

The Effect Of Zakat Distribution Through Small-Medium Enterprises (Sme) Programs On Increasing The *Mustahik* Economy: A Study On “Swadaya Ummah” Amil Zakat Institution, Pekanbaru Office

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Abstract

This study aims to analyze the effect of zakat distribution through the small and medium enterprises (SMEs) program on the economic improvement of Mustahik. This research was conducted at Laz Swadaya Ummah Pekanbaru branch with a population of 60 respondents and a sample of 60 with the Slovinc formula. The primary data collected by using questionnaire which was measured by a Likert scale. The Structural Equation Model (SEM) is used to estimate our models, with the help of the WarpPLS application version 7.0. The results showed that the Distribution in the form of "Small and Medium Enterprises" Economic Program, this program is implemented in the form of Business Capital Assistance for 8 asnaf including: Poor, Poor, Amil, Muallaf, Slave, Gharim, Fi sabilillah and Ibnu Sabil. Where the priority for this Business Capital Assistance is the poor and poor. Where the needy and poor are considered to be more in need from an economic point of view that lacks sufficient to provide for their daily lives, so that with the assistance of "Small and Medium Enterprises" this can help increase income. Assistance provided with the condition that the poor and poor have a business that is being run, and preferably to buy the basic needs of the business that is being developed Mustahik, therefore Mustahik need to complete all requirements and will be surveyed directly by LAZ Swadaya Ummah Pekanbaru so that it can be assessed eligible or not to receive "Small and Medium Enterprises" assistance. This is all done so that the assistance of "Small and Medium Enterprises" is more targeted.. Based on the analysis, it is found that the distribution of zakat through the UKM program (X) has a significant positive effect on the improvement of the Mustahik economy (Y).

Keywords: Amil Zakat Institution, distribution of zakat, economic improvement of Mustahik,

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1. Introduction

Zakat is one of the Islamic approaches in poverty alleviation and the government's achievement of equitable distribution of welfare. Zakat can be a solution that can reduce the burden of life for the poor and become part of worship for those who can afford it, as a means of equitable distribution of people's prosperity and solving the problem of people's poverty.

Zakat has many advantages over existing conventional fiscal instruments. Therefore, to solve the problem of community empowerment for the distribution of zakat as the economic strength of

the community, the existence of zakat institutions as public institutions in the community becomes crucial.

The existence of the small business or micro business should be able to make a fairly good contribution to the problem of poverty and unemployment. Currently, the role of small business actors or micro-businesses still faces many problems in accessing capital. Zakar funds given to *Mustahik* as a supporter of increasing the utilization and empowerment of productive zakat are in the form of business capital. Thus, small and medium enterprises can develop to obtain income increases. This productive use of zakat is expected to increase the income of *Mustahik*. Thus, in the future, they will no longer be *Mustahik* but have become Muzakik. Currently, in practice, zakat distributed to the community is dominated by consumptive zakat. Thus, when the zakat is finished being distributed, the benefits received by *Mustahik* can only be used in a short period. The purpose of zakat is not only to unite the poor consumptively but has a different purpose which is more permanent, namely alleviating poverty (Amalia, 2009).

Micro, Small, and Medium Enterprises (MSMEs) are one of the leading driving forces in economic development. The movement of the MSME sector is vital to creating economic growth and employment. MSMEs are quite flexible and easily adapt to the ups and downs and directions of market demands. They are able to create jobs faster than other business sectors. To support the growth of micro-enterprises, the Amil Zakat Institution (*Lembaga Amil Zakat*, or LAZ) plays a very important role in bridging the need for working capital, namely with productive zakat that will be distributed. The phenomenon occurs where many micro-enterprises are forced to go out of business due to a lack of capital for business. Thus, with productive zakat, it is expected to be able to meet the working capital needs of the needy and poor (small entrepreneurs). Hence, the distribution pattern of productive zakat funds becomes interesting to discuss considering the sharia statement confirms that collected zakat funds are fully the property of the eight *asnaf Mustahik*. Thus, any treatment shown by the *Mustahik* group to the zakat funds, will not be a problem that is illegal in sharia law, such as consuming out of the collected zakat funds allotment which is their right. Therefore, zakat funds that are rolled out productively certainly cannot demand a certain rate of return, as are sources of funds other than zakat (Hafidhudin, 2000).

