhadi. Jakarta: Almahira.
- Anggraini, R. (2016). Analisis Pengaruh Dana Zakat, Infaq, Shodaqoh (ZIS) dan Inflasi Terhadap Pertumbuhan Ekonomi di Indonesia Pada Periode 2011-2015. Surabaya: Universitas Airlangga Surabaya.
- Ardhiastuti, Y., & Efendi, M. (2018). Analisis Pengaruh Zakat Terhadap Peningkatan Pendapatan Mustahiq (Studi Kasus di Rumah Zakat Kantor Cabang Solo). Surakarta: IAIN Surakarta.
- Ash Shobuni. (1997). *Mukhtashar Tafsir Ibni Katsir*, Jilid 2, Cet. Pertama. Kairo: Dar Ash Shobuni.
- Bayinah, A. (2017). Kontribusi Zakat Terhadap Peningkatan Daya Beli Masyarakat dan Pertumbuhan Ekonomi. *Ekonomi*, 1–20.
- Baznas. (u.d.). Hämtat från BAZNAZ Provinsi Sumatera Utara: <https://sumut.baznas.go.id/>
- Beik, I., Nurzaman, M., Zaenal, M., Hendarto, R., Annisa, N., Khairunnajah, & Noviyanti. (2017). *National Zakat Index: Framework and Methodology*. Working Papers - Puskas Baznas.
- BPS. (u.d.). Hämtat från Badan Pusat Statistik Provinsi Sumatera Utara: <https://sumut.bps.go.id/subject/13/Keuangan.html>
- Bungin, B. (2017). *Metodologi Penelitian Kualitatif*. Jakarta: Rajawali Press.
- Center Of Strategic Studies, B., & Zaenal, M. H. (2018). Dampak Zakat Terhadap Kesejahteraan Mustahik Evaluasi Program Zakat Produktif. Jakarta: Pusat Kajian BAZNAS.
- Choudhury, M., & Harahap, S. (2008). Interrelationship between Zakat, Islamic bank and the economy: A theoretical exploration. , 34(9). *Managerial Finance*, 34(9), 610–617. doi:10.1108/03074350810890967
- Dharma, B., & Syarbaini, A. (2022). Perancangan Mitigasi Risiko Krusial Pada UMKM Keripik di Sumatera Utara Dengan Pendekatan Transdisipliner. *Jurnal Ad-Deenar: Jurnal Ekonomi dan Bisnis Islam*, VOL: 6/NO: 01, 107-123.
- Dharma, B., Syarbaini, A. M., Rahmah, M., & Hasby, M. (2023). Enhancing Literacy and Management of Productive Waqf at BKM AlMukhlisin Towards a Mosque as a Center for Community Worship and Economics. *ABDIMAS: Jurnal Pengabdian Masyarakat*.
- Gallagher. (2009). Road to Implementation Enterprise Risk Management for Colleges and Universities. Hämtat från <https://www.odu.edu/content/dam/odu/offices/risk-management/DOCS/erm-road-to-implementation-universities.pdf>. McKinsey
- Gozhali, I. (2016). *Aplikasi Analisis Multivariate dengan Program SPSS*. Semarang: BP Universitas Diponegoro.

- Gujarati, D. N. (2003). *Basic Econometrics*. New York: McGraw-Hill Higher Education.
- Haq, S. G. (2013). Distribution of Income and Wealth in Islam. *South East Asian Journal of Contemporary Business, Economics and Law*, 34–40.
- Institute, W. (2005). *Introduction to Poverty Analysis: Poverty Manual*. World Bank Institute.
- Ishak, R. (2020). Pengaruh Pertumbuhan Ekonomi, Pendidikan dan Pengangguran Terhadap Tingkat Kemiskinan di Kota Makassar. *Jurnal Ilmu Ekonomi*, Vol., 3(2), 41–53.
- Kusnandar, V. (2022). 10 Provinsi dengan Persentase Muslim Terkecil Tahun 2021. Hämtat från Katadata: <https://databoks.katadata.co.id/datapublish/2022/02/15/10-provinsi-dengan-persentase-muslim-terkecil-tahun-2021>
- Maratade, S. (2016). Analisis Pertumbuhan Ekonomi dan Indeks Pembangunan Manusia di Provinsi Sulawesi Utara. *Jurnal Berkala Ilmiah Efisiensi*, Vol. 16, No. 01, 329.
