

THE ZAKAT EFFECT ON ECONOMIC GROWTH, UNEMPLOYMENT, AND POVERTY IN THE ISLAND OF JAVA: PANEL DATA ANALYSIS 2001-2012

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Abstract: *The background of this research is the phenomena of zakat and poverty which conduct in six provinces on the Island of Java during the period 2001-2012. In the region and the period, the data of zakat acquisition on the one side, tends to increase sharply. While the data of poor population on the other side, although decreasing, the numbers are still high, even during that period had experienced twice fluctuations. This research uses panel data analysis, with a fixed-effect approach and data used are secondary data. The results of this study explained through quantitative interpretation procedure, which is sourced from the regression coefficients, such as the calculation results of the estimation model built. From the recursive models built, by placing economic growth and unemployment variables as control variables, this research found that zakat has positively and significantly effect on economic growth; negatively but not significantly effect on unemployment; and negatively and significantly effect on poverty. The findings of this study concluded that zakat can be used as an instrument of poverty alleviation in six provinces on the Island of Java. This study also recommends an assessment of the discourse of distributing zakat funds to non-Muslims. With a number of classic references available, there are opportunities to reformulate the distribution of zakat funds obtained. As a nation state, it is hoped that Indonesia can be used as an example of how zakat funds can become an adhesive for the life of the nation and state in a pluralistic and pluralistic society.*

Keywords: *Zakat, Economic Growth, Unemployment and Poverty.*

Abstrak: Penelitian ini dilatarbelakangi oleh fenomena zakat dan kemiskinan yang terjadi pada enam provinsi di Pulau Jawa selama periode 2001-2012. Pada wilayah dan periode tersebut, perolehan dana zakat di satu sisi, cenderung mengalami peningkatan yang tajam. Sementara data penduduk miskin di sisi lain, meskipun mengalami penurunan, jumlahnya tetap tinggi, bahkan selama periode tersebut pernah mengalami dua kali fluktuasi. Penelitian ini menggunakan metode analisis data panel, dengan pendekatan fixed-effect dan data yang digunakan adalah data sekunder. Hasil penelitian ini kemudian dijelaskan melalui prosedur interpretasi kuantitatif, yang bersumber dari koefisien regresi, berupa hasil perhitungan estimasi dari model yang dibangun. Dari model rekursif yang dibangun, dengan menempatkan variabel pertumbuhan ekonomi dan pengangguran sebagai variabel kontrol, diperoleh temuan bahwa zakat berpengaruh positif dan signifikan terhadap pertumbuhan ekonomi; zakat berpengaruh negatif tetapi tidak signifikan terhadap pengangguran; dan zakat berpengaruh negatif dan signifikan terhadap kemiskinan. Temuan penelitian ini menyimpulkan bahwa zakat bisa dijadikan salah satu instrumen pengentasan kemiskinan pada enam provinsi di Pulau Jawa. Penelitian ini juga merekomendasikan tentang pengakajian wacana pendistribusian dana zakat bagi non-muslim. Dengan sejumlah referensi klasik yang ada, ditemukan peluang untuk mereformulasikan pendistribusian dana zakat yang diperoleh. Sebagai negara bangsa, diharapkan Indonesia bisa dijadikan contoh bagaimana dana zakat bisa menjadi perekat kehidupan berbangsa dan bernegara pada masyarakat yang plural dan majemuk.

Kata Kunci: Zakat, Pertumbuhan Ekonomi, Pengangguran dan Kemiskinan

1. INTRODUCTION

Indonesia is the largest Muslim country in the world. If we look at World Bank data (2013), in 2010, the world population numbered approximately 6.885 billion people. This means that Indonesia's population is around 3 percent of the world's population. Then, based on the report of the Pew Research Center (2009) and Human Rights Watch (2013), of the world's Muslim population, which in 2010 was more or less at 1.6 billion people, the Indonesian Muslim population was in the range of 12.9-13 percent of the world's Muslim population (Athoillah, 2014).

Previously, the 1971 population census stated that there were around 103.57 million Muslims in Indonesia or around 87.51 percent of the total 118.4 million Indonesian population. In the 2000 census, there were approximately 177.6 million Indonesian Muslim population or around 88.22 percent of the total 201.4 million Indonesian population (Suryadinata, et.al., 2003). When in 2010 a population census was re-implemented, around 207.2 million people were reported, or approximately 87.2 percent of the total 237.64 million people, the population of Indonesia is a follower of Islam (sp2010.bps.go.id).

Research on zakat and other related variables, both theoretically and empirically, is considered important and interesting to do. It is said to be important, because research on zakat from the point of view of zakat as economic behavior is still little; said to be interesting, because for the Indonesian context, zakat is still seen as a philanthropic activity, because there are no (yet) legislation products that "force" Indonesian Muslim citizens to pay Zakat (Athoillah, 2014), except in the Sharia Economic Law Compilation (Kompilasi Hukum Ekonomi Syariah [KHES], article 675 [1], [2]; articles 680, 681 and 685).

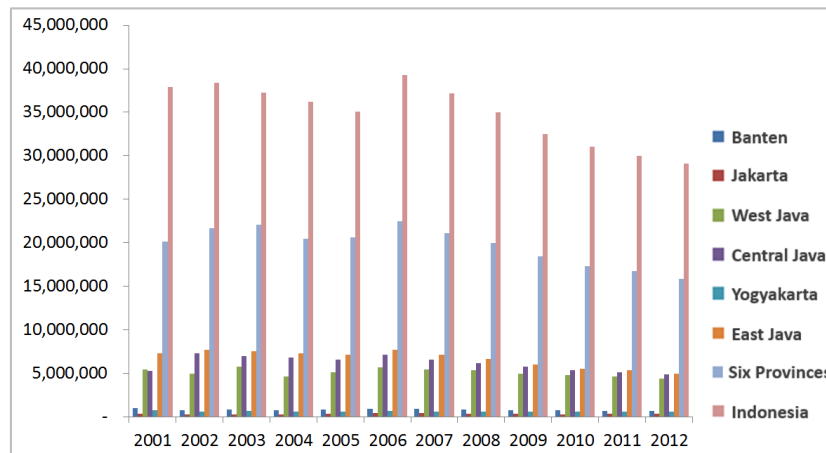
For the context of developing countries, this poverty problem still revolves around two main aspects, namely (Athoillah, 2014): (1) poverty level itself and (2) large inequality in income distribution (economic disparity); including Indonesia. At the beginning of the New Order government, policymakers and economic development planners still strongly believed that the economic development process that was initially concentrated only on the island of Java, especially Jakarta and its surroundings, and only in certain sectors, would ultimately produce what was meant. with the effects of running or dripping down (Tambunan, 2011). However, the level of inequality in the distribution of national income is even greater and the number of poor people remains large, even increasing sharply since the economic crisis. The term "trickle-down" is certainly wrong, because growth actually requires rapids, not just dripping (Norton, 2002).

Towards the end of the 1970s, the government had begun to realize the poor quality of development with this strategy. Therefore, since the 3rd Five-Year Development, the development strategy began to be changed; no longer just focused on economic growth, but increasing community welfare is the main goal of development (Tambunan, 2011). Until the onset of the economic crisis, many government programs were implemented which aimed to reduce the number of poor

people and income disparities between the poor and the rich in the country (Tambunan, 2011).

For six provinces on the island of Java, data on the number of poor people compared to the total population can be seen in the following figure:

Figure 1
NUMBER OF POOR POPULATION IN SIX PROVINCES IN JAVA ISLAND
AND INDONESIA 2001-2012



Source: Central Bureau of Statistics, various editions.

The data above shows a similar pattern for all provinces in Java. The number of poor people tends to decline, except 2001-2002. Because, when entering the new year in 2002, the Indonesian economy was still in a bad condition. Economic improvements have not been seen as true, even the signs in that direction are still very vague (Kartasmita, 2002).

