

CORRELATION OF ZAKAT DISTRIBUTION WITH GINI INDEX: MAXIMIZING THE POTENTIAL OF ZAKAT FOR EQUITABLE INCOME DISTRIBUTION IN INDONESIA

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Abstract

This study aims to determine the correlation of zakat distribution with the Gini index. The unequal distribution of income shown by the Gini index is an economic problem facing Indonesia today. Zakat as an instrument in the Islamic economic system can be a solution for equal distribution of income in Indonesia. The data analysis technique used is Pearson correlation analysis. The results of this analysis indicate that the distribution of zakat has a significant correlation with the Gini index.

Keywords: *Correlation, Zakat Distribution, Gini Index, Income Distribution*

Introduction

Over the last two decades, the world economy has focused on how to increase the economic growth of countries in the world. World economists are competing to learn about economic growth and what are the factors that influence the increase in economic growth. Economic growth is considered an indicator that can describe the economic performance of a country. Therefore, countries in the world implement economic systems aimed at increasing their economic growth, including Indonesia. Economic growth is measured by national income growth. National income is the value of all output in the form of goods and services produced by a country in a certain period. However, the drawback of economic growth as a measure of a country's economic performance is that economic growth only measures the final value of the output produced in the aggregate, not partially (Arsyad 2010). The distribution of returns (income) from the production output and distribution of assets and ownership of capital goods to all groups of society is not explained in economic growth. Arsyad (2010) also argues that the fact that often occurs is that the economic growth of countries in the world, including Indonesia, is not matched by equal distribution of income in society (Arsyad 2010). In addition, economic growth only measures the increase in national income without considering the factor of rapid population growth, so it cannot describe the condition of economic improvement and income distribution, especially among the poor. The ideal condition of economic development is that an increase in national income must be in line with an even distribution of income. If the national income has increased but the economic gap between the rich and the poor is widening, then the assets and assets will only rotate at a handful of rich people, so that the rich get richer and the poor get poorer.

The current income distribution gap is still an obstacle in the economic development of countries in the world, especially in developing countries, including Indonesia. The uneven distribution of income and widening economic disparities have caused macroeconomic instability. The indicator for measuring the income distribution gap is through the Lorenz curve, which is a curve that describes the proportion of income received by certain groups of people (Beik, 2016) (Beik I. S and Arsyanti 2016). The following is a picture of the Lorenz curve:

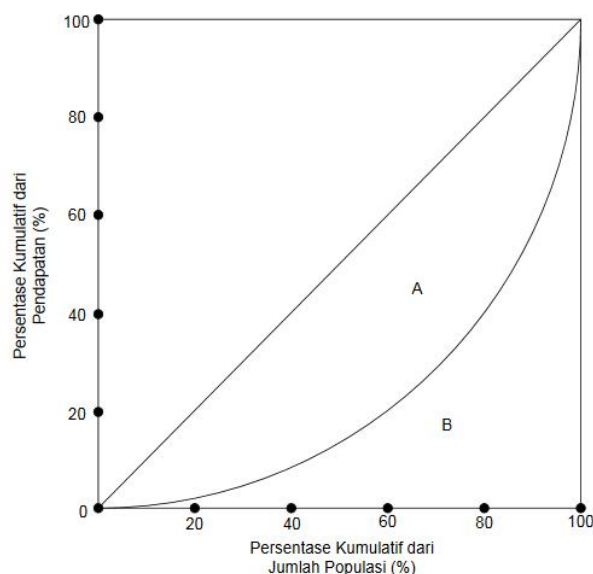


Figure 1. Lorenz Curve

The vertical axis in the image above shows the cumulative percentage of national income received by the community, while the horizontal axis shows the cumulative percentage of people who receive national income. The diagonal lines on the squares represent perfect equality of income distribution. The curved line in the square describes the degree of unequal distribution of income, this line is called the Lorenz curve. If the Lorenz curve gets closer to the diagonal line, the distribution of income will be more even and the gap will be smaller. Conversely, if the Lorenz curve is further away from the diagonal line and closer to the horizontal axis, then the income distribution will be more uneven and the gap will widen. Thus, the Lorenz curve shows a quantitative relationship between the percentage of the population and the percentage of income they receive (Arsyad 2010).

