

# ANALYSIS OF ZAKÂT'S ROLE IN REDUCING POVERTY RATE

(Case study at LAZ Umat Sejahtera Ponorogo 2012)

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## ABSTRAK

Kemiskinan merupakan masalah besar yang pasti dirasakan oleh seluruh bangsa termasuk Indonesia. Dan kota Ponorogo di Jawa Timur salah satu diantaranya, dengan tingkat kemiskinan yang tinggi. Lembaga Amil Zakât (LAZ) Umat Sejahtera Ponorogo adalah lembaga non organisasi tertua yang bergerak dalam bidang zakât, infaq dan shodaqoh di Ponorogo. Dengan pengalaman lebih dari 11 tahun, ditambah dengan jumlah muzakki yang terus meningkat seharusnya dapat memecahkan masalah kemiskinan di Ponorogo. Meski begitu, masih banyak kita jumpai pengemis menyusuri kota. Sebuah Penelitian memaparkan bahwa peran *zakât* dalam mengurangi kemiskinan amatlah besar. Dan pemberdayaan LAZ Umat Sejahtera dalam mengurangi kemiskinan menjadi menarik dikaji. Melalui penyebaran sample angket berjumlah 25 orang dan merupakan para *mustahiq* dana *zakât* dalam bentuk modal kerja. Indikator kemiskinan yang dipakai adalah sesuai dengan BPS, yaitu FGT Index yang mencakup Headcount Index ( $P_0$ ) yang menggambarkan persentase orang miskin dalam populasi yang diteliti, Poverty Gap Index ( $P_1$ ) yang menggambarkan posisi *mustahiq* terhadap garis kemiskinan, dan Poverty Severity Index

(H<sub>2</sub>) yang menggambarkan tingkat ketimpangan pendapatan antar orang miskin dalam populasi tersebut. Ditambah dengan analisa menggunakan paired sample t test pada program SPSS untuk mengetahui perbedaan pendapatan sebelum dan sesudah mendapatkan bantuan dalam program pemberdayaan zakat oleh LAZ Ummat Sejahtera Ponorogo..

Keyword: Zakat, reducing, poverty, LAZ Ummat Sejahtera,

## INTRODUCTION

Theme of basic problems of Indonesia is dealing with poverty problem. Based on official database of Central Board of Statistic (BPS), poverty rate of Indonesia recently reached 28,594.60 in past September 2012, or about 11,66 % of its population,<sup>1</sup> While the number of unemployment reached a great number as well, it's about 8.319.779 or 3.5% of the population.<sup>2</sup> The fact is just an ironic, considering that Indonesia is a granted country with a great natural wealth. Yet, this condition is not well used and instead of benefit, harm occurred. Natural exploitation appeared uncontrolled: jungles were cut freely, causing this country occurred on a great loss in reaching tens billion rupiahs every year. Other resources such as mineral and mining crops can't be used optimally for the sake of prosperity of its people, as officially stamped in 1945 Constitution of the Republic Indonesia(UUD '45) article 33 verse 3 "The land, the waters and the natural resources within shall be under the powers of the State".<sup>3</sup> As matter of fact; all of that wealth was concentrated in minor hands of people which cause a great gap between the poor and the rich people.

Ponorogo is one of the districts in East Java that has a high poverty rate, which are 12, 29 %, or about 105, 9 thousand people in past 2011. While the average poverty rate of East Java is 13, 85%.<sup>4</sup> Another

1 Number and percentage of poor people, poverty line, poverty gap index, poverty severity index by province September 2012 in [http://www.bps.go.id/tab\\_sub/view.php?kat=1&tabel=1&daftar=1&id\\_subyek=23&notab=1](http://www.bps.go.id/tab_sub/view.php?kat=1&tabel=1&daftar=1&id_subyek=23&notab=1).

2 Population and type of activity 2004-2012 in [http://www.bps.go.id/eng/tab\\_sub/view.php?kat=1&tabel=1&daftar=1&id\\_subyek=06&notab=1](http://www.bps.go.id/eng/tab_sub/view.php?kat=1&tabel=1&daftar=1&id_subyek=06&notab=1)

3 Republic of Indonesia, 1945 Constitution of the Republic of Indonesia, Chapter 33, verse 3

4 Central Bureau of Statistics (BPS) of Ponorogo, *Data dan Informasi Kemiskinan*

indication is the existence of what it's called as idiot village in Jambon and Balong which almost of its inhabitant is below poverty line. But the problems remain still, it seems that nothing to do with them, even basically they have a due to have a better life than that.

Islam is a complete religion, an overall religion through every aspects of human's life, there is a principle teaching among the teachings or known as Five Pillars of Islam, supported the position of human beings in Islam. Among them, *Sholat* and *zakât* plays a great role in human's life. As the third pillar of Islam, *zakât* happened to be a primary instrument in Islamic teaching relating with this matter, especially on economic aspects, due to its role as the distributor of current flow from "the have" to "the have not". On this mean, economic aspect appears to get a big attention as a civilization was destroyed because of the poor morale of the population caused by treasure.<sup>5</sup> It is a formal institution aimed to build an equilibrium and justice of society, so that the people's standard of living can be improved. In the ideal Islamic society, *zakât* is supposed to bridge the rift between rich and poor members of the Muslim community. *Zakât*, as a religious tax, is thought to be the basis of taxation of Muslims.<sup>6</sup>