An increase in the number and percentage of poor people also occurred in 2005-2006. Based on the Official Gazette of Statistics, this increase occurred during February 2005-March 2006, because the prices of staple goods during the period rose substantially, illustrated by general inflation of 17.95 percent. It is strongly suspected that this was influenced by two increases in fuel prices on March 1, 2005 and October 1, 2005 (Central Bureau of Statistics, Statute of Statistics No. 43/07 / Year XII, July 1, 2009). The occurrence of fluctuations in the number of poor people on this side, if associated with the variables of Zakat, Education, Health and GDP per capita on the other hand that have never experienced a decline, of course requires further explanation (Athoillah, 2014).

As revealed earlier, and along with the development of Islamic Economics studies, zakat is increasingly being discussed as one of the instruments or solutions to poverty and other economic problems (Abdullah and Chee, 2010). When zakat is seen as a donation, a number of previous studies state that there is nothing new about donating habits in Indonesia. Even the habit of donating in Indonesia has undergone a fundamental change (Saidi, in Silk: 1999).

Activities that were originally only traditional and simple, now become more "professional" (Witoelar, in Silk, 1999). Fundraising carried out in star-rated hotels through night funds, social bazaars, charity auctions, or whatever the name implies,

which involves more parties and collects more money, even if only among the rich is limited, has provided an overview of the activity find the momentum. Moreover, if later the activity involves the institution or institutional nature (Saidi, in Silk: 1999). This form is known as scientific philanthropy or, borrowing the Bishop's term, this phenomenon is called philanthrocapitalism (Bishop, 2009).

In this more modern sense, philanthropic action is carried out systemically through institutions specifically designed for it (cf., Andreoni, 2006). Thus, social charity activities are now almost unlimited, both in size (amount of money that may be managed) and time, and scope of activities. Meanwhile, one feature of modern philanthropy is continuity (Saidi, in Silk: 1999).

As long as it is assumed that misappropriation is abolished, philanthropism is deemed to be very helpful in community life. In its development, modern philanthropism is expected not to stop at mere charity activities. Indeed, some remain struggling with pure charity (providing scholarships or compensation for the poor), others are struggling in community development (developing small business loans, integrated agriculture, folk crafts, and the like), and others do community empowerment, such as environmental advocacy, legal assistance, defense of human rights, etc. (Saidi, in Silk, 1999).

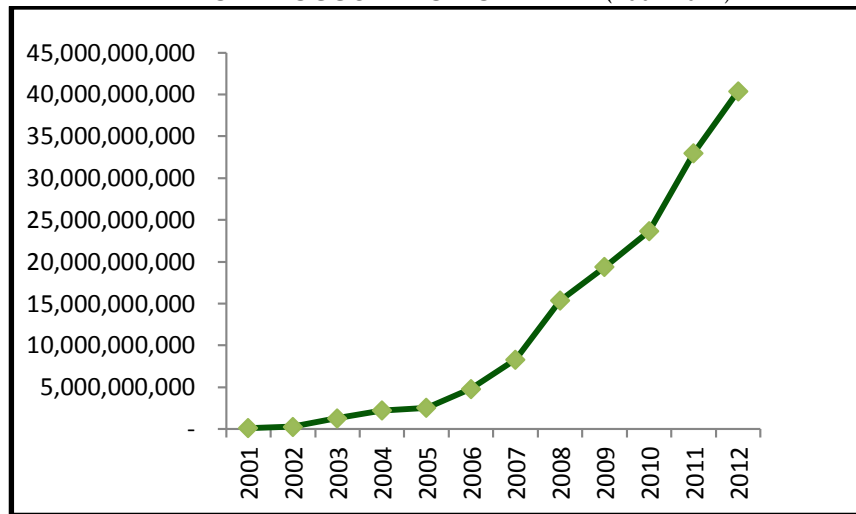
For the Indonesian context, the development of modern philanthropy is a very interesting challenge. Because, on the one hand the tradition of charity is very strong, with the spirit of humanism. However, on the other hand the rules of the game that govern them are not sufficient. With such conditions, in this country, almost every person can be ascertained (ever) to donate a portion of his property, without having to wait to be rich first (Athoillah, 2014). On the other hand, a number of companies are increasingly starting to set aside a portion of their profits for community activities. Not to forget, among the Muslim (business people) community, new interpretations of zakat have begun to develop, by including the term zakat and professional zakat in addition to other zakat which has become their compulsory tradition (Saidi, in Silk, 1999).

When juxtaposed with philanthropism, zakat can also form social capital (Darma, Zain, and Amandaria, 2012). The report of three researchers shows that zakat management carried out by organizations with a set of local norms has succeeded in carrying out rural economic development activities. By taking location in Patila Village, South Sulawesi Province, this study shows that the people in this village managed to manage the independent development of social infrastructure and agriculture through the effectiveness of zakat payments that are bound by the rules of the prevailing norms (Darma, Zain, and Amandaria, 2012).

This study also saw that with the establishment of networks with villagers who migrated to other islands as potential zakat payers, the establishment of social capital and economic development was successfully carried out. From here, it can be seen that the community, with zakat, can carry out self-support development activities (Darma, Zain, and Amandaria, 2012). This happens because, in the context of social capital, by borrowing the term Candland (2000), zakat is a form of Faith-Based Development

(FBD). With regard to this research, the development of the acquisition of national zakat funds from 2001 to 2012 is shown by the following figure:

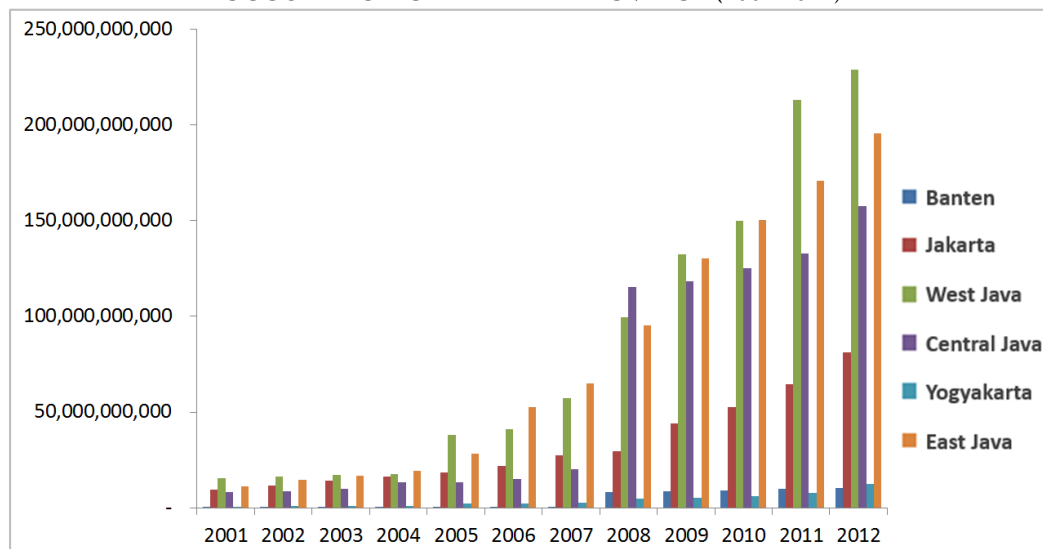
Figure-2
NATIONAL OCCUPATION OF ZAKAT (2001-2012)



Source: Baznas, various editions

The data above shows that the development of the acquisition of national zakat funds has experienced a significant increase. In 2001, data obtained from the new Baznas amounted to more than one hundred twenty million rupiahs. In 2012, the amount of funds increased to over forty billion rupiah. The data above, basically does not reflect the overall data acquisition. This is because the Central Baznas has not yet recapitulated the data in 2012. The data obtained is shown in the following figure:

Figure-3
OCCUPATION OF ZAKAT BY PROVINCE (2001-2012)



Source: Baznas of Province; Provincial Ministry of Religion: Provinces in Figures, various editions

The data above shows that the development of the acquisition of zakat funds in six provinces in Java continues to increase. However, if seen, the poverty rate is still relatively high. This means that, the function of zakat instruments as poverty alleviation, needs to be examined further.