- Marliyah, Dharma, B., Yafiz, M., & Syarbaini, A. M. (2022). Analisis Kebutuhan Industri Keuangan Syariah Terhadap Kompetensi Luaran Pendidikan Tinggi Islam. *Human Falah: Jurnal Studi Ekonomi dan Bisnis Islam*, 10-24.
- Marliyah, Yafiz, M., Dharma, B., & Syarbaini, A. M. (2022). 'Amid: Islamic Integrative Approach as Survey Model. *Indonesian Journal of Islamic Literature and Muslim Society*.
- Mulyaningsih, Y. (2008). Pengaruh Pengeluaran Pemerintah di Sektor Public terhadap peningkatan Pembangunan Manusia dan Pengurangan Kemiskinan. Jakarta: Fakultas Ekonomi Universitas Indonesia. .
- Mulyono, H. (2009). Interpolasi dalam Perhitungan Statistik. 1-3.
- Munandar, E., Amirullah, M., & Nurochani, N. (2020). Pengaruh penyaluran dana zakat, infak dan sedekah (ZIS) dan pertumbuhan ekonomi terhadap tingkat kemiskinan. *Al-Mal: Jurnal AKuntansi Dan Keuangan Islam*, 25–38.
- Pangiuk, A. (2018). Pengaruh Pertumbuhan Ekonomi Terhadap Penurunan Kemiskinan di Provinsi Jambi Tahun 2009-2013. *Iltizam Journal Of Syariah Economic Research*, 2(2), 44–66.
- Saragih, H. J. (2020). Statistik Keuangan Pemerintah Daerah Provinsi Sumatera Utara 2018 - 2019. Medan: Badan Pusat Statistik Provinsi Sumatera Utara.
- Saragih, J. H. (2018). Statistik Keuangan Pemerintah Daerah Provinsi Sumatera Utara 2016 - 2017. Medan: BPS Provinsi Sumatera Utara.
- Saragih, J. H. (2019). Statistik Keuangan Pemerintah Daerah Provinsi Sumatera Utara 2017 - 2018. Medan: Badan Pusat Statistik Provinsi Sumatera Utara.
- Saragih, J. H. (2021). Statistik Keuangan Pemerintah Daerah Provinsi Sumatera Utara 2019 - 2020. Medan: Badan Pusat Statistik Provinsi Sumatera Utara.
- Saragih, J. H. (2022). Statistik Keuangan Pemerintah Daerah Provinsi Sumatera Utara 2021. Medan: Badan Pusat Statistik Provinsi Sumatera Utara.

- Shruti, S. (2022). Foreign capital inflows and poverty linkages in South Asia: Do the forms of capital inflows matter? *Economic Systems Journal*.
- Sinulingga, S. (2017). *Metode Penelitian*. Medan: USU Press.
- Šiugždinienė, J., Gaulė, E., & Rauleck, R. (2014). Redesigning the Strategic Management System in a Time of Fiscal Crisis in Lithuania. *Viešoji Politika Ir Administravimas Public Policy and Administration*, 36-49. doi:<http://dx.doi.org/10.5755/j01.ppaa.13.1.6760>
- Sugiyono. (2016). *Metodologi Penelitian Manajemen*. Bandung: Alfabeta.
- Tambunan, T. (2001). *Perekonomian Indonesia*. Jakarta: Ghalia Indonesia.
- Triest, R. (2009). *The Economics of Subsidies for Community Development: A Primer*.
- Villalobos, C., Morel, M., & Treviño, E. (2021). A Comparative Approach to Notions of Good Citizenship. *Good Citizenship for the Next Generation. IEA Research for Education*, vol 12. Springer, Cham, 51-66. doi:[https://doi.org/10.1007/978-3-030-75746-5\\_4](https://doi.org/10.1007/978-3-030-75746-5_4)
- Yusri, A. (2022). Does Government Expenditure Affect Poverty, Health, and Education? Evidence From Aceh, Indonesia. *Jurnal Perencanaan Pembangunan*, 1-20.