THE INFLUENCE OF ZAKAT, INFAQ, SADAQOH (ZIS) ON POVERTY ALLEVATION

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Abstract

This study aims to analyse the influence of the amount of ZIS funds distributed to the community, unemployment and inflation rate, on poverty using economic growth as a moderating variable. The results showed that ZIS funds and economic Growth had a significant negative impact on the poverty rate. The moderating variable of economic growth was able to strengthen the relationship between the ZIS funds and the poverty rate. This study has a limitation as it only looked at the overall ZIS funds and the poverty rate in general. This study provides a perspective that the role of the ZIS funds distributed to the community is able to show its consistency and reduce the poverty rate. Thus, the ZIS funds can be considered as one of the main strategies to lessen the poverty rate.

Keywords: GDP, Inflation, Poverty, Unemployment, ZIS Funds

INTRODUCTION

Poverty has become an economic, social, and political problem throughout the world especially in developing countries, including many Muslim countries (Nadzri, Rahman, & Ormar, 2014). In developing countries, the number of people living below the poverty line and income inequality remains a major problem (Ayuniyyah et al., 2018). In line with the study of Mai & Mahadevan (2015), in Indonesia chronic poverty is far more prominent than temporary poverty.

The main factor that plays an important role in reducing poverty and inequality is economic growth (Abdullah, Derus, & Al-Malkawi, 2015). In fact, there has been a decline

by percentage in the poverty rate in Indonesia in recent years as 12.3 percent of people lived below the poverty line in 2010-2011. By the end of 2018, the number of poor people in Indonesia had dropped to 9.66 percent. But the most current facts show that their number is far higher in rural areas than in urban areas. This happens due to inequality as reflected in the Gini Ratio of 0.384 (CSA, 2019). Figure 1 shows the poverty trends in the 2010-2018 period.
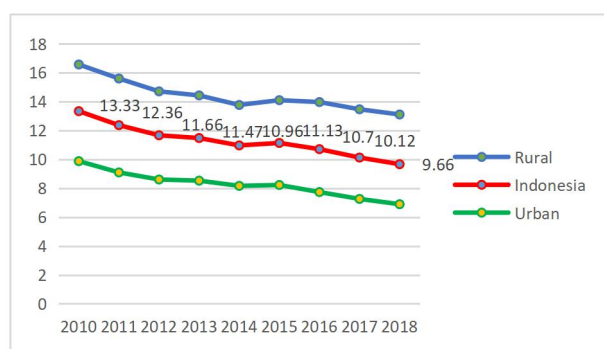

Figure 1. Trends in Poverty Indonesia (2010-2017)

Source: Central Board of Statistics (2019)

Poverty and inequality must be addressed immediately for them not to become a major problem in economic development (Muthalib et al., 2018). The close relationship between inequality and poverty is that inequality is part of poverty (Sen, 1976; Forster et al., 1984, and Annim et al., 2012). Inequality and poverty has a pragmatic relationship as the former drives the latter to get worse or inequality is a form of poverty. Rodriguez-Paso and Hardy (2015) state that there is a positive relationship between poverty and inequality, both spatial and inter-personal in nature. It was further

stated that this relationship was stronger between interpersonal disparities with poverty compared to spatial disparities. Therefore, a stable equalisation policy is needed so that the poor also benefit from the country's growth (Adelowokan et al., 2019). Overcoming poverty and reducing income inequality deserves priority in national economic development strategies (Ayuniyyah et al., 2018).

Ishaq (2003) suggests that the only way to resolve poverty and inequality is to use instruments based on local culture or religion[1]. In this case, institutions managing zakat through the empowerment of zakat, infaq, and sadaqah (ZIS) activities are considered as one of the most effective actors in dealing with poverty (Pramanik, 1993). The importance of efforts to lower the poverty rate is stated in the Quran, Surah 9: 60 and Surah 59: 7. This is also in line with a research conducted by Abdullah et al., (2015); Ahmad (1991); Ayuniyyah et al., (2018); Johari, Aziz, & Ali (2014).

