

The Impact of Zakat, Infaq, Shodaqoh (ZIS), Unemployment and Poverty on the Economic Growth in Indonesia (2011-2017)

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Abstract— Economic growth is one of the indicators to see how economic development in a country is. For example, when economic growth increases, we can say that economic development is going in the same way. This research aims to see the impact of Zakat, Infaq, and Shodaqoh (ZIS), unemployment, and poverty to Indonesia's economic growth. This paper used secondary data, and the data obtained from BPS and BAZNAS. We used Time Series's data in 2011-2017 with a little help from Eviews 9, and we also used multiple linear regression. The results show a ZIS significantly positive impact on economic growth. Unemployment has a negative and significant impact on economic growth, and poverty has positive. Also, we got a conclusion of a substantial effect on economic growth. A polemics of the government policies such as 'Bantuan Langsung Tunai' (BLT) can not reach on target. Its way made the poor people did not get their right to receive BLT but, ironically, the BLT itself was coming to the productive citizen.

Keywords— Zakat, infaq, shodaqoh, unemployment, poverty and economic growth.

I. INTRODUCTION

Economic growth is one of the components used as a benchmark to measure the success of economic development. Economic development is the government effort to increase people welfare, and it is managed well or not from that rill income per capita as a benchmark. Todaro in Anshori [1] said that economic growth is related to economic activity. It increasing the goods and services so it can be used to economic growth itself measures a country or region's economic progress.

Based on the theory, Todaro in Anshori [1] explains that a growth process defines economic growth from the beginning by separating the factors. It can determine for increasing the output per capita in the long term until the interaction between these factors, which eventually it could happen in the process of commercial growing. High economic growth country will increase to national income.

It can allocate for another financial interest, such as industrial infrastructure [2].

One of the economic development aims is increasing economic growth. The reason is, we see the condition when economic growth is high, it can improve the welfare of the people. The one important is understanding the economy's in a country through the country's Gross Domestic Product (GDP) [3].

There is a graphic that explains the rate of economic growth that can be seen from Indonesia's Gross Domestic Product in 2011-2017 based on constant 2010 prices by expenditure:

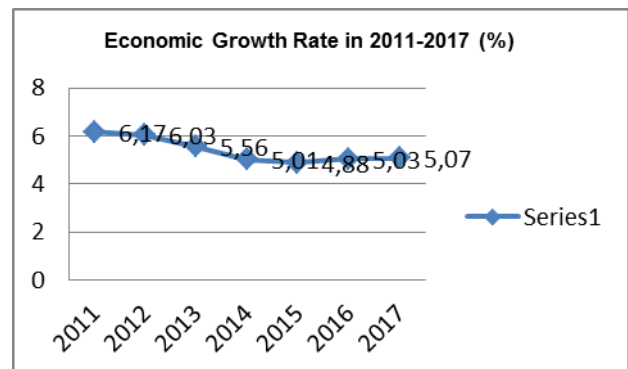


Figure 1. The Rate of Economic Growth in 2011-2017

Based on the picture, we see that the rate of economic growth tends to decrease in 2011-2017, although between 2016 and 2017 had a slight increase. Islamic Economics (IE) considers that economic growth is one of the essential components which impact s to economic development. Istianingsih in Zahro [2] explained that economic growth is one of the goals of IE. The priority itself aims to increase economic growth and for being an equal thing (growth with equity). Equity in the Islamic view is the critical thing because basically, economic growth does not describe the people's prosperity as a priority.

Islamic Economics said that one of the factors that impact economic growth; for example, there are *Zakat*, *Infaq*, and *Shodaqoh* (ZIS) funds [4]. Riyandono in Arianto [4] explain the payment of zakat is compulsory. It gives people capital to becoming productive. It can use by eight classes of *Ashnaf* to increase output, which automatically increases economic growth, absorption of labor. Also, it increases people's income.