LAZ (Lembaga Amil Zakât) Ummat Sejahtera Ponorogo is a non-organization professional institution which operates the collection, management and distribution of *zakât*, *Infak* and *Shodaqoh* that established since 2002.<sup>7</sup> Since it is the eldest non-organization *zakât* institution in Ponorogo, LAZ Ummat Sejahtera has implemented several programs on utilizing of *zakât*, *infak*, and *shodaqoh* in Ponorogo, and long years of experience supported with a consistent growing income. Data reception charity by 16 September - 15 December, 2011 shows the amount of IDR 61.984.000<sup>8</sup> and on 16 April 2012 - 15 July, 2012 reaches IDR 67,946,700.<sup>9</sup> The increases of IDR 5,962,700 shows that the *muzakkis* of LAZ Ummat Sejahtera have their trust increases. Thus the potential of

*Kabupaten/kota 2011*, p.18-19

<sup>5</sup> For detail, see Al-Allamah Abdurrahman bin Muhammad bin Khaldun, *Mukaddimah*, (Jakarta: Pustaka Al-Kautsar, 2011), p. 665-670.

<sup>6</sup> Holger Weiss, *Zakât, Poverty and Social Welfare - Islamic Economics and The Critique Of The Secular State in Ghana and Nigeria*, Finland, University of Helsinki, 2010, p.9

<sup>7</sup> *At-Tazkiyah Magazine*, No. 29/Januari-Februari 2012, p. 3

<sup>8</sup> *At-Tazkiyah magazine*, Laporan Keuangan, No. 29/Januari-Februari 2012, p. 29

<sup>9</sup> *At-Tazkiyah magazine*, Laporan Keuangan, No.31/Agustus-September 2012, p. 29

zakât in Ponorogo in reducing poverty rate grows even bigger.

With the existence of LAZ Ummat Sejahtera and other zakât institutions operate in Ponorogo, the number of poor in Ponorogo should have been reduced, or furthermore this problem should have been cleared. But yet, there are still many beggars everywhere wondering around the city. Does their existence make any contribution? Or is it just a "not yet"?

The main objective of this study is to answer three simple questions: Whether the utilization of zakât has been done influenced on poverty rate reduction in the region Ponorogo or not? How is the influence? What are the indicators? To that end, empirical analyses tools of number are used as a tool to evaluate the influence of the utilization program developed by LAZ Ummat Sejahtera Ponorogo. Hopefully, this study can provide a positive and constructive response.

#### A. Zakât and Its Role

Reviewed in term of its native, the word Zakât was taken from Arabic term زَكَا - يَزْكُو. As zakât itself is a root (masdar), means both growth and purification. The word zakât means the purity of something, purity, and shodaqoh.<sup>10</sup>

Zakât word was mentioned 19 times in Al-Qur'an.<sup>11</sup> Though the variation words on the same base term are mentioned many times more, those verses explained the meaning of this word in different terms.

Commonly, Zakât means self-purifying, as mentioned in verse below:

قَدْ أَفْلَحَ مَنْ تَزَكَّى<sup>12</sup>

"But those will prosper who purify themselves".

10 A. W. Munawwir, *Kamus Al-Munawwir Arab-Indonesia Terlengkap*. (Surabaya: PustakaProgressif, 1997). P. 577

11 محمد فواد عبد الباقي، المعجم المفهرس لألفاظ القرآن الكريم، (القاهرة: دار الحديث، ١٩٩١) ص. ٨٠٤

12 Al-Qur'an, Al-A'la:14

In these three verses: Al-Qur'an, Al-Baqarah: 129, Al-Qur'an, At-Taubah: 103, Al-Qur'an, Ali Imran: 77, the word of zakât is used in term of sanctify and purify upon soul, aqidah, manner, and sins of the doer. Other than those verses, there are some other verses using the same word in the same term.

According to Al-Imam Abu Hanifah,<sup>13</sup> this word means special ownership assets (treasure) owned by special people, which is required from an independent Muslim due to his ownership.<sup>14</sup>

Zakât in fiqh according to Yusuf Qardawi<sup>15</sup> means an amount of certain possession that must be distributed to them who reserves the right according to syariah (Islamic law).<sup>16</sup>

Or by Wawan Shofwan, Shariah meaning of zakât has two aspects contained therein. First, the reason that the charity is excluded is because of the growth process on the property itself, or the growth and development on the aspect of reward that are becoming increasingly numerous and fertile due to release of zakât. Or related with the existence zakât itself is simply because it has growth being such as *zakâtijarah* and *zina'ah*. Second: sanctification, because Zakât is purification on greed, stinginess soul, and other impurities, as well as laundering soul and human from their sins.<sup>17</sup>

Considering the different views on the meaning of zakât above, it can be concluded that the zakât is intended as a mandatory harvest rights contained in possession of someone who is in need.

