



The Role of Zakat in Alleviating Multidimensional Poverty

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Abstract

The potential of zakat is too huge to be ignored by the world. Recently, the notion to integrate zakat on the Sustainable Development Goals has grown rapidly. Nevertheless, the impact of zakat in Indonesia has not been pronounced and could doubt the adoption of zakat as a global tool. This paper aims to investigate the impact of zakat on monetary and multidimensional poverty by using the National Zakat Index developed by BAZNAS. Two components of the index that cover the environmental and impact of zakat are employed to sharpen the analysis. The main method used is multiple linear regression with control variables to identify the impact of zakat on multidimensional and monetary poverty. The analysis is also conducted to evaluate the performance and development of zakat in Indonesia. The result informed that the environment for zakat to grow in Indonesia still needs to be improved, particularly in Java. Meanwhile, the micro NZI that represents the performance of institution and impact of zakat on mustahik is the only variable that is significant to multidimensional poverty. Thus, it is recommended for the government to adopt a mandatory system of Zakat in the country as it can hasten the alleviation of poverty and achieving SDGs by 2030.

Keywords: Monetary Poverty, Multidimensional Poverty, National Zakat Index.

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I. Introduction

1.1. Background

The concern about zakat as an effective tool to alleviate poverty has grown globally. The United Nations of Development Programme (UNDP) has tried to integrate Zakat into Sustainable Development Goals (SDGs) (Noor & Pickup, 2017) as a way to achieve the goals. The yearly global zakat potential is relatively high, reaching \$550 to \$600 billion (Widadio, 2021). Another study even reveals that the potency of zakat is sufficient to fulfil the shortfall needed to alleviate poverty (World Bank & Islamic Development Bank Group, 2016). Even during the covid-19 crisis, the zakat donation increased by 12.5 percent (UNHCR, 2021). This great potential is hard to be ignored in an effort to alleviate poverty and achieved SDG goals.

Zakat is an Islamic financial tool that is designed to empower the poor. The idea is to allocate the wealth from the rich to the poor as instructed in Al-Qur'an surah Al-Hashr verse 7 and strengthened by many verses in Al-Qur'an. It is mandatory for all Muslims who have the required wealth to pay Zakat. The distribution of zakat is also systematic and limited to only eight recipients, prioritising the poor and the needy (Sabiq, 2013). Therefore, if zakat had been well implemented, the poor would be reduced drastically as occurred in the two periods in Islamic State (the period of Hazrat Umar Bin Khattab (R.A) in 634-644 and during the era of Umar bin Abdul Aziz in 717-720) (Arif, 2017).

Nevertheless, the impact of Zakat is not adequately pronounced even in Indonesia, the most Muslim country in the world. A study on the effect of Zakat in Aceh showed that even though 60 percent of Zakat's recipients are the poor and the needy, it did not reduce poverty significantly. (Pratama & Rahadiana, 2020). Other recent studies about Zakat reinforced the notion since they revealed the insignificance of Zakat in reducing poverty (R. R. Aziz, 2018; Nurjanah et al., 2019; Tawakkal & Sapha, 2018). Poor distribution and mismanagement of zakat may not be the main reasons for this low impact since several studies revealed that BAZNAS had performed well on management of Zakat (Lubis et al., 2018; Nurhayati et al., 2018; Syamsul Bahri et al., 2017).

The definition of poverty, which employs an economic lens, could contribute to the reason for Zakat's lacklustre effect. The poor may utilise the Zakat fund to meet their non-economic needs. For example, because the recipients are susceptible to health issues, they use the money to purchase vitamins or medications. It can assist them in keeping their health so they can work every day. In this sense, their wages could be increased due to their ability to work more than before. Hence, the impact of Zakat was not pronounced if poverty was measured from an economic perspective.

