

# FACTORS AFFECTING ECONOMIC PERFORMANCE THROUGH PARTICIPATION OF ZAKAT RECIPIENT IN DEVELOPING BUSINESS

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## Abstract

*Community empowerment is a form of development which directly involves the community. In community empowerment program, the position of the community is as program consumer but as program producer instead. Community empowerment aims to achieve community independence and welfare. Zakat is a subsystem which can support community empowerment program. It's consistent with the objective of zakat, which is material and spiritual wellbeing. To encourage the success of the program, there should be support from various parties, including companion and social capital supports. The purpose of the present study was determining the direct effects of companion and social capital on participant of zakat recipient and its impact of economic performance of zakat-receiving micro businessman. The present study used primary data by involving 72 zakat-receiving micro businesspeople (mustahik businesspeople) in Wonosari Sub-district, Gunung Kidul Regency, Special Region of Yogyakarta. The research instrument was questionnaire with likert-5 scale which has high reliability and validity based on Cronbah Alpha and Kaiser-Meyer-Olkin values. The empirical model was analyzed using Structural Equation Modeling (SEM). The result of hypothesis test shows that companion and social capital affected the participation of zakat recipient, and the participation of zakat recipient affected the economic performance of zakat-receiving micro businessman.*

**Keywords:** Economic Performance, Participation of Zakat Recipient, Role of companionship, Social Capital, Zakat

This paper is a revised and expanded version of a paper entitled Factors Affecting Economic Performance Through Participation of Zakat Recipient in Developing Business presented at UG Economic Faculty International Conference October 31<sup>st</sup>, 2019, Bekasi, West Java, Indonesia.

## INTRODUCTION

Gunung Kidul Regency is one of the regencies in the Special Region of Yogyakarta, which has the biggest area. One of the issues in Gunung Kidul Regency is poverty. Poverty is a complex and multidimensional issue, so that it's a development priority. Current development programs also give a lot of attention to poverty alleviation efforts.

In reference to the Statistical data of Gunung Kidul Regency in 2019, the gini ratio of Gunung Kidul Regency is 0.337, lower than 2017, which was 0.340. The gini ratio value

shows moderate inequality. In 2017-2018 period, the poverty line in Gunungkidul Regency rose from Rp 277,261,- to Rp 288,748,- per capita per month or 4.14 percent. The increasing poverty line trend illustrates increasing prices of commodities in a region. The number of the poor in Gunungkidul Regency in 2017 was 135.74 thousand people (18.65 percent). The number of poor people declined in 2018 to 125.76 thousand people (17.12 percent). The Poverty Gap Index of Gunungkidul Regency in 2018 is 3.84, which increased from 2017, which was 3,36. The condition shows that

the average gap between the expense of the poor and the poverty line becomes further. The Poverty Severity Index of Gunungkidul Regency increased to 1.16 in 2018 from 0.79 in the previous year. It shows that inequality among the poor rises again.

Education level affect the poverty level of a region. People with higher education usually have lower chance to be poor (BPS, 2019). According to the World Bank (2007), poverty is closely related with inadequate education. Based on the BPS data of Gunung Kidul Regency (2019), most of the highest education finished by the poor aged 15 and above in Gunungkidul Regency throughout 2016-2018 is Junior High School and below. In 2016, 32.27 percent of the poor didn't finish Elementary School and 52.66 percent of the poor had the highest education of Elementary School-Junior High School. In 2017, 36.01 percent of the poor didn't finish Elementary School and 49.49 percent had Elementary School-Junior High School diploma. In 2018, 38.30 percent of the poor didn't finish Elementary School and 45.21 percent had Elementary School-Junior High School diploma. It shows that the majority of the poor in Gunung Kidul Regency have relatively low education.