Another indicator to measure the degree of inequality of income distribution is to use the Gini index. The gini index is measured by comparing the area of area A in the Lorenz curve image above with the area of the right triangle on the bottom square. Gini index values range from 0 to 1. The closer to the number 0, the more evenly the income distribution is and the closer to the number 1, the more unequal the income distribution. According to Oshima in Rosyidi (Rosyidi 2012), countries with low inequality have a Gini index of 0 - 0.3, moderate inequality has a Gini index of 0.3 - 0.5, and high inequality has a Gini index of > 0.5. The latest data from the Central Statistics Agency (BPS) shows Indonesia's Gini index as of September 2018 is 0.384 and is included in the moderate inequality category. The following is data on the development of Indonesia's Gini index for the period 2015 - 2018:

Table 1. Indonesia's Gini Index for the Period 2015-2018

2015		2016		2017		2018	
Maret	September	Maret	September	Maret	September	Maret	September
0.408	0.402	0.397	0.394	0.393	0.391	0.389	0.384

Source: Central Bureau of Statistics (2018)

From the table above, it is known that Indonesia's Gini index tends to decline in the 2015-2018 period, but is still included in the moderate inequality category because it has a value of more than 0.3.

Then what is the Islamic view of the existence of economic inequality in society? Islam prohibits the concentration of wealth, income, and economic resources in the hands of only a few people (Chaudhry 2012). Islam encourages the distribution and circulation of wealth, income, and economic resources that are just and equitable in all levels of society. This is stated in Al Qur'an Surah Al Hasyr (59) verse 7 which means:

"Any booty (fai ') that Allah gave to His Messenger (from property) which comes from the inhabitants of the cities is for Allah, for the Prophet, his relatives, orphans, the poor and people. -people who are on the way, so that the treasure does not circulate among the rich only among you... .."

The above verse becomes the basis for prohibiting the concentration of wealth only in a handful of rich people, but wealth must be distributed fairly throughout society, including the poor. The meaning of fair here does not mean that everyone receives the same amount of income, but the distribution of income in accordance with their proportions is based on the contribution of each person to economic activity. Differences in terms of ownership of property are a necessity that cannot be avoided and Islam also recognizes that because of differences in terms of business and abilities of each person. However, Islam prohibits the hoarding and circulation of wealth only in a handful of rich people and prohibits overexploitation of the poor so as to create a widening economic gap. The realization of socio-economic justice for all societies is the goal of the Islamic economic system so that Islam strongly encourages a fair distribution of income for all people.

The Islamic economic system is an economic system which is based on the values and principles of Islamic law. The difference between the Islamic economic system and other conventional economic systems is the existence of zakat as an instrument of equal distribution of income. Zakat is the third pillar of Islam which is one of the important foundations in Islam (Mintarti 2009). Zakat comes from the word zakah, which means to grow, develop, and be holy. The meaning of these three words is that zakat helps cleanse the human soul from stinginess, selfishness, lust and greed for wealth, and is a way to grow and develop the blessings of wealth (Chaudhry 2012). The term zakat is an obligation attached to a certain amount of property that is required by Allah SWT to be submitted to the people who are entitled to receive it (Mintarti 2009). Another definition by Huda states that zakat is the transfer of certain

ownership (property) to people who are entitled to receive it with certain conditions, namely that the property has reached nishab and haul (Huda 2012). Meanwhile, Chaudhry argues that zakat is a kind of tax that is collected from the rich and distributed to the poor or spent by the state to realize the welfare of the poor and those who are hopeless (Chaudhry 2012). Zakat is part of worship which is often juxtaposed with the commandment of prayer. The command to give zakat is found in Al Qur'an Surah Al Baqarah verse 43 which means: "And establish prayers and pay zakat, and bow with those who do". From this verse, it is known that zakat has an equal position with prayer, even some scholars argue that whoever does not give zakat, then in essence he has left prayer (Mintarti 2009). Zakat is paid by people who are rich and capable (muzakki) and distributed to people who are entitled to receive (mustahik). There are 8 groups of mustahik who are entitled to receive zakat as stated in the Qur'an Surah At Taubah verse 60, the 8 groups are poor, poor, amil, converts, riqab (slave), gharimin, fisabilillah, and ibnu sabil.