1.2. Objective

Most studies about zakat and poverty nexus used the income approach to define the poor even though poverty is multidimensional. From the economic lens, the concept embodied in Zakat theoretically could eliminate poverty if the distribution and management are perfect. Nevertheless, if poverty is viewed as a multidimensional issue, the effectiveness of Zakat mechanism could be doubted. Therefore, this research focused on the efficacy of Zakat on multidimensional poverty. We aim to address two primary inquiries: how Zakat performs and develops across Indonesia and what aspects of Zakat development affect both monetary and multidimensional poverty. While the first question gives insight into how Zakat could relate to poverty, the second question would reveal whether Zakat is valuable regardless of how poverty is perceived.

As most research on Zakat focuses on alleviating monetary poverty, this research gives a new insight into the impact of Zakat. It could contribute to the limited knowledge of whether the impact of Zakat is multidimensional. In a larger stage, the result of this research could clarify the suitability of Zakat as a global tool to eradicate poverty and achieve SDGs, considering that multidimensional poverty is addressed in the first goal of SDGs. That would be the novelty that could be brought into this study.

II. Literature Review

2.1. Background Theory

Theoretically, Zakat could be regarded as the best tools to alleviate poverty. The mechanism which obliged the rich who has reached the nisab (the minimum amount of Muslim's wealth that is obliged to pay Zakat) to allocate around 2.5 percent of their wealth to the poor is a good way to alleviate the poor and improve the equality. Interestingly, the form of wealth must not come only from savings or gold, but also from business, shares, livestock and crops (Sabiq, 2013). As the current poverty emphasises more on the economic aspect, the increase on the income should be able to lift the poor above the poverty line. Therefore, the poverty in Indonesia should be approximately 8.47 percent in March 2019 as simulated by Pratama & Yuni (2020) and should be none if the amount of Zakat reached the estimation conducted by Firdaus et al. (2012).

It is difficult to deny that poverty is multidimensional as even the poor themselves admitted that their deprivation is beyond the economic aspect (Santos, 2019). The participatory survey conducted by UNDG in 88 countries to listen to the voices of the poor revealed that education and health are the

most constraint that they faced and want the government to make it as a priority (UNDG, 2013). The multidimensional poverty is introduced to move the perspective of poverty beyond the income approach. Poverty should address broader dimensions, so the poor is not only about the lack of basic need, but also lack of health, education, basic services, safety, and inadequate living standards. This growing definition led to the new approach to measure the poverty to capture the comprehensive depiction of the impoverished. As the poverty definition and measurement evolved, could Zakat still be an efficient tool to reduce it?

Zakat was proven as an effective financing tool to address the poverty during the Islamic era especially the reign of Prophet Muhammad, the caliph of Abu Bakar and the second caliph of Umar ibn Khattab. Zakat was implemented very well so it is capable to empower the community and enable the poor to participate the economic activities. In Umar ibn Abdul Aziz era, Zakat was used for the infrastructure because there is no poor anymore and all people have the basic facilities (Arif, 2017; Y. Aziz et al., 2020). This fact underlines the success of Zakat in eliminating the poverty in multidimensional form because the fact that the citizens have the basic facilities prove that the poverty issue is not only economic.

The actual power of Zakat is the mechanism which is effective in distributing the wealth. Zakat ensure that the richest will have to give some of their money to the poorest. So, it emphasises the aspect of sustainability on the available resources. This mechanism is in line with the concept of sustainable development which has the mission to progress without disturbing the capability of the future generation to fulfil their own needs. The sustainable development also pays much attention to the sustainability of the resources and needs the very effective and efficient procedure to distribute wealth (Olanipekun et al., 2015). Therefore, zakat is one of the effective tools to achieve SDGs and eliminate the multidimensional poverty. The sustainable income that is affected by the great wealth circulation provided by zakat could make the people invulnerable to the poverty in all its form.

2.2. Previous Studies

Zakat has been found to be effective in reducing the multidimensional poverty. Y. Aziz et al. (2020) investigated the role of Zakat in alleviating the multidimensional poverty and achieving other SDGs goals in Pakistan. As the Zakat is used to fund education, health and poverty, the impact of Zakat is examined on the outcome. The results show that Zakat not only reduce the multidimensional poverty, but also contribute to the three SDGs. Another study from Kasri (2014) also revealed that Zakat can improve the multidimensional wellbeing of the people which cover the health, education,

spiritual, economic and social. Both studies using the regression model. Therefore, the findings that the multidimensional poverty is successfully reduced by Zakat is sufficiently strong.