One of the obstacles that are often faced in the field in the distribution of zakat (business capital assistance) is often MSMEs that are helped through this program whose capital is used for other needs and which becomes an obstacle to the low awareness of the community to pay zakat (Hafidhudin, 1998). Public awareness of zakat plays an important role in increasing the welfare of *Mustahik*. To optimize the distribution of zakat, it is necessary to carry out further socialization to make people aware of paying zakat. Furthermore, *Mustahik* can be categorized as *muzzaki* and improve the welfare of the underprivileged. *Mustahik's* level of welfare can be seen from every survey report conducted by Swadaya Ummah Amil Zakat Institution. Thus, every development can be seen before receiving capital assistance and after receiving assistance.

From the explanation above, the researcher was interested in examining the extent to which the Swadaya Ummah Amil Zakat Institution plays a role in the distribution of improving the economy of the poor (*Mustahik*) in the form of a proposal entitled: The Effect of Zakat Distribution Through Small and Medium Enterprises (SME) Programs on *Mustahik* Economic Improvement: A Study on Swadaya Ummah Amil Zakat Institution, Pekanbaru Office.

2. Literature Review

In Arabic, zakat has at least four meanings: clean/holy, blessing, growing/developing, and far from problems. First, zakat means *at-tahur* (clean/holy). Thus, the property and soul of those who pay zakat for the sake of Allah SWT alone without wanting to worship and praise from humans will be cleaned and purified by Allah SWT.

Second, zakat also means *al-barakah* (blessing). This meaning confirms that the property of people who pay zakat will always be blessed by Allah SWT. It is the blessing of this property that will impact the blessing of life. This blessing is born because the property we use is pure and clean.

After all, our property has been cleaned from dirt by paying zakat. Zakat itself serves to cleanse and purify the property and soul (Maghfiroh,2007).

In terms of distribution, many things must be taken seriously. Some of them are as follows:

- a. *Mustahik* data collection and processing as well as its classification. For example, whether zakat will be distributed as productive zakat (for business improvement) or consumptive zakat (Hafiduddin, 1998).
- b. If zakat is productive, then the monitoring and coaching aspects for *Mustahik* need to be carried out on an ongoing basis.
- c. No less important is the aspect of the accountability report on the use and utilization of zakat which can and is easily read by *Muzakki*. This is useful for growing trust, as well as being a medium of friendship between zakat collector (*amil zakat*), *Muzakki*, and *Mustahik* (Hafiduddin, 1998).

Zakat can be given consumptively and can be given productively. The distribution of productive zakat refers to what happened in the time of the Prophet Muhammad which was stated in a hadith narrated by Imam Muslim from Salim bin Abdillah bin Umar from his father, that the Messenger of Allah had given him zakat and then ordered him to be developed or given back. In giving productive zakat, Amil Zakat Body (*Badan Amil Zakat*, or BAZ) and Amil Zakat Institution (*Lembaga Amil Zakat*, or LAZ) are required to provide guidance or assistance to *Mustahik*. Thus, their business activities can run well and *Mustahik* can improve the quality of their faith and Islamic values (Nawawi, 2010). The definition of business according to the Great Dictionary of the Indonesian Language is “an activity by directing the energy of the mind or body to achieve a purpose; work (action, effort) to achieve a purpose; learning the craft; work (to produce something)” (Poerwadarminta, 1987). Meanwhile, the word micro comes from the Greek language, namely “*mikros*” which means small. Thus, there are several definitions of micro-enterprises. Micro-enterprises, as referred to under the decision of the Minister of Finance No.40/KMK.06/2003 dated January 29, 2003, are productive businesses owned by families or individuals who are Indonesian citizens and have sales proceeds of at most IDR 100,000,000.00 per year (Amalia, 2009).

The roles and functions of micro-enterprises are, among others: 1. Employment absorption. Micro-enterprises have a role in absorbing labor or a group of people who are able to do work to produce goods and services to meet the needs of the community. 2. Equitable income. The number of micro-enterprises in Indonesia is very large. 3. Improving the standards of living. The existence of jobs in various sectors, including micro-enterprises, is expected to be able to absorb labor (Muhammad, 2009).