Apart from being a philanthropic instrument, zakat can also be used as a fiscal instrument to build the country's economy. The utilization of zakat distributed to the poor in the form of productive zakat can be a solution for poverty alleviation and equitable distribution of income. The economic potential of zakat for improving people's welfare is very large, however, zakat management is currently not fully integrated. There is no integration between BAZ (government-owned zakat institutions) and LAZ (private-owned zakat institutions) to jointly manage the zakat funds collected, especially zakat management for productive purposes. Zakat management tends to be done individually by each institution. Indonesia is a country with the largest Muslim population in the world with a total of approximately 209 million people or 87% of the total population (The Pew Forum on Religion and Public Life, 2015). As a country with the largest Muslim population, the potential for collected funds is also large. Research by Firdaus reveals that Indonesia's zakat potential reaches IDR 217 trillion or equivalent to 3.4% of Indonesia's total GDP in 2010 (Firdaus et al. 2012). The following is data on national zakat collection 2010 to 2017:

Table 2. Total National Zakat Collection in 2010 - 2017

Tahun	Dana Zakat (Milyar Rupiah)
2010	1,125.00
2011	1,383.20
2012	1,548.40
2013	2,111.20
2014	2,475.00
2015	2,312.20
2016	3,738.21
2017	4,194.14

From the table above, it is known that the realization of zakat collection is still far from the potential amount that can be collected, but the amount of zakat collected tends to increase in 2010 to 2017. This shows an increase in awareness of the

muzakki group of people to pay zakat. If used for productive purposes, the zakat funds can be a means of even distribution of income. However, zakat that is currently collected tends to be mostly distributed for consumptive purposes.

Research on the potential of zakat as a means of even distribution of income has been conducted by several researchers. Beik examines the comparison of household income in DKI Jakarta Province with the distribution of zakat and without distribution of zakat (Beik 2013). The results of the study found that the poorest 40% of the community only enjoyed 18.1% of their income without the distribution of zakat, while the richest 20% of the population enjoyed 42.6% of their income. Then with the distribution of zakat, 40% of the poorest groups of people enjoy 20% of income, while 20% of the richest groups enjoy 40.5% of income. From these results it is known that zakat is able to increase the proportion of income received by the poorest groups of people and reduce the proportion of income received by the richest groups of people. Although the change in the proportion of income after the distribution of zakat is not too large, zakat is actually able to provide an even distribution of income and reduce economic inequality. Further research by Johari on the role of zakat in equal distribution of the income distribution of converts in Selangor, Malaysia (Johari, Ab Aziz, and Ali 2014). The results of the study found that the distribution of zakat can reduce the income gap as indicated by the Gini index number in Selangor which decreased from 0.58 to 0.53 after the distribution of zakat. Another study by Abdullah, et al in 2015 on the effectiveness of zakat to reduce poverty and inequality in Pakistan uses the Basic Needs Deficiency Index (BNDI) measure (Abdullah, Derus, and Al-Malkawi 2015). The results of the study found that expenditures for basic needs in poor household groups experienced an increase after the existence of zakat, which is indicated by the BNDI figure which has increased compared to before the existence of zakat. Thus, zakat is an effective means of reducing poverty and inequality in Pakistan.

Based on the description above, the authors are interested in examining the correlation between the distribution of zakat and the Gini index and how to maximize the potential of zakat for an even distribution of income in Indonesia. The purpose of this study is to analyze the correlation between the distribution of zakat and the Gini index and to describe the efforts to maximize the potential of zakat for an even distribution of income in Indonesia. The expected contribution is that this research can become one of the policy suggestions for related institutions, namely BAZNAS and other amil zakat institutions to make more use of the distribution of zakat for equalization purposes as well as an input for the government to further maximize the potential of zakat as a fiscal instrument in poverty alleviation and income distribution in Indonesia.

Research Methods

This research is an associative study with a quantitative approach. Associative research according to Siregar is research that aims to determine the relationship between two or more variables, while the quantitative approach is an approach that uses variables as research objects (Siregar 2013). These variables are defined in terms

of the operationalization of each variable.

Variable Identification

This research consists of two variables, namely the independent variable and the dependent variable.

- Independent Variable (X) : distribution of zakat
- Dependent Variable (Y) : Gini indeks

Data Types and Sources

The type of data used in this study is secondary data, which is data obtained through an intermediary for an institution or institution that has previously collected the data. The data used include zakat fund distribution data obtained from BAZNAS annual financial reports and Indonesian Gini index data obtained from the Central Statistics Agency. The research period was from 2011 to 2018. The reason for choosing this period was due to the availability of data at the institution that issued the data.