In relation to the SDGs, Zakat is also proven to be an effective tool to stimulate the human development and could play a vital role to achieve SDGs. The research conducted in Malaysia to examine the effect of zakat fund into the human development programs revealed that Zakat has positive and significant impact on them both in short run and long run. Zakat is eligible to be the fiscal tool to stimulate the human development and economic growth (Suprayitno Eko et al., 2017). Other studies in some countries that adopted Islamic finance to assess the role of Zakat on SDGs also provided the similar results especially in Pakistan. The combine work of governmental and non-governmental organisations is the reason behind the promising results (Yusuf & Raimi, 2021).

Despite the impact of zakat in addressing the SDGs, Zakat could potentially fails to eradicate multidimensional poverty. Hasan (2019) studies the impact of zakat and found that there is only small but significant impact of Last Year Zakah (LYZ) on the poverty. The result indicated that the coverage of zakah may be only on the income-poor, not multidimensional poor. Further, a study conducted by Saniff et al. (2019) found that zakat may not be feasible to incorporate on the SDGs framework because the incorporation should include the redefinition of all concepts in the analysis. The study then suggested that Zakat and SDGs should remain independent. However, the downplayed of Islamic feature on the policy conducted in Nigeria resulted in a failure to achieve the Millennium Development Goals (Adebayo 2020). The impact of zakat in some areas in Nigeria was proven to be effective. Therefore, the study concluded that zakat can only be the veritable tool only if properly harnessed. Therefore, the weakness and failure of zakat may lie on the poor implementation and management of the zakat.

III. Methodology

3.1. Data

The most challenging aspect of research on zakat is the availability of data in the regency or province level, though available and accessible at the national level. Therefore, this research combines the data from various reliable resources from the same year and all the provinces in Indonesia. The key publication to obtain data about zakat is the National Zakat Index (NZI) (2018) as well as the National Zakat Statistics by BAZNAS (2019). As NZI is an indicator to assess the performance and development of zakat, the higher the index reflects the better the performance and development of Zakat (BAZNAS

Center of Strategic Studies, 2016). Thus, NZI is used as a measure to show the impact of zakat on poverty.

Nevertheless, we employed the component of NZI to broaden the analysis. NZI comprises two main dimensions (micro and macro) that provide the information to evaluate zakat performance and development in terms of institution, government support, community participation, and impact on the recipients (BAZNAS Center of Strategic Studies, 2016). While the macro dimension captures the contribution of the government and society on zakat development, the micro dimension pays more attention to the performance of zakat institutions and the impact on the mustahik. Using these two dimensions will enable the analysis of not only the impact of Zakat but also the environment that could affect poverty eradication.

The data about poverty used are multidimensional poverty and official poverty. Aidha et al., (2020) could be the first group of researchers that construct the Indonesia Multidimensional Poverty Index (MPI). They initiated the calculation of the MPI from 2015 to 2018 until the regency level. Thus, we use the data to describe multidimensional poverty. For the poverty-based income, we certainly used the official data from Statistics Indonesia (2018).

Considering the condition of the data availability, we decided to use the cross-sectional data covering all provinces in Indonesia in 2018. Dimensions of NZI are employed to represent the Zakat condition in Indonesia. Meanwhile, we use MPI constructed by Aidha et al. (2020) to cover the multidimensional aspect of poverty and official poverty produced by BPS-Statistics Indonesia to describe monetary poverty. In addition, the data, which is Human Development Index (HDI), Unemployment Rate, and Economic Growth, is also used as the control variable in constructing the model. All those data are obtained from BPS-Statistics of Indonesia (2020).