Zakat as an income distribution instrument in Islam can support poverty alleviation program. Zakat is proven to be an effective means to help the poor, so that zakat collection and distribution should be improved (Abdullah, Derus and Al-Malkawi, 2015). According to the Law of the Republic of Indonesia Number 23 of 2011 on Zakat Management, Zakat management aims to:(a) improve effectiveness and efficiency of services in zakat management; and (b) increase the benefits of zakat to create public welfare and alleviate poverty. The challenge is how to distribute zakat for productive activity to have sustainability of zakat, i.e. transforming mustahik (zakat recipient) into

muzakki (zakat payer). According to Hamzah (2017), zakat hasn't been intensively used for the empowerment of mustahiq (zakat recipient) in the form of productive economic ventures.

Zakat distribution for productive activities or ventures can be done is community empowerment. This is performed by BAZNAS in Mustahik Businesspeople program. The program involves microbusiness people who receive zakat from BAZNAS to develop their businesses. The participants of Mustahik Businesspeople program are encouraged to be active. They aren't only program consumers but also involved in program preparation. In implementing the program, BAZNAS also involves companions who serve as facilitators. Moreover, social capital support is also required to support the success of the program. Social capital as a set of norms or informal values which is owned together by the members of a group and enables cooperation among them (Suharto, 2008). The issue faced by micro businesspeople in Mustahik Businesspeople program is limited access to capital, materials, production, market, and information.

The present study studied the utilization of zakat for business development by zakat recipients in Wonosari Sub-district, Gunung Kidul Regency, in which the zakat is managed by BAZNAS. The research question is whether the success of business development was affected by the role of companionship, social capital, and participant of zakat recipient in business development.

## LITERATURE REVIEW

Mustahik empowerment is community empowerment through the utilization of zakat by providing funding and assistance as well as involving the active participation of empowered communities. Zakat is not only distributed for consumptive purposes, but

can be distributed for productive purposes aimed at the survival of mustahik (Hamzah, 2017). Assistance and religiosity have a significant effect on the participation of zakat recipients in business development in a positive direction, and the participation will subsequently have a significant and positive effect on the performance of economists. The direct effect of religiosity and accompaniment on economic performance is lower than the indirect effect on economic performance through participation (Estiningsih, Kuswanto, Hermana, 2018)

Assistance (Hamzah, 2017) aims to change behavior according to the desired plan. That is, people are becoming more modern. Four complementary roles are: facilitator, educator, community representative and technical role. In Hamzah's research (2017), the role of companion is still weak. Zelealem, Chinyoka and Shunda (2004) stated that one of the factors that determine success is the mentoring factor (advisory), such as that held by the government, private profit or non-profit institutions.

Social capital is needed in the development process. Social capital is an informal norm that is used to show cooperation between

individuals. Social capital support can increase income distribution (Rizwan, Naseem, Farooq, 2011). In other studies, the social empowerment program in the Harapan Harapan Program in Masigi Sub-district has succeeded in changing perceptions, patterns of interaction (social relations), levels of participation and cooperation between groups of recipients of the program. The success of social capital is measured by trust, norms and networks (Tamabonto, Kanto, Chawa, 2016).

The economic impact on community empowerment can be seen in business performance, namely sales growth, increased business capital, increased revenue and the ability to diversify as measured by a non-cost performance approach (BAZNAS, 2017; Aribawa, 2016).

## RESEARCH METHOD

The present study was performed in Wonosari Sub-district, Gunung Kidul Regency, with 72 zakat-receiving micro businesspeople with final education of Elementary School (SD). Questionnaire variables were measured using 5-likert scale with items as presented in Table 1 below.