This argument is supported by research conducted by Beik et al. (2014) that found that the presence of the zakat program can reduce poverty by 10.79 percent. The results of this study indicate the consistency and success in the zakat distribution program. In line with a study conducted by Faiz (1991), it is evident that zakat benefited 7.21 million or 42.58 percent of total poor households in Pakistan in 1988. This findings are supported by Abdullah et al., (2015) that zakat proves to be a very effective

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[1] The majority of Indonesian people are Muslim

way in helping the poor, releasing them from the severity of poverty, thus collecting zakat funds must be a priority.

Besides, one of the triggers for the poverty rate to rise is unemployment (Agenor, 2004; Jennissen, 2003; Suryadarma et al, 2005). Unemployment usually paves the way for someone's standard of living to worsen due to the lack of income, and it is very possible for someone who already has a job and is still poor to get unemployed (Muhammad & David, 2019). Supported by a research conducted by Muthalib et al., (2018), it was found that there is a positive effect of the unemployment rate on the poverty rate in Indonesia in the long term, where a 1% increase (decrease) in the unemployment rate, the poverty rate rises (decreases).

By 0.3309%. In contrast, Adelowokan et al., (2019) found the absence of causality relationship between unemployment and poverty. Likewise, the co-integration results indicate that there is no long-term relationship between the former and the latter.

Different results were presented by Singh et al., 1986; Deaton, 1989, 1997; Easterly & Fischer, 2001, 2004; James et al., 2008; Tsimpo & Wodon, 2008; Nouve & Wodon, 2008; Akende et al., 2009; Supriyadi & Kausar, 2017. They found that fluctuations in the inflation rate have a significant impact on the poverty rate. This is possibly caused by poverty-traps due to decreased welfare effects (Coleman, 2012). On the other side, Kolibu, Rumate, & Engka (2017), proves that the inflation rate does not affect the poverty rate because the poor will not be affected by inflation since basically they do not have purchasing power, thus even if inflation occurs they still do not have purchasing power.

The role of other macroeconomic variables is also focused on economic growth as a factor in reducing the impact of poverty. Previous research concluded that a significant decrease in the poverty rate is likely caused by increased economic growth (Aaron, 1967; Banerjee, Banik, & Mukhopadhyay, 2015; Fosu, 2015; Nakabashi, 2018; Perl & Solnick, 1971; Stevans & Sessions, 2005; Datt, Ravallion, & Murgai, 2016). On the one hand, from a policy perspective, there is a strong negative correlation between economic growth and poverty which is expected to last in the future. Stevans & Sessions (2005) found that Indian economic growth after the 1990s reforms played an important role in alleviating poverty. On the other hand, economic growth is also not an important factor in reducing poverty as equality is sometimes more vital than economic growth (Muttaqin, 2012). In line with Adams (2002) who measures economic growth with GDP per capita, there is still a relationship between growth and poverty reduction, but this relationship is not strong enough. Economic growth reduces poverty but it has little impact on income inequality.

Economic growth can serve as a tool to

strengthen the relationship between ZIS and poverty alleviation. Choudhury & Harahap (2008) introduced a new dimension in the measurement of zakat and economic variables. GDP is significant to raise the importance of zakat in the entire development process. This is about zakat in relation to GDP to reinforce the spirit of participatory development through the involvement of financial instruments. Thus, it is very interesting to see the effect of ZIS on poverty alleviation in West Sumatra, Indonesia[2], and how unemployment, inflation, and economic growth play a role in affecting the poverty rate and how effective economic growth moderates the influence of ZIS, unemployment, and inflation on the poverty rate. This is the objective of this research.

LITERATURE REVIEW

Sharp, et al. (2000) identify the causes of poverty from the economic standpoint. *First,* on a macro-level, poverty prevails due to inequality or disparity in resource ownership that also results in an unequal distribution of income. The poor have inadequate and limited resources and the quality is also low. *Second,* poverty arises due to the differences in the quality of human resources. The low quality of human resources as a result of lack of education, discrimination, unsuccessful life in terms of economy, family origins is also a factor. *Third,* poverty is also

incited by access to capital. The three causes of poverty will be in line and confirm the vicious circle of poverty theory. Solving the problem of poverty means the involvement of various stakeholders, including the government and other parties, such as the general public, non-profit organisations, and non-governmental organisations. They are expected to actively participate in promoting economic growth and prosperity to overcome poverty (Farah, Rahman, & Omar, 2014).

