Development of The Economic Sector Through Zakat Funds by LAZISMU: AHP Approach

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Introduction

The population of Indonesia is 273 million people, based on the latest data from the Dukcapil, Ministry of Home Affairs in April 2022. However, the large population does not align with the high level of prosperity. It can be seen that Indonesia is ranked 111 out of 189 of all countries in terms of human development. It does not mean that Indonesia is free from poverty, but it shows that Indonesia is still far behind other countries (Prahsti, 2018).

Poverty is still a significant problem in Indonesia, where most of the population is Muslim. The coronavirus pandemic also impacted Indonesia, which led to a decline in many economic sectors. Thus, the condition makes people lose their jobs, which is the most significant cause of poverty (Fikri, Y. T. A., & Gopar, I. A., 2021). The Special Region of Yogyakarta is also inevitable. Moreover, many economic activities have stopped, increasing unemployment (Almira, S. R., & Huda, S., 2022).
Welfare inequality can be minimized with an equal distribution of income and wealth. Islam as a religion that is rahmatan lil 'alamiin certainly provides a solution to the problem of poverty because Islam provides an obligation instrument for its people, namely zakat (Amymie, 2018). Zakat is a form of worship that falls under fiqh worship and fiqh mu'amalah. The fiqh of worship refers to everything, including the value of human devotion to God, and the fiqh mu'amalah refers to everything related to interpersonal relationships. In other words, Muslims can maintain good relations with Allah in the form of worship and also with fellow human beings by paying Zakat. A Muslim increases his wealth by paying zakat to those in need. In addition, paying zakat can purify those who pay from greed, selfishness, and arrogance and earn the pleasure of Allah SWT (Khasandy, 2018). Every individual in Islam must play an active role in alleviating poverty and improving and developing the quality of life through togetherness through zakat, infaq, and shadaqah (Munandar, 2020).

The zakat program is a big part of whether or not zakat recipients' incomes are equal (Beik, 2018). Zakat is an essential part of the Islamic economic system, which is based on Islamic teachings and aims for the economic well-being of people, brotherhood among all people, and fair distribution. Its goal is to build an ummah where everyone and every group cares about social justice, equality, and freedom. With the idea of "maqashid al-shar'iyyah" (Hafidhuddin, 2002), the Islamic economic system is meant to bring about social welfare, piety, and a sense of faith. One important factor in determining zakat's development success is the zakat distribution program. According to Zakat Law no. 23/2011, the zakat distribution program in Indonesia is divided into two categories: consumption- and production-based programs. Hafidhuddin, et al. explained that the former should aim to meet the beneficiaries' basic needs, including health, food, and education. At the same time, the other should intend to empower the recipients economically by providing financial assistance, business training, and supervision to the recipients of zakat. About two-thirds of the zakat collection is to the former, while the remaining one-third is allocated to the others (Ayuniyyah, 2017).

Data from the Indonesian Central Bureau of Statistics revealed that in five years, the poor population increased in 2018, the number of poor people was 25.95 million and decreased by 9.41% in 2019 to 25.14 million then increased by 9.78% in 2020 to 26, 42 million people. In 2021 the poverty rate increased was 10.14% or 27.54 million and experienced a decrease in March 2022 to 9.54% or 26.16 million people. Furthermore, it increased by 9.57% in September 2022 (BPS, 2023).

The problem of poverty in Yogyakarta is also a concern in economic development, as evidenced by the fact that starting in September 2019, the poverty rate in Yogyakarta has continued to increase from 11.44% of the population of DIY continues to increase to 12.8% in 2020. 
decreased in 2021 to 11.91% and increased to 11.49% in September 2022 (yogyakarta.bps.go.id., 2023). The data implies that a breakthrough is necessary apart from the government to complete the mission through economic development by optimizing the role of zakat. Optimizing the role of zakat is possible, considering that most of Indonesia's population are Muslims. At the same time, zakat has nothing to do with each other except to hope for the pleasure of Allah SWT.