We can see a graphic of the distribution of Indonesia's ZIS funds in 2011-2017:

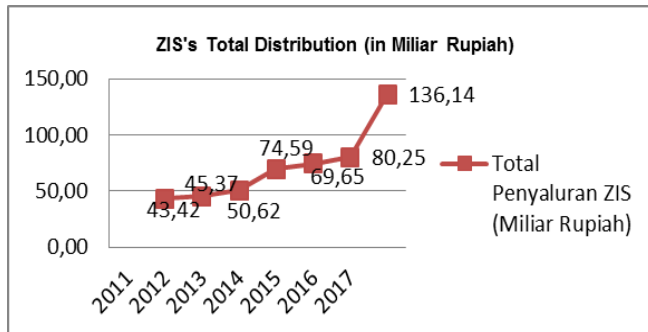


Figure 2. The Distribution of Indonesia's *Zakat*, *Infaq* and *Shodaqoh* (ZIS) Funds in 2011-2017

That picture shows that the distribution of *Zakat*, *Infaq*, and *Shodaqoh* (ZIS) funds is increasing every year. The above figure showed that incompatibility between the increase distribution of ZIS's funds meets the decline in the economic growth curve. Increase in ZIS's funds can push economic growth and give more income. Its because they can improve people's welfare so that could accelerate economic growth [2].

Sadeq in Zahro [2] says that economic growth influenced by investible resources, human resources, and technology. Human resources related to several things, such as the level of education. If the level of education is low, so it will increase the number of unemployment. If the demand of labor - in the new industry sector - is low, while the amount of employment coming from the village is increasing, so it will lead the unemployment for coming by the maximum number [5].

We can see a graphic of the open unemployment in 2011-2017 :

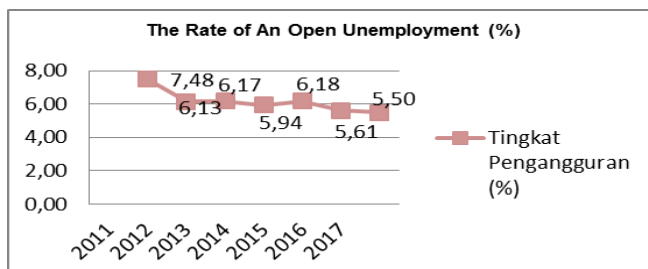


Figure 3. The Open Unemployment Rate of Indonesia in 2011-2017

The open unemployment rate of Indonesia in 2011-2017 is still fluctuating. Unemployment is the cause of declining of the people's welfare, which eventually can lead to

poverty. Highly rate of unemployment is a hard problem. It can cause several issues, such as economic problems. These conditions can decline the purchasing power of people that automatically reduce economic growth and eventually decrease the citizen's welfare [6].

Yudha in *Paramita* [7] explained that unemployment has a strong relationship with poverty, in a level of unemployment is still high. It makes people hardly fulfill their basic needs. That is how poverty came. Besides, poverty is always being the main problem of the developed country, for example, Indonesia, where several citizenships live by lack of things. That condition made some people unable to realize 'Rencana Pembangunan Jangka Menengah Nasional (RPJMN)' 2015-2019 are declining the poverty rates until 7.0% - 8.0% in 2019.

We can see a graphic percentage of citizenship who lives inside Indonesia's poverty in 2011-2017 :

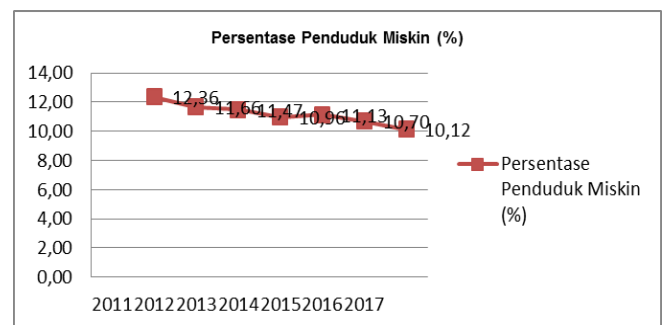


Figure 4. The Percentage of Poor Citizens of Indonesia in 2011-2017

The picture shows a decrease in the percentage of poor citizenship in Indonesia in 2011-2017 from 12,36% in 2011 to 10,12% in 2017. Kraay in *Paramita* [7] explains that poverty is the primary requirement in economic growth that means if poverty decrease, it will increase the economic growth. That graphic shows that poverty decreased in 2011-2017, unluckily, economic growth has declined in that year too.

The previous study by Sarea [8] explains that *Zakat* payment is one suitable method to measure economic growth. Also, *zakat* funds must be able to contribute to economic development concerning reducing poverty, unemployment, and inflation. A study by Makaringe and Khobai [9] got results that there is a negative relationship between unemployment and economic growth both in the short and long term.