The Quran stipulates some strategies to deal with social problems and poverty alleviation in the form of inviting or feeding the poor and by giving a portion of fortune, providing them with rights, helping travellers who find difficulty on their journey, paying zakat, infaq, and sadaqah, and other good deeds. Islam is very concerned about the fate of the displaced poor (Qardhawi, 1995). The word "*al-zakah*" has been mentioned 30 times in the Quran. Literally, zakat means to grow and rise, while in the sharia concept, zakat refers to the redistribution of wealth based on the words of Allah SWT regarding of the category of people who deserve it. In addition to the poverty rate, zakat aims to eliminate greed among Muslims and promote socially-oriented behaviour.

In general, it is hoped that the payment of zakat will purify the income of zakat payers, reconcile the hearts of payers and the payees, meet the basic needs of the poor and needy, and

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[2] 97,4% of the people in West Sumatra are Muslim (Statistics Indonesia, 2010)

resolve social problems such as poverty, unemployment, debt, and unfair distribution of income (Dogarawa, 2009; Qaradawi, 1999). According to Mahamud (2011), systems like zakat are also found in other religions' concept of almsgiving such as the Hindu with its datrtadatrtva, Buddhism with its dana, and Christianity with its tithe. Tithe, for example, refers to the requirement to pay part of a person's income to the Church for the maintenance of the religious institutions, the support of his ministers, the promotion of his work and assistance for the poor.

Previous studies have examined the relationship of ZIS with economic growth. It was found that ZIS affects economic growth of a region (Yusoff, 2011; Mahat & Warokka, 2013; Mahmud et al., 2014; Azam, Iqbal & Tayyb, 2014; Sarea, 2015; Nurzaman, 2016; Abdullah & Sapiei, 2018) and ZIS relationship can help reduce poverty levels (Ahmad, 1991; Johari, Aziz, & Ali, 2014; Abdullah, Derus & Al-Malkawi, 2015; Ayuniyyah et al., 2018).

Using primary and secondary data, Soekarni, Firmansyah, M. Toha, Sairi Erfanie, Toerdin S. Usman and Yeni Saptia (2008) conducted a similar study on the potential and role of zakat in reducing poverty. Primary data were collected through in-depth interviews and questionnaires. The results showed that in general zakat has not been able to significantly diminish the number of poor people. The level of success achieved by zakat-managing institutions, particularly the BAZIS Jakarta, the BAZDA Banjarnegara, the BAZIS Pekasiran, and the LAZIS Baitul Makmur Kepakisan, could only help lessen the burden on the poor as the distribution of zakat was more directed to consumptive activities. In addition, the value of assistance provided was also relatively small because the funds collected were still limited, while the number of people in need was very large. In the meantime, zakat managed by Dompet Dhuafa Republika and Pos Keadilan Peduli Ummat made a significant contribution to reducing the number of poor people.

On the other side, Yao (2004), and Sackey, and Osey (2006) conducted research on the relationship between unemployment and poverty. Yao (2004) builds a mathematical model that links the unemployment variable and the poverty rate. In this model, the poverty rate is the dependent variable, while the unemployment rate is the independent variable. The model that was built was then empirically tested using data in China. Empirical test results indicate that the unemployment rate affects the poverty rate. Sackey and Osey (2006) examined the relationship between the unemployment rate and the poverty rate in Ghana and found that there is a relationship between them.

In line with the afore-mentioned studies, Bank and Blinder (1985) conducted research on the effect of macroeconomic variables (inflation, unemployment rate, and tax policies) on the poverty rate. The results of the data analysis show that inflation, unemployment, and taxes

affect the poverty rate. The effect of the unemployment rate on the poverty rate is negative.