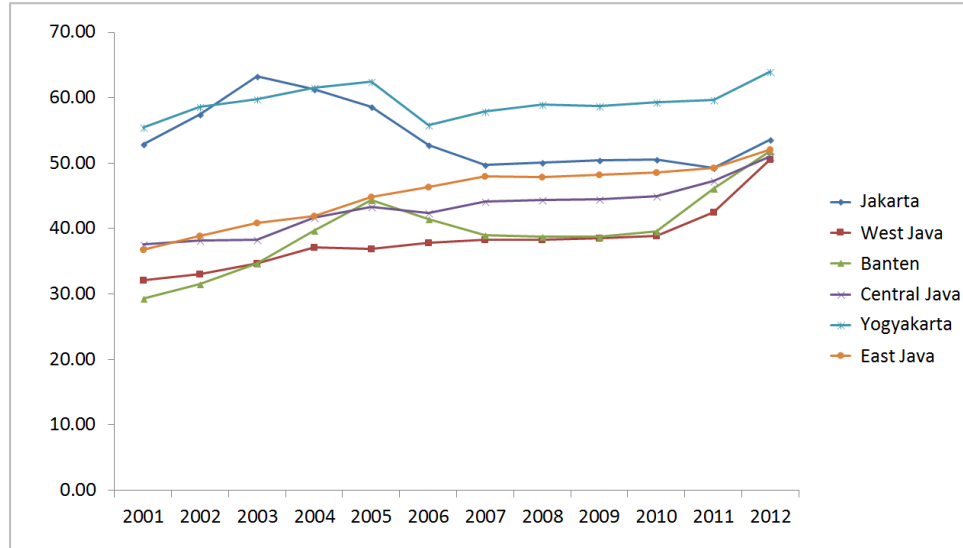
Other variables believed to also have a strong influence on poverty are education and health (Todaro and Smith, 2011). Low education and poor health are factors that also cause poverty. The relationship between the level of education and health on the one hand and poverty on the other hand has long been a central issue in many countries. Education and health are one of the powerful instruments to reduce poverty and inequality and are the foundation for sustainable economic growth.

Education is recognized as the most basic human right. Better education will improve human welfare (Bloom, 2009). As an instrument of development, education that fosters and develops work skills and life skills will spur economic growth at the community level by increasing productivity and, potentially, creating better governance (Hannum, Emily and Buchmann, 2006).

In this study, the variables used are the Pure Participation Numbers (Angka Partisipasi Murni [APM]). This figure is the percentage of students with age related to the level of education from the population in the same age. APM shows the school participation of school-age residents at certain levels of education. Like the Gross Enrollment Numbers (Angka Partisipasi Kasar [APK]), APM is also an indicator of the absorption capacity of school-age residents at every level of education. However, compared to APK, APM is a better absorptive indicator because APM sees the participation of the standard age group population in the education level in accordance with these standards (www.datastatistikindonesia.com [retrieved October 10, 2013]).

Figure-4

PURE PARTICIPATION NUMBERS OF SIX PROVINCES IN JAVA ISLAND (2001-2012)



Source: Central Bureau of Statistics; National Socio-Economic Survey (Susenas) 2003-2012

The data above shows that the school participation of the population of the standard school age group at the education level in accordance with these standards and the indicator of school-age population absorption in six provinces on the island of Java, relatively improved from year to year. However, the poverty rate is still relatively high. This means that, the influence of education variables on poverty

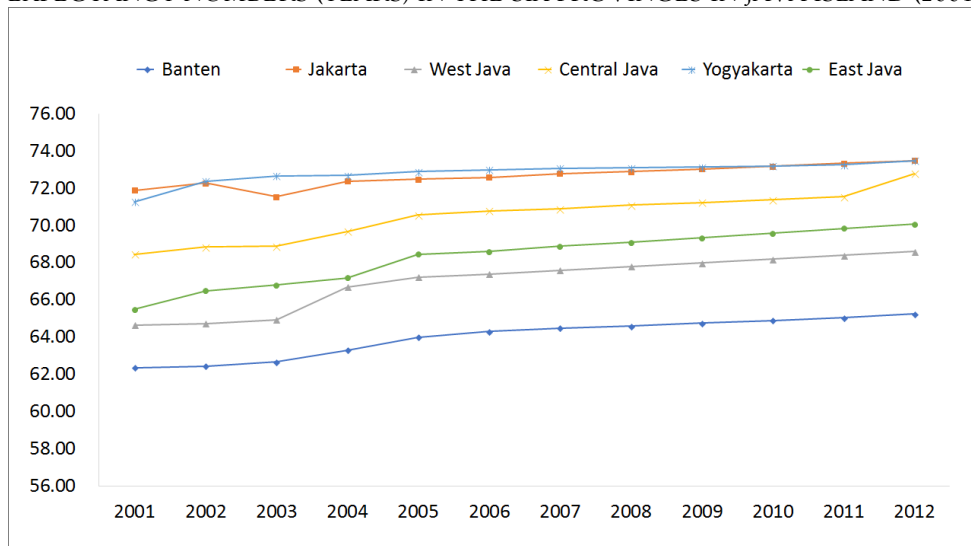
Besides education, other basic capital in the implementation of economic development is a good public health condition. In economic development, also must

be considered the implementation of health development. Both of these must be balanced in order to achieve the expected goals for all, namely prosperity and prosperity for all Indonesians. Health development in question is a process of changing the level of public health from an unfavorable level to being better in accordance with health standards. Therefore, health development is a development carried out as an investment to build the quality of human resources (Juanita, 2002).

Improving the level of health is basically an investment of human resources to achieve a prosperous society (Welfare-Society). The level of public health - as indicated by Life Expectancy Numbers (Angka Harapan Hidup [AHH]) as an indicator - will greatly affect the level of community welfare and have a close relationship with poverty. Meanwhile, the level of poverty will be related to the level of welfare. Because health is a major factor in efforts to improve community welfare, health is always a major concern of the government as a provider of public services. The government must be able to guarantee the rights of the community to be healthy (right for health) by providing health services in a fair, equitable, adequate, affordable and quality manner (Faisal, 2013).

In this case, Life Expectancy Numbers (AHH) is a tool to evaluate government performance in improving the welfare of the population in general and improving health status in particular. Life Expectations describe the average age achieved by a person in a mortality situation that applies in the community. For low life expectancy in an area, health development has not been successful, and the higher AHH shows the success of health builders in the area (Anggraini, 2013). Related to this research, the development of life expectancy (AHH) in six provinces on the island Java, seen as in the following picture:

Figure-5
LIFE EXPECTANCY NUMBERS (YEARS) IN THE SIX PROVINCES IN JAVA ISLAND (2001-2012)



Sources: Buku Datin Kinerja Pembangunan RI 2013;

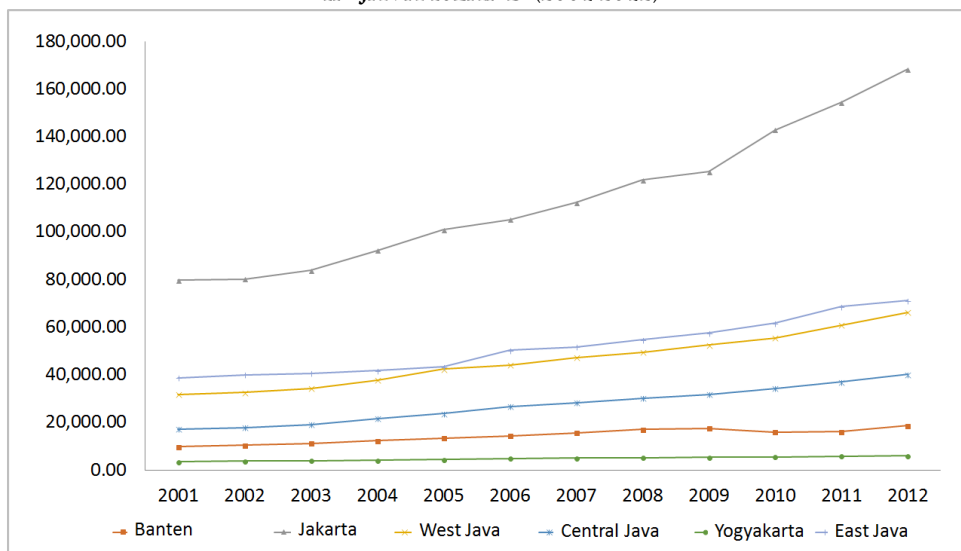
The data above shows that the level of public health, which in this case is represented by the Life Expectancy Numbers (AHH), in six provinces on the island of Java has a tendency to improve. In 2012, all provinces had AHH which continued to

increase compared to previous years. However, the poverty rate is still relatively high. This means that, the influence of health levels on poverty, needs to be examined further.