**Table 1. Research variables and assessment items**

No	Variable	Code	Item	Reference
1.	Assistance	A1	Motivation	Hamzah (2017), Theresia, Andini, Nugraha, Mardikanto (2015), Anwas (2014)
		A2	Learning	
		A3	Entrepreneurship	
2.	Social Capital	S1	Family Support	Hamzah (2017), Akbari (2013), Suharto (2008)
		S2	Mutual cooperation cultural value	
		S3	Religious role in family	
		S4	Religious role in community	
3.	Participation	P1	Meeting attendance	Hamzah (2017, Andriany, (2015), Theresia, Andini, Nugraha, Mardikanto (2015),
		P2	Regular saving	
		P3	Capital empowerment	
		P4	Cooperation empowerment	

4.	Economic	E1	Increased income	Berguiga (2017); Hamzah (2017), BAZNAS (2017), Aribawa (2016)
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Validity test was performed using Kaiser-Meyer-Olkin (KMO) and reliability test of the research instrument used Cronbach  $\alpha$ . Research hypothesis test used structural equation modeling analysis with two exogenous variables, which were companion and social capital, one mediating variable, which was, community participation (mustahik) in business development, and economic performance as an endogenous variable.

## RESULT AND DISCUSSION

### Reliability and Validity

The research instruments had high reliability and validity as shown by cronbach alpha value above 0.75 and KMO value above 0.65. The complete results of the reliability and validity tests are presented in table 2 below.

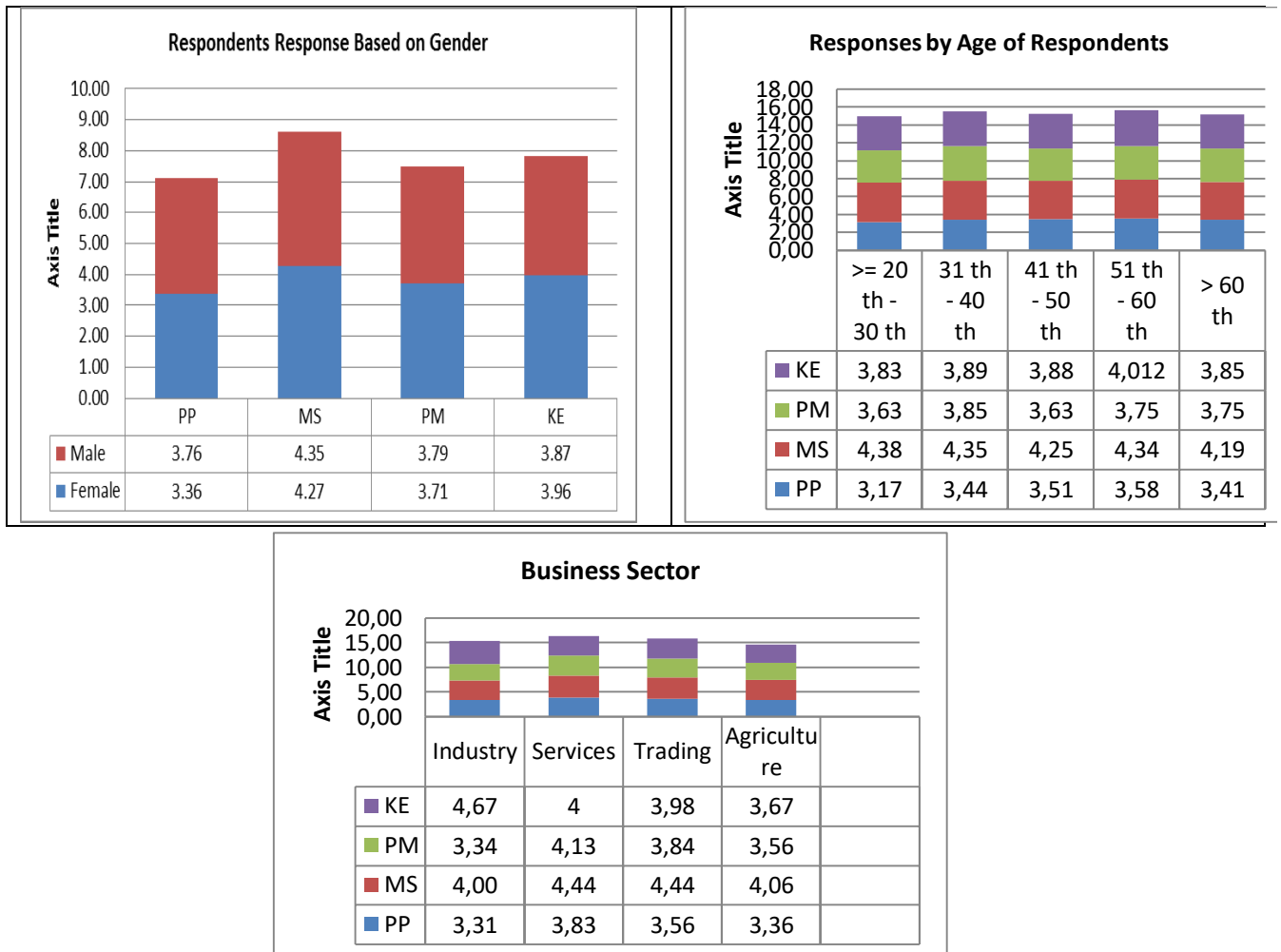
**Table 2. Reliability and validity of research instrument**