Several other studies have also examined poverty in West Sumatra (Gaveau, 2009; Hasnah et al., 2011; Stanford et al., 2013; Harris, 2018). Regardless of a number of studies above, researchers have not yet found research specifically identifying the distribution of zakat, infaq, and sadaqah funds to reduce the poverty rate in West Sumatra. In addition to ZIS funds, the effect of macroeconomic variables such as unemployment, inflation, and economic growth on the poverty rate in West Sumatra was also considered in this study. This research also focused on economic growth variables as a moderating factor for zakat, infaq, sadaqah (ZIS), unemployment, inflation and the poverty rate, by also taking into account gross domestic product (GDP).

RESEARCH METHOD

The unit of analysis of this research is the National Agency for Amil Zakat (BAZNAS). The population is BAZNAS in all regencies/municipalities in West Sumatra. The data collected span over a period of eight years (2011-2018) provided by 18 BAZNAS offices in the province with 144 observations. Specifically, this study looked at the effect of the amount of zakat, infaq, and sadaqah funds channelled to the community, unemployment, and inflation on the poverty rate of the communities living in regencies/municipalities in West Sumatra by deploying economic growth as a moderating variable. The

poverty rate examined in this study was the percentage of the number of poor people with an average per capita spending per month below the poverty line. Meanwhile, the unemployment rate analysed in this study was the open unemployment rate or the percentage of unemployed to the total labour force. For inflation, the relation of the consumer price index was used to calculate the average price change in a certain period of time from a collection of goods and services consumed by people/households in a certain period of time. Economic growth examined in this study used GDP indicators based on current prices, in which the added value of goods and services is calculated using the current prices of each year.

The analysis of PLS model selection was conducted through the random effects model (REM), commenced with a test between the FEM and REM models that can be seen in the results of the Chow and Hausman test. Chow test results show that Prob = 0.0000 for the probability of F, which is less than 0.05, thus H_0 is rejected. Therefore, it can be concluded that with a 95% confidence level, the panel model is better than the common effects model. Then the Hausman test was carried out with Prob = 0.6865 for the random cross section, which is greater than 0.05. The decision is to reject H_0 so that it can be concluded that with a 95% confidence level, the random effects model is better than the fixed effects model. After that, a Langrange Multiplier

test was performed to choose between the common effects model and the random effects model. The results showed that based on the Breusch-Pagan probability of <0.05, the right model used for this research is the random effects model.

The panel data regression equation is as follows:

$$Y_1 = a + b1 ZISFunds_{it} + b2 UnEmploy_{it} + b3 CPI_{it} + b4 GDP_{it} + e_{it} \quad (1)$$

$$Y_2 = a + b1 ZISFunds_{it} * GDP_{it} + b2 UnEmploy_{it} * GDP_{it} + b3 CPI_{it} * GDP_{it} + e_{it} \quad (2)$$

Data Analysis Method

This study used secondary data in the form of documentation obtained from the West Sumatra Province BAZNAS office and the Statistics Indonesia's regional office in West Sumatra. The results of the descriptive statistical analysis shown in Table 1 illustrate the average value and standard deviation values of the poverty index variable (Y), ZIS funds (X_1), unemployment rate (X_2), inflation (X3), and gross domestic product (X_4)

Descriptive data test results as shown in Table 1 illustrate that higher distribution of zakat is inversely proportional to the poverty index. Likewise for the variable of economic growth, a rise in GDP is inversely proportional to the poverty index in a regency/municipality in West Sumatra.

The results of the classical assumption test of the normally distributed data shown by Jaaquie Berra's probability value of > 0.05, in the absence of

heterokedasticity and correlation matrix tests as shown in Table 2, illustrate that the unemployment rate and inflation are negatively correlated with the amount of ZIS funds disbursed to the public. This indicates that any increase in ZIS funds channelled would reduce unemployment and inflation in the community, while the ZIS funds are positively correlated with GDP, where an increase in ZIS funds disbursed is in line with a rise in gross domestic product of regencies and municipalities in West Sumatra. On the other side, GDP is negatively correlated with the unemployment rate and the inflation rate, showing the fact that an increase in GDP would supress unemployment and inflation.

