

## The Utilization of Zakah Productive towards Micro-Business Growth and *Mustahik* Welfare

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### Abstract

One of the basic laws that the zakah seems to be ordered is the word of Allah SWT QS. At-Taubah verse 103, The study aims to analyze the effect of productive *Zakah, Infak, Sedekah (ZIS)* to the micro-business growth of mustahik of Muhammadiyah Society in Medan City, and simultaneously effect of Productive *Zakah, Infak, Sedekah (ZIS)* and micro-business growth to the mustahik welfare of Muhammadiyah society in Medan City. This research used quantitative analysis, the sample was selected by using quota sampling with 100 respondent, and the data analysis technique used was multiple linear regression analysis. The results showed that there is a positive and significant influence between productive Zakah and mustahik welfare, there is a relationship between micro-business growth and mustahik welfare and also simultaneously there is a relationship between productive Zakah and the micro-business growth towards mustahik welfare of Muhammadiyah society in Medan city. The implication of this study is emphasizing the distribution of Zakah that more prioritizing on Productive Zakah.

**Keywords:** Mustahik Welfare; Micro Enterprise Growth; Productive Zakah

**JEL Classification:** O04, I38, M140, D6

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### 1. Introduction

Islam considers the poverty as one thing that can endanger the creed, behavior, logical thinking, family and society. Islam also assumes it as a calamity and disaster that must be overcome. If this poverty is rampant, it will become *mansiyyan* poverty (able to make someone forget to Allah and also his/her humanity) (Kasim & Siswanto, 2014). Welfare is a condition that becomes a hope for every society. But in reality not all societies can easily get the welfare. Talking about welfare issues in Islam, surely it can't be released with the discussion of *zakah*. When viewed from its

benefits, *zakah* is a *maliyah* worship which concerns about the relationship between humans and human beings as well as the relationship between human and Allah SWT (Nafiah, 2015). Every Muhammadiyah society tends to think in *burhani* (textual and contextual approach), *bayani* (factual and rational approach) and *irfani* (approach with conscience) that reflect the way of Islamic thinking that can produce the works of thought and *amaliyah* which reflect alignment between orientation *hablu min Allah* and *hablu min al-naas* which are worthy for the mankind life. Families within the Muhammadiyah need to

have social concerns and build social relationships that are *ihsan*, *ishlah*, and *makruf* with their neighbors and in the wider social life in society so as creating *qaryah thayyibah* (a prosperous village of birth and mind) in the local community (Muhammadiyah Life Guidelines). Poverty is a great danger for mankind, and not a few people who fall into civilization only because of their poverty. Therefore, as the Prophet's saying that the poverty is close to '*kufur*'. The purpose of zakah is not merely to support the poor in a consumptive manner, but has a more permanent purpose of alleviating poverty. One that supports the welfare of life in the world and support life in the afterlife is the existence of socio-economic welfare (Sartika, 2008; Mulyaningsih, 2014).

To achieve the welfare concept, every person whether as a member of society or business world, or as part of a government organization is required to sacrifice personal interests in order to fulfill the social welfare in the family environment, as long as the maximization of wealth and consumption is the sole purpose, so that sacrifice will have no meaning (Yuli, 2015). The utilization of zakah does not only to fulfill the consumptive needs, and reduce into the poverty, but also can be used for poverty alleviation by strengthening the productive sector so as to be able to empower the economy of the *mustahiq* (zakah recipient group) (Toro, Amien Gunadi, & Piliyanti, 2013). Efforts to increase economic growth and create jobs are required a lot of capital or investment. The optimization of economic resources exploitation is often constrained due to limited capital, one of potential sources for development funding is *Zakah, Infaq and Sadaqah* (ZIS) (Jalaludin, 2012; Mujiatun, 2018).

