EVALUATING THE IMPACT OF ZAKAT ON INCLUSIVE GROWTH TOWARDS POVERTY REDUCTION IN NUSA TENGGARA TIMUR

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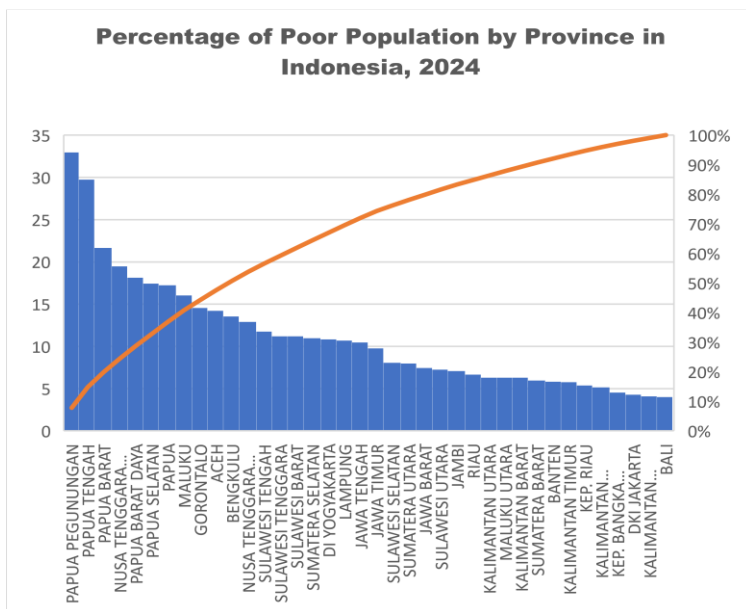
ABSTRACT

This study examines the effectiveness of zakat distribution in Nusa Tenggara Timur, Indonesia, with a particular emphasis on how it affects access to basic services and the decrease of poverty for the period 2013-2022. Data was obtained from BPS Statistics Indonesia and Baznas National Zakat Statistics and analyzed using ordinary least squares regression model. The study finds that zakat distribution amounts significantly increase the number of poor people in Nusa Tenggara Timur. This result highlights structural problems with zakat institutions, such as poor institutional support, ineffective regulations, and problems with data administration. Second, the study shows that the fraction of households that get basic services is negatively impacted by the distribution of zakat. This implies that the ways in which zakat is distributed is not sufficient to promote inclusive growth, which might lead to the continuation of poverty cycles. The study underscores the necessity of implementing reforms in the zakat distribution, and reporting procedures. BAZNAS must implement complete digital solutions for transparent money tracking and effective distribution if they are to optimize the impact of zakat on poverty reduction. To enhance resource mobilization and distribution, private sector participation in zakat collection and cooperation with local governments are recommended.

INTRODUCTION

Poverty continues to be a major problem throughout Indonesia, with areas such as Nusa Tenggara Timur particularly impacted by socioeconomic inequalities like low-income levels, few educational opportunities, poor access to healthcare, and remote location (Muthiariny, 2024). Figure 1 below illustrates East Nusa Tenggara ranking fourth among the poorest provinces in the country, after Papua and West Papua, according to data released by (BPS Statistic Indonesia, 2024). The fact that Nusa Tenggara Timur still has high rates of poverty despite national attempts to reduce it, highlights how complicated economic inequality is throughout the nation. (Nalle, et, al, 2022).
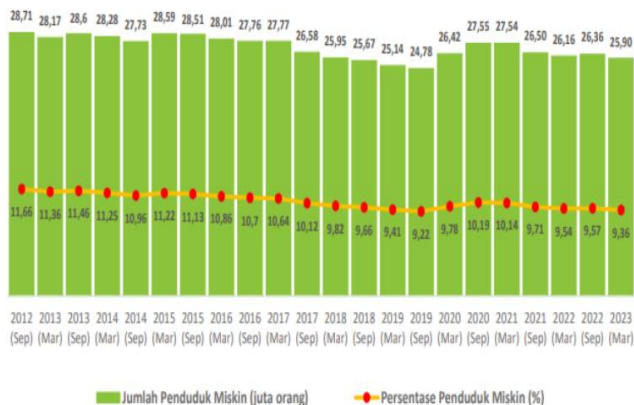