Table 1. Statistic Descriptive

Kabupaten/Kota	Tingkat Kemiskinan	LOGZIS	Un-Employ	Infls	GDP
Pesisir Selatan	0.29	21,80	6.78	0.15	5.58
	-0.11	(0,64)	-0.87	-0.51	-0.25
Padang Panjang	0.22	22.2	6.34	-0.11	5.76
	-0.08	-0.67	-0.97	-0.74	-0.38
Tanah Datar	0.11	22.62	3.89	0.08	5.46
	-0.66	-0.52	-0.59	-0.52	-0.36
Kota Solok	0.13	21.95	5.81	0.28	6.05
	-0.08	-0.95	-0.62	-0.4	-0.37
Solok Selatan	0.23	21.53	5.47	0.44	5.63
	-0.27	-0.95	-0.99	-0.33	-0.51
Pasaman	0.2	22.1	3.17	0.2	5.54
	-0.08	0.46	-0.81	-0.37	-0.47
Pasaman Barat	0.22	22.02	4.25	0.21	5.85
	-0.07	-0.55	-0.95	-0.4	-0.5
Sijunjung	0.26	21.31	3.72	0.25	5.66
	-0.07	-0.64	-0.79	-0.53	-0.42
Dhamasraya	0.23	21.96	4.1	0.22	5.94
	-0.07	-0.28	-0.95	-0.52	-0.51
Lima Puluh Kota	0.23	21.29	3.29	0.14	5.74
	-0.05	-0.43	-0.78	-0.39	-0.4
Agam	0.2	22.28	4.99	0.1	5.69
	-0.06	-0.83	-0.75	-0.52	-0.35
Padang	0.14	23.57	10.69	-0.02	6.27
	-0.05	-0.34	-0.95	-0.49	-0.22
Solok	0.13	20.58	5.98	0.28	0.65
	-0.08	-0.65	-0.99	-0.64	-0.37
Sawahlunto	0.05	21.7	6.28	0.13	5.73
	-0.02	-0.36	-0.49	-0.41	-0.36
Padang Panjang	0.17	21.72	0.47	0.08	5.96
	-0.07	-0.4	-0.97	-0.39	-0.18
Bukittinggi	0.21	21.08	5.43	0.14	6.18
	-0.1	-0.49	-0.92	-0.33	-0.17
Payakumbuh	0.18	21.45	3.89	0.24	6.31
	-0.09	-0.39	-0.97	-0.33	-0.23
Pariaman	0.15	21.74	6.78	0.08	5.74
	-0.06	-0.64	-0.98	-0.3	-0.63

Table 2 also depicts the results of the correlation

test between the research variables, the correlation value between the independent variables which shows that there are no symptoms of multicollinearity. This can be seen from the correlation between independent variables with the value of <0.8.

Table 2. Multikolinearity Test

	ZIS	Un-Employ	Infl	PDB
ZIS	1.000000	-0.058466	-0.010574	0.218599
Un-Employ	-0.058466	1.000000	-0.013139	-0.036841
Infl	-0.010574	-0.013139	1.000000	-0.232814
PDB	0.218599	-0.036841	-0.232814	1.000000

RESULTS AND DISCUSSION

Table 3 presents the results of the multiple linear regression test of the ZIS funds, unemployment, inflation, economic growth, and poverty. Estimation results from the statistical model confirm the significant influence of the ZIS funds and economic growth on the poverty rate.

Table 3. Regression Result of ZIS Funding, Un-Employment, GDP and Poverty Allevation

Variable	Coefficient
C	0.358421
	(0.0001)
ZIS	-0.030086
	(0.0015)*·
Un-Employ	0.000324
	(0.6435)
Infl	-0.000310
	(0.7262)
GDP	-0.037228
	(0.0476**)
R-squared	0.078116
Adjusted R-squared	0.051587
F-statistic	2.944537
Prob (F-statistic)	0.022550

Note: significant ***1%, **5% and *10%

The ZIS funds test results have a negative effect on the poverty rate (Sig <0.01). These results indicate that ZIS funds channelled to the community

would reduce the poverty rate (Beik, 2013). Zakat is the most effective mechanism for dealing with poverty problems and helping the poor out of poverty (Ahmad, 1991; Pramanik, 1993; Abdullah, Derus & Al-Malkawi, 2015; Ayuniyyah et al., 2018). The distribution of ZIS funds by Baznas institutions to the community has shown consistency, thus it has succeeded in reducing the poverty rate in West Sumatra. In line with the results of the Salleh research (2015), the zakat program is very likely to play an important role in improving living standard as far as the program is well designed and supervised according to the needs of the poor.