3. Research Method

This study is associative research. According to Siahaan et al (2018), associative research aims to investigate the relationship between 2 or more variables and is the highest level compared to descriptive and comparative research. Utilizing associative research, a theory can be built that serves to explain, predict, and control a symptom/phenomenon. Associative research includes causal research. Sugiyono (2014) stated that the Causal Associative method is a research problem formulation that is asking the relationship between two or more variables. Thus, there is an independent variable (X) affected and a dependent variable (Y) influenced.

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2013). The sampling technique employed in this study is Stratified Random Sampling, where samples were taken from members of the population randomly and proportionally stratified (Akdon & Riduwan, 2008). The sample size of the population determined in this study was carried out employing statistical calculations, namely by using the Solvin formula according to Husein (2010:146). The level of precision specified in the determination of the sample was 10%. Determination of the number of samples in this study was carried out by statistical calculations using the Solvin formula. The level of precision specified in the determination of the sample was

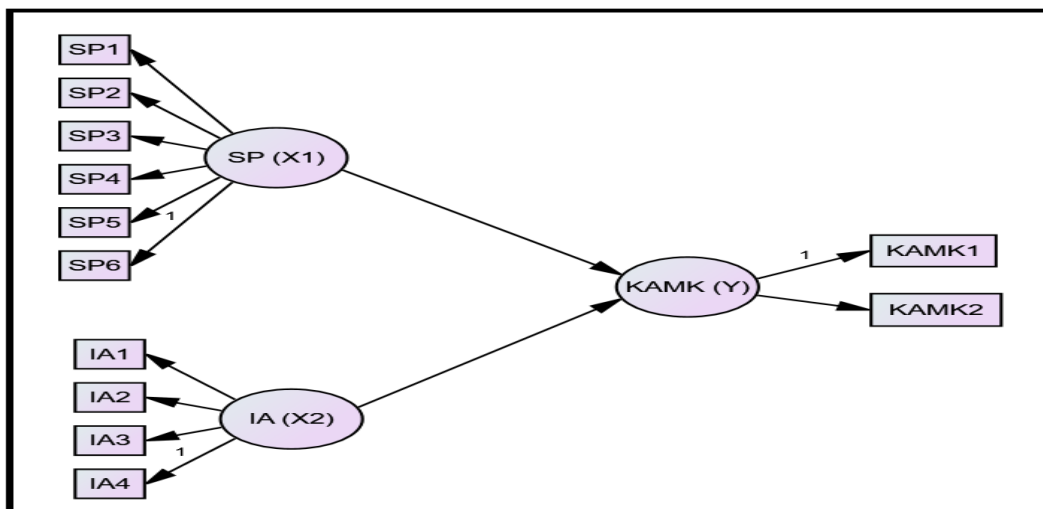
10%. Based on the Solvin formula above, the magnitude of the withdrawal of the number of studies was 60 respondents. Operational variables are a brief description of the research variables. This study involved independent and dependent variables. The independent variables used in this study were the distribution of zakat (X1) and small and medium enterprises (X1). Meanwhile, the dependent variable in this study was the economic improvement of *Mustahik* (Y).

The data used in this study were primary, namely, data obtained using field surveys in the form of questionnaires and must be reprocessed. The questionnaire method is a technique of collecting data through a form containing written questions to a person or group of people to get answers or responses as well as the required information. The scale used in this study is the Likert scale. The likert scale is used to measure attitudes, opinions, and perceptions of a person or group of people about a phenomenon.

Before collecting data, all questionnaires must be tested for validity and reliability tests. There are two validity tests, namely convergent validity, and discriminant validity. Convergent validity was tested through-loading factor parameters and Average Variance Extracted (AVE) values. Measurements can be categorized as having convergent validity if the loading factor value is more than 0.7 and the AVE value is more than 0.5. Discriminant validity is determined by looking at the cross-loading of each variable, the measurement can be categorized as having discriminant validity if it has a cross-loading value of more than 0.7. Reliability can be seen based on *Cronbach's alpha* value that must be more than 0.6 and *composite reliability* value that must be more than 0.7.

The composite reliability value shows a measure of the real reliability value from a variable, meanwhile Cronbach's alpha indicates the lowest reliability value of a variable.