Figure 1: Percentage of Poor Population by Province in Indonesia
Source: BPS Statistics Indonesia (2024)

In Islam, zakat is crucial for reducing economic inequality and promoting social solidarity. It stipulates that a portion of one's excess wealth typically 2.5 percent to be given to the less fortunate to fund community welfare projects (Liberto, 2023). Through direct distribution of funds from wealthy donors to underprivileged beneficiaries, Zakat offers vital financial support that helps low-income households fulfill necessities including food, housing, and medical care thereby fostering a more resilient and inclusive community (Mansor et al., 2019; Furqani et al., 2018).

Indonesia has the world's biggest Muslim population, estimated at 87 percent, and is divided into 34 provinces and cities that control their own regions. Indonesia can leverage Islamic financial instruments to support local and national economic growth because of its strong demographics (Bertelsmann Stiftung's Transformation Index, 2024). The commitment of the Indonesian government may be observed in the growth of the central National Zakat Institution (BAZNAS), which holds the official title of being the nation's legal zakat administration authority. It has 26 national zakat management institute, 18 provincial, and 37 district and municipal organizations, Indonesia hopes to further establish itself as a center for Islamic finance and the halal sector (Sudarsono, et al., 2022).

Based on statistics from the (BPS, 2024), there were 25.90 million poor people in Indonesia as of March 2023. This figure dropped by 460 thousand people from September 2022 and by 250 thousand people annually. Figure 2 below illustrates how poverty in Indonesia has declined annually, with the March 2023 poverty value showing a drop from September 2022.

Figure 2: Number and Percentage of Poor Population, September 2012 – March 2023.
Source: BAZNAS (2024)

Even with significant zakat disbursements, areas like Nusa Tenggara Timur nevertheless struggle with poverty. Nusa Tenggara Timur ranks second in the country for zakat distribution, as noted by (Oktavia et al, 2024), yet poverty rates are still high, suggesting a discrepancy between the planned and actual effects of zakat on poverty reduction and inclusive economic growth. Prior research conducted by Agistinar et al. (2022), has highlighted the intricacy of zakat's impact in reducing poverty by pointing out problems including inflation and the insufficiency of zakat amounts to cover beneficiaries' fundamental requirements. Thus, the purpose of this study is to evaluate the efficacy of zakat distribution amounts in lowering poverty levels in the province, as well as to determine how zakat distribution influences Nusa Tenggara Timur residents' access to basic amenities.

The study will address the following questions: Does the provision of zakat have a significant impact on the number of poor people in Nusa Tenggara Timur? To what extent does the distribution of zakat contribute to the percentage of households who have access to essential services?

LITERATURE REVIEW

Zakat and Poverty Reduction

Islamic economic theory, which emphasizes the moral and ethical aspects of economic transactions, is fundamental to zakat's function in reducing poverty (Khasandy, 2019). The philosophy behind the usefulness of zakat in mitigating poverty is the Maqasid al-Shariah, which delineates the goals of Islamic law with the intention of advancing human welfare. According to Maqasid al-Shariah, the main objectives of Shariah are to safeguard religion, life, intelligence, descendants, and money while also promoting welfare and preventing damage. These goals direct the use of Islamic financial concepts, such as zakat, and guarantee that economic activity advances societal well-being in its whole (Omar and Hajimin,2023).

Zakat is a type of obligatory almsgiving that addresses economic inequality and advances social justice; It is closely related to the Maqasid al-Shariah (Malik,2016). This theoretical foundation emphasizes the dual role that zakat plays in both helping the impoverished get immediate assistance and fostering long-term economic empowerment. The idea is that money should be distributed fairly across society to guarantee that everyone has access to needs and to avoid an excessive amount of wealth amassing among a few wealthy individuals (Kamaruddin, et, al,2024). Through redistribution of wealth, zakat promotes economic justice and lessens income inequality (Nayak and Hedge, 2023). In Islamic law, economic fairness extends beyond simple cash support. It includes more general socioeconomic goals such having access to healthcare, education, and employment prospects. In keeping with the tenets of Islamic social justice, zakat helps to create a more inclusive and just society by eliminating structural inequities (Zauro, et. al, 2024).