In addition, the results of this study also confirm the research of Johari, Aziz, and Ali (2014) that found the distribution of zakat is effective in increasing monthly and daily income of zakat recipients. This study also indicates that higher distribution of the zakat funds would reduce poverty and inequality, partly thanks to the better awareness of the people of West Sumatra to fulfil their obligation to pay ZIS as instructed by Islam. This also indicates that Muslims in West Sumatra firmly stick to religious values in relation to the compliance with the obligation to pay zakat. Thus, the distribution of ZIS funds has sufficient potential to reduce the poverty rate (Abdullah & Sepiei, 2017).

The unemployment rate has no effect on poverty level (Sig> 0.10). The results of this study are not in line with the previous ones such as

those conducted by Agenor (2004); Jennisen (2003); Suryadarma et al., (2007); Muthalib et al., (2018) and Muhammad & David (2019). This is because most of the unemployed are educated groups who are looking for jobs and do not belong to the poor (Probosiwi, 2016). Djafar & Kurniasih (2011) also provided evidence that unemployed youths in Indonesia generally have higher education and are not poor. This research indicates that there is no direct relationship between unemployment and poverty in West Sumatra.

Inflation has no effect on the poverty rate (Sig> 0.10). This confirms the research of Kolibu, Rumate & Engka (2017) that the poor will not be affected by the inflation rate because basically the poor have no purchasing power. Thus, even if inflation occurs they still do not have purchasing power. Supported by a research conducted by Easterly & Fischer (2001), it is shown that the poor are more likely than the rich to see inflation a major national problem. In the absence of direct relationship between inflation and poverty in West Sumatra, it was found that in general the poor are scattered in rural areas, where they tend to consume basic needs without being affected by inflation (Sugema et al., 2010).

Economic growth has a negative effect on the poverty rate (Sig <0.05). This indicates that an increase in economic growth will have an impact on reducing the poverty rate. This is in line with previous studies conducted by Aaron (1967) Perl & Solnick (1971), Plotnick & Skidmore

(1975), Adams (2002) Stevans & Sessions (2005) Banerjee et al. (2015), Fosu (2015), Datt et al. (2016), Nakabashi (2018) that a substantial decrease in the poverty rate is caused by increased economic growth. In line with a study conducted by Stevens & Sessions (2005), it was found that there is a negative correlation between economic growth and poverty. Confirming the findings of Devangi & Lee (2013), economic growth serves as one of the main factors behind the reduction of absolute poverty. This research also indicates that higher economic growth will reduce the poverty rate in West Sumatra.

Economic growth can moderate ZIS and the poverty rate with a negative relationship (sig <0.05). GDP can strengthen ZIS relationship on poverty index negatively. This confirms Chaudhury & Harahap (2008) that measurement of zakat and economic variables (GDP) is important to bring up the importance of zakat in the overall development process. As has been proven in previous studies, zakat can significantly explain variations in real output growth represented by GDP growth (Yusoff, 2011), and GDP shows that zakat has a positive impact on economic development (Azam, Iqbal & Tayyb, 2014). It is also evident that zakat is able to be a locomotive for strong economic growth. In other words, it can be seen as domestic direct investment that provides a source of funds for state development (Mahat & Warokka, 2013). This study confirms Sarea (2015) that zakat can be considered as

one of the right methods to measure economic growth, implying that when people pay zakat, economic growth rate will be higher and vice versa.