As we know that one of the main functions of zakât is to redistribute wealth from the have to the poor. In this case the law of God emphasizes obligatory zakât in the Qur'an as stated in Shurah At-Taubah

13 He is Abu Hanifa al-NumanibnThabit Iraq jurist born in 80 AH and grew up in Kufa, for detail see . p. 44-45, (دار السلام للطباعة), الدين الإسلامي الجزء الثاني مقرر للتفصيل الرابع معهد دار السلان كونتور، (العالم العلامة أحمد بن محمد بن اسماعيل الطحطاوي، حاشية الطحطاوي، (بيروت: دار الكعب العلمية، ١٩٩١)، ص. ٣١٧

14 (Arabic: يواضرقفلا غمسمو: Yûsuf al-Qaraḏāwī; or Yusuf al-Qardawī; born 9 September 1926) is an Egyptian Islamic theologian. He is best known for his programme, *al-Sharī'a wa al-Hayāh* («Shariah and Life») see [http://en.wikipedia.org/wiki/Yusuf\\_Qardawi](http://en.wikipedia.org/wiki/Yusuf_Qardawi)

15 Dr. Yusuf Qardawī, *Hukum Zakât*, Eleventh Edition, (Jakarta: PT. MitraKerjaya Indonesia), p. 34-35

16 Wawan Shofwan, *Risalah Zakat*, (Bandung: Tafakur, 2011), p.12-13

verse 103,<sup>18</sup> this zakât laws obligatory only apply to Muslims only, not for non-Muslims.<sup>19</sup>

In practice, there are a few matters relating to compulsory zakât. Such as the types of wealth that must be issued zakât, namely: gold and silver, plants and fruits, business, mining goods are issued from the bowels of the earth.<sup>20</sup>

Law on such property shall be valid if it complies with the terms of the compulsory zakât, namely: full ownership, growth, reaching nishab, more than usual needs, free of debt, and passed a year.<sup>21</sup>

So every Muslim who has the riches as mentioned above and meet the requirements required upon issuing charity.

Zakât as one of the five pillars of Islam has a significant role and the beneficent to do it. In the previous discussion we know the meaning of zakât that one of them means التطهير (cleaning). So a person who issued the zakât means purifying the property and its owner. Charity also aims to achieve the welfare of the community. Zakât is a worship that contains two dimensions; they are dimensions habl min Allah (vertical relationship) and dimensions habl min an-nas (horizontal relationships).<sup>22</sup>

Dr. Yusuf Qardawy argues: The foremost objective of zakât is to elevate the spirit of human beings above the love of material acquisition. Consequently, Islam does not view the zakât payer as a mere source of funds or a financier, but as a person who always needs purification and sanctification, both spiritually and materially. The Qur'an summarizes this purpose in the verse "Out of their wealth take sadaqah, that by it thou might purify and sanctify them."<sup>23</sup>

18 "Take Sadaqah (alms) from their wealth in order to purify them and sanctify them with it, and invoke Allah for them. Verily! Your invocations are source of security for them, and Allah is All-Hearer, All-Knower." (The Holy Qur'an: At-Taubah verse 103)

19 Dr. Yusuf Qardawi, *Hukum Zakât*, eleventh edition, (Jakarta: PT. MitraKerjaya Indonesia), p. 98-99

20 *Ibid.*, p. 122-123

21 حسام الدين بن موسى عفاة، مسائلوك عن الزكاة، (أوديس: جامعة القدس، ٧٠٠٢ هـ)، ص ٦٤-٥٤

22 Mu'inan Rafi, *op.cit.*, p. 41

23 Yusuf al Qardawi, *Fiqh al Zakât*, Vol. II, (Jeddah: Scientific Publishing Centre King Abdul aziz University), p. 169

Then after that he explains 10 aims of zakât and its effect upon the giver: Zakât cleanses the soul of miserliness, zakât trains one to give, zakât trains people to acquire divine characteristics, zakât is an expression of thankfulness to God, zakât is a cure for the love of earthly things, zakât stimulates personality growth in payers, zakât improves ties of mutual love, zakât purifies wealth, zakât does not purify unlawfully earned wealth, zakât brings growth to Wealth.<sup>24</sup>

Furthermore he explains its effect on recipient: zakât liberates its recipients from material needs, zakât cleanses jealousy and hatred.<sup>25</sup>

Thus, zakât as the one of the five pillars of islam plays a great role among humanity.

## B. Zakât Utilization

Abu Bakr took decisive steps to collect alms from all Muslims, including the Bedouin who once more demonstrates signs of dissent with the leave of the Prophet peace be upon him. According to Imam Suyuti, when news of the death of the prophet peace be upon him spread all over the medina, many Arab tribes abandoned Islam and refused to pay zakât. Abu Bakr ordered his troops to attack the rebellious tribes. Umar asked him to revoke the orders, but Abu Bakkar said, "I will fight against them even if they just refused to pay a one-time charity or refuse to provide ordinary young goats they submit to Allah".<sup>26</sup>

Time issued to perform zakât for treasure which is obliged to be given according to Wahbah al-zuhaily is divided into three:

First: Zakât of gold, silver, merchandise, and cattle grazing animals after perfect hawl paid once in every year.

Secondly: Zakât payable fruit trees when the recurrence of the harvest, the harvest occurred despite repeated many times in a year. Thus, this second type of property does not have to reach past hawl implied.