For the above description of the problem is their an incompatibility between the theory of ZIS funds, unemployment, and poverty to economic growth, so the authors are interested in knowing the impact of ZIS funds, unemployment, and poverty on Indonesia's economic growth in 2011-2017. This research has several aims such as (1) To analyze the impact of ZIS funds on Indonesia's economic growth; (2) To examine the effect of unemployment on Indonesia's economic growth and; (3) To

Analyze the impact of poverty on Indonesia's economic growth.

II. METHOD

This paper used quantitative approachment and the variables consistency of both variables independent and dependent variable. The independent variable consists of *Zakat, Infaq, and Shodaqoh* (ZIS), unemployment, and poverty, while the dependent variable consists of economic growth in Indonesia from 2011-2017. This research uses secondary from *Badan Pusat Statistik* (BPS) and *Badan Amil Zakat Nasional* (BAZNAS), and also time-series data. This paper used a multiple linear regression method with *Eviews 9* program. The research model is:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Information:

- Y = Economic Growth (%)
- X1 = Distribution of ZIS (Rupiah)
- X2 = Unemployment (%)
- X3 = Poverty (Persentase Penduduk Miskin) (%)
- e = Error Term
- β_0 = Constanta
- $\beta_1 \beta_2 \beta_3$ = Coefficient

Inside this paper, we have used the coefficient test consists of R2 test, t-test (partially), and F-test (simultaneously). Classic assumption tests are multicollinearity, heteroscedasticity, and autocorrelation.

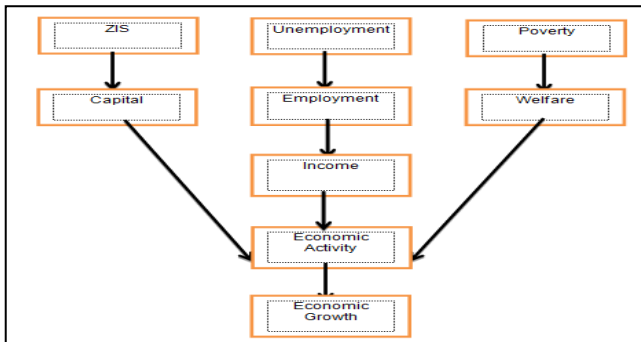


Figure 5. Framework of Research

III. RESULT AND DISCUSSION

Multiple Linear Regression in this paper has a goal to determine the impact of ZIS (X1), unemployment (X2), and poverty (X3) as an independent variable to the economic growth of Indonesia in 2011-2017 as the dependent variable and $\alpha = 0.1$. Multiple Linear Regression used because the independent variable consists of three variables. The regression equation can be written, such as:

$$Y = -22.29872 + 3.11000X_1 - 1.538878X_2 + 3.118498X_3 + e$$

A. The Impact of ZIS to Economic Growth in Indonesia

The result of the research showed that the variable of *Zakat, Infaq, and Shodaqoh* (ZIS) has a positive and significant impact on Indonesia's economic growth in 2011-2017. The regression results knew that coefficient of ZIS is 3,111, that means when ZIS increase by 1 rupiah, then economic growth will increase by 3,11%. In line with Sarea [8], which is states *Zakat* has a positive and significant impact on economic growth. The payment of *Zakat* for Muslim's can help for reducing the gap between rich and poor population. Besides, Anggraini [4] shows that ZIS has a significantly positive effect on economic growth. It's through distribution from BAZNAS both of direct distribution or grants through the UKM Sector ("*Usaha Kecil Menengah*") for the *mustahiq*.

ZIS is the fund that issued of Muslim's as a form of compulsory and worship to Allah SWT. Muslim pay ZIS, especially *Zakat*, to help the people so that they can meet the needs, especially basic needs. Muslim's pay the *Zakat* and *Zakat* through to 8 Ashnaf some people can receive *Zakat*. It is distributed to meet daily needs and is used as capital to do business which will sustain the everyday life of the *mustahiq* and in hopes of moves from *mustahiq* to muzakki. When *mustahiq* has the capital and lead a company, it can reduce unemployment, then people's income and public welfare will increase automatically. Public welfare will affect economic activity, such as buying and selling, so the gap between rich and poor decrease, and eventually it will boost economic growth.