One of the basic laws that show the ordering of zakah is the word of Allah SWT QS. At-Taubah verse 103 namely: "Take zakah from some of their property, with the charity that you clean and purify them and also pray for them. Verily, your prayer is tranquility for them. Allah is all-hearing and all-knowing (Q.S. at-Taubah, 9: 103)". In addition to the above verse that the

government also supports the utilization of zakah, it is with the issuance of Law number 38 of 1999 on the utilization of Zakah which is now perfected by Law number 23 of 2011 on the Management of Zakah. To maximize the potential of zakah in an effort to improve the community welfare, the management of zakah is recently done in two ways: the management of zakah consumptively and productively. The management of zakah consumptively is the collection and distribution that is done with the purpose of fulfilling the basic economic needs of the *mustahiq* in the form of provision of food ingredients and others as well as the provision to be consumed directly, while the management of zakah productively is the management of zakah with the aim of empowerment and usually done by capital assistance for weak entrepreneurs, coaching, free education and others (Nafiah, 2015; Nurzaman, 2010).

Based on the background of the problems that have been described above, we get the result of problems' identification toward the micro business of Muhammadiyah society in Medan city, as follows: 1) Muhammadiyah society are *mustahik* and they have productive economic activity so that their needs are the development and improvement of capacity to be easier and definitely, 2) If the *mustahik* of Muhammadiyah society are properly empowered, they will easily migrate into the small business sector, 3) Effectively reduce the poor Muhammadiyah society and then grow them to become prosperous society, 4) linkages to the continued lack of clear business and planning, due to the absence of separation between business capital and personal needs, 5) Lack of capital in running a business creates difficulties for them to survive.

Based on the background of the problems and the results of previous research, the significance of the research needs to be studied in depth, because there are still many *mustahiq* of Muhammadiyah society in Medan city, so they actually get the benefit by the existence of Muhammadiyah in Medan City, and as one way of speech (*Da'wah*)

of Muhammadiyah, so that Muhammadiyah society get the prosperity in accordance with the guidelines of Muhammadiyah's Life, then the significance of this study are: 1) To determine the effect of productive *Zakah, Infak, Sedekah (ZIS)* to the micro-business growth of mustahik of Muhammadiyah society in Medan City, 2) To know the effect of productive *Zakah, Infak, Sedekah (ZIS)* to the prosperous welfare of Muhammadiyah society in Medan City, 3) To know simultaneously the effect of productive *Zakah, Infak, Sedekah (ZIS)* and the micro business growth toward prosperity of mustahik of Muhammadiyah society in Medan City.

Some researchers have described the management of zakah in this productive sector in several case studies in various regions, such as, the results of research by Nafiah, (2015) emphasized that productive zakah has a significant positive influence to the welfare of mustahik, or the utilization of productive zakah significantly and positively affect the mustahiq welfare and can also improve the profit business (Wahyudi & Ubaidillah, 2015). Similarly, it was revealed by Sartika, (2008); Muliyaningsih, (2014) that it can be stated that the amount of funds disbursed actually has a significant effect on the *mustahiq* income, in other words the higher the fund is channeled, the higher the mustahik income. Moreover, the researches by Jalaludin, (2012); Nafiah, (2015), proved that productive ZIS has a significant effect on the micro-business growth of mustahik. Jalaludin also revealed that the productive ZIS which is distributed in the form of capital aid have a positive and significant influence on the mustahik welfare. While the micro-business growth of mustahik has no significant effect on the mustahik welfare which means that despite the micro-business of mustahik was growth but it has not impacted to their welfare level.

Etymologically, the word of zakah has several meanings such as: blessing, growth, development, holiness, and success. Whereas zakah in terminology is defined as a part of the property

with certain requirements that are required for its owner to be given to who is entitled to receive it, with certain requirements as well. The legal basis of zakah is explained on QS. At-Taubah verse 60: "The zakah is only for the poor (*fakir*), the poor (*miskin*), the administrators of zakah, the converts who are enticed into their hearts for (freeing) slaves, those who are indebted to the way of Allah and the people those who are on the trip, as a provision required by Allah and Allah is The knowing and The Wise" While according to LAZISMU defines that zakah is an obligatory worship conducted by giving a certain amount of property to the person who is entitled to receive it in accordance with the provisions of the Shari'a.