3.2. Model Development

Previous research suggested that zakat has an impact on reducing poverty both on poverty-based income and multidimensional poverty. The study in Pakistan revealed that Zakat is effective enough in eradicating multidimensional poverty (Y. Aziz et al., 2020). So does the poverty-based income; many studies found that Zakat has a significant impact on reducing poverty (Ayuniyyah et al., 2018; Herianingrum et al., 2020; Rini et al., 2020). Therefore, we hypothesised that Zakat has a negative and significant impact on both income and multidimensional poverty. To test the hypothesis, we develop two models as follows:

$$\ln Y_{1i} = \alpha + \ln \beta_1 X_{1i} + \ln \beta_2 X_{2i} + \gamma_1 Z_{1i} + \gamma_2 Z_{2i} + \gamma_3 Z_{3i} + \varepsilon_i \dots (1)$$

$$\ln Y_{2i} = \alpha + \ln \beta_1 X_{1i} + \ln \beta_2 X_{2i} + \gamma_1 Z_{1i} + \gamma_2 Z_{2i} + \gamma_3 Z_{3i} + \varepsilon_i \dots (2)$$

Notes

Y_{1i}	: Monetary Poverty in province i	α	: Constant
Y_{2i}	: Multidimensional Poverty in province i	ε_i	: Error term
X_{1i}	: Macro Component of NZI in province i	β_1	: Regression Coefficient of X_{1i}
X_{2i}	: Micro Component of NZI in province i	β_2	: Regression Coefficient of X_{2i}
Z_{1i}	: HDI in province i	γ_1	: Regression Coefficient of Z_{1i}
Z_{2i}	: Unemployment Rate in province i	γ_2	: Regression Coefficient of Z_{2i}
Z_{3i}	: Economic Growth in province i	γ_3	: Regression Coefficient of Z_{3i}

Model (1) and (2) are constructed by referring to how Rini et al. (2020) developed the model to investigate the impact on Zakat. The study built two models to examine the impact of the collection of Zakat on the zakat distribution and the impact of the distribution on poverty reduction. As for the model specification, we use the study from Pratama & Rahadiana (2020) as a reference since they used natural logarithm transformation in their model. The natural logarithm transformation is necessary to preserve the linear model when there is a non-linear relationship (Benoit, 2011). That kind of relationship is possible since the data is from different sources.

Furthermore, the use of control variables is useful to enhance the internal validity of the model. They function to limit the influence of confounding and other extraneous variables so the causal relationship between the dependent and independent variables of interest can be established. Then, the result for the independent variable can be more accurate.

3.3. Method

The main method of this paper is multiple linear regression with Ordinary Least Squares (OLS) as an estimation method. The method enables us to find out the influence of the independent variable on the dependent variable more accurately. Since the linear relationship was maintained due to the use of logarithm natural, OLS can provide Best Linear Unbiased Estimator (BLUE) if all the necessary assumption is fulfilled (Dougherty, 2016). Hence, this method could give the best result to represent the impact of zakat on poverty.

Accordingly, the following assumptions need to be fulfilled. First, the error term in the model must be normally distributed. It also needs to be constant across all values of the independent variable (homoscedasticity). Then, the observation value is independence, and the last is no collinearity across independent variables (Dougherty, 2016). The normality could be figured out by conducting the Shapiro-Wilk test, while the homoscedasticity could be identified by using the Breusch Pagan test for heteroscedasticity. If the null hypothesis from both tests cannot be rejected, all assumptions are fulfilled. In

addition, non-multicollinearity is examined by calculating the Variance Inflation Factor (VIF), where no collinearity exists if the value is below five.

Another method used in this study is a digital map with natural breaks classification. This method supports the descriptive analysis to respond to the first research questions. Provinces in Indonesia are divided into three levels (low, medium, and high) by their level of poverty and zakat performance. The classification method uses Jenks' natural breaks, which seek to minimise each class's average deviation from the class mean while maximising each class's deviation from the means of the other classes (Jiang, 2012). In other words, the method seeks to reduce the variance within classes and maximise the variance between classes.

IV. Results and Analysis

4.1. Results

According to the calculation of NZI conducted by BAZNAS, the average index of all provinces in Indonesia shows that the performance and development of Zakat in Indonesia are quite good (BAZNAS Center of Strategic Studies, 2016). The score is 0.55, which is still in the middle and needs more effort to reach the stage where the zakat impact is excellent. However, the micro dimension of NZI is better as the score is 0.67, categorised as good. So, the factor that may inhibit the impact of Zakat lies in the macro aspect, which covers the institutional support from the regulation, State budget, and the database in the zakat institutions. Considering Indonesia is the biggest Muslim country in the world, the government should pay more attention to this by improving the regulation that supports the implementation of Zakat and increasing the budget to support the operation of zakat institutions.