Table 4. Regression Result of ZIS Funding, Un-Employment and Poverty Allevation with GDP as a moderating variable

Variable	Coefficient
C	0.343672
	(0.0001)
ZIS*GDP	-0.052121
	(0.0157)**
Un-Emply*GDP	-0.000352
	(0.4925)
Infl*GDP	-0.051980
	(0.5235)
R-squared	0.091268
Adjusted R-squared	0.080724
F-statistic	3.008752
Prob(F-statistic)	0.001155

Note: Significant ***1%, **5% and *10%

At the same time, higher economic growth will keep the increase in the poverty rate for all people at bay (Stevens & Sessions, 2005). This proves that economic growth has been claimed as one of the main factors behind poverty reduction and severe income inequality can slow down the pace of poverty alleviation (Devangi & Lee, 2013). Based on the relationship of ZIS and GDP that directly reduces the poverty rate, this study indicates that the more ZIS funds are distributed to the community, which is accompanied by the rising GDP growth, the lower the poverty rate in West Sumatra is.

Meanwhile, economic growth is unable to moderate the unemployment rate and the inflation rate (sig <0.05) due to the presence of a strong negative correlation between variables and the results of direct testing between the unemployment rate and the inflation rate on the poverty rate that does not show a significant effect. Thus, GDP cannot strengthen the relationship between the unemployment rate and the inflation rate on the poverty rate.

CONCLUSION AND RECOMMENDATION

The distribution of zakat, infaq, and sadaqah funds to the community is proved to have suppressed the poverty rate. This means that the distribution of funds by Baznas institutions to the community has shown its consistency, resulting in success in reducing the poverty rate in West Sumatra. ZIS has the potential to diminish poverty in the province, not to mention the relatively strong awareness of Muslims as the majority in West Sumatra of the obligation to pay zakat. This is in line with the Minangkabau culture-religion relationship concept known as "Traditions [*adat*] are founded upon the [Islamic] law, and the law founded upon the Quran" (*adat basandi syara', syara' basandi Kitabullah*).

This study provides a perspective that the role of ZIS funds distributed to the community can be considered as one the main strategies to reduce the poverty rate. The unemployment rate does not affect the poverty rate as most of the unemployed are educated people who are looking for jobs and are not categorized as the poor community group as has been proven by some studies. Unemployed young people in Indonesia generally have higher education and are not poor. Inflation also does not show its influence on the poverty

rate in West Sumatra due to the fact that the poor population does not have purchasing power. Thus, even though inflation occurs they still do not have purchasing power. While the poor in West Sumatra are spread in rural areas, where they have the capability to meet their basic needs (consumption) such as food without being affected by inflation. The Province of West Sumatra has only two big cities (Padang and Bukittinggi) with a lot of rural areas scattered in various regencies. This proves that there is no direct relationship between unemployment, inflation, and poverty in the province.

Economic growth is able to directly become one of the main factors to reduce the poverty rate and at the same time serves as a bridge to strengthen ZIS in reducing the poverty rate. The negative correlation between economic growth and poverty indicates that higher economic growth slashes the poverty rate in West Sumatra. Zakat, infaq, and sadaqah have a positive impact on economic development and higher economic growth will control the pace of the poverty rate to accelerate throughout the community.

The government is expected to be more active in approaching the general public to socialize the importance of channelling ZIS funds to legal entities such as BAZNAS and LAZ as this is more measurable in seeing their overall impact on the macro economy of a regency or municipality. In order for the distribution of ZIS funds to be effective in alleviating poverty, they should be allocated strictly based on the clarity of those who are entitled to receive the zakat funds (*mustahiq*) in accordance with the Quran provisions stipulated in At-Taubah's Chapter (9) Verse (60) that only the needy, the poor, zakat administrators, the converts, those in bondage (slaves and captives), the debt-ridden, those in the cause of God (Allah SWT), and the wayfarers (those who are stranded or travelling with few resources). Allah is all-knowing, all-wise.

This study only looked at the overall distribution of the ZIS funds. It is recommended for future studies to look more specifically at the ZIS instruments, each of which plays a role in reducing the poverty rate. This study examined the poverty rate only in general terms of the total percentage of the poor people by referring to the poverty line. It is better for subsequent research to sort out more specific groups between chronic poverty and temporary poverty (for example Mai & Mahadevan, 2016). Furthermore, there are still other variables that are assumed to affect the poverty rate that can be considered by future researchers as this research only contributes less than ten percent of factors affecting poverty.

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