No.	Variable	Item	Cronbach $\alpha$	KMO	Remark
1.	Assistance	A1	0.832	0.718	All items in variable assistance are valid and reliable
		A2			
		A3			
2.	Social Capital	SC1	0.818	0.798	All items in variable social capital are valid and reliable
		SC2			
		SC3			
		SC4			
3.	Participation	P1	0.826	0.722	All items in variable participation are valid and reliable
		P2			
		P3			
		P4			
4.	Economic	E1	0.717	0.651	All items in variable economic performance are valid and reliable
		E2			
		E3			

### Respondent Profile and Variable Description

The respondents were owners of micro businesses who received zakat from BAZNAS and had Elementary School (SD) education. The number of respondents who completed the questionnaire was 72, who were 64% female, 36% male. The respondents' business fields were service, industry, trade and agriculture. The descriptions of research variables based on respondent profile are presented in figure 1 below. Generally, male respondents had higher response to the role of companionship and

had higher social capital, participation level and economic performance. Respondent response by age showed that 51-60 years old age group had the highest economic performance, 20-30 years old age. Group had assessment of the role of companionship and lowest participation level, but they had the highest social capital. The service sector had the highest participation and high response for the role of companionship. The service sector also had the highest social capital, but the highest economic performance was reached by the industrial sector.



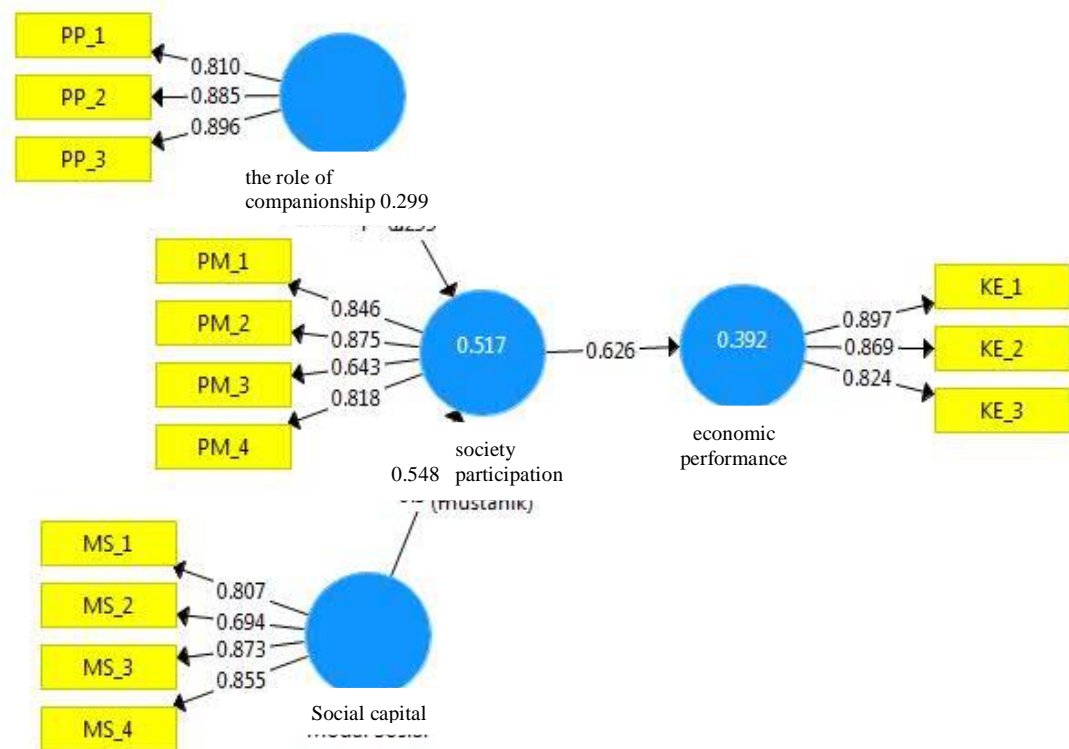
**Figure 1**  
Comparisons of Research Variables by Respondent Profile