Another variable that is also important and interesting to discuss is investment. By looking at the value of Gross Fixed Capital Formation (Pembentukan Modal Tetap Bruto [PMTB]), it will be known the value of investment that is in direct contact with economic growth in a particular region, because of Gross Fixed Capital Formation (PMTB) is an accumulation of capital stock of capital goods used in the production process. PMTB is considered to have a broad multiplier effect because it not only encourages the production side, but also stimulates the consumption side. Gross Fixed Capital Formation (PMTB) will encourage the opening and expansion of employment, increasing community income, which will stimulate public consumption (Hikam, 2014).

Related to this study, Gross Fixed Capital Formation (PMTB) data obtained for six provinces on the island of Java, seen as presented in the following figure:

Figure-6
GROSS FIXED CAPITAL FORMATION (PMTB) IN THE SIX PROVINCES
IN JAVA ISLAND (2001-2012)



Source: Central Bureau of Statistics, various editions.

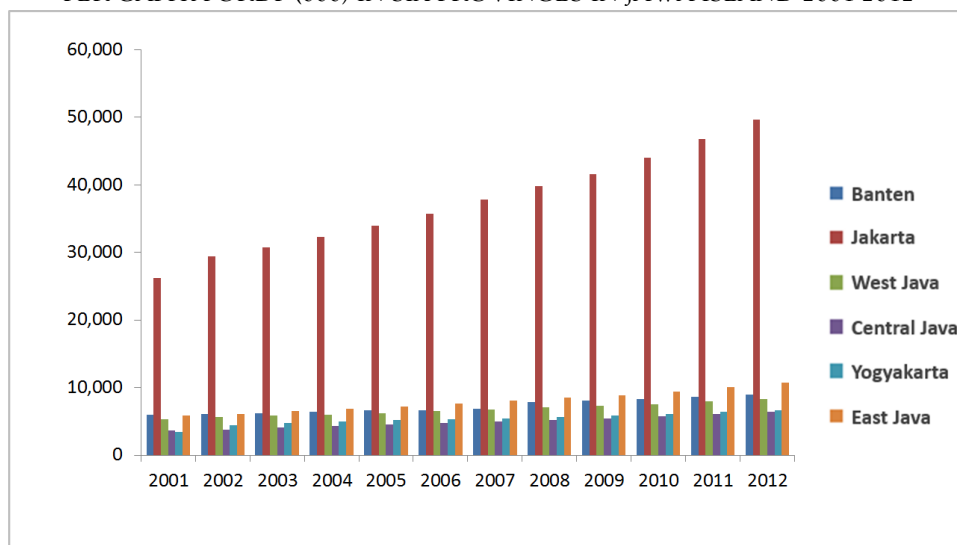
Furthermore, when Gross Domestic Product (GDP) is defined as a comprehensive picture of the economic condition of a country; and because GDP is nothing but the total expenditure of goods and services in a country's economy in a certain period (Sukirno, 2007), the Gross Regional Domestic Product (GRDP) is an understanding of GDP that is applied to an area contained in that country.

GRDP is basically the amount of added value produced by all business units in a particular area or is the amount of the value of the final goods and services produced by all economic units in that area. Therefore, GRDP is one of the important indicators for knowing the economic conditions in an area within a country. Thus, in terms of macroeconomics, economic growth is an increase in GDP; which means an increase in national income. While the economic growth of an area is the increase in GRDP; which means an increase in regional income.

The increasing income of a country or region does not necessarily indicate the welfare of the people in it. As Arsyad (2002) said, economic development is essentially a process that causes per capita income of residents of a region (country or region) to increase over a long period of time. Per capita income or also often referred to as per capita GRDP is an average income from people in an area. Another understanding, per capita income is income received by each resident. Thus, increasing income per capita can be used as an entry point or an indicator to solve problems such as unemployment, poverty, and inequality of income distribution (Muta'ali 2015).

From the data obtained, in this study, the development of GRDP in six provinces on the island of Java can be seen, as presented in the following figure:

Figure-7
PER CAPITA GRDP (000) IN SIX PROVINCES IN JAWA ISLAND 2001-2012



Source: Central Bureau of Statistics, various editions.

The data above shows that the development of per capita GRDP in all provinces on the island of Java, from year to year, has increased. None of the provinces, in any given year, experienced a decline. That is, at a macro level, the economic conditions in all provinces continue to improve. However, this condition, if we see the poverty rate is still relatively high. This means that further research is needed on the influence of per capita GRDP on poverty in each province.

Many factors can affect the reduction of the poor. However, at least, from the data gathered above, it can be seen that the zakat funds collected always increase from year to year. That is, there are indications that zakat contributes to alleviating poverty. With the flow of zakat funds distributed to mustahik (zakat recipients), zakat is suspected to find its momentum as one of the instruments to alleviate poverty.

Likewise, the education, as mentioned earlier, the low education is a factor that also causes poverty. The relationship between education level and poverty has long been a central issue in many countries, both developed and developing countries. Education is one of the powerful instruments to reduce poverty and inequality and is the foundation for sustainable economic growth (Todaro and Smith, 2011).

Furthermore, considering the per capita GRDP is one of the important indicators to determine the economic conditions in an area in a country, then with a higher

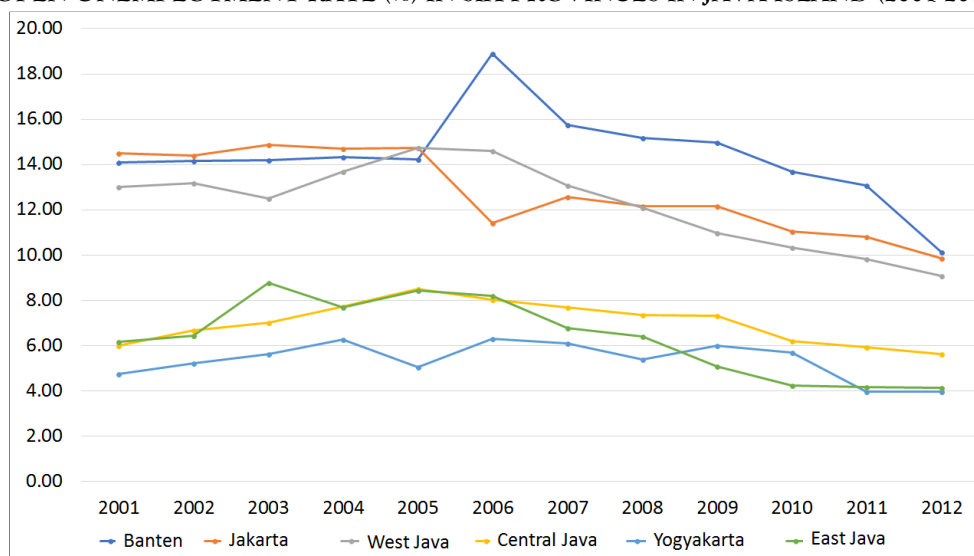
GRDP per capita every year, it is expected that the level of community welfare will improve as well. With the high level of welfare of the people in an area, it is suspected that the level of poverty will also decrease. However, poverty data in the six provinces in Java is still high. The figure is in the range of 56% of the total poor population of Indonesia (bps.go.id, 2010). Java, with its six provinces, has a number of interesting data on poverty, charity, education, health, and GRDP per capita for analysis.

As mentioned earlier, in addition to the number of poor people, large inequality in income distribution (economic inequality) is also becomes the problem that continues to emerge, not least in the island of Java. The phenomenon of economic growth, as seen from per capita GRDP data, is corrected by the Gini Index data in the six provinces on the island of Java.

The growth of per capita GRDP in a region, considered not enough to reflect this growth can be enjoyed by all residents in the region. Among the indicators of per capita GRDP growth that can reflect the success of development are the growth of employment and the absorption of labor in the region. By assuming that the population plays a good role in economic growth, population growth will drive economic growth. With the guarantee of good education and health services, the population, especially the workforce, will increase the total productivity of a country, or at least in certain regions of a country.