Third: the look a Hanafi and Hanbali schools, zakât of honey is obliged

<sup>24</sup> *Ibid*, p. 169-173

<sup>25</sup> *Ibid*, p. 174-175

<sup>26</sup> Heri Sudarsono, *op.cit.*, p. 257

to be given when it was obliged to be release. *Zakât* minerals release when the property is lift - from the earth. And *zakâtfitrah*, according to the Hanafi school doctrine in addition, be issued when the sun sets on the night of the feast of Fitr.<sup>27</sup>

Even so hasten issuing *zakât* by *jumhurul'ulama*, *zakât* is in accordance with the opinion of Hanafi scholars Imam Karkhi: "*Zakât* is obliged to be released immediately, as a command, demanded to be released soon, because charity is issued to cover its needs, so if it is not required immediately, it can't be achieved with perfect intent mandatory."<sup>28</sup>

While organizing charity before *hawl*, according to *jumhur* is voluntarily legal. With notes, treasure issued has reached *nisab*. Meanwhile, according to the school of *Zhahiri* and *Maliki* it should not be released before arriving *itshawl* because *zakât* is worship like *shalat*, so he should not be released prematurely. Moreover, *hawl* is one of the of *zakât* requirements. Therefore, the law said should not hasten *zakât*.<sup>29</sup>

Surely, if the property has reached *Nisab* and *hawl* then such property shall be released by the donors or the so-called *muzakki*. They are getting obligation to issue *zakât*, a person is under an obligation to pay *zakât* if he is: Muslim, An adult, and sane.<sup>30</sup>

The *mustahiq* (recipient) of *zakât* or *shadaqah* entitled to is explained in Q.S At-Taubah verse 60:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ  
قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَابْنِ السَّبِيلِ فَرِيضَةً  
مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ<sup>31</sup>

27 Wahbah Al-Zuhayly, *op.cit.*, p.120-121

28 Yusuf Qardawi, *op.cit.*, p. 810

29 Wahbah Al-Zuhayly, *op.cit.*, p.122-123

30 Professor Javaid Rehman et al., *Islamic Law of Obligatory Alms (Zakât) A Teaching and Learning Manual*, (UK Centre for Legal Education, 2011), p. 16

31 Al-Qur'an, At-Taubah: 60



*"As-Sadaqat (here means Zakât) are only for the fuqara' (poor), and Al-Masakin (the poor) and those employed to collect (the funds); and for to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah's cause, and for the wayfarer; a duty imposed by Allah is All-Knower, All-wise."*

### C. Poverty and Its Measurement

The definition of poverty itself has expanded, along with some factors such as motive, indicator or another matter related.

According to Oxford Advance Learner's Dictionary, it means the state of being poor or the state of existing in amounts that are too small; lack<sup>32</sup>

According to Qardawy the person is under the condition of poverty is those who in need, but likes to whine and beg.<sup>33</sup>

Central Agency on Statistic uses basic needs approach in measuring poverty. With this approach, poverty is pronounced as incapability in economical perspective to fulfill basic needs of food and non-food which is measured by expenditure aspect.<sup>34</sup>

According to the World Bank, "poverty is pronounced deprivation in well-being. There are some approaches about this "well Being". One approach is to think of one's well-being as the command over commodities in general. In this view, typically poverty is measured by comparing an individual's income or consumption with some defined threshold below which they are considered to be poor. A second approach to well-being is about the specific type of consumption good such as food, shelter, health care and education. Here, one is considered to be poor if he is not able to obtain such things well. And the next approach is about the capability to function in society. Thus poverty arises when people lack key capabilities, and so has inadequate income or education, or poor health, or insecurity, or low self-confidence, or a sense of powerlessness,

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32 A S Hornby, *Oxford Advanced Learner's Dictionary of Current English*, Fifth edition, (Oxford: Oxford University press, 1995), p. 904

33 Dr. Yusuf Qardawi, *op. cit.*, p. 511

34 Central Bureau of Statistics (BPS) of Ponorogo, *op. cit.*, p. 2

or the absence of rights such as freedom of speech. Viewed in this way, poverty is a multi-dimensional phenomenon, and less amenable to simple solutions. So, for instance, while higher average incomes will certainly help reduce poverty, these may need to be accompanied by measures to empower the poor, or insure them against risks, or to address specific weaknesses (such as inadequate availability of schools or a corrupt health service).<sup>35</sup>

Poverty according to UNHCR (United Nations High Commissioner for Refugees) which is picked by Michael P. Auerbach in his writing about poverty line is "a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights".<sup>36</sup>

Furthermore, the definition of poverty can be conducted in two approaches; absolute and relative. In the case of the absolute poverty approach, poverty is a lack of income in order to satisfy the essential requirements for physiological survival. In the case of the relative approach of poverty, poverty is a lack of income in order to reach the average standard of living in the society in which one live.<sup>37</sup>

Out of that, to mention what does this poverty means precisely is difficult, as Henry Hazlitt said in his book "The Conquest of Poverty": Of the thousands of books and articles on the subject that have appeared over the last two centuries, it is astonishing how few have troubled to ask this question.<sup>38</sup>

However, poverty is not limited to income. Many impoverished people are in their current situations because of where they happen to live, the level of education to which they have access, their employability

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35 World Bank Institute, *Introduction to Poverty Analysis*, (Poverty Manual, All, JH Revision of August 8, 2005), p. 9

36 The Editors of Salem Press, *The Effects of Poverty & The Welfare State*, (New Jersey: Salem Press, 2010), p. 14

37 Alessio Fusco, *On The Definition And Measurement of Poverty: The Contribution of Multidimensional Analysis*, (Antipolis: CEMAFI, 2003), p. 5

38 Henry Hazlitt, *The Conquest of Poverty*, (New York: the Foundation for Economic Education, Inc., 1996), p. 31

and other factors. For instance, one lives in a big city with a certain income is in difficult to fulfill his daily needs and satisfaction due to the high standard living, this condition is in those categories of poor. But in another place, one with the same amount of income is able to fulfill his daily needs and satisfaction and is above that poverty. This shows that poverty can't be determined by a simple glance. Thus, the standard of poverty must be employed in order to ensure that someone is poor.