### Structural Model

With participation mediating the relation between the role of companionship and social capital and economic performance of productive ventures by zakat recipients (mustahik), the effect was tested using structural equation modeling analysis. The result of the structural equation modeling analysis is presented in figure 2 below. Figure 2 shows R square value and path coefficient. The R square values of community participation is 0.517 and economic performance 0.392, showing that the R square value in the research model

was moderate (Chin, 1998). The result of the test on 3 hypothesis in the present study is shown in Table 3.

The role of companionship and social capital had positive effects, meaning the higher the role of companionship and social capital, the higher the community participation of the zakat recipients in joining mustahik businesspeople empowerment program. The roles of social capital and role of companionship were relatively different as evident in the path coefficients of 0.548 and 0.299. it showed that social capital



**Figure 2**  
**Outer Model**

**Table 3. Hypothesis Test**

	Original Sample	P Value	Description
Social Capital → Community Participation	0.548	0.00	Affecting
Community Participation → Economic Performance	0.626	0.00	Affecting
Role of companionship → Community Participation	0.299	0.00	Affecting

which is a form of social support, had a big role in the participation level of the participants of mustahik businesspeople empowerment program, while the role of companionship had relatively smaller role. This could be due to carrying business fields, requiring companions suitable for the businesspeople's business fields.

Family is one of social capitals. In the study by Pailis, Burhan, Multifiah, Ashar (2016), attention to family affects the empowerment of mustahik. Moreover, the

study by Hamzah (2017) shows that social and religious environments affect the participation of mustahik in developing business and that the role of companionship in community empowerment is as a social agent (Graha, 2019). Companion has an important role in participatory empowerment. Companion will act as facilitator and agent of change (Andriany, 2015). The study of Hamzah (2017) shows that the role on companion on participation is still low, while the study by Rachmanzah, Widigdo

and Wardiatno (2014) shows that companionship activity affects social and economic dimensions in the implementation of sustainable coastal community empowerment.

Community participation is one of the bases in community empowerment. The research result showed that community participation affected economic performance of the program participants. The result supported the research result of Hamzah (2017) that community empowerment affect the independence of community. Furthermore, Pailis, Burhan and Ashar (2016) in their study show that community empowerment affects individual welfare and public welfare

## CONCLUSION AND SUGGESTION

The community participation of zakat recipients (mustahik businesspeople) for business development as basis in community empowerment is the main finding of the present study. Community participation will increase along with social capital and role of companionship which then impacts the economic performance of the zakat recipients. The varying businesses of the zakat recipients become a challenge for BAZNAS as the manager in the companionship process, so that community participation could improve. The institution should also encourage the clients to get special knowledge or business skill to improve the business sustainability and reduce their vulnerability (Alam, Hassan, and Said, 2015). In conclusion, tax is used to improve welfare and alleviate poverty through zakat distribution as one of the mechanisms of income distribution from the rich to people with financial difficulties.

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