Lazismu stated that zakah is divided into: 1) *Zakah Nafs* (soul), also called *Zakah Fitri* which is required after Ramadan month before praying id as much as one sha' ( $\pm$  2.5 kg / 3.5 liters) of rice to clean fasting and sufficient needs of the poor at Eid al-Fitr. 2) *Zakah Maal* (wealth) -both the proceeds of business or crops, that is zakah which is imposed on property (maal) owned by a person or institution with the set requirements and provisions. The word of productive itself in etymology derived from English "productive" which means produce a lot; provides many results; produce a lot of valuables; which has good results. The productive zakah itself has a definition as a distribution of zakah which makes the recipient produce something continuously with the treasures he/she received by the way developed in the form of productive business (Asnaini, 2008). Utilization comes from the word of 'use' which means the benefits, while the definition of utilization in the Indonesia Dictionary is: the undertaking to be able to bring results and benefits, energy and so on to be able to perform the task well. From the above definition, the utilization of zakah can be interpreted as a business in managing the fund of zakah collection in order to have benefits or usefulness in accordance with the purpose of zakah itself (Nafiah, 2015).

However, *infaq* comes from the word '*anfaqa*' which means expending something (treasure) for the sake of something. According to this sense, *Infaq* issued by unbelievers (*kafir*) for the benefit of his religion (QS.8: 36). Meanwhile, according to Shari'a terminology, *Infaq* means spending some of the property or income for an interest ordered by religion (Jalaludin, 2012). If *zakah* is has the '*nisab*', but *Infaq* does not recognize the '*nisab*'. *Infaq* is issued by everyone who believes, both high and low income, whether in the surplus or limited condition (QS 3: 134) and *zakah* should be given on certain *mustahik* (8 *asnaf*) but *Infaq* may be given to whomever, for example for both parents, orphans and so forth (QS 2: 215).

*Sadaqah* is literally derived from the word *shadaqa* which means "true". The person who likes to do a charity is the person who is showing the true confession of faith. Meanwhile, according to Shari'a terminology, the meaning of *sadaqah* is the same as *infaq* understanding, including the law and its provisions. If *Infaq* only relates to the material, however *sadaqah* has a broader meaning, concerning things that are non material. Hadits which is narrated by Imam Muslim from Abu Dharr, Allah's Rasulullah states that if not able to do *sadaqah* with treasure, then reading *tasbih*, *takbir*, *tahmid*, *tahlil*, doing a marital relationship, and doing *amar-ma'ruf nahi-kah* activities are *sadaqah* (Jalaludin, 2012).

According to the Law number 20 of 2003, Micro Business is a productive business owned by individual or individual business entity that fulfilling the following criteria: a. has the highest net worth, Rp. 50,000,000.00 (fifty million rupiah) excluding the land and building of business premises; or b). has annual sales results at most Rp. 300,000,000.00 (three hundred million rupiah). Meanwhile, according to the Ministry of Industry and Trade defines the micro industry or micro trade is a trade-industry that has a workforce of 1-4 peoples. Indicators to see the growth of small industry including micro business is by looking at business, growth (Jalaludin, 2012). Indicators which are used to measure the

effect of productive *Zakah Infak Sadaqah (ZIS)* to the growth of *mustahik's* micro business are the sales turnover/volume and the level of obtained profit.

The welfare it can be positioned as the output / result of an available input management process (resources), where the welfare as the output at a point that can be a resource or input to be processed to produce the welfare outflow at a later stage. While economic welfare is as the level of fulfillment of inputs financially by the family. The inputs mean incomes, family asset values, and expenditures, whereas output indicators provide an overview of the direct benefits of the investment at the individual, family and population level. The economic welfare of a family is usually defined as satisfaction level or needs fulfillment level obtained by households (Sunarti, 2006). The welfare concept used in this study is the concept of prosperity according to Islam that is *falah*. According to Imam al-Syatibi (Jalaludin, 2012), human needs in Islam consists of three levels namely: 1). *Dharuriyat* which includes five things; namely religion (*dien*), soul (*nafs*), intellectual (*aql*), family and descendants (*nasl*), and material (*maal/wealth*), 2). *Hajiyat*: This level is a complement that tightens, strengthens and protects the needs or levels of *dharuriyat*, 3). *Tahsiniyat*: is the additional need to form of pleasure and beauty of *dharuriyat* and *hajiyat*. The three levels of human needs above, considering the *mustahik* conditions that the poor and needy, then the level of human needs used to measure the *mustahik* welfare is the level of *daruriat* need namely could be fulfilled of five things: religion (*dien*), soul (*nafs*), intellectual (*aql*), family and heredity (*nasl*), and material (*maal/wealth*).