Basically, this so called poverty line is used to classify whether one is under the state of being poor or not considered as poor, in another word the consumption level that separates the poor from the rest of the population. Or we can barely say that "households whose consumption expenditure falls below this line are considered to be poor."<sup>39</sup> Though there are many methods to measure Poverty Line, its function doesn't change.

Central Bureau of Statistics (BPL) suggests that the poverty line is the sum of two poverty lines; of food poverty line (FPL) and non-food poverty line (NFPL). Food poverty line is the amount of expenditure value of 52 basic food commodities consumed by the population reference real which then equated to 2100 kilocalories per capita per day. Equivalency value of the minimum requirements of food spending is done by calculating the average price of calories from all the 52 commodities, the FPL subsequently be compared to 2100 kilocalories by multiplying 2100 with the average implicit price of calories according to region and the reference population.<sup>40</sup>

In America poverty is measured by annual income. The poverty line is based on a calculation that takes into consideration the minimum required to feed an individual, child and adult not differentiated, multiplied by three. The calculation was designed by Mollie Orshansky, a Social Security Administration employee, in 1963.<sup>41</sup>

An absolute poverty line is commonly drawn based on the level of expenditure (or income, consumption, budget, etc.) required to meet some minimum food and other essential non-food needs; if a person's

<sup>39</sup> World Bank Institute, *op. cit.*, p. 43

<sup>40</sup> Central Bureau of Statistics (BPS) of Ponorogo, *op. cit.*, p. 3-4

<sup>41</sup> The Editors of Salem Press, *op. cit.*, p. 3

(or family unit's) income falls below this level, the person or family unit are considered poor.<sup>42</sup>

To measure poverty we must go further with the poverty indicator, by giving a precise meaning to a critical level usually called poverty line.<sup>43</sup>

The poverty measure has proven to be the gauge of choice for policymakers to monitor instances of poverty within their constituency. Researchers and even the media have also looked at this measuring stick as a vital resource in combating poverty.<sup>44</sup>

For the poverty indicator, Central Bureau of Statistics (BPS) gives some indicators:<sup>45</sup>

1. Head Count Index (HCI- $P_0$ ) is the percentage of population below the poverty line.
2. Poverty Gap Index which is the average size of each expenditure gap of the poor to the poverty line. The higher the index value, the farther the population expenditure average of the poverty line.
3. Poverty severity index- $P_2$  which gives view of the expenditure spread among the poor. The higher the index value, the higher the expenditure inequality among the poor is.
4. Foster-Geer-Thorbecke (1984)<sup>46</sup> has formulated a measure that is used to measure the level of poverty, namely:

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42 Gregory K. Schoepfle, *Wages, Benefits, Poverty Line, and Meeting Workers' Needs in the Apparel and Footwear Industries of Selected Countries*, (Washington: U.S. Department of Labor Bureau of International Labor Affairs, 2005), p. 1-18

43 Louis-Marie Asselin et al., *Poverty Measurement A Conceptual Framework*, (Canada: Canadian centre for international studies and cooperation, 2001), p. 29

44 The Editors of Salem Press, *op.cit.*, p. 16

45 Central Bureau of Statistics (BPS) of Ponorogo, *op.cit.*, p. 5-6

46 They are the founder of poverty indicator which named under their names; Foster Geer and Thorbecke Index, for detail see James E. Foster et al., *The Foster-Greer-Thorbecke (FGT) Poverty Measures: Twenty-Five Years Later*, Institute for International Economic Policy Working Paper Series, Elliot School of International Affairs, The George Washington University, April 2010. p.6

$$P_{\alpha} = \frac{1}{n} \sum_{i=1}^q \left[ \frac{z - y_i}{z} \right]^{\alpha}$$

Where:

$\alpha = 0, 1, 2$

$z$  = Poverty Line

$y_i$  = The average per capita monthly expenditure of different population under the poverty line ( $i=1,2,3,\dots,q$ ),  $y_i < z$

$q$  = The number of people who are under the Poverty Line

$n$  = Population

If  $\alpha = 0$  head count index ( $P_0$ ) is Acquired, if  $\alpha = 1$  the depth of poverty index ( $P_1$ ) is obtained, and if  $\alpha = 2$  poverty severity index ( $P_2$ ) is obtained.

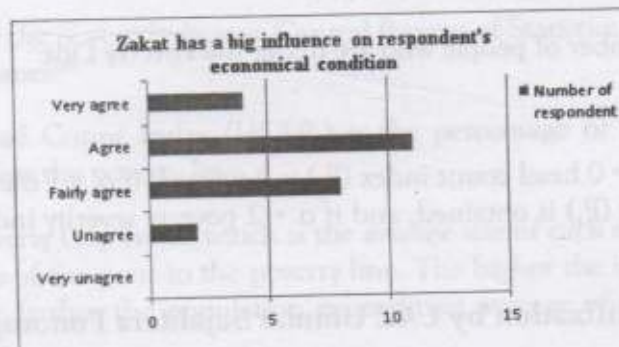
#### D. Zakât utilization by LAZ Ummat Sejahtera Ponorogo

Practically, the utilization of zakât funds that have been collected by LAZ Ummat Sejahtera goes well. This is indicated by the trust of the public, especially muzakki which is increasing in number. Furthermore, some of muzakki is former mustahiq who got the funds through the program 'revolving fund' by LAZ Ummat Sejahtera, which is aimed at elevating mustahiq to be muzakki, this program is in a form of loan funds that must be returned to later be distributed to other beneficiaries.