This study used data analysis method using WarpPLS software version 7.0 which was run on computer media. PLS (Partial Least Square) is a structural equation analysis (SEM) based on variant that can simultaneously test the measurement model as well as test the structural model. The measurement model was used to test the validity and reliability, while the structural model was used to test causality (testing hypotheses with predictive models). Descriptive statistical analysis was used to discover the characteristics of the sample used and describe the variables in the study. Descriptive statistical analysis included the number, sample, minimum value, maximum value, average value (mean), and standard deviation of all variables. This data will be analyzed through statistical analysis, namely the partial least square - structural inquiry model (PLS-SEM) which aims to do path analysis with latent variables. This analysis is often referred to as the second generation of multivariate analysis (Kock, 2017). Structural equation analysis (SEM) based on variant which can simultaneously test the measurement model as well as test the structural model.



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In the method of PLS (Partial Least Square), the analysis techniques carried out were as follows:

- 1) Analysis of the Measurement Model (Measurement Model)

This analysis is carried out to ensure that the model used is feasible to be used as a measurement model (valid and reliable). The analysis of this model specifies the relationship between latent variables and its indicators.

2) Structural Model Analysis (Structural Model)

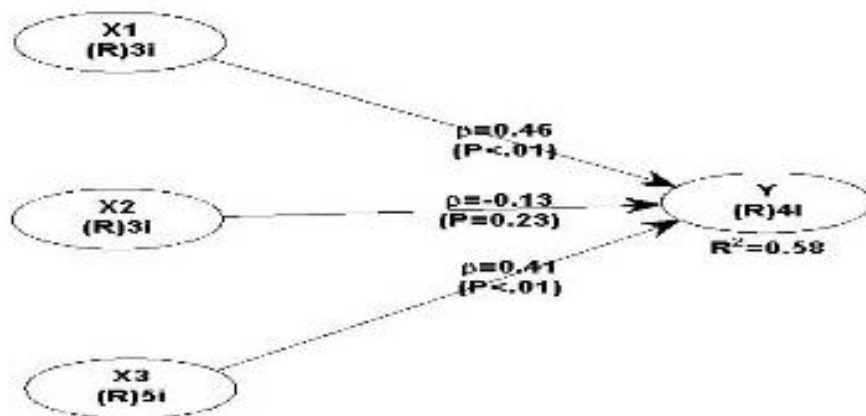
This analysis describes the relationship between latent variables based on a valid theory. This analysis can be evaluated using the R-square parameter, Stone-Geisser Q-square test for predictive tests and t-test and the significance of the coefficients of the structural path parameters.

3) Hypothesis Testing

In the hypothesis testing, it can be seen from the t-statistical value and probability value. To test the hypothesis by using statistical values, so then alpha 5% of the t-statistic value used is 1.96. So that the criteria for acceptance/rejection of the hypothesis are that H_a is accepted and H_0 is rejected when the t-statistic > 1.96 . To reject/accept the hypothesis using probability then H_a is accepted if the probability value is < 0.05 .

4. Finding and Discussion

The results of the estimation on the structural model from this study can be seen in Figure 1 below. The result of R-square parameter from the model estimation is 0.58, it indicates that the independent variables (Zakat Distribution (X1) and Small and Medium Enterprises (X2)) which are selected jointly and it is able to explain the dependent variable (The Improvement of Economic (Y)). Based on the R-square value, it can be concluded that the structural model is included in the category of a good model.



Sources : WarpPLS result (2021)

Figure 1. The result of structural model estimation

From the estimation results of the structural model as shown in Figure 1 above, it can be seen that the Zakat Distribution variable (X1) has a positive and significant effect on Mustahik Economic Improvement (Y), with a beta coefficient of 0.46. The value of this coefficient indicates that it has strong effect between the two variables. The probability value (p-values) on the effect of X1 on Y is < 0.01 , it indicates that the effect is significant at the alpha error rate of $< 1\%$, which also indicates that the effect is very statistically significant. Dealing with the probability value obtained, it can be concluded that the hypothesis H_0 is rejected. The implication is that the higher of the economic level of mustahik. Good distribution of zakat is needed in improving the economic of mustahik.