Figure 1. Distribution of The Macro Component of NZI in 2018

Source: BAZNAS (2019)

In terms of distribution, the provinces with a lot of Muslims tend to have a less supportive environment for Zakat. Java Island, which is the largest Muslim population in Indonesia, was dominated by the colour red. It indicates that the regulation and the State budget were less supportive. In addition, the macro NZI also noted that the database at the zakat institution was not good. It can lead to the ineffective distribution of Zakat. It is not very reassuring since provinces on the Island have great potential for Zakat. In contrast, only four provinces have a supportive environment for Zakat. Although they are not a lot, they could be a model to optimise the zakat potential.

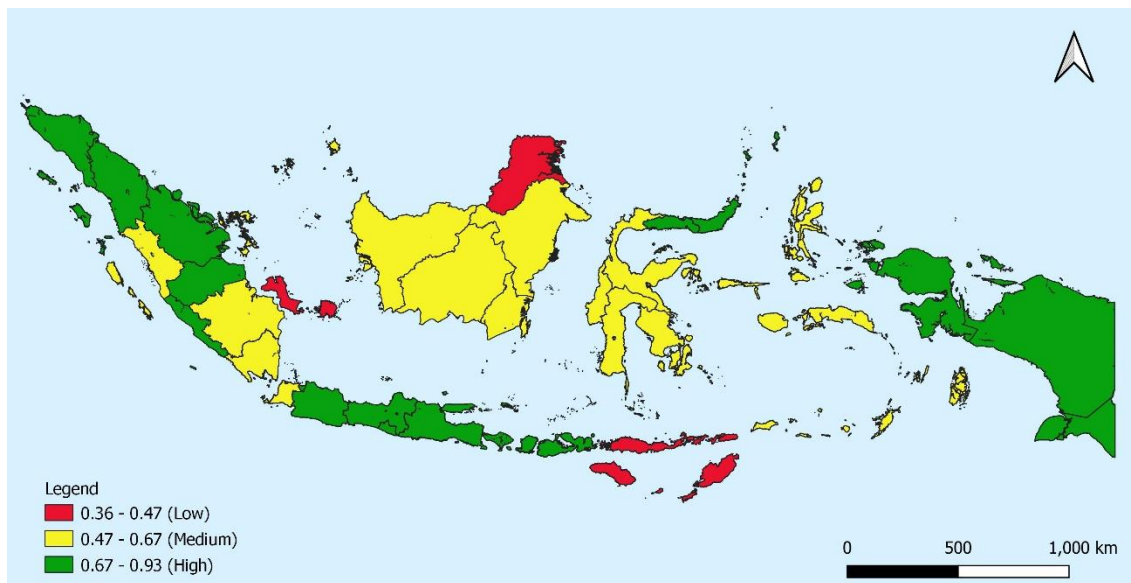


Figure 2. Distribution of The Micro Component of NZI in 2018

Source: BAZNAS (2019)

Turning to the micro component of NZI, the pattern displayed a contrary distribution to the previous figure. There were only a few provinces with low indexes, while the high index dominated. The figure brings the notion that the impact of Zakat on mustahik and the performance of zakat institutions have been good across Indonesia. Even in the provinces with a low Muslim population, the value of micro NZI was categorised as high. This is a positive proposition on the impact of Zakat on poverty because Zakat has been proven to have a considerable impact on most provinces in Indonesia.