Data Analysis Technique

The data analysis model uses correlation analysis which aims to determine the strength and direction of the relationship between two variables and the magnitude of the influence caused by the independent variable on the dependent variable (Siregar 2013). Hypothesis testing uses Pearson correlation analysis to find the relationship between the independent variable (X) and the dependent variable (Y) with data in the form of intervals and ratios. The Pearson correlation coefficient values are: $r = -1 \leq 0 \leq 1$. The direction of the relationship is expressed in the form of positive (+) and negative (-), while the strength of the relationship is expressed by the correlation coefficient value of -1 to 1. Here is a table of correlation values and strengths. relationship:

Table 3. Correlation Value and Relationship Strength

No	Correlation Value	Relationship Strength
1	0.00 – 0.199	Very weak
2	0.20 – 0.399	Weak
3	0.40 – 0.599	Moderate
4	0.60 – 0.799	Strong
5	0.80 – 1	Very Strong

The steps for data analysis are as follows:

1. Formulate a hypothesis

$H_0: r = 0$

There is no significant correlation between the distribution of zakat and the Gini index.

H1: $r \neq 0$

There is a significant correlation between the distribution of zakat and the Gini index.

2. Determine the level of significance, namely $\alpha = 5\%$
3. Determine the test rule by comparing the significance value (sig (2-tailed)) with α of 5%.
 H0 is accepted if the sig (2-tailed) value is > 0.05
 H0 is rejected if the sig (2-tailed) value < 0.05
4. Perform hypothesis testing and calculate the correlation coefficient value with SPSS.
5. Make a decision to accept or reject H0.

Result and Discussions

Research Result

This study aims to determine the correlation (correlation) of zakat distribution with the Gini index. The variables to be studied consist of the independent variable (X), namely the distribution of zakat and the dependent variable (Y), namely the Gini index. The data processing technique used Pearson correlation analysis with SPSS tools. Following are the results of processing data using SPSS:

Table 4. Pearson Correlation Analysis

		Correlations				
		Kemiskinan (X1)	TPT (X2)	PDB perkapita (X3)	Zakat (X4)	Gini (Y)
Kemiskinan (X1)	Pearson Correlation	1	.899**	-.327	-.737*	.261
	Sig. (2-tailed)		.002	.429	.037	.532
	N	8	8	8	8	8
TPT (X2)	Pearson Correlation	.899**	1	-.283	-.774*	.438
	Sig. (2-tailed)	.002		.496	.024	.278
	N	8	8	8	8	8
PDB perkapita (X3)	Pearson Correlation	-.327	-.283	1	.582	-.597
	Sig. (2-tailed)	.429	.496		.130	.118
	N	8	8	8	8	8
Zakat (X4)	Pearson Correlation	-.737*	-.774*	.582	1	-.786*
	Sig. (2-tailed)	.037	.024	.130		.021
	N	8	8	8	8	8
Gini (Y)	Pearson Correlation	.261	.438	-.597	-.786*	1
	Sig. (2-tailed)	.532	.278	.118	.021	
	N	8	8	8	8	8

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Above, it has been stated earlier that this study consists of two variables, namely the distribution of zakat and the Gini index. In the table above, it is known that there are 4 independent variables, namely: poverty, open unemployment (TPT), GDP per capita, and zakat. Researchers deliberately added 3 other variables in data processing to avoid omitted biased variables, namely models that ignore other variables that are more relevant to the dependent variable so that less valid results are obtained. The selection of the three variables as additional variables here is based on the factors that most influence the Gini index or the unequal distribution of income because there are many factors that can affect the unequal distribution of income apart from the distribution of zakat. Therefore, the researcher chose the variables of poverty, open unemployment rate, and GDP per capita because in theory these three factors most influence the Gini index. However, what will be analyzed in this discussion is only the correlation of zakat to the Gini index because it is the subject of this research.

From the table above, it is known that the correlation coefficient (Pearson Correlation) of the zakat variable with a Gini index is -0.786. This shows that the distribution of zakat has a strong correlation with the Gini index and the direction of the relationship is negative or inversely proportional. If the distribution of zakat increases, the Gini index will decrease. Vice versa, if the distribution of zakat has decreased, the Gini index will increase. The significance value (sig 2-tailed) of the zakat variable with the Gini index in the table above is 0.021. Based on the predetermined test rules, if the 2-tailed sig value < 0.05 then H_0 is rejected and H_1 is accepted. Thus, the results of hypothesis testing accept H_1 , namely that there is a significant correlation between the distribution of zakat and the Gini index because the significance value (sig 2-tailed) of 0.021 is less than $\alpha 0.05$.

Analysis and Discussion

From the results of the Pearson correlation analysis test, it is concluded that the distribution of zakat has a significant correlation with the Gini index. The correlation coefficient value of -0.786 indicates that the correlation between the distribution of zakat and the Gini index is strong and has an inversely proportional direction, that is, if the distribution of zakat has increased, then the Gini index has decreased and vice versa. Thus, the conclusion obtained from the results of the correlation analysis is that zakat can be a solution for equal distribution of income in society, especially for the poor. Then how can efforts be made to maximize the potential of zakat as an instrument of even distribution of income?