Previous studies have identified zakat as a potent instrument for reducing poverty. However, some dispute. A study conducted by (Wahyudi et al, 2024) used a mixed technique to gather data from surveys and interviews to study how zakat contributes to Bekasi City's higher Human Development Index. Data analysis was done using the National Zakat Index. Despite the micro dimension index value reaching almost 84%, they discovered that zakat's contribution to Bekasi City's higher human development index has a considerable influence. In addition, the welfare and independence index of the community in Bekasi City is significantly impacted by zakat. Their study

emphasizes zakat may enhance community welfare and human development, which is crucial to comprehending its ability to lower poverty in Nusa Tenggara Timur.

The significance of zakat for poverty reduction in Indonesia was also investigated by (Nurhapsari et al, 2021) using multilinear regression and secondary data from the BAZNAS website. Indicators of zakat collection, distribution, and allocation-to-collection ratio were employed. They discovered a positive and inverse relationship between the zakat allocation-to-collection ratio and Indonesian population, suggesting that as the ratio rises, so does the country's impoverished population. Because zakat is an efficient institution and a tool for wealth redistribution, this arrangement benefits both the Indonesian economy and efforts to reduce poverty. Their research adds methodological insights that highlight how important effective zakat allocation is to reducing poverty.

In contrast, using a panel-data technique, (Choiriyah et al, 2020) examined the contribution of effective zakat to poverty reduction as measured by Indonesia's BAZNAS prosperity index for 2017 and 2018. Their study revealed that zakat has no significant effect on the poverty gap and poverty severity index. They suggested that zakat administrators should prioritize the poorest segments of the impoverished population. The results of their study, which emphasize the need of targeted zakat distribution contributes to this study assessment of poverty alleviation and emphasize the necessity of effectively allocating zakat to the most underprivileged province, Nusa Tenggara Timur.

Similarly, Pratama (2023) used the National Zakat Index created by BAZNAS to examine how zakat affects both monetary and multidimensional poverty. To determine the influence of zakat on multidimensional and monetary poverty, two index components covering the environmental and impact of zakat are used to refine the study using multiple linear regression with control variables. The author found out that the environment for zakat to expand in Indonesia still needs development, especially in Java. It contributes to this study by providing insightful viewpoints particularly when it comes to comprehending the wider effects of zakat.

Based on the literature review outlined above, the influence of zakat on poverty alleviation yields varied results, indicating the need for further research to understand its effectiveness in different regional contexts. This study aims to

explore and fill this gap by testing the hypothesis that the distribution of zakat in Nusa Tenggara Timur province may lead to an increase in the number of poor people, suggesting possible inefficiencies in zakat distribution strategies. Thus, to facilitate changes in poverty alleviation through zakat, the research formulates the following hypothesis based on the findings of Choiriyah et al. (2020) and Pratama (2023). Their findings suggest that zakat managers should prioritize the poorest segments of the population. The possible inefficiencies in distribution methods may mean that the regional implementation of Nusa Tenggara Timur will not be able to effectively reduce poverty.

H1: The distribution of zakat in Nusa Tenggara Timur does not effectively reduce the number of poor people.

Zakat Fosters Inclusive Growth

The notion of inclusive growth is complex and encompasses both equal distribution of benefits among various societal sectors and economic progress (UN, 2024). It seeks to guarantee that everyone has access to opportunities and fundamental services necessary for their socioeconomic progress and general well-being. (Ramadhan and Fauzi, 2023). Reducing poverty across a range of socioeconomic classes is equally important to inclusive growth. Inclusive growth strategies go beyond simple alleviation; they aim to build sustainable livelihoods and economic opportunities for all, empowering the underprivileged via microfinance programs, skill development, and strong social safety nets that offer stability in times of economic uncertainty (Asian Development Bank,2024). As a mandatory almsgiving practice in Islam, zakat presents itself as a transformational tool for fostering inclusive growth in Islamic countries. This financial practice is a component of Islamic Social Finance, a larger framework that stresses the communal responsibility in combating poverty and inequality (Dembele and Bulut, 2021).