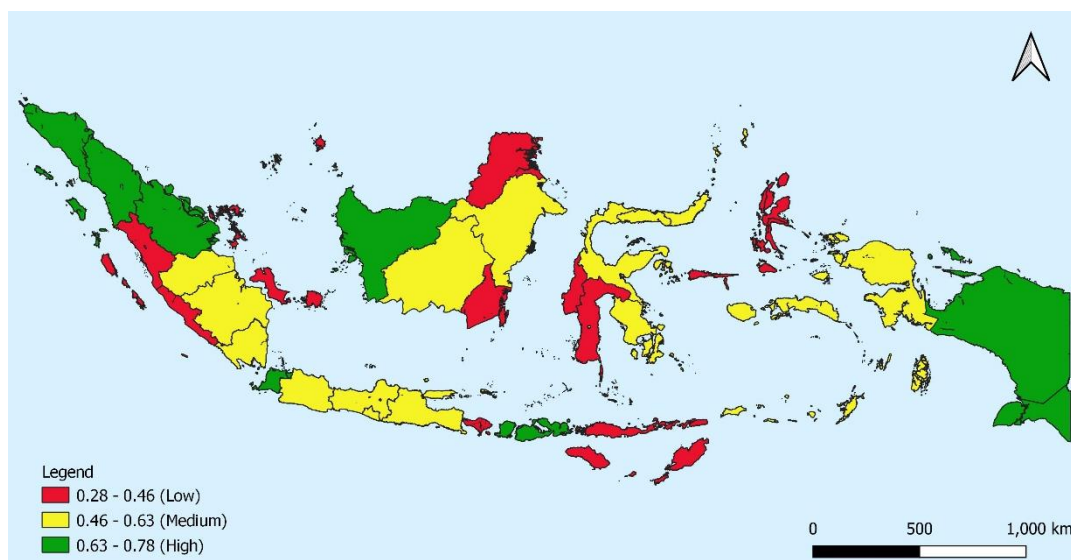


Figure 3. Distribution of NZI in 2018

Source: BAZNAS (2019)

The distribution of NZI, as demonstrated in Figure 3, did not seem to be dominated in certain areas. Both western and eastern Indonesia have provinces with high values of NZI. Accordingly, the development and performance of Zakat are still varied across Indonesia. In this condition, the focus to develop the Zakat performance should be on the provinces with a high potency of Zakat. Hence, provinces in Java are needed to be improved, particularly on the aspect of the environment that cover the regulation in the provinces.

On top of that, attention should be paid to Papua since the province is categorised as having a high value of NZI. According to the data, Papua has high poverty both in terms of monetary and multidimensional. Accordingly, if Zakat had been distributed well, it would have reduced poverty in Papua. The possible reason it did not work well could be that the distribution of Zakat was only meant for Muslims. Because Non-Muslims are dominant in Papua, it would not be effective if the recipients were only Muslim. Nevertheless, further research is needed to uncover this phenomenon and study in more detail whether Zakat has impacted poor people in Papua.

The result of the regression showed that both equations have performed well even though the model with multidimensional poverty is better. While the overall test of both equations are significant, the Adjusted R-Squared in the multidimensional poverty model is higher. It indicated that the independent variables could explain 72.63 percent of the variation in the multidimensional poverty. The value is reduced to 43.65 percent when the dependent variables is the monetary poverty. Considering the component of the independent variables, it is shown that the causal relationship of the welfare indicators

(means HDI, unemployment and economic growth) is correlated stronger with multidimensional poverty.

In partial test, micro NZI is the only variable that gave significant impact on the multidimensional poverty at 95 percent confidence level. The impact is relatively high since every improvement on micro NZI for one percent could reduce the poor for 0.76 percent. In contrast, none of the independent variables gave significant impact in the monetary poverty model.

Table 1. The Regression Result on Monetary Poverty and Multidimensional Poverty

	Monetary Poverty (Y_{1i})	Multidimensional Poverty (Y_{2i})
Macro NZI (X_{1i})	0.1636 (0.1029)	0.1666 (0.1058)
Micro NZI (X_{1i})	0.613 (0.3292)	-0.7655* (0.3387)
HDI (Z_{1i})	-0.0846* (0.0179)	-0.1580* (0.0184)
Unemployment Rate (Z_{2i})	-0.0301 (0.0426)	0.0530 (0.0438)
Economic Growth (Z_{3i})	0.0142 (0.0211)	0.0226 (0.0217)
Constant	8.7172 (1.2578)	12.8383 (1.2940)
R-squared	0.5219	0.7678
Adjusted R-Squared	0.4365	0.7263
P-Value of F-Test	0.0006	0.0000

Notes: * significant at alpha 0.05, value in () is standard errors.