Six provinces on the island of Java have interesting data to analyze, related to the relationship between economic growth and employment. Data released by Central Bureau of Statistics (various editions) have shown that in these six provinces, the problem of employment is still a concern. The high level of open unemployment (Tingkat Pengangguran Terbuka [TPT]) in the period 2001-2012 in this region requires serious attention from various circles, especially those who are involved in development. Meanwhile, data on TPT in six provinces on the island of Java, can be seen in the following tables and figures:

Figure-8
OPEN UNEMPLOYMENT RATE (%) IN SIX PROVINCES IN JAVA ISLAND (2001-2012)

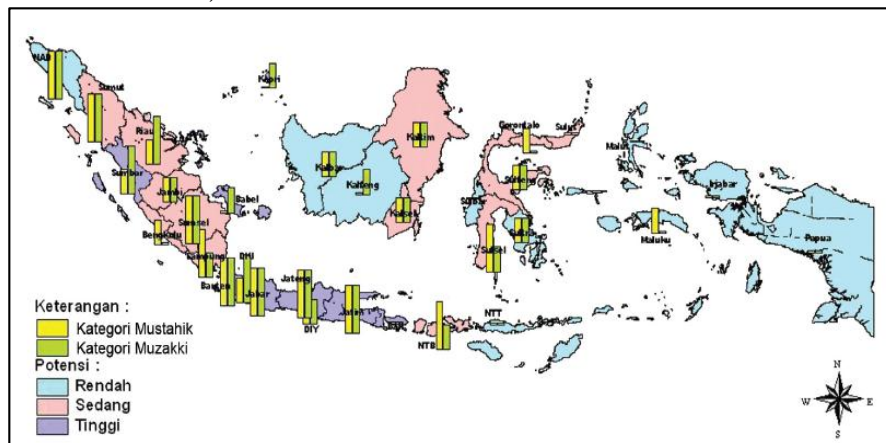


Source: Central Bureau of Statistics, various editions.

From the picture above, it can be seen that none of the provinces with an average TPT is less than 5%, as an ideal measure of natural unemployment (Mankiw, 2007). This, shows that for unemployment in six provinces on the island of Java in the period 2001-2012 it is necessary to find a solution or solution. In this context, this study tries to link it with zakat, which is theoretically-substantive, has an instrumentative function for reducing unemployment.

The selection of only six provinces is based on, at least, the following two reasons: *first*, according to INDEF economist Yustika (2010), until 2010, the distribution of Gross Regional Domestic Product (GRDP) in 2010 was still dominated by Java Island with a GRDP contribution 57.6 percent. While for Sumatra it was 23.7 percent, Kalimantan 9.2 percent, Sulawesi 4.6 percent, and the rest were in Bali, Nusa Tenggara, Maluku and Papua. "This economic cake is almost half owned by the island of Java, while the rest is outside Java."; and *second*, the island of Java is the island of zakat. The phrase relies on maps of muzaki, mustahik, and zakat potential in Indonesia, as shown in the following figure:

Figure-9
MAP OF MUZAKI, MUSTAHIK AND POTENTIAL OF ZAKAT IN INDONESIA



Source: Purwakananta (2010)

Based on Purwakananta (2010) report, the provinces on the island of Java have higher muzaki potential compared to all provinces. The amount of mustahik in these six provinces, in this case the number of poor people, is also very large. This may be related to the large number of people in the region and the high percentage of Muslims in the region.

From the description above, it can be seen that the problems identified, for 12 years (2001-2012), in this study can be expressed as follows: first, poverty represented by the number of poor people in six provinces in Java is still high. Even if you see the percentage of the national poor population, the figure is in the range of 55 percent. Then, the Open Unemployment Rate (TPT), for 12 years is still above the average natural savings. That is, although the number of poor people in six provinces on the island of Java tends to decline, at least in the last five years (2007-2012), this is not accompanied by a good employment. Thus, the number of poor people in six provinces in the period 2001-2012 was still large; and secondly, in conditions as stated in the first point, the amount of zakat is always increasing. This raises the question of whether

zakat affects economic growth, unemployment and poverty in six provinces on the island of Java during the period 2001-2012.

2. METHODOLOGY

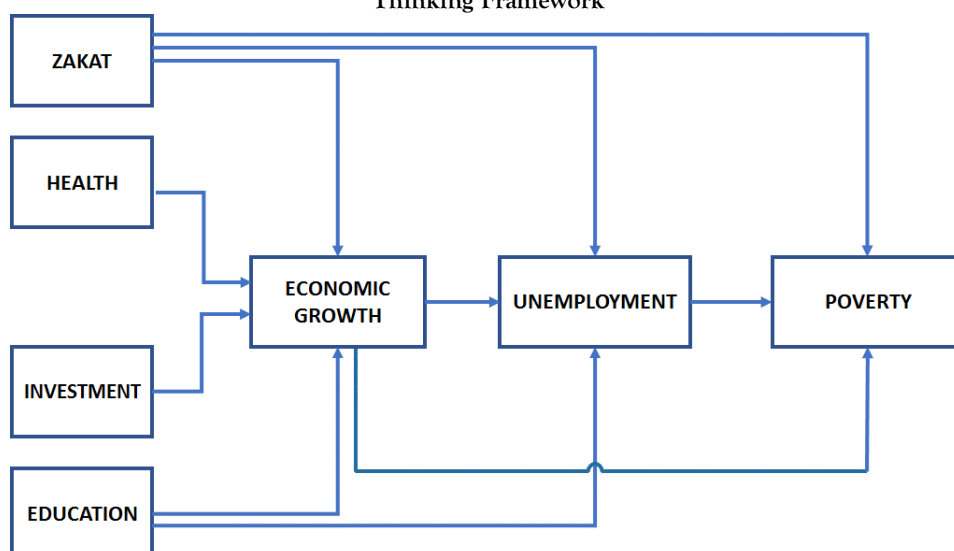
2.1 Prior Research

Research on poverty alleviation that is influenced by zakat, in the realm of Economics, is basically not much done. From the search results that exist, for research on Zakat and Economic Growth, there are names: Yussof (2006), Yussof (2011), Yussof and Densumite (2012) and Suprayitno. Kader and Harun (2013); for Zakat and Unemployment research, there are names: Widiyanto, Mutamimah and Hendar (2013), Sarea (2012), Jalaluddin (2012), Febianto and Ashany (2012) and Wali (2013); and for zakat and poverty research, there are names: Nor, Dan, and Noor (2002), Syahrul (2009), Mahmud, Hassan, Sohag, and Alam (2011), Widiyanto, Mutamimah and Hendar (2011), and Akram and Afzhal (2014).

2.2 Thinking Framework

For this study, the position of previous research contributes to the development of a framework of thinking, hypotheses and research models built to estimate the influence of Zakat on Economic Growth, Unemployment and Poverty.

Figure-10
Thinking Framework



Source: Tracking results, processed

Based on Thinking framework above, the specification of the research model is composed of three equations constructed from three models, namely: equations for economic growth, equality for unemployment and equality for poverty, as follows:

Research Model-1:

$$\ln\widehat{GDRPPERCAP} = f(\ln\widehat{ZAK}, \widehat{LIFEEXPECT}, \widehat{GROSSFIXEDCAPFORM}, \widehat{NETENROLLRATIO})$$

Research Model-2:

$$\widehat{OPENUNEMPLOY} = f(\ln\widehat{ZAK}, \ln\widehat{GDRPPERCAP}, \widehat{NETENROLLRATIO})$$

Research Model-3:

$$\widehat{NUMBPOORPEOPLE} = f(\ln\widehat{ZAK}, \ln\widehat{GDRPPERCAP}, \widehat{OPENUNEMPLOY})$$

2.3 Hypothesis

Based on theoretical studies, previous research, constructed thinking frameworks and the above research models, the following research hypotheses are compiled:

- 1) Zakat, Health, Investment and Education are thought to have a positive influence on Economic Growth
- 2) Zakat, Economic Growth and Education are thought to have a negative effect on Unemployment

Zakat and Economic Growth are thought to have a negative effect on Poverty; and unemployment is thought to have a positive effect on poverty

2.4 Built Models

This research was conducted in six provinces on the island of Java (Banten, DKI Jakarta, West Java, Central Java, Yogyakarta and East Java) with data acquisition starting from 2001 to 2012. This research was conducted to explain the effect of zakat, together with other variables for economic growth, unemployment and poverty in the six provinces.