B. The Impact of Unemployment to Economic Growth in Indonesia

Regression results in this research showed that the unemployment variable has a negative and significant impact on Indonesia's economic growth in 2011-2017, and it appropriate with the Okun's law. With using *Eviews 9*, it knows that the coefficient of unemployment is -1,538, which means when unemployment increases by 1% so economic growth will reduce 1,53%. In line with Makaringe and Khobai [9], which explains that in the long-term unemployment harms economic growth, it means when unemployment increase so economic growth will decreases. Furthermore, Novriansyah [10] states that the unemployment rate harms economic growth.

Unemployment is a multidimensional problem experienced by many countries in the world, especially in developing countries. Unemployment problem will be affected too many things, one of there is economic growth. If unemployment increases, so it will cause income decline. If the income decline affects the decreasing purchasing power and economic activity will be decreased. If the economic activity is a decline so that economic growth will decline. Unemployment can be attributed to an increase in the number of the population but not followed by increased employment and capabilities of Human Resources, as well as lack of capital to make limited employment.

C. *The Impact of Poverty to Economic Growth in Indonesia*

The result of the research showed that the poverty variable has a positive and significant impact on the economic growth of Indonesia in 2011-2017. The regression result states that the poverty variable has an α of 3,118 it means when poverty (in this case explained by the number of poor people) has increased by 1% so economic growth will increase by 3,11%. The results of the research are not following research by Zahro [2], which explained that poverty has a negative and significant impact on economic growth. It is the same with a study by Anshori [1] states that poverty has a significantly negative effect on economic growth.

Poverty is an important thing that can influence economic growth. Poverty attaches with developing countries such as Indonesia. If poverty in a country has increased, then it will reduce the welfare of the community. Therefore the government made some policies like 'Bantuan Langsung Tunai (BLT)'. Indonesia's government implemented BLT in 2008 with the target is 'Rumah Tangga Sasaran.' The government gives BLT as a follow-up from increasing oil price policy. It's hoping that people can fulfill the basic needs although an increase in the price of goods because of the rising oil price process. BLT target is poorest households, poor households, and near-poor households in Indonesia. Assistance given is Rp. 100.000 in one month for each "Rumah Tangga Sasaran BLT [11].

BLT is expected to be reduced poverty by way of society still fulfilled their basic needs, although BLT's prices increase. But in fact BLT insufficient, and can't reduce poverty because of some problems happened as an according to Dharmawan in Selviana [11] the change of the name of BLT starting from 'Program Kompensasi Pengurangan Subsidi (PKPS), Dana Kompensasi BBM (DKM) and Bantuan Langsung Tunai (BLT)' and it proof that the government is still weak in socializing the program. Besides, the wrong target as happened in Karema Village Mamuju District Mamuju Regency. The population which able to become BLT recipients but not get BLT because unlisted as the beneficiary. However, the people classify as rich people, which is has fix income instead of as a beneficiary of BLT [11]. Also, it will increase the gap between the rich and the poor.

Increase in poverty will reduce people's welfare. The government's policy, such as BLT aims to overcome poverty and improve the well-being of the people. BLT gives cash to the beneficiary for fulfilling their life needed. It is to balance the increase in BBM's price. However, BLT is still inaccurate on target. It has proved by poor people who qualified are not registered as BLT's beneficiary so they can not receive the BLT's Funds.

Meanwhile, people whose capable and have a permanent job can receive the BLT's Funds, so the gap between the rich and the poor more increasing. People who have capable of receiving BLT's Funds then their income increase and consumption will also increase, so there is an increase in

economic activity. When economic activity boosts, it will increase economic growth.

D. *R2 Test (Coefficient of Determination)*

R2 Test used to know the magnitude of the impact of the independent variable on the dependent variable, which is R2 value is approaching 1 (one) then we get a good regression model. The effect of the independent variable can be higher on the dependent variable [12]. Regression result show R2 is 0.913987 conclude that ZIS, unemployment and poverty impact to economic growth amount of 91.39%. The rest has influenced by the other variable that hasn't mentioned in the model.