Inclusive development is promoted by efficiently allocating zakat funding to specific programs that provide access to economic, healthcare, and educational possibilities (Yusuf,2011). This strategy not only helps people escape poverty but also fosters economic stability and increases communal resilience (Ashfahany, et, al,2023). Zakat's effects on sustainable development, economic

growth, and social welfare have been the subject of several studies, its contribution to inclusive growth has not received as much attention.

In Malaysia, Ahmad, and Hassan (2018) carried out a thorough investigation with an emphasis on the function of zakat in fostering economic inclusiveness and entrepreneurship. They used a mixed-methods approach to assess entrepreneurial initiatives sponsored by zakat, combining quantitative data with qualitative interviews. They discovered that by giving low-income people and small enterprises financial support and training in business development, zakat made a major contribution to the growth of the local economy. Their research adds value to the study as it emphasizes how the zakat entrepreneurship program boost the economy and lessen income inequality. The zakat experience in Malaysia highlights the country's role in encouraging entrepreneurship and economic inclusion by giving low-income people and small enterprises financial support and business development aid, which stimulates economic growth and lessens wealth distribution inequities. This proactive strategy creates a more equal society where people may attain financial independence while also improving economic possibilities.

Similarly, the impact of zakat distribution programs on reducing economic disparity and poverty across various populations in West Java, Indonesia, both urban and rural, was examined by (Ayuniyyah et al, 2018). They looked at 1,309 zakat beneficiaries using the Deciles technique, the Center of Islamic Business and Economic Studies model, CHAID analysis, and Gini coefficient. They found out that the distribution of zakat considerably lessens poverty and economic disparity; statistically significant factors impacting household income and spirituality include family size, age, employment, informal education, spiritual supervision, and regular help. Their research contributed to this study that zakat distribution in Nusa Tenggara Timur could similarly improve access to basic services, which are essential elements of inclusive growth. Their findings also show that zakat can effectively reduce poverty and income inequality.

On the other hand, Khasandry and Badrudin (2019) used a structural equation model to investigate the impact of zakat on social welfare and economic growth in Indonesia. To examine the impacts of zakat, they used metrics including the Gini Index, the Human Development Index, and the percentage of the population living in poverty. According to their findings, zakat

positively linked with a decrease in the proportion of the population living in poverty, but it had no discernible effect on economic growth. On the other hand, the HDI and Gini Index suffered as a result. Their findings support my study's objective of assessing zakat's influence on poverty reduction and access to essential services in Nusa Tenggara Timur by offering insights into the possible impacts of zakat on a range of socioeconomic variables.

Additionally, Structured interviews and questionnaires were used by Nayak and Hegde (2023) to collect data from respondents in their study on wealth redistribution through zakat in India. They found out that zakat is a more equitable social structure than taxation and that it works well to redistribute wealth across communities. By offering insights on zakat's function in economic redistribution and poverty alleviation from the aspect of actual implementation, this viewpoint deepens my research.

Herianingrum and colleagues (2024) also carried out a qualitative examination of the contribution of zakat to improving economic circumstances and reducing poverty in Indonesia. Their research emphasized the strategic administration of zakat, considering beneficiaries' long-term effects and productivity levels. The importance of zakat as a long-term intervention instrument that directs efforts toward equitable economic growth was underlined. This study provides insightful information that can help assess how zakat promotes inclusive growth in Nusa Tenggara Timur, especially when it comes to the distribution of zakat strategically and its ability to boost the local economy over the long run and reduce poverty. The impact of zakat on economic growth in Malaysia and Indonesia was similarly examined by Ashfahany et al. (2023) and Laallam et al. (2021) using regression estimates on panel data collected between 2003 and 2020. They discovered that zakat and the Human Development Index as well as GDP had a favorable correlation. Their findings suggest that population expansion and zakat distribution have a favorable and substantial impact on economic growth in these Islamic nations. This study supports my research on the effects of zakat on inclusive growth in Nusa Tenggara Timur by indicating that zakat can have a favorable impact on economic growth, particularly in Islamic environments. In contrast to their work, which focuses on economic growth in general, mine focuses on inclusive growth, however, their findings offer a strong basis for comprehending the complex effects of zakat, improving the goal of my study, which evaluates zakat's

contribution to inclusive growth and the decrease of poverty in Nusa Tenggara Timur.