Some previous studies have illustrated the management of *zakah* in this productive sector which is conducted in several case studies with various areas, such as the results of research by (Nafiah, 2015) It emphasizes that productive *zakah* has a significant positive effect on *mustahik* welfare; it can be interpreted that the prosperity will be increased if the use

of productive zakah is also increased, or the utilization of productive zakah significantly positively affects the mustahiq welfare. The same result is also expressed by Sartika, (2008) that it can be stated that the amount of funds distributed really significantly affect the income of mustahiq. This result indicates a significant influence between the disbursed amounts of funds to the income of mustahiq. Besides, the studies of (Jalaludin, 2012), productive ZIS has a significant effect on the micro-business growth of mustahik which means that ZIS given in the form of capital aid, can increase the micro-business growth of mustahik. Jalaludiin also revealed that the productive ZIS that is disbursed in the form of capital assistance has a positive and significant impact on the mustahic welfare. Furthermore (Murniati & Beik, 2016) productive ZIS has a significant effect on the micro-business growth of mustahik which means that ZIS given in the form of capital aid, can increase the micro-business growth of mustahik. Jalaludiin also revealed that the productive ZIS that is disbursed in the form of capital assistance has a positive and significant impact on the mustahic welfare. Furthermore Sungkar and Hidayat, (2015); Utami and Lubis, (2013) in his research shows that there is a difference of mustahik income level before and after receiving productive zakah, where that difference is on the average increased although in relatively small amount. Moreover Arif, (2010) suggests that well-managed Zakah will be able to provide multiplier effects in the economy, so that it can affect the government's poverty alleviation program. Zakah, both in the form of consumptive assistance and productive assistance based on existing mechanisms have been able to give a significant influence in the economy through the mechanism of its multiplier effect. Based on this, the zakah must be well managed so that the multiplier effect can be felt in the economy.

The hypotheses of this study are as follows  
 $H_1$ : There is positive and significant Influence between variable of Muhammadiyah's productive Zakah, Infak, Sedekah (ZIS) to the Micro Business

Growth of Mustahik of Muhammadiyah society in Medan city.  $H_2$ : There is positive and significant Influence between variable of Muhammadiyah's productive Zakah, Infak, Sedekah (ZIS) towards Mustahik welfare of Muhamamdiyah society in Medan City.  $H_3$ : There is a simultaneously influence between Muhammadiyah's productive Zakah, Infak, Sedekah (ZIS) and Micro Business Growth to Mustahik welfare of Muhamamdiyah society in Medan City.

## 2. Research Method

This Research used a quantitative approach to test the hypothesis,. The location of the research was conducted in Medan City, with the research object is the Muhammadiyah society in Medan City. The sources of data in this research are divided into two; primary data sources and secondary data sources: 1) Primary and secondary data. Methods of data collection are used: 1) Interview, 2) Questionnaire), and 3) Documentation Study. The population in this study is the Muhammadiyah societies who are entitled to receive zakah as mustahik, the sample selection was used quota sampling techniques by selecting samples based on consideration of the characteristics that required and related to the purpose of the research. The samples in this research are about 100 peoples. The data in this research is quantitative data so that it used Likert scale with scale range of 1-5. Before the distributing of questionnaire to the 30 respondents, then it was previously tested the validity of the questionnaire which aimed to indicate how far the accuracy or correctness of an instrument as a measurement tool for research variables. To measure the validity, it used product moment correlation technique formula. Reliability aims to see whether the research instrument is a credible and reliable instrument, Reliability test was done by using Cronbach Alpha, it is said to be reliable if the results of  $\text{Alpha} > 0.6$ . If the value of reliability is closer to 1, then the research instrument is better. Technique of data analysis in this research used multiple regression analysis.