The data used by researchers is secondary, in the form of time series data starting from 2001 to 2012, which originated from official publications of relevant institutions, such as Central Bureau of Statistics, National Socio-Economic Survey (Susenas), Baznas, Provincial Governments, Provincial Ministries of Religion, previous researchers, and others.

The data used in this study are: Obtaining Zakat funds (for Zakat variables); Life Expectancy Rate (for Health variables); Pure Participation Rate (for Education variables); Gross Fixed Capital Formation (for Investment variables); Per capita GRDP (for economic growth variables); Open Unemployment Rate (for Unemployment variable); and the Number of Poor Population (for Poverty variables), all in six provinces on the island of Java (2001-2012).

Data analysis was carried out by means of quantitative analysis, in the form of processing data obtained by statistical means and carried out by econometric methods, which were adjusted according to the problems at the beginning of this paper. In this study, the analysis used was panel data analysis. Data panel (pooling data) is a combination of cross section and time series data types (Gujarati, 2003), from six provinces on the island of Java from 2001 to 2012.

Considering the panel data is a combination of time-series and cross-section, the model can be written: $Y_{it} = \beta_0 + \beta_1 + \mu_{it}$; $i = 1, 2, \dots, N$; $t = 1, 2, \dots, T$; where N = number of observations; T = amount of time; and N x T = number of panel data.

The model built is a recursive model with three equations. It is said to be recursive because each model has a relationship with each other (Gujarati, 2003). This is evidenced by looking at the direction of all arrows in the research paradigm towards or ending in one direction. In this study, the end direction of the arrow is the variable Poverty. To determine the effect of independent variables on the dependent variable on the model (three equations), an estimation of the research model was carried out, following the standard steps in quantitative research.

The three equations formed from one recursive model are:

The first equation:

$$\ln\widehat{\text{PDRBPerKap}}_{it} = \hat{\alpha}_0 + \hat{\alpha}_1 \ln\text{ZAK}_{it} + \hat{\alpha}_2 \text{AHH}_{it} + \hat{\alpha}_3 \ln\text{PMTB}_{it} + \hat{\alpha}_4 \text{APM}_{it} + \mu_{1it}$$

where:

$\ln\widehat{\text{PDRBPerKap}}_{it}$	= Estimated per capita GRDP of the province i for the period t
$\ln\text{ZAK}_{it}$	= Zakat obtained in the province i of the period t
AHH_{it}	= Life Expectancy Numbers in the province i of the period t
APM_{it}	= Pure Participation Numbers in the province i of the period t
$\ln\text{PMTB}_{it}$	= Gross Fixed Capital Formation in the province i of the period t
$\hat{\alpha}_0, \hat{\alpha}_1, \hat{\alpha}_2, \hat{\alpha}_3, \hat{\alpha}_4$	= intercept and parameters (estimating coefficient)
μ_{1it}	= The error term in this equation
i	= name of province
t	= year t

The second equation:

$$\widehat{\text{TPT}}_{it} = \hat{\beta}_0 + \hat{\beta}_1 \ln\text{ZAK}_{it} + \hat{\beta}_2 \ln\widehat{\text{PDRBPerKap}}_{it} + \hat{\beta}_3 \text{APM}_{it} + \mu_{2it}$$

where:

$\widehat{\text{TPT}}_{it}$	= Estimated Open Employment Rate in the province i of the period t
$\ln\text{ZAK}_{it}$	= Zakat obtained in the province i of the period t
$\ln\widehat{\text{PDRBPerKap}}_{it}$	= Estimated per capita GRDP of the province i for the period t
APM_{it}	= Pure Participation Numbers in the province i of the period t
$\hat{\beta}_0, \hat{\beta}_1, \hat{\beta}_2, \hat{\beta}_3$	= intercept and parameters (estimating coefficient)
μ_{2it}	= The error term in this equation
i	= name of province
t	= year t

The third equation:

$$\ln\widehat{\text{JPM}}_{it} = \hat{\gamma}_0 + \hat{\gamma}_1 \ln\text{ZAK}_{it} + \hat{\gamma}_2 \ln\widehat{\text{PDRBPerKap}}_{it} + \hat{\gamma}_3 \widehat{\text{TPT}}_{it} + \mu_{3it}$$

Where:

$\ln\widehat{\text{JPM}}_{it}$	= Number of Poor People in the province i of the period t
$\ln\text{ZAK}_{it}$	= Zakat obtained in the province i of the period t
$\ln\widehat{\text{PDRBPerKap}}_{it}$	= Estimated per capita GRDP of the province i for the period t
$\widehat{\text{TPT}}_{it}$	= Estimated Open Employment Rate in the province i of the period t
$\hat{\gamma}_0, \hat{\gamma}_1, \hat{\gamma}_2, \hat{\gamma}_3$	= Intersep dan Parameter (koefisien penaksir)
μ_{3it}	= The error term in this equation
i	= name of province
t	= year t

3. RESULT AND DISCUSSION

3.1 Analysis of Economics

The results of statistical tests for the model (three equations) in this study are known as seen in the appendix. The results of this study can be seen from the estimated coefficients of each province based on the regression equation formed. For the model built (equation-1, equation-2 and equation-3), from the results of the calculations performed, it is known that the results of the regression equation formed are as follows:

For the first equation:

$$\ln\text{PDRBPerKap} = 15.9263 + 0.024806\ln\text{ZAK} + 0.005781\text{AHH} - 0.001267\text{APM} + 0.587037\ln\text{PMTB}$$

(0.147976) (0.00614) (0.003646) (0.00056) (0.022227)

For the second equation:

$$\text{TPT} = 116.4799 - 0.051643\ln\text{ZAK} - 4.729887\ln\text{PDRBPerKap} + 0.053585\text{APM}$$

(28.68657) (0.247704) (1.439732) (0.027069)

For the third equation:

$$\ln\text{JPM} = 17.66437 - 0.030874\ln\text{Zakat} - 0.114544\ln\text{PDRBPerKap} + 0.008294\text{TPT}$$

(1.055647) (0.007744) (0.052732) (0.004088)

From the first equation, the findings of this study, which explain the positive and significant effects of zakat on economic growth (PDRBPerKapita), are known from the number of t-count = 4.039912; t-table = 1.67; then t-count > t-table; the decision: H0 is rejected; H1 is accepted; the expected sign of the zakat coefficient is also in accordance with the findings, positive, equal to (+ 0.024806 lnZAK). This shows that if zakat increases 1%, economic growth will increase by 0.025%.

From the second equation, the findings of this study, which explain that there is no significant effect of zakat on unemployment (TPT), is known from t-count = 0.208486; t-table = -1.67; then t-count > t-table; the decision: H0 is accepted; H1 is rejected; but the findings of the negative zakat coefficient (- 0.051643lnZakat), in accordance with the expected (expected sign). Thus, it was concluded that zakat had a negative effect on open unemployment (TPT). The coefficient of Zakat of (- 0.051643lnZakat) indicates that if Zakat rises by 1%, then Unemployment will decrease by 0.052%, but the effect is not significant. This may be due to the lack of zakat funds, the research area is only in six provinces in Java and the study period is only from 2001 to 2012; and from the third equation, the findings of this study, which explain that there is a significant negative influence of zakat on the Number of Poor Population (JPM), it is known from the magnitude t-count = - 3,986583; t-table = - 1.67; then t-count < t-table; the decision H0 was rejected; H1 accepted; the findings of the zakat coefficient are also in accordance with the expected sign, negative, amounting to (- 0.030874 ln Zakat), which shows that if zakat increases 1%, the number of poor people will decrease by 0.031%.