These studies collectively provide a robust foundation for understanding zakat's multifaceted impacts, enriching my study's aim in assessing zakat's role in promoting inclusive growth towards poverty reduction in Nusa Tenggara Timur thereby testing the following hypotheses:

H2: Zakat distribution positively impacts the proportion of households with access to basic services

METHODOLOGY

This study uses a deductive methodology in which ideas are developed first, followed by a quantitative analysis. The deductive approach looks at the reliability of presumptions (Hutagaol, 2021). Data are collected from two primary sources. The dependent variables: Number of poor people in Nusa Tenggara Timur measured in millions, which is essential for monitoring changes in poverty levels over time and evaluating socioeconomic wellbeing. And proportion of households with access to essential services like healthcare and education, offering insights into socio-economic development and residents' quality of life. As well as the constant variable population growth rate of Nusa Tenggara Timur, measured annually in percentage that takes into consideration population dynamics that might affect socioeconomic circumstances, rates of poverty, and the accessibility of services are all obtained from BPS Statistics Indonesia for the period 2013-2022.The independent variable zakat distribution amounts for Nusa Tenggara Timur, measured in million Rp is obtained from Baznas National Zakat Statistics for the period 2013-2022. The subjects of the research include statistical data from Nusa Tenggara Timur's province. An ordinary least squares regression model is used in the study to analyze quantitative data.

RESULTS AND DISCUSSION

The descriptive data in Table 1 below provides substantial insight into how Nusa Tenggara Timur's zakat distribution promotes inclusive growth toward poverty reduction between 2013 and 2022.A mean of IDR 211,000,000 and a standard deviation of IDR 108,000,000 are displayed in the Zakat Distribution Amounts.

This suggests that there is a significant range in the quantities given out. IDR 131,000,000 is the reported smallest distribution, and IDR 397,000,000 is the maximum. This broad range is indicative of the variation in zakat donations over time. This indicates that the amount of zakat distributed varied throughout time, ranging from IDR 131,000,000 to IDR 397,000,000 at some times. This variation is important because it might affect how well zakat works across different time periods to combat poverty and increase access to essential services.

In Nusa Tenggara Timur, the average number of impoverished people is 100,499.6. This indicates that over the examined periods, there were, on average, around 100,500 impoverished people living in the region. The standard deviation, which calculates how much the number of impoverished individuals deviates from the mean and is 12,382.19, is moderate when compared to the mean, indicating that the number of poor people does not change much over time. The observed values range from 84,111, the minimum, to 114,217, the greatest. The lowest and maximum number of impoverished individuals found in the data are displayed in this range. Since the results remain within this range and do not vary much around the mean, it suggests that the region's poverty rate has been rather stable during the time periods under study. The number of impoverished people doesn't fluctuate much, suggesting that the state of poverty is mostly steady with no notable ups or downs. This consistency in the number of poor people can aid in a better understanding of the effect of zakat distribution on poverty alleviation.

The mean for the proportion of households with access to basic services is 60%. This indicates that over the examined periods, 60% of families in Nusa Tenggara Timur had access to essential amenities including infrastructure, healthcare, and education on average. Significant variations in the percentage of households with access to essential services are shown by the standard deviation of 13.92%, which is quite high when compared to the mean. The percentages given range from 39% at the least to 74% at the maximum. The data's lowest and maximum percentages of households with access to essential services are displayed in this range. The lowest percentage (39%) indicates that there were variations in the accessibility of basic facilities in the region. In some years, only 39% of families had access to basic amenities, while in other years, up to 74% of households did. This diversity may result from variations in the distribution of resources, the construction of infrastructure, or the efficiency of service delivery

initiatives in various contexts. These variations show that some households are severely underserved while others have greater access to necessities.

Lastly, Nusa Tenggara Timur's population growth rate has a mean of 4.314% and a standard deviation of 2.31%. The growth rate reflects different population dynamics during the analyzed periods, ranging from a low of 2.06% to a maximum of 6.07%.