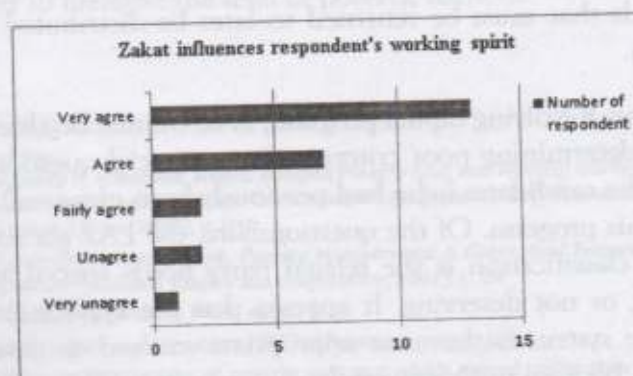
In this Revolving capital program, LAZ Ummat Sejahtera has its own way of determining poor criteria, using a special questionnaire to be filled by the candidates (who had previously been observed) of funds receiver of this program. Of the questionnaire, the LAZ get scores that serve as the classification is the related party needs special attention, or deserving, or not deserving. It appears that the application of this questionnaire system is the most appropriate method in determining poor criteria, because one's poverty level can not only be measured by the amount of monthly income, but there are several other factors that

affect a person's well-being, such as: the number of dependents, living facilities, etc.

The receiver to be in this program then fills an agreement form containing a description of the amount of funds, and the agreement that the recipient must use the funds as working capital, not for other purposes. Then the recipient is also required to repay the funds and fill the loan cards of revolving working capital. It aims to ensure that the program is bearing fruit and not misused.

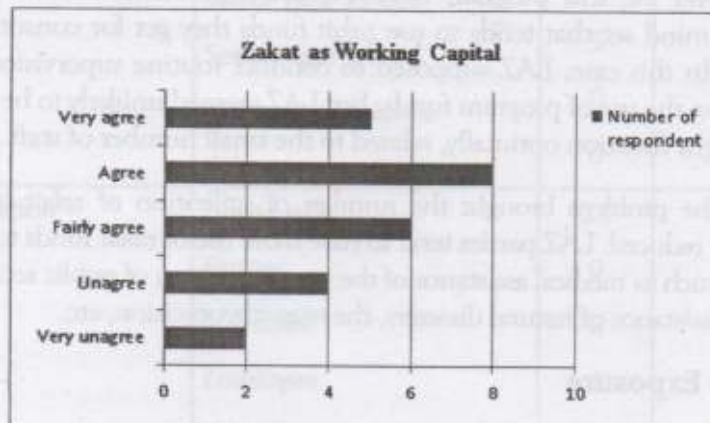


According to the survey, of the 25 respondents, 4 state strongly agree that zakat distribution made a big changes on their economies, 7 persons agree, 8 persons fairly agree, and 2 other persons disagree. This suggests that the zakat utilization program by LAZ in reducing poverty has a huge impact in the economy of the respondents.

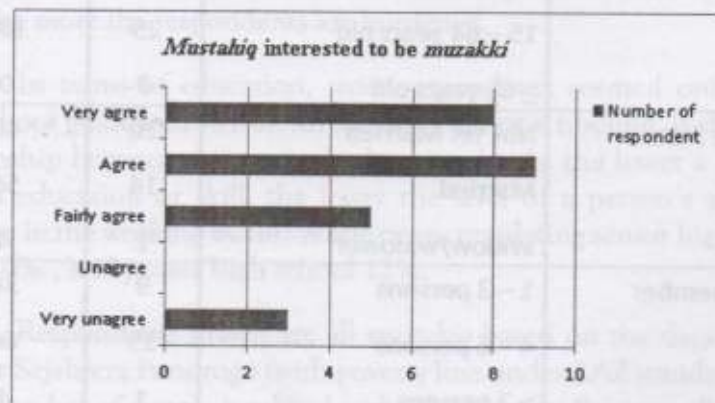


Of the 25 respondents, 13 stated very agree that zakat uplifting

their work spirit, 7 persons agree, 2 persons quite agree, 2 persons disagree, and 1 strongly disagree. This shows that the zakat managed to play its role in enhancing the spirit of their work. Even so, it seems there are those who do not feel it. It is a challenge for LAZ to create programs that execute on the objectives and can be felt by all parties.



From the chart above, we can see there are 5 persons agree that zakat funds used as working capital, 8 persons agree, 6 persons fairly agree, 4 persons disagree and 2 persons strongly disagree. This shows that most of the respondents have been using zakat funds they get for their business capital, though there are some who do not use it according to what it should be.



In the chart above, we see 8 persons state strongly agree that

Thus, the mission of this program; elevating *mustahiq* be *muzakki*, shows that nearly hit a whole, although a small portion of which is about 12% of respondents have not their responses to it.