### 3. Results And Discussion

#### 3.1 Results

Before conducting the hypothesis testing, there was tested of the classical assumption that aims to provide a certainty that the regression equation used in this research model can have accuracy in estimation, not biased and consistent. The classical assumption test used is multicollinearity test. Multicollinearity Test results shows that there is no independent variable that has a Tolerance value less than 0.100, it means there is no correlation between independent variables, thus it can be said that there is no multicollinearity. Multicollinearity can also be tested by calculating VIF (Variance Inflating Factor) value, the calculation result shows that the value of variance Inflation Factor (VIF) for variable of Productive Zakah ( $X_1$ ) equal to 1,248, and variable of Micro Business Growth ( $X_2$ ) equal to 1,248, which is from each variable has no value more than 10, so it can be concluded that there is no multicollinearity symptoms between independent variables that indicated from tolerance value of each endogenous variable is greater than 0.1 and VIF value is less than 10. Then, it can be concluded that this research is eligible to be a good regression model because there is no correlation between independent variables. Then, Coefficient Correlations appears that there is a moderate correlation between the variables  $X_1$  and  $X_2$  with the correlation level -0.446 or 44.6%. Because the value is still below 95% so it can still be said does not happen multicollinearity.

Further, the Heteroskedastisity Assumption Test, to prove whether the regression model occurs or there is unequal variance of the residual from one observation to another

observation. If the variance of the residual value from one observation to another observation is constant, it is called Homokedastisitas. And if the variance value differs from one observation to another, it is called Heteroscedasticity. The good regression models are those that do not occur of Heteroscedasticity, or in other words, a good regression model is Homokedastisitas. Show Scatterplot chart, it appears that the points are spreading randomly and do not form a clear and regular pattern scattered either above or below, the number 0 on the Y axis of the number zero on the Y axis, thus that the model in this study qualifies to be a good model because the model of homoskedasticity or variance of the observed residual value of one to another observations is constant. Furthermore, Normality Test is useful to prove whether in a regression model, independent variable, dependent variable, or both of them have a normal distribution or not. A good regression model is that has a normal or near-normal data distribution. The Histogram graph gives a normal distribution pattern, it can be seen from the histogram graph that is showed the data distribution follow the diagonal lines that is not skewed to the left or to the right. While the Normal P-Plot of Regression Standardized Residual graph can be seen the points are spread around diagonal lines. These two graphs show that the regression model does not violate the normality assumption. So it can be concluded that the regression model in this study qualifies to be a good regression model because it is a regression model that has a normal or near normal data distribution.

Next, the interpretation of the multiple linear regression equation, as in Table 1:

**Table 1. Results of Coefficients Multiple Regression Linier & t test**

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	5.667	2.677	2.117	.037
Productive Zakah	.261	.079	3.282	.001
Growth of Micro Business	.568	.063	9.039	.000

a. Dependent Variable: Welfare of Mustahik

Multiple linear regression analysis with Equation  $Y = a + b_1 X_1 + b_2 X_2 + e$ , where Y is the dependent variable, and X is the independent variable, a is the constant (intercept) and b is the regression coefficient on each independent variable. The interpretation on the equality of influence between Productive Zakah ( $X_1$ ), Micro-Business Growth ( $X_2$ ) and on *Mustahik* Welfare (Y) yields the following equation:  $Y = 5,667 + 0,261X_1 + 0,568X_2$ , the equation can be analyzed, if the variable of productive Zakah is increased with assumption of the variable micro-business growth is constant, hence the *mustahik* welfare also will be increased. If the variable of Micro-Business Growth is increased, with assumption the variable of Zakah is constant, then the *mustahik* welfare will also increase.