Zakat is an obligation to emphasize what His servant does. The obligation of zakat is the same as the obligation of prayer. One of the main functions of zakat is to improve people's welfare. Therefore zakat has a positive value in providing improvements and solutions in economic development because zakat is paid by those who meet nisab (minimum threshold), and zakat can provide results following the nisab set by Islamic law (Hoironi, H., 2021). Zakat is usually distributed through Amil Zakat and distributed to eligible individuals (Mustahiq). Zakat is issued by someone called zakat, which is obliged to issue zakat. The collected zakat will be distributed to groups entitled to receive zakat. Muzakki pay zakat. Some are paid to the zakat recipients themselves, and some are paid through intermediaries called amil.

The importance of zakat in economic development, especially in poverty alleviation, makes conducting research urgent. Salam and Risnawati (2018) employ a qualitative descriptive research method to examine the management of productive zakat and its effects on the welfare of mustahiq. The results revealed that zakat managers receive, distribute, and supervise mustahiq. Thus, there is an increase in the welfare of the recipients. Haidir (2020) uses a mixed method to evaluate the role of government and society in managing zakat. The research concluded that the performance of zakat management is good. In addition, Nugrahani and Mulyawisdawati (2019) examined the role of productive zakat in increasing the mustahiq economy in Yogyakarta using descriptive methods through observation, interviews, and documentation. The result showed that zakat funds are applied for empowerment through livestock programs, socialization, and continuous counseling for empowered foster partners. Most of these studies analyze the role of zakat on the recipient's welfare using descriptive statistical analysis. Meanwhile, studies discussing the role of zakat institutions, especially in the Special Region of Yogyakarta, and the relation to poverty alleviation using the AHP method are scarcely conducted.

This study aims to fill the research gap by analyzing the role of the existing zakat institution, namely LAZISMU DIY, in improving community economic development. This current study has contributed to several things. First, it provides a comprehensive analysis of the role of LAZIZMU as one of Indonesia's largest zakat management institutions in economic development. Second, utilizing the Special Region of Yogyakarta, one of the provinces with the largest population in Indonesia, as a sample illustrates the role of zakat management in poverty alleviation. Third, this
research adds literature on research methodology related to zakat using AHP. Thus, research is expected to provide scientific contributions to solving the economic decline.

**Method**

The data was obtained from the primary source, LAZISMU Special Region of Yogyakarta, and recipients of zakat funds. The data is generated by conducting direct and in-depth interviews. The total population of LAZISMU DIY beneficiaries is 74 beneficiaries. The number of respondents taken as a sample was 31, consisting of 24 beneficiaries and seven representatives of LAZISMU DIY. This study employs a combination method: snowball and purposive, to collect primary data. Moreover, this current study analyses the data using inductive and qualitative methods.

This study employs Analytical Hierarchy Process (AHP), an analytical method to support decision-making to analyze the data. This method supports describing multi-factor and multi-criteria problems into one hierarchy. Pairwise comparison matrix analysis to identify the priority output or synthesis of priority with a value of 1 is placed in the matrix diagonal position. With the following formula equation:

\[Geomean = \sqrt[n]{a_1 \times a_2 \times ... \times a_n}\]  

\[\text{Where } n \text{ is the total number of respondents, and } a \text{ is the respondent's data.}\]

The next stage is to test the level of consistency with the eigenvector values obtained from the synthesis of the priority process or resulting from formula 1. The step to test the level of consistency consists of a comparison matrix of \(d\) pairs with eigenvectors. Thus, the results from the previous multiplication are divided by the eigenvectors. The index consistency can be written as follows:

\[CI = (\lambda_{max} - n)/(n - 1)\]

\[\text{Where } \lambda_{max} \text{ is obtained from the previous eigenvector divided by } n. \text{ The } n \text{ is the number of elements in the study.}\]

The final step is to calculate the consistency ratio with the following equation:

\[CR = CI / RI\]

\[\text{CR is the consistency ratio, CI is the consistency index, and RI is the random index. This study employs a synthesis of priority analysis and consistency testing on each matrix.}\]

**Results and Discussion**

**The Overview of LAZISMU DIY**

Lazismu is a national-level zakat institution dedicated to community empowerment through the productive utilization of zakat, infaq, waqf, and other charitable funds from individuals, institutions, companies, and other agencies. Founded by the Muhammadiyah Central Executive in 2002, then confirmed by the Minister of Religion of the Republic of Indonesia as the National Amil Zakat Institution through Decree No. 457/21 November 2002. With the enactment of Zakat Law No.
23 of 2011, Government Regulation No. 14 of 2014, and Decree of the Minister of Religion of the Republic of Indonesia No. 333 of 2015. Lazismu as a National Amil Zakat Institution has been reconfirmed through the 2016 Decree of the Minister of Religion Republic Indonesia No. 730 and renewed the 2022 Decree of the Minister of Religion Republic Indonesia No. 90.