Over all, this program is having some problems related to the *mustahiq*'s mind set that tends to use *zakāt* funds they get for consumptive purposes. In this case, LAZ supposed to conduct routine supervision and guidance on the use of program funds. But LAZ seemed unlikely to be doing this oversight function optimally, related to the small number of staff.

The problem brought the number of utilization of *zakāt* on this program is reduced. LAZ parties tend to have more use of *zakāt* funds to other programs such as medical assistance of the poor, provision of public recitation (*tabligh*), Assistance of natural disasters, the mass circumcision, etc.

### E. Data Exposure

Demographic characteristics *mustahiq* Data who are the respondents in this study can be seen in Table 5

Table 5. Demographical Characteristic of *Mustahiq*

Demographical Characteristic	Classification	Total	Percentage
Age	< 15 Years old	0	0
	15 – 64 years old	25	100
	≥ 65 years old	0	0
Marriage Status	Not Yet Married	10	40
	Married	14	56
	Widow/widower	1	4
Family member	1 – 3 persons	9	36
	4 – 6 persons	15	60
	≥ 7 persons	1	4



Education	No Schooling	1	4
	Not yet completed primary school	0	0
	Primary school	3	12
	Junior high school	16	64
	Senior high school	5	20
	University/Diploma	0	0
	Other	0	0
Occupation	House wife	11	44
	Farmer	0	0
	Merchant	6	24
	Employee	4	16
	Other	5	20

Based on the table above, all respondents are in the productive age, i.e. 15-64 years. Most respondents are married (56%) by the number of dependents 1-3 people as much as 36%, 4-6 people as much as 60%, and more than 7 persons as much as 4%. The number of dependents is affecting the respondents' welfare, the more dependent the respondents have, the more the respondents are burdened.

In terms of education, most respondents seemed only junior high school graduated (64%). furthermore is not schooling, it shows the relationship between poverty and education levels. the lower a person's level of education or skill, the lower the level of a person's ability to compete in the working world. While ones completing senior high school reach 20% , and junior high school 12%.

Respondents drawn are all *mustahiq* based on the data by LAZ Ummat Sejahtera Ponorogo (with poverty line under LAZ standard). The Small number of people is related with LAZ Ummat Sejahtera Ponorogo programs which are more focused in the form of non-cash distribution

in the form of scholarships and social services such as health care of the poor, food aid services, disaster relief, the mass circumcision, etc.

Most of the respondents worked as a housewife with a percentage of 44%. Respondents as housewives do not have their own income, so it depends on income of families (husband). However, among the 25 respondents, there were respondents who actively work so they can have their own income. They majority work is as merchant, as much as 24%. While respondents as employee 16%, and other types of occupation 20%.

## F. Data Analysis

### 1. FGT Index

The data processing of respondent's per capita income before and after the distribution of *zakât* by LAZ Ummat Sejahtera analyzed using FGT index can be seen in Table.

Table 6. *Mustahiq's* Poverty index before and after receiving *zakât*

Poverty Index	Before receiving <i>zakât</i>	After receiving <i>zakât</i>
Headcount index ( $P_0$ )	0	0
Poverty Gap Index ( $P_1$ )	-0.999468	-0.999505
Poverty Severity Index ( $P_2$ )	0.998937	0.999011

#### a. Headcount Index ( $P_0$ )

Headcount Index measurement results in Table 6 shows that not all respondents are not poor categorized based on the national poverty line poor by BPS, therefore score obtained in headcount ratio is 0.

Even so, they are a group of people considered poor and eligible for *zakât* funds by classification LAZ Ummat Sejahtera.

Furthermore, they may be considered not yet out of the poverty. Poverty line set by the BPS is determined based on income per capita per month while the factors that affect this poverty are many, such as number of dependents and the dependents' education level.

As an example case, a head of household with income IDR 600,000 per month. The amount of revenue can be said to be far from the poverty line which is only 210.411, it even nearly reached its 3 times. If we look from the perspective of the BPS poverty line, then he is not classified as poor. But what if we say that the dependents who are hanging their lives on him are 4 people including him? Is the amount of income so he and his family could meet all their needs and achieve well-being? And it may be even worse if we see his living facilities like living place conditions, household appliances, etc.

From here we know that the number 0 is indicated by the headcount index is the result of a rough calculation without including the factors that influence poverty itself.

#### b. Poverty Gap Index ( $P_1$ )

Poverty Gap Index figures showed -0.999468 (before distribution of zakât) and -0.999505 (after distribution of zakât). Negative numbers shown are explaining that the index value is above the poverty line. And the increase of the poverty gap index by 0.000037 indicates that income of *mustahiq* further away from the poverty line in positive terms, which means getting to be far above the poverty line.

Based on the results of the study, at first the average income of *mustahiq* before getting *zakât* fund is IDR. 409.200. But after getting the *zakât* fund, the average income increased by 6.8% and increased to IDR. 439.200.

#### c. Poverty Severity Index ( $P_2$ )

Table 6 shows the rise in the poverty severity index, i.e. from 0.998937 to 0.999011. The increase rate of 0.000074 indicates that the distribution of *zakât* by LAZ Ummat Sejahtera Ponorogo through a Revolving capital program has not been able to reduce

income inequality between the poor and the other poor. Rather than reduces it increases.