Table 1: summary statistics of the variables

variable	Obs	Mean	Std.Dev	Min	Max
Zakat Distribution Amounts	10	211,000,000	108,000,000	131,000,000	397,000,0
No. of poor people in Nusa Tenggara Timur	10	100499.6	12382.19	84111	114217
Proportion of households with access to basic services (%)	10	60	13.91761	39	74
Population growth rate of Nusa Tenggara Timur (%)	10	4.314	2.31	2.06	6.07

Source: Author's compilation from Stata output

Assumptions Tests Results

To guarantee the reliability of the findings, several assumptions was carried out before regression analysis was conducted. The normality test is the first assumption test that was carried out. The results of the normality test, which assess the residuals from the OLS model, are provided in Table 2 below. The test used skewness, kurtosis for normality test. At the significance threshold of 0.05, the p-values for Pr (Kurtosis) = 0.4937 and Pr (Skewness) = 0.1375 are both greater than 0.05. This implies that it is not possible to reject the null hypothesis, which states that the residuals have a normal distribution. Based on

these tests, it is concluded that the residuals are approximately normally distributed.

Table 2: Skewness/Kurtosis tests for Normality

		5% level of significance			
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2 (2)	Prob>(chi2)
resid	**10**	**0.1375**	**0.4937**	**3.50**	**0.1794**

Source: Author's compilation from Stata output

Second, table 3 below provides a summary of the multicollinearity test findings using the Variance Inflation Factor. Multicollinearity is absent when VIF values are less than 10. Zakat distribution amounts and Nusa Tenggara Timur's population growth rate have VIF values of 6.86, with corresponding 1/VIF values of around 0.145677. Reliability of the regression estimations is not considerably affected by multicollinearity, as seen by the mean VIF of 6.86 with all VIF values being less than 10. Because there is no multicollinearity among the independent variables, regression analysis can be conducted.

Table 3: Variance Inflation Factor for multicollinearity test

Variable	VIF	1/VIF
Population~t	**6.86**	**0.145677**
ZakatDistribution~a	**6.86**	**0.145677**
Mean	**6.86**	

Source: Author's compilation from Stata output

Finally, the Breusch-Pagan/Cook-Weisberg test was used to determine heteroskedasticity, and the results are displayed in table 4 below. Heteroskedasticity is defined as when the variance of the residuals varies

consistently across different levels of the independent variable (Fox,2016). The test produced a chi-squared statistic of 0.39 and a p-value of 0.5313, which is greater than the significance level of 0.05. As a result, the null hypothesis that the residuals have constant variance cannot be rejected because there is insufficient data to do so. This means that the data are not heteroskedastic, which guarantees that fluctuations in the residuals do not affect the regression model's standard errors or skew coefficient estimates.

Table 4: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity; p-value=0.05

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
        Ho: Constant variance
        Variables: fitted values of ZakatDistributionAmounts

        chi2(1)    =    0.39
        Prob > chi2 =  0.5313
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OLS Regression Results
The following are the outcomes of the OLS model as shown in the table 5 below. The purpose of this study's OLS regression analysis is to ascertain how Nusa Tenggara Timur's zakat distribution affects inclusive growth and alleviates poverty. Two dependent variables are the subject of the analysis: the percentage of families with access to basic utilities (Y2) and the number of impoverished individuals (Y1).

The coefficient for zakat distribution amounts in the first model that looks at the number of poor people in Nusa Tenggara Timur is 0.0001819 with a p-value of 0.000, demonstrating a very significant positive relationship. This implies a relationship between increasing zakat distribution and a rise in the number of poor people in Nusa Tenggara Timur. This suggests that there are problems or inefficiencies with the zakat distribution that need to be fixed. Therefore, the null hypothesis (H1o) which states that zakat does not reduce the number of poor people cannot be rejected.

Higher population growth rates show significant negative relationship to a decrease in the number of impoverished individuals, according to the population growth percent coefficient, which is -23,341.83 with a p-value of

0.002. The base level of the impoverished when all other variables are zero is represented by the constant term, 1,127,261 with a p-value of 0.000. The model explains 59.03% of the variance in the number of poor people, based on the R-squared value of 0.5903. The number of predictors is considered by the adjusted R-squared value of 0.4733. The F-test's p-value of 0.006 shows that the model is statistically significant.