The result of test with multiple linear regression analysis technique in this study proved that linear correlation between variables  $X_1$ ,  $X_2$  and variable Y. This analysis is aimed to

know the direction of the relationship between independent variable and dependent variable, whether each variable has positive or negative influence and predict the value of dependent and independent variable have an increase or decrease, The result of t test shows Hypothesis 1, the effect of productive Zakah variables on *Mustahik* welfare can be determined with t-table value, and probability of significant level  $< 0,05$ , Hypothesis 1, it can be concluded that productive zakah partially have positive and significant influence to *mustahik* welfare of Muhammadiyah society in Medan City. Hypothesis 2, the influence of variable micro business growth to the *Mustahik* welfare can be determined by looking at  $t_{count} > t_{table}$  (1,98472) or probability of significant level  $< 0,05$ , Hypothesis 3, it can be concluded that micro-business growth partially have positive and significant influence to *mustahik* welfare of Muhammadiyah society in Medan City.

**Table 2. Result of F-test**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1246.922	2	623.461	74.236	.000 <sup>a</sup>

a. Predictors: (Constant), Growth of Micro Business, Productive Zakah

b. Dependent Variable: Welfare of *Mustahik*

**Tabel 6. Result of R Square (Model Summary)**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778 <sup>a</sup>	.605	.597	2.89799

a. Predictors: (Constant), Growth of Micro Business, Productive Zakah

b. Dependent Variable: Welfare of *Mustahik*

Table 5 shows the simultaneous test ( $F_{test}$ ), the effect of productive Zakah, the micro-business growth on the *mustahik* welfare, by determining the  $F_{table}$  value by looking at  $df_1$  ( $k-1 = 3-1 = 2$ ),  $df_2$  ( $nk-1 = 100-3-1 = 96$ ) then the value of F table is 3.09, with probability  $sig \alpha = 0.05$ , thus  $F_{count} > F_{table}$  is  $74.236 > 3.09$  or probability of significant level  $0.000 < 0.05$ , it can be concluded that the variables of productive zakah and micro-business growth simultaneously have a positive and significant

influence on *mustahik* welfare of Muhammadiyah society.

The determination coefficient value (R Square) aims to predict how big the contribution of the variables of productive zakah and micro-business growth to *mustahik* welfare of Muhammadiyah society, because of  $F_{test}$  value in multiple linear regression analysis as in table has a significant value.

The result of the summary model, it is known that R Square is 0.605, the value of R Square 0.605 is equal to 60.5%, it means that productive zakah and micro-business growth have the influence to mustahik welfare by 60.5%, while the rest (100-60.5 % = 39.5) is influenced by other variables which is not included in this regression model. The magnitude of the effect of other variables becomes error (e). Error value can be obtained with the formula  $e = 1 - R^2$ . The value of R Square between 0-1, means that if R Square is valued (-) then it can be said there is no effect of X to Y, the smaller of R Square value, means the influence of variable X to Y becomes the weaker, otherwise if the R Square value close to 1, then the influence will be stronger.

### 3.2 Discussion

#### 3.2.1 The Effect of Productive Zakah on Mustahik Welfare

The Effect of variable of productive Zakah to Mustahik welfare partially has a positive and significant influence on the mustahik welfare of Muhammadiyah society in Medan city. Zakah has the potential to overcome the poverty, as one of the five pillars of Islam. In the zakah, there are principles of social justice and redistribution for the recipient of zakah, zakah will affect the increase of human welfare and zakah can also serve as a solution of poverty, zakah can also increase the equity in society Muslim (Nurzaman, 2010; Bello, 2010). The distribution of zakah must be in accordance with the Islamic Shari'a and prioritize the poor and give priority to the business development owned by the mustahik society, because it will affect the Mustahik welfare of Muhammadiyah, such as a statement by Johari, Aziz, Ibrahim, and Ali (2013) that zakah can increase income and reduce poverty. This research is in line with which says that zakah will be able to maintain business continuity because there is no requirement that must be fulfilled by *mustahik* to execute its business, will become an obstacle if *mustahik's* business is grown and need business

capital or place of business license if not assisted through productive zakah. Damanhur, Nuruddin, and Siregar (2017); Sulistyono and Cahyono (2014); Nafiah, (2015) state that productive zakah will have a positive effect on the *mustahik* welfare. Zakah has a very influential role to the quality of life both economically and non-economically that potentially influence the welfare and can enhance the spiritual values that will ultimately affect the welfare of the ummah (Asdiansyuri, 2016), and zakah can also improve business constancy (Bidol, Basalamah, Rusjdin, & Su'un, 2017).