The phenomenon of zakat on the one hand and an increase in economic growth, a decrease in the unemployment rate and a decrease in poverty on the other sides described in this study, has become one of the proofs of Islam *Rahmatan lil 'Alamin* which is actualized in the context of nation states. Emphasis on the context of the nation state is made to assert that the humanitarian mission, as one of the pillars of Islamic teachings via zakat, so that the repositioning of the Islamic substance is inclusive again. The concept of Islam for national development specifically in the Indonesian context (Athoillah, 2012 and Athoillah, 2013) and the concept of Islam for humanity, at least, can be seen from the phenomenon of zakat revealed in the conclusions and

suggestions of this study, that among the fundamental objectives of economic discussion Islam is poverty alleviation (Athoillah and Al-Hakim, 2013; Athoillah, 2014; Nurhayati and Siswanto, 2015; Rosadi and Athoillah, 2016; and Hamzah, 2017).

3.2 Historical-Normative Analysis

The word zakat in the Qur'an is mentioned 32 times ('Abd Al-Baqy, [1364 H]). However, what is used as the main basis of the function of welfare redistribution through zakat is verse 60 of the letter Al-Taubah which actually does not use the word zakat. The word used is Sadaqah. Literally this word, at least, means "honest" and "right". This is what can then be used as a view that between the basis of honesty and the truth of one's faith it can be seen from its acceptance of the verses of zakat, both verses 60 of the letter Al-Taubah and the verses that were dropped before. Because, Based on the historical information of Suyuthy (1426 H), verse 60 of the letter Al-Taubah goes down in the 9th year of hijriyah. Meanwhile the obligation of zakat has been determined at the beginning of the hijrah and the habit of giving alms is already there before zakat is required. It can also be a symbolic representation of one's good deeds, as a consequence or manifestation of honesty and truth in faith in him. Furthermore, the words of the Prophet Muhammad concerning Zakat were found to be far more numerous (Wensinck, 1936), when compared to the Qur'anic verse.

Regarding welfare redistribution, there are a number of histories that explicitly state that zakat is the right of mustahik, with the poor being the priority (Rida, [1368 H] and Zuhaily [2009]). The Qur'an expressly states that humans were created to realize prosperity on earth (Q.S: Hud: 61). The concept of welfare distribution or redistribution, both in the Qur'an and in the Hadith, is very much explicitly mentioned. Aligning the command of zakat with other major obligations such as prayer (as in Al-Baqarah: 43, 83, 110), is proof that Islam places great emphasis on its adherents to pay attention to the welfare conditions of others. Thus, the process of creating distributive justice in the area of wealth and welfare, still occupies a very important position in the teachings of Islam (Amalia, 2009). There is a provision that: the property should not only circulate among the rich (Q.S. Al-Hasyr: 7); in the wealth of the rich there is the right of the poor (Q.S. Al-Ma'arij: 24); ease the burden of others who are experiencing difficulties (Q.S. Al-Baqarah: 280); and others, have been expressly stated in the Qur'an. Even in the early period of prophethood (the period of Makkah), it was precisely the aspect of Islamic humanity that seemed so thickly integrated with aspects of monotheism (Q.S. Al-Balad: 11-16), preceding the order of drafting a legal system and legislation (Quthub, 1968).

In addition to the verses of the Qur'anic verses above, the hadiths spread in Al-Mashadir Al-Ashliyyah also provide a clear picture that there must be distribution or even redistribution of welfare among the Muslims. In general, from the interpretation of the majority of Al-Fiqh Al-Islami scholars against the above hadiths, it is known that only those who are entitled to receive zakat are from the Muslims. However, after a bibliographic search, there were a number of opinions which stated the permissibility of non-Muslims to receive zakat, with certain notes (Qaradhawy, 1991).

Among the figures who declare the ability of non-Muslims to receive zakat, there are a number of names, such as: Umar b. Al-Khaththab ra., (d. 23 H / 644 AD), 'Ikrimah (d. 105 H / 723 AD), Ibn Sirin (d. 110 H / 728 AD), Al-Zuhri (d. 124 H / 742 M), Zufar (d. 182 H / 802 H), Ibn Abi Syaibah (d. 235 H / 849 AD), Al-Jashshash (d. 370 H / 981 AD), and some scholars from the Shiite Zaidiyah (Kasani, 2003). Another history also provides guidance on its distribution which focuses more on the spirit of decentralization. That is, that the zakat funds collected must be distributed prioritatively, both the mustahik and the region, in the place where the zakat funds have been collected (Abu 'Ubaid, 1976).

In the course of its history, based on existing historical records, it was found information that the Caliph Abu Bakr (d. 13 H / 634 AD), because of certain conditions (such as to mobilize war funds against Persia and Bizantium), had done a kind of centralization of zakat funds. Policies that were initially seen as more political (Vaglieri, 2008) than these normative, have developed in theological direction (Na'im, 2008). A number of people who were considered included in the muzaki category but did not want to hand over their zakat to the zakat collectors to be handed over to Madinah, as the center of government, had been included in the murtaddin group (people who returned from Islam). The decision of the Caliph Abu Bakr (d. 13 H / 634 AD) fought them (known as the Harb Al-Riddah [fighting the apostates]), into a package together with the decision to fight people who openly left Islam and (group) people claiming to be prophets after the death of the Prophet Muhammad pbuh (Hitti, 1946).

However, the original decision was opposed by ar Umar b. Al-Khaththab (d. 23 H / 664 AD) but then he agreed to this (Bukhary, 1998), if analyzed further, of course the "legal offense" was different. This is then known from the policy of kebijakan Umar b. Al-Khaththab. After this second caliph replaced Abu Bakr as the first Caliph, Caliph 'Umar b. Al-Khaththab immediately released all Harb Al-Riddah prisoners whose "legal offense" was in the form of refusing zakat payments. Those who reject the payment of zakat cannot be considered as having left Islam, because they continue to perform prayers (Suyuthy, 2003). In Haykal's analysis (2001), they demanded government autonomy as well as the policies of the Prophet's government when he was still alive and simultaneously demanded the decentralization of the distribution of zakat funds (Na'im, 2008).

It was recorded in historical information that Badhan, one of the governors of the Persian Empire for the Yemeni region, at that time, remained in power after he declared himself converted to Islam and abandoned the Majusi religion. Other governors, such as in Bahrain, Hadramaut and others, were left in their respective powers after they had believed in Allah and His Messenger. The zakat collected from some of the residents of the area is still distributed to poor people in the area as well (Haykal, 2001).

Interpretative analysis for this event can use the concept of *Al-Ta'alluq Al-Ma'nawi-Relationship Meanings* (Athoillah, 2006) or the concept of *Munasabah* in the Hadith (Bazamul, 2014). With this concept, a number of histories related to the event,

methodologically-conceptually, are related to a number of other narrations which inform the policies of the Prophet Muhammad (d. 11 H / 632 AD), Caliph 'Umar b. Al-Khaththab (d. 23 H / 644 AD), Caliph 'Ali b. Abi Talib (d. 40 H / 661 AD), other friends, the tabi'in until the Caliph 'Umar b. 'Abd Al-zAziz (d. 101 AH / 720 AD), regarding the spirit of decentralization of zakat (Abu' Ubaid, 1976).

The need for assertiveness in the distribution or prioritized redistribution of zakat funds collected, both from the personal aspects of the mustahik or the distribution area, regardless of the background of the religious beliefs adopted, is one of the principles of justice in the teachings of Islam (Qaradhawy, 1991). This of course becomes very relevant to the context of the nation state (nation-state), including Indonesia as a predominantly Muslim country.

The spirit of decentralization in the distribution of zakat funds also has its own historical bibliography. When the Prophet Muhammad was still alive, he appointed a special officer to collect and redistribute it at the place where the zakat was collected. Likewise, with the companions of the Prophet. Umar b. Al-Khaththab (d. 23 AH / 644 AD) is also noted to have done the same thing with the Prophet. In a number of literature, Mu'adz b. Jabal (d. 18 H / 639 AD) was a friend known as a zakat collector for the Yemeni region, from the time of the Prophet to the time of the Caliph Umar. The Prophet ordered Mu'adz to distribute zakat funds from Yemeni muzaki to Yemeni mustahik.