Table 5: OLS Regression Results

	Number of Poor People (Y1)	Proportion of Households with Access to Basic Amenities (Y2)
Zakat Distribution Amounts	-0.0001819	-1.56e-07
	(0.0907)	(0.015)
Population Growth percent	-23341.83	9.01137
	(0.002)	(0.000)
_cons	1127261	5.942127
	(0.000)	(0.000)
R Squared	0.5903	0.8970
Adjusted R Squared	0.4733	0.8675
P-Value of F-test	0.006	0.000

Notes: value in () is P>|T|; alpha=0.05
Source: Author's compilation from Stata output

In the second model that looks at the percentage of families that have access to basic amenities, the zakat distribution amounts have a significant negative relationship with a coefficient of -0.000000156 and a p-value of 0.015. This implies that a larger percentage of families are not having access to essential services like infrastructure, healthcare, and education despite higher zakat distribution amounts. The alternative hypothesis (H2a), which says that the distribution of zakat has a beneficial effect on the percentage of families having access to essential services, is not supported by this data. As a result, H2a, the alternative hypothesis, is rejected. The population growth percent coefficient is 9.01137 with a p-value of 0.000, shows a statistically significant positive correlation. The base level of access to amenities when other variables are zero is

represented by the constant term, which is 5.942127 with a p-value of 0.000. The model explains 89.70% of the variance in access to essential facilities, as indicated by the R-squared value of 0.8970. The number of predictors is taken into consideration by the modified R-squared value of 0.8675. The F-test's p-value of 0.000 shows that the model is statistically significant.

Discussion

Does the provision of zakat have a significant impact on the number of poor people in Nusa Tenggara Timur? The zakat distribution amount significantly increases the number of poor people in Nusa Tenggara Timur, Indonesia, as seen in the results section. This suggests that the number of impoverished individuals rises along with the quantity of zakat distributed, which is opposed to the intended effect of zakat. The results of this investigation are consistent with those of Nurhapsari et al. (2021) and Pratama (2023), indicating that insufficient institutional support, ineffective regulations, insufficient state budget allocations, and subpar database management within zakat institutions are among the factors impeding the impact of zakat distribution in reducing poverty.

Being the biggest country with most Muslims, Indonesia has considerable hurdles when it comes to efficiently handling zakat. To make zakat institutions run better, the government must strengthen budgetary assistance and regulatory frameworks. According to Rinia et al. (2020), despite high rates of poverty, there is a notable disparity in zakat collection and distribution throughout Indonesia's 34 provinces, with about 27.5% of zakat not being allocated at the provincial level. The main causes of this disparity are the insufficient zakat data collection and the inability of some areas to submit BAZNAS with their zakat distribution data.

Furthermore, many scholars concur that zakat funds have no effect on reducing poverty in Indonesia. The real quantity of zakat disbursed frequently falls short of what is required to support the impoverished (Mufida et al., 2022; Oktavia and Mukhlisin, 2024). There is a lack of thorough planning and coordination between zakat organizations and local governments when it comes to the distribution of zakat for economically productive initiatives. Institutions in charge of collecting zakat, such as BAZNAS and LAZ, need to determine efficient means of fundraising communication, enhancing communications are

received by the intended audience. Traditional physical techniques of collecting zakat are still vital, even if computerized ones are becoming more common.

To what extent does the distribution of zakat contribute to the percentage of households who have access to essential services? The findings section shows that in Nusa Tenggara Timur, the percentage of households with access to basic services is significantly impacted negatively by the amount of zakat distributed. This suggests that a decline in the percentage of families obtaining basic amenities like infrastructure, healthcare, and education corresponds with an increase in the amount of zakat distributed. This result raises the possibility of inefficiencies in the distribution and use of zakat payments in the area.