#### 3.2.2 The Influence of Micro-Business Growth on Mustahik Welfare

The micro-business growth partially has a positive and significant impact on the mustahik welfare of Muhammadiyah society in Medan City. Allah SWT has brought the Zakah system as an economic solution for Muslims as stated in the Qur'an (9:60). The distribution of zakah can improve the economy and social life and can reduce poverty, because zakah reallocate the resources from the rich to the poor to be effective to reduce poverty. Zakah will be very beneficial for business development, can increase the velocity of venture capital, operating profit, if productive zakah can be disbursed properly then the profit will be obtained as expected, and business development will be able to make Muhammadiyah society feel that it will continue to guarantee sustainability, a sense of security in carrying out the business in the future. Faisal and Yuliani, (2017) says that there is a significant influence between the micro-business growth on the *mustahik* welfare, as well as Hapsari, Hakim, and Soeaidy (2014), the empowerment of small businesses either directly or indirectly affects the economic growth in the region which will then also affect the economy Nationally. In line with the research of Farid, Sukarno, and Puspitasari (2015); Anwar, (2017), whereas that the micro business growth can provide the prosperity for the ummah by utilizing productive zakah fund.



### 3.2.3 The Effect of Productive Zakah and Micro-Business Growth toward *Mustahik* Welfare Simultaneously

Productive Zakah and the micro-business growth simultaneously have a positive and significant impact on *mustahik* welfare of Muhammadiyah. As a result, the program of productive zakah funds will be able to increase the income of *mustahik* household and can bring out the *mustahik* out of poverty, while prosperity increases because productive-based zakah and zakah can also increase the spiritual of *mustahik* (Beik & Pratama, 2015). Jalaludin, (2012); Damanhur et al. (2017) argue that productive zakah and micro-business growth simultaneously affect the *mustahik* welfare. Zakah has been proven to reduce poverty in Muslim society especially, history suggests that by applying zakah-based economic system will alleviate the muslim society from poverty Hoque, Khan, and Mohammad (2015), while Johari, Ali, and Aziz (2015), the result of the research also proved that the micro-business growth gives the biggest contribution in this research, so if the business that owned by *mustahik* grows through productive zakah fund then the welfare will be also increase, in line with the research of Romdhoni, (2017) which say that one kind of small business capital is through productive zakah that will have a big influence in the increase of business and zakah will also affect equitable distribution to the Islamic community, thus the professional management of productive zakah will assist the government to alleviate poverty and empower the economy of the ummah.

#### 4. Conclusions

The management of Lembaga Amil Zakat Muhammadiyah should be more focused on the utilization of productive zakah, through the giving of zakah to help the *mustahik* of Muhammadiyah society in Medan City through business capital in order to develop the economy of Muslims in Medan City, and provide the direction and guidance to the Muhammadiyah society who receive the zakah fund in order

to make this distributed zakah is beneficial to the economic development of the ummah. In general, the respondents considered productive zakah would affect the economic improvement of Islamic ummah especially the *mustahik* of Muhammadiyah society by not excluding the Islamic Shari'ah in distributing productive zakah. If the productive zakah is managed well then it will be able to reduce the *mustahik* among Muhammadiyah, so that the *mustahik* business condition which is currently running can continue to grow, and when it has developed will be able to give benefit for Muhammadiyah development.

Suggestions for further researchers to further develop these research variables as a part of efforts to improve science, and Laz Muhammadiyah should focuses on the development of *mustahik* business, so that Muhammadiyah society can feel the true welfare in society.

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