The value of the beta coefficient on the Auditor Independence variable (X2) is 0.13 which indicates that the effect of the X2 variable on Mustahik Economic Improvement (Y) is on a moderate scale. The probability values (p-values) of the effect of X2 on Y are 0.23, meaning that the effect is significant because < 0.05 . Thus, the independence of zakat distribution through small

and medium enterprises has an important role in improving the economic of mustahik. The increasing distribution of zakat through small and medium enterprises is expected to be able to improve the economic of mustahik.

The result of parameter estimation for the measurement model (outer model) can be seen in the summary of Table 2 below.

Table 2. Cross loading factor

X1	X2	X3	Y	Type	SE	P value
X1.1	0.836	-0.426	0.224	-0.354	Reflect0.122	<0.001
X1.2	0.807	0.092	-0.046	0.404	Reflect0.124	<0.001
X1.3	0.761	0.370	-0.197	-0.040	Reflect0.126	<0.001
X2.1	0.032	0.903	-0.388	0.138	Reflect0.118	<0.001
X2.2	0.065	0.877	0.481	-0.341	Reflect0.119	<0.001
X2.3	-0.089	0.973	-0.073	0.180	Reflect0.114	<0.001
X3.1	-0.522	0.833	0.747	0.252	Reflect0.127	<0.001
X3.2	-0.099	0.825	0.826	0.034	Reflect0.122	<0.001
X3.3	-0.185	0.421	0.846	0.495	Reflect0.121	<0.001
X3.4	0.104	-0.874	0.678	0.251	Reflect0.132	<0.001
X3.5	0.985	-1.883	0.566	-1.421	Reflect0.140	<0.001
Y1	0.604	-0.813	1.044	0.846	Reflect0.121	<0.001
Y2	0.189	-0.430	0.105	0.755	Reflect0.127	<0.001
Y3	-0.233	0.823	-0.719	0.787	Reflect0.125	<0.001
Y4	-0.596	0.462	-0.503	0.788	Reflect0.125	<0.001

Sources : WarpPLS result (2021)

From the Table 2 above, it can be seen the estimation results related to the validity and reliability of the model construction. First; the convergent validity of all indicators in forming the measurement model is valid because all loading factors are >0.7. Second; the discriminant validity value is valid. This can be seen from the loading factor value of each model forming indicator which is greater than the cross loading factor value between variables. Meanwhile, the test results refer to table 2 below.

Based on Table 2 data, it can be known that each of the variables Professional Skepticism (X1), Auditor Independence (X2) and Auditor Ability to Detect Fraud (Y) has a Cronbach's Alphas value > 0.7. Thus, these results can indicate that each variable has met the requirements of Cronbach's Alpha value, so it can be concluded that all variables have a high level of reliability. In addition, it can also be seen that the Composite Reliability value is > 0.6. These results can be concluded that each variable of Distribution of zakat (X1), Small and Medium Enterprises (X2) and Mustahik Economic Improvement (Y) has met Composite Reliability, it indicates that all indicators of research variables are declared as feasible or valid to be used as research.

Table 3. The Validity and Rreliability of all indicators

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
SP (X1)	0.722	0.844	0.644
IA (X2)	0.906	0.942	0.844
KAMK (Y)	0.788	0.873	0.632

Sources : WarpPLS result (2021)

From the results of the loading factor estimation for each indicator and also an assessment of the validity and reliability of the measurement model above, it can be concluded that all indicators in each latent variable are valid and reliable to use.

5. Conclusion

Based on the results of research and discussion that have been revealed previously, it can be concluded from research on the Effect of Zakat Distribution Through Small and Medium Enterprises (UKM) Programs on Mustahik Economic Improvement (Study on LAZ Swadaya Ummah Branch of Pekanbaru) as follows:

1. The Distribution of Zakat had an effect on Mustahik Economic Improvement (Study on LAZ Swadaya Ummah Pekanbaru Branch). This revealed that the higher the distribution of zakat, the better the mustahik economic improvement (Study at LAZ Swadaya Ummah Pekanbaru Branch).
2. The Small and Medium Enterprises (UKM) Program had an effect on the Mustahik Economic Improvement (Study on LAZ Swadaya Ummah Pekanbaru Branch). This showed that the more Small and Medium Enterprises (UKM) programs, the better of the Mustahik Economic Improvement (Study on LAZ Swadaya Ummah Pekanbaru Branch)

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