The establishment of Lazismu consisted of two factors. First, Indonesia has widespread poverty, ignorance, and a low human development index. A low social justice causes the condition. Second, zakat is believed to be able to contribute to promoting social justice and human development. Moreover, zakat also considers being able to alleviate poverty. As a country with the largest Muslim population in the world, Indonesia has a high potential for zakat, infaq, and waqf. However, the existing potential cannot be optimally managed and utilized. Thus, it does not significantly impact solving existing problems (LAZISMUDIY, 2022).

Lazismu is meant to be a zakat management institution with modern management that can use zakat to solve social problems in a growing society. With a trustworthy, professional, and transparent work culture, Lazismu strives to develop itself into a trusted Zakat institution. Moreover, over time, the public’s trust has strengthened. Lazismu always produces utilization programs that can answer the challenges of change and social problems in a developing society with the spirit of creativity and innovation. Lazismu has spread to almost all of Indonesia, enabling empowerment programs to reach all areas quickly, focused, and on target.

**Analysis of Hierarchy Process**

This current research covers 31 respondents consisting of 24 LAZISMU beneficiaries and seven respondents from LAZISMU DIY representatives. Criteria is a measuring tool that forms the basis of an assessment in determining which impact is a priority for LAZISMU DIY in improving the economy in the community. The seven criteria are as follows:

a) Increased income, income can also be interpreted as revenue. Furthermore, the word revenue is interpreted as profit.

b) Starting Business Field, LAZISMU DIY is essential in creating job opportunities for the surrounding community.

c) Increasing Economic Access, the role of LAZISMU DIY as an aid provider will increase economic activity. Thus, it will increase income.

d) Increasing Access to Health Services, LAZISMU DIY as an aid provider will develop the community’s health.

e) Increasing Access to Education Services, LAZISMU DIY, as an aid provider, stimulates the community to obtain a better education level.

f) Increasing Consumption, the role of Lazismu DIY is to generate business. Thus, the increasing economy in the community is inevitable.
g) Increase the Social Relationship, the role of LAZISMU DIY as an aid provider can maintain a better social relationships along with the increasing economy of the community.

Based on those criteria, the result of AHP process as follows:

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<tr>
<th>Table 1. Matrix Criteria</th>
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Source: primary data processed

Table 1 shows that the expert's assessment of the role indicators of LAZISMU DIY has the main priority of creating business fields with a matrix value of 25.35. The second priority is improving education access services, with a matrix value of 18.16. Then the third priority is improving access to health services, with a matrix value of 16.66. Table 1 shows that creating business fields has the highest value. This business field's creation helps LAZISMU beneficiaries increase their income.

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<th>Table 2. Index Consistency</th>
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<tr>
<td>CI</td>
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<td>RI</td>
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<tr>
<td>CR</td>
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<td>Lambda Max</td>
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Source: primary data processed

Table 2 shows that the benefit aspect ratio is 1.32. Furthermore, the results of the CR Ratio are 0.99. Thus the data is consistent and positively impacts LAZISMU DIY beneficiaries.

**Conclusion**

There are three priority criteria generated from the research results. The criteria are: first, opening business fields; second, increasing access to education services; and third, increasing access to health services. These results are based on matrix values. The CR value was below 1 or 0.99, meaning the data is consistent. Thus, the role of LAZISMU DIY positively impacts beneficiaries. The result of this study is expected to contribute to the government's efforts in presenting data and providing solutions that can improve economic development, especially in the Special Region of Yogyakarta, by optimizing the movement of and socializing the importance of paying zakat.
References