The findings confirmed the notion delivered in the introduction of the paper that Zakat did not give significant impact on poverty due to the fund was utilised for multi dimension that help the life of the poor and it is beyond the economy. The report from BAZNAS which revealed that the zakat fund was used for five aspect programs, those are economy, da'wah, education, health and social/humanity support the findings. It is reasonable that the impact of Zakat was pronounced as multidimensional as the disbursement also involves many aspects.

In addition, the robustness of both equation is good as it has fulfilled all the assumption on multiple linear regression. The Shapiro Wilk test which is meant to check the normality shown that there is no issue of it on both equations. So do the homoscedasticity, the Breusch Pagan test concluded that the null hypothesis could not be rejected so we must accept that homoscedasticity is not exist on the error term. The p-value clearly showed that Zakat has not significant impact on both monetary and multidimensional poverty). In terms of multicollinearity, the VIF values are under five, showing the multicollinearity does not occur on both equations. The detailed result of the assumption test can be seen in table 2.

Table 2. The Result of Assumption Test on Both Models

	Monetary Poverty	Multidimensional Poverty
Normality (Shapiro Wilk Test)	Z-score = -0.682 P-value = 0.7525	Z-score = -1.100 P-value = 0.8644
Homoscedasticity (Breusch-Pagan Test)	Chi-score = 1.69 P-value = 0.1934	Chi-score = 0.06 P-value = 0.8068
VIF	1.09	1.09

This convincing result could trigger the opportunity and open the potency that Zakat is capable to greatly contribute to attain all SDGs. Eradicating the poverty which is the first SDGs emphasise not only the importance of poverty than other goals, but also its possible relation to other SDGs. SDGs indicators which also involve dimensions related to other goals further strengthen the potential of Zakat to help achieve all the SDGs. The indication that the object of the goals in all SDGs is mostly experienced by the poor support zakat as an effective and appropriate financing tool to realise the sustainable development in 2030.

Most studies showed that Zakat could impact on achieving SDGs due to the wealth allocated for the poor is used to address the dimensions of SDGs. A study conducted by Aziz et al., 2020 which examine the impact of Zakat on multidimensional poverty argued that Zakat could also impact the SDGs on the first (end poverty) and the tenth goals (reduce inequality), but also 3, 4, 6 and 7. The notion was constructed according to the indicators that used for the multidimensional poverty index that address all of those goals. In the end, they concluded that Zakat could impact not only the multidimensional poverty, but also the SDGs number 3 and 4 because the government allocated the zakat fund mostly for education and health, in addition to poverty. In line with that, Adebayo (2020) revealed that Zakat could capture SDGs number 4, 6, 7, 8, 9, 11 and 12 for the same reasons.

Nevertheless, he also argued that the form of Zakat that is not only money could give direct impact on achieving SDGs. For example, the agricultural Zakat that required the zakat payers to pay in the form of the agricultural or livestock yield could help end hunger (The second goals). He also added that Zakat empowers the women because it did not discriminate the women and even make widows as major recipients. The rest of the goals were addressed indirectly by the performance of zakat institutions, the commonalities of zakat characteristics and the spirituality improvement caused by Zakat so that people were motivated to do the kindness (Adebayo, 2020; Mubarokah et al., 2018; Noor & Pickup, 2017).

4.3. Analysis

The best thing of zakat is the mechanism that enforces the wealth of the rich to be allocated directly to the poor. Moreover, the involvement of the religion makes the misappropriation of the fund for the poor reduced and increases the religious spirit to pay zakat as the executant will get reward from the God. One of the challenges of poverty alleviation policy in Indonesia is corrupt practices at some levels. Thus, with support from the result, zakat could be an aptly and effective policy instrument to alleviate poverty especially multidimensional poverty.