Rise in the inequality of poverty is because of the ability of the *mustahiq* in managing these funds is not the same. Although the distribution of zakât funds helps them to find a way to get revolving fund, not all of them utilize this capital well. It is evident from the change in income occurs. Of 25 respondents, 14 of them have their income Increased after zakât distribution, 10 persons have no changes and 1 decreased. This number indicates that the majority of respondents actually capable of competing in the world of work if they have enough capital. Despite that 10 people who earn their income even, they are not able to utilize the zakât funds they get well. Even of all respondents there is 1 person who gets his income decreased, it means that there are other factors that cause a drop in his income, such as business failure, or natural disasters, etc.

The change in *mustahiq's* income which is different one another is what causes the increase in the value of the poverty severity index. It is because of *mustahiq* who utilizes the *zakât* funds well has his income increased. In another case, they who don't utilize *zakât* funds well have their income constant. Both parties make such gap between their incomes even wider.

## 2. Paired Sample T Test

### a. Paired Simple Statistic

The Paired simple statistic shows that the average of *mustahiq's* monthly income before and after the distribution of *zakât* has increased. Before the distribution of *zakât*, monthly income average of 25 *mustahiq* is IDR 409,200, while after the distribution of *zakât* monthly income average of those 25 reaches IDR 439,200. with the difference IDR 30,000

### b. Paired Samples Correlation

The test results show that the correlation between the two variables is equal to 0.829. This shows that the correlation between the two monthly income averages of *mustahiq*; their monthly income

before and after the *zakât* distribution by LAZ Ummat Sejahtera Ponorogo is strong, because the value approaches 1 (one).

### c. Hypothesis

The hypothesis is:

$H_0$  : The monthly income average of *mustahiq* is the same.

$H_1$  : The monthly income average of *mustahiq* is different.

$\alpha$  : 0.05

If  $\text{sig} < 0.05$  =  $H_0$  is rejected and  $H_1$  is accepted

If  $\text{sig} > 0.05$  =  $H_0$  is accepted and  $H_1$  rejected

or

If T-Count value  $>$  T-Table,  $H_0$  is rejected, and  $H_1$  is accepted.

If T-Count value  $<$  T-Table,  $H_0$  is accepted, and  $H_1$  is rejected.

### d. Hypothesis Test Results

According to the paired sample test table, significance value shows 0.002 which is  $<$   $\alpha$  (0.05). While  $t$ -count (3.397)  $>$  T-Table (0.00), then we can conclude that  $H_0$  is rejected and  $H_1$  is accepted, it means that the *mustahiq*'s monthly income average before and after the distribution of *zakât* is different. Thus it can be stated that the distribution of *zakât* by LAZ Ummat Sejahtera increases the amount of *mustahiq*'s monthly income in Ponorogo.

Thus, The Analysis showed that the *zakât* utilization by LAZ Ummat Sejahtera successfully increases the respondent's revenue; this is indicated by the increase in  $(P_1)$  by 0.000037 from -0.999468 to -0.999505. But have not succeeded in reducing the level of income inequality of *mustahiq*, indicated by the increase of  $(P_2)$  by 0.000074 from 0.998937 to 0.999011. And the results of the Paired Sample T Test analysis showed that the increase in income before and after *mustahiq* *zakât* distribution is significant.

## G. Result and Conclusion

The results of research on the *zakât's* role in reducing poverty rate by taking case study at LAZ Ummat Sejahtera Ponorogo concluded as follows:

1. Practically, LAZ Ummat Sejahtera in its utilization of *zakât* funds to reduce poverty has a program called revolving capital program. This program gives *zakât* funds in the form of interest-free loans as capital that aims to elevate *mustahiq* be *muzakki*. In determining *mustahiq* which is included in the category of poor and eligible for *zakât*, LAZ Ummat Sejahtera Ponorogo uses its own method, i.e. by using a questionnaire of *mustahiq* verification, which seems able to give a more precise classification of poverty than what is specified by the BPS. The program is successful in increasing revenue and elevate *mustahiq* be *muzakki*, they are the ones who take advantage of the *zakât* funds properly. However LAZ Ummat Sejahtera seems hasn't been able to run this program optimally. This is caused by the lack of ability to control and guide the *mustahiq* in the *zakât* funds utilization. As a result many of *mustahiq* uses *zakât* funds they get for consumptive purposes. This difference in utilization which resulted in higher level of income inequality of *mustahiq*. Because of this problem, LAZ Ummat Sejahtera prefers to use most of the *zakât* funds in other forms of assistance.
2. Income poverty indicator shows that monthly income of *mustahiq* of *zakât* after the *zakât* distribution got increased. This is shown by the results of a calculation Poverty Gap Index ( $P_1$ ) which showed the score of -0.999468 (before distribution of *zakât*) and -0.999505 (after distribution of *zakât*). It also shows that the *mustahiq* are getting farther above the poverty line. In addition, the income inequality of *mustahiq* is increased after this distribution. This is shown by the results of a calculation Poverty Severity Index ( $P_2$ ) that showed an increase in the value of index of 0.998937 to 0.999011 with the increase of rate of 0.000074. While, the calculation through Paired Sample T Test shows that the increase correlation between their monthly income before and after the *zakât* distribution by LAZ Ummat Sejahtera Ponorogo is strong and significant. This shows that LAZ Ummat Sejahtera Ponorogo has a strong effect in *mustahiq's* monthly income. Thus,

zakât under the management of LAZ Ummat Sejahtera Ponorogo has its role in reducing poverty well done.

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