During the reign of Umar b. al-Khaththab, Mu'adz once brought zakat funds from Yemen to the center of government in Medina. But the Caliph Umar told him to return to Yemen to distribute the zakat funds in the territory of Yemen. Other bibliographic-historical information is known from the history of Farqad Al-Sabakhi (d. 131 H / 748 M), who served as a collection of zakat funds. When going to share it in Makkah, Farqad met Sa'id b. Jubair (d. 95 H / 714 M). After knowing that Farqad would distribute the zakat funds in Makkah, Sa'id forbade it, then told him to return to his area and distribute the zakat funds in his area of Yemen.

These conditions, without eliminating the ability of distribution to other places, in the view of Abu 'Ubaid (1976), it can be understood that the community area of mustahik, the place where the zakat funds are collected, is more entitled to receive zakat funds collected from among the muzaki among them, until the mustahik don't need it anymore. The decision whether or not to distribute zakat funds to other places, including the state treasury at the center of government, is the duty or authority of the government. Historically-normative, the main condition for the ability of zakat funds to be distributed to other places is if the area where the zakat funds are collected has already occurred Excess-Zakat (Demir, 2007).

Based on the existing literature information, it was reported that, because of the commitment and consistency of the government and its public officials, Islam had succeeded in alleviating poverty during the Caliph Umar b. Abdul Aziz (w.720 M / 101 H). With zakat as one of the instruments to alleviate it, a number of regions are reported to have experienced zero-poverty (Ibn-Abd Al-Hakam, 1984), even though the period of government (khilafah) was only brief (Nadawy, 2000).

This means, from the point of view of contemporary (Indonesia-ness), there is a necessity for the continuity of systemic-comprehensive *mustahik* alleviation (Cf., Jahar, 2013). In addition, the need for careful planning has found its normative-historical foundation certainty, *mustahik* alleviation programs in particular, or poverty in general, will continue to find momentum, especially with regard to zakat and aspects of religious-expenditure (expenditures that other religious characteristics. Thus, the contribution of religion (Islam) to the development of the nation remains significant as the embodiment of the concept of Islam *rahmatan li al-'alamin*.

With regard to the context of the nation state, it is possible that the zakat funds will flow in the form of terrorism funds (Abuza, 2003), which in the view of the perpetrators fall into the category of *ashnaf sabilillah* (Cf., Feiler, 2007 & Chugani, 2008), and money laundering (Cf, Beik, 2014). For this matter, the state can overcome it by formulating regulations on the use of zakat in the form of laws and other regulations related to it. It may be that the form of banning zakat funds for terrorism activities is included in the discussion of *bughat* (defiance of the legitimate government [Hashkafi, 2002]), if the government and terrorists are adherents of Islam (Cf., Dumaijy, 1408). The same can be done with regard to zakat and money laundering.

4. CONCLUSIONS AND SUGGESTIONS

4.1 Conclusions

Based on the results of the model estimation, testing the hypothesis, the findings of the study and discussion of the results of research on six provinces on the island of Java, during the period 2001-2012, then, the conclusions of this study are: first, during the period 2001-2012, the effect of zakat towards positive and significant economic growth in six provinces on the island of Java. With this first conclusion, economic growth is relatively high on the island of Java when compared to other regions in Indonesia, in the process there is a contribution of zakat. Although the value is still small, the level of significance obtained shows that, by making GDP per capita as a proxy for economic growth, this first conclusion proves the existence of zakat for economic growth, as well as indicating that zakat as an instrument of economic growth has shown its function; secondly, during the period 2001-2012, there had been a negative effect of zakat on unemployment, although it was not (yet) significant in six provinces on the island of Java. Identical to the first conclusion, by making the Unemployment Rate (TPT) a proxy for unemployment, this second conclusion proves the contribution of zakat to the reduction in the unemployment rate. Although the level of significance has not been seen, this conclusion can be used as a starting point for the birth of economic empowerment programs, such as through the Qardh al-Hasan financing scheme, so that it is expected that in the future it will reach a better level of significance; thirdly, during the period 2001-2012, there was a negative and significant influence of zakat on poverty in six provinces on the island of Java. Also identical with the first and second conclusions, by making the number of poor people as a proxy of poverty, this third conclusion proves the contribution of zakat in efforts

to reduce poverty. Although the value is still small, the level of significance obtained shows that the distribution of zakat funds, within certain limits, can be considered to be right on target. By increasing the amount of zakat funds obtained and by further increasing the seriousness of its management, in the future it is expected that the level of significance of poverty reduction through the distribution of zakat funds will improve.

4.2 Suggestion

For further studies, it is suggested that the next researcher conduct research related to other zakat economic phenomena, such as muzaki preferences to pay zakat, muzaki trust in zakat institutions, the function and role of zakat institutions in economic development, zakat as a source of financing for Islamic financial institutions, and others. This study also suggests that there are other studies that specifically examine the economic aspects of zakat. Within the limits of tracking researchers, research on zakat that has been done is still limited to juridical-normative aspects (fiqh) as is done in a number of Islamic higher education institutions. With the special research on the economic aspects of zakat, the opportunity to discuss zakat from the economic aspect, scientifically (not juridical-normative research), becomes more open, and at the same time also opens up opportunities for scientific development of Islamic economics with Mathematics, Statistics and Econometrics as tools of the analysis.

Research on zakat is in the realm of Islamic Economics. With its rapid development, a number of studies have recently emerged in a number of aspects, both those in the substance region, and in the area of methodology. The normative-theological approach is the usual approach in studying Islamic economics, so that the product of the study is in the form of conclusions of fiqh (Islamic law). This study tried to use a different methodology. By not intending to eliminate the normative-theological approach, this study tries to examine zakat from the aspect of Economics, using a scientific approach, so that the analysis carried out is quantitative analysis, with mathematics, statistics as tools of analysis.

The parties that have administrative authority of the government (Ministry of Religion [Minister of Religion cq Director General of Islamic Guidance through the Director of Zakat Empowerment, which structurally supervises the Zakat Information System Sub-Directorate, Subdit of Counseling and Zakat Cooperation, Sub-Directorate of Zakat Empowerment, Sub-Directorate of Zakat Institutions] and Governor [who has the authority to propose the establishment of the Provincial Baznas to the Minister of Religion]), and socio-cultural authority (Religious Organizations [such as: the Amil Zakat Infaq Institute and Shadaqoh Nahdlatul Ulama (LAZISNU), the Zakat Umah Center (LAZ Islamic Union), LAZISMU or the Infaq Alms Institute and Shadaqah Muhammadiyah], the ulamas [with zakat institutions affiliated to the pesantren they lead] and community leaders who gave birth to a number of Amil Zakat Institutions (LAZ) in the community, etc.) in six provinces on the island of Java need to pay attention to related to potential sources of zakat. They need to pay attention to aspects related to economic growth, unemployment and poverty, etc., using zakat-based driven.

The matters related to economic growth, in this study only included aspects of zakat, health (AHH), education (APM) and investment (PMTB). Meanwhile, in reality, there are many other aspects that need to be considered, together with these three aspects. The same is true for aspects related to unemployment (TPT) and poverty (decreasing number of poor people).

In particular, for the aspect of zakat, special policies need to be made so that the acquisition and distribution can be further improved. Among the policies that must be carried out are the integrated recording of all collection agencies and suppliers of existing zakat funds (Baznas, Baznas Province, Amil Zakat Institutions [Lembaga Amil Zakat (LAZ)], OPZ [Zakat Management Organization] UPZ [Zakat Collection Unit], including units found in a number of business organizations, etc.), with Central Bureau of Statistics (BPS) as the executor. With this recording, it is expected that the zakat statistical data will be available even better and the potential for zakat which is still not optimally explored, can be actualized according to existing needs.

This research also provides advice on the assessment of discourse on the distribution of zakat funds for non-Muslims. By finding bibliographic information about distribution skills for non-Muslims, zakat funds have the opportunity to become a social-capital instrument in the form of an adhesive for the life of the nation and state in a pluralistic and pluralistic society and a real contribution of the Muslim community to the development of their nation. If all of the suggestion can be done, Indonesia will become an example for the world in relation to the realization of harmonious national and state life.

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