The characteristic of the poor in Indonesia is unique as people could move in and out of poverty easily, even over the three years, a quarter of Indonesian people could live in poverty at least once (Alatas et al., 2012). It is possible that there is various poverty trap mechanism that exists in Indonesia as the people is quite hard to be out of poverty. As Zakat is proven to be effective on multidimensional poverty, the utilisation of Zakat could break the trap. Hence, it is also important to manage the utilisation of Zakat by the mustahik to free them from all forms of poverty. All this time, the management of Zakat is only about how to collect more and distribute it correctly, but the notion to discuss how the mustahik use the fund is still less. A combine effort to detect the possible poverty trap in the community or a region with the correct instruction to use the fund would possibly destroy the poverty mechanism and prevent the people to be easily dropped into the poor life.

The significance of micro NZI on the multidimensional poverty could answer on why the Zakat has no effect on the monetary poverty. It encourages the notion that the poor use Zakat for things they think it is important. More importantly, those things are not always about the economic aspects. Accordingly, it opens the new potency of Zakat to not only eliminate poverty, but also other issues as pointed by SDGs.

One way to improve the zakat management is the utilisation of Zakat on food security. It could invite the integration to give more attention and focus on the agricultural and livestock Zakat. This form of Zakat requires the muzakki to allocate some of their agricultural and livestock (when the nisab is reached) to the poor and the needy. Giving food to the ones that need it the most is the best way to end hunger and alleviate poverty. In addition, the potential of agricultural Zakat is high in NTT (Pratama & Yuni, 2020) which is the province experienced quite severe poverty and hunger. Integrating and implementing the Zakat as a mandatory system there may provide a significant impact on pursuing the first and second SDGs.

V. Conclusion and Recommendation

5.1. Conclusion

The zakat performance and development in Indonesia have developed well. The development is generally categorized as quite good, and the distribution varies across provinces in Indonesia. Nonetheless, the supportive environment for zakat, as meant by Macro NZI, is needed to improve since the condition is still poor. Moreover, the distribution analysis of zakat management gave insight into the potency of zakat in Papua since the performance is good, and Papua is one of the poorest provinces in terms of monetary and multidimensional poverty.

The essential part of zakat is not only the collection and distribution but also the utilization of the funds. Zakat can affect multidimensional poverty, not monetary poverty, because the fund received by the mustahik may be used to empower their poor life in other aspects, not only the economy. In this regard, the one percent improvement in the performance of zakat institutions and the impact of zakat on the mustahik can reduce multidimensional poverty by 0.76 percent. Further, the significance of zakat on multidimensional poverty shed light on the potential future of zakat to be integrated into SDGs because the poverty goals in SDGs that also involves the indicator from other goals reveal that most people to be empowered on SDGs are the poor. Therefore, this result brings the good news of the zakat suitability and appropriateness in attaining SDGs.

5.2. Recommendation

This study has shown that zakat has a larger impact than only empowering the poor's economy. It then opens the opportunity for zakat as the solution to a multidimensional issue, including achieving SDGs. However, there is a need to create a convenient environment for zakat to grow, particularly in the areas with a high potency and impact of zakat implementation, such as Java Island. A supportive environment can be created by increasing awareness of the importance of zakat so that it can encourage community participation. Meanwhile, the government can support zakat by establishing pro-zakat rules or policies.

In addition, the government can obtain more benefits by integrating zakat into the government system. If zakat becomes mandatory for Indonesian people, like implemented in some Muslim countries, poverty alleviation and achieving SDGs in 2030 can potentially be accelerated. It can possibly happen considering the large population of Muslims in Indonesia and the impact of zakat that can be felt in many aspects of welfare. The government's focus is

on how to support the zakat and how the recipients utilize the fund according to their needs.

Instead of all the results, it is interesting to see the causal relationship between the zakat implementation in Papua and how it contributes to poverty eradication. The analysis, showing that Papua has good performance of zakat and worse condition for the poor, provides the mutual correlation between zakat and poverty. Theoretically, zakat should eliminate poverty. However, the condition of Papua, which is dominated by non-Muslims, could affect the implementation of zakat. Hence, further research and experiment will benefit zakat's development.

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