In Law No. 38/1999, it is stated that the utilization of zakat is to fulfill the needs of the mustahik which consists of 8 groups (asnaf), namely poor, poor, converts, amil, riqab, gharim, fisabilillah, and ibnu sabil. The form of zakat utilization can be in the form of consumptive activities and productive activities. Consumptive use is the provision of assistance to solve urgent problems and is disposable or runs out immediately after the aid is used (Mintarti 2009). Meanwhile, the utilization of zakat for productive activities is more long-term in nature, aiming to lift the mustahik economy from the beginning as zakat recipients to zakat payers (muzakki) at a later

date. The utilization of zakat for productive purposes has not yet been maximized. In fact, if it is studied further, zakat can be an instrument for poverty alleviation and equal distribution of income.

There are several obstacles why productive zakat management in Indonesia has not been maximally managed, including the absence of an integrated zakat management system between zakat management institutions, both from government-owned zakat institutions (BAZNAS and BAZDA) and private zakat institutions (LAZ). Each - each institution tends to manage the zakat they collect individually. The second obstacle is the awareness of the community, especially the rich and able to pay zakat, which has not been maximized, which ultimately results in the amount of zakat collected that is still much lower than the potential amount of zakat that can be collected. Data from BAZNAS reveals that the total national zakat collection in 2017 reached approximately IDR 4.2 trillion, while the potential zakat that can be collected based on a study conducted by Firdaus is IDR 217 trillion (Firdaus et al. 2012). Because the realization of the amount of zakat collection is lower than the potential amount that can be achieved, the utilization of zakat is prioritized for consumptive purposes to meet the basic needs of mustahik. The utilization of productive zakat has not received priority due to the limited amount of zakat collected. If zakat is distributed in the form of productive activities, then this zakat is an advantage of zakat distribution in the form of consumptive use. The third obstacle is the lack of political will from the government to use zakat as a fiscal instrument to alleviate poverty. Currently, zakat is only seen as a philanthropic instrument and not seen as a fiscal instrument to develop the country.

The utilization of zakat for productive purposes is the provision of business capital assistance to mustahik as well as guidance and assistance in the process of starting a business. It is hoped that this productive utilization of zakat can become a source of permanent livelihood for mustahik and lift the mustahik economy from being a zakat recipient to becoming muzakki or zakat payer. The distribution of zakat in this productive form has a long-term impact on mustahik's survival. Although the provision of capital assistance originating from zakat has been stopped, while the business run by mustahik is still running, the impact of the zakat can still be felt by mustahik.

Arsyad suggests that an important aspect of income distribution is an effort to equalize the distribution of assets, both physical and non-physical assets (Arsyad 2010). Physical assets are in the form of assets and capital goods, while non-physical assets are in the form of human skills and expertise. The relation between zakat and income distribution is that zakat can be used for equal distribution of physical assets and non-physical assets. Equitable distribution of physical assets in the form of equal access to ownership of assets and capital goods. This effort is achieved through the utilization of productive zakat as described above. Through productive zakat, mustahik have the opportunity to become entrepreneurs and earn income from this business. It is hoped that the income from this business can be used as a means for the survival of mustahik through ownership of assets and capital goods. Equitable distribution of non-physical assets in the form of equal distribution of opportunities

to access education to improve skills and expertise. This effort is achieved through the utilization of zakat for educational purposes. The utilization of zakat in the field of education includes providing educational assistance and scholarships for underprivileged students / students, training teachers and school management, establishing schools, and providing entrepreneurial skills. Through equal opportunities for access to education, it is hoped that children from poor and underprivileged families can continue their education and acquire more adequate skills. With a better level of education and skills, children from families classified as mustahik have the opportunity to get better jobs and become independent entrepreneurs, which in turn can lift their family's economy. Thus, the utilization of zakat for education can be a way to break the cycle of poverty in the family and a means of equitable distribution of non-physical assets in the form of skills and expertise.

Conclusion

From the results of the discussion above, the conclusions of this study are:

1. From the results of the Pearson correlation analysis, it is concluded that there is a significant correlation between the distribution of zakat and the Gini index. The correlation between the two variables is strong and inversely proportional as indicated by the correlation coefficient $r = - 0.786$. Thus, the distribution of zakat is a solution for equal distribution of income and reduction of economic disparities between community groups.
2. Efforts to maximize the potential of zakat for an even distribution of income are through the distribution of zakat for productive purposes and for educational purposes.

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