Reducing income disparity, guaranteeing that all facets of society benefit from economic advancement, and providing equal access to opportunities and resources are characteristics of inclusive growth. The adverse effect of zakat distribution on the availability of basic services in Nusa Tenggara Timur raises questions about the efficacious use of zakat funds in fostering equitable growth. Because the poorest households are still unable to obtain essential services that might help them out financially, this inefficiency can make income disparity worse (Ayuniyyah, et, al,2022).

One of the most important aspects of inclusive growth is healthcare access. An optimal distribution of zakat ought to augment the accessibility of healthcare services, so enabling a greater number of households to obtain medical treatment, immunizations, and further health-related assistance. Nevertheless, it appears that the existing zakat distribution methods are insufficient, which might result in many families without access to the essential medical services. This could eventually lead to worse health outcomes and more expensive healthcare (Wahyudi et. al; Zauro et. al, 2024).

Corresponding to this, inclusive growth requires high-quality, easily accessible education. Education gives people the information and abilities they need to increase their chances of success in the job market. Children from lower-income households may have less access to high-quality education if zakat monies are not being used wisely to promote educational projects (Ramadhan and Fauzi,2023). This might prolong poverty cycles because these kids might not have the education or training needed to land well-paying jobs as adults, which would increase the gap between the rich and the poor.

CONCLUSION, LIMITATION AND RECOMMENDATION

Conclusion

This study examines the effectiveness of zakat distribution in Nusa Tenggara Timur, Indonesia, with a particular emphasis on how it affects access to basic services and the decrease of poverty. The results provide several important insights: First, in direct opposition to zakat's objective, there is a correlation between rising zakat distribution amounts and an increase in the region's number of people. This contradictory result highlights structural problems with zakat institutions, such as poor institutional support, ineffective regulations, and problems with data administration.

Second, the study shows that the fraction of households that get basic services like healthcare and education is negatively impacted by the distribution of zakat. This implies that the ways in which zakat is distributed is not sufficient to promote equitable growth or lessen differences in access to essential services, which might lead to the continuation of poverty cycles.

Furthermore, to maximize the effect of zakat distribution, the research highlights the significance of increased openness and better management procedures within zakat organizations. Using digital technology to improve fund tracking, improving stakeholder coordination and communication, and guaranteeing stronger legislative frameworks and financial allotments are among the recommendations.

Limitation

Lack of 2023 zakat distribution data makes it impossible to document current changes in zakat distribution and its influence on the alleviation of poverty in Nusa Tenggara Timur due to a lack of data for 2023. More recent data would have been available to offer updated perspectives on the efficacy of zakat activities in the context of changing economic circumstances.

Recommendations

Efficient administration and allocation of zakat money are crucial for mitigating poverty and fostering equitable development in Indonesia. Utilizing digital technology becomes a critical tactic as zakat organizations negotiate the challenges of updating their operations. Institutions such as BAZNAS must

implement complete digital solutions for transparent money tracking and effective distribution if they are to optimize the impact of zakat on poverty reduction. Putting in place integrated management systems throughout the provinces may improve accountability, cut down on administrative expenses, and streamline operations. Using these technical innovations and the strengthening of transparency, Indonesia can construct a strong framework for zakat distribution that cultivates contributor confidence and efficiently targets impoverished populations.

Moreover, strengthening governmental budgetary allotments and regulatory frameworks are critical actions. For zakat funds to be used efficiently and openly, strict control and well-defined criteria are required. To enhance resource mobilization and distribution, private sector participation in zakat collection and cooperation with local governments are recommended. These initiatives are vital for extending the reach of zakat beyond relief, facilitating better access to necessities like healthcare and education, and fostering equitable, sustainable growth across the country.

Future studies must focus on examining the daily financial requirements of each household in Nusa Tenggara Timur province to sufficiently support basic needs and encourage farming and breeding animals. Since the main economic activity in this area are agriculture and livestock knowing what financial help is needed might have a big influence on efforts to reduce poverty. Determining the financial resources required for households to get basic services like healthcare and education, as well as making investments in agricultural inputs and technology to boost productivity and revenue creation, should be the main goals of this study. Policymakers and zakat institutions may better adapt their activities and ensure that zakat contributions closely fit with the development goals and economic realities of Nusa Tenggara Timur's communities by measuring these demands.

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