E. *t-Test (Partial)*

The partial test is used to see the impact of each independent variables on the dependent variable. The result finds that t-table of 1.638 with df (degree of freedom) of 3 with $\alpha = 0.1$ and t-table of 1.638. ZIS variable has t-count of $2.767586 > t$ -table of 1.638. If t-count $> t$ -table which means H0 rejected dan Ha accepted, that means ZIS variable is significant. Unemployment variable with t-count of $2.554152 > 1.638$ so t-count $> t$ -table it means that H0 rejected dan Ha is accepted, and this means that unemployment is significant. Poverty variable has t-count of $3.421203 > 1.638$ so t-count $> t$ -table it states that H0 rejected dan Ha is accepted it means that poverty is significant.

F. *F Test (Simultaneously)*

F test used on a regression that has more than one independent variable and its aims to determine the impact of all independent variables together to dependent variables (Rohmana, 2013). The result shows that F-count of 10.62613 and F-table obtained from table statistic with df (degree of freedom) equal to 3 and $\alpha = 0.1$ so it can provide findings that Ftable is 5.39. From the above statement can be seen that $10.62613 > 5.39$ so Fhitung $> F$ table it showed that H0 rejected dan Ha accepted it means that all of the independent variables are an impact to the dependent variable. The conclusion that ZIS, unemployment, and poverty has to affect together to economic growth.

G. *Multicollinearity Test*

Multicollinearity means that there is a linear relationship between the independent variable in a regression model. If the coefficient between independent variable amount 0.8 – 1.0, it suspected that there is multicollinearity [15]. Based on the result of the regression, it showed us that the coefficient between unemployment and poverty variable that is equal to $.912795 > 0.8$, which means that it happened multicollinearity between them. It means that there is a linear relationship between unemployment and poverty in this research model. This multicollinearity occurs because there is a relationship between unemployment and poverty as describe Octaviani [13] (2001), the states in an increasing amount of unemployment will lead to increased poverty

rates. If unemployment rises, the income will decrease, and people can not fulfill their basic needs. It causes the welfare of people will fall. If it happens, it can be said one of the indicators of an increase in poverty.

H. Heteroscedasticity Test

Heteroskedasticity assume that there is a variety of disturbance factors which has not fulfilled. It should continuously be rising, and if it happens, the OLS estimator will be unbiased, and finally, OLS estimator is inefficient [12]. Glejser method shows that ZIS has a possibility of $0.4301 > 0.1$. It means ZIS is not significant, and then heteroscedasticity has not happened. Unemployment has a probability of $0.3467 > 0.1$. It means unemployment is not significant, so heteroskedasticity does not occur. Poverty has a probability of $0.3608 > 0.1$; it means poverty is not significant, then heteroskedasticity does not happen.

I. Autocorrelation Test

Autocorrelation is a condition that results in the existence of a relationship between residual on one observation with other observation [14]. Autocorrelation can test with several methods such as used Breusch-Godfrey method (Lagrange Multiplier). Based on the result of the regression, it findings if Chi-Square probability value is $0.0385 < 0.1$, it means autocorrelation happens. Rohmana [14] explains that autocorrelation often happens to time series research because the previous data will influence a character of present-day data. Moreover, some variables such as economic growth, unemployment, and production price index have data movement that seasonally occurs which is one of the causes of the autocorrelation. This research use time-series data, so it still reasonable for autocorrelation.

IV. CONCLUSION

ZIS has a positive impact on economic growth, which means when ZIS increase, economic growth will also increase. It shows that ZIS can encourage economic growth because with the increasing payment of ZIS that will make ZIS assists more people. ZIS's Funds can utilize for working capital. It can increase people's income then economic activity and economic growth will increase too. Besides, ZIS that given for capital can changes *mustahiq* into *muzakki*.

Unemployment negatively impacts on economic growth, and it shows that if unemployment decreases but economic growth will increase. The reason is when unemployment decreases; it means the people who belong to the workforce are already working and their income will increase.

Poverty has a positive impact on economic growth. This result is not following the theory and caused by several things such as the existence of the wrong target from policies by the government to reduce poverty, such as 'Bantuan Langsung Tunai' (BLT). BLT's Funds should give to the poor people who qualify as 'Rumah Tangga Sasaran BLT.' However, BLT's Funds is not on target. Many poor people who have not registered as beneficiary.

Meanwhile, people who qualify as productive people and have a permanent job are getting BLT's Funds. The gap between the rich and the poor increasingly farther. When income increases, economic activity will increase and automatically will push economic growth.

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