

## PROMOTING SDGs: THE ROLE OF ZAKAT IN IMPROVING HUMAN DEVELOPMENT INDEX

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### Abstract

*Sustainable Development Goals (SDGs) are a global action plan agreed upon by world leaders, including Indonesia, to end poverty, reduce inequality, and protect the environment by 2030. In an Islamic perspective, SDGs are not something new, because Islam already has a zakat instrument for promoting economic welfare and a quality life based on principles of justice. This study aims to empirically measure and analyze the extent to which zakat has played a role in improving the Human Development Index (HDI) in Aceh province. A total of 100 mustahik receiving zakat for business working capital distributed by Baitul Mal in Aceh provinces were selected as respondents of the study using purposive sampling technique. The data obtained from questionnaires was analyzed using Paired t test and multiple regression technique. Zakat funds are believed to have an effective effect on improving HDI and at the same time promoting the SDGs, particularly the reduction of poverty and hunger, improving the quality of health and education of mustahik. To accelerate the realization of the SDGs, zakat institutions must be managed professionally. The collection of zakat funds to be distributed as working capital for the productive economic activities of the mustahik must be increased.*

**Keywords:** Zakat funds; HDI; SDGs.

### 1. INTRODUCTION

Poverty has long been a severe challenge to the world before sustainable development inclusively become the most prominent concept of human prosperity (Andriyanto, 2011; Kamal, Hidayah, et al., 2022; Syamsuri et al., 2022). The lack of a decent employment opportunity appears to be one of the core issues that leads to the erosion of basic social life. Being able to get and hold an employment status is essential to ensure the quality of life (Harahap, 2018). However, occupying a job seems not to guarantee in escaping the clutches of poverty (Basarud-Din & Zainal, 2020).

Employment is the essence of an economy, which is essential for achieving sustainable development goals (SDGs). The Sustainable Development Goals (SDGs) agenda is the reflection of the world consensus, which proposes finding a comprehensive solution to the global challenges standing before humanity up until today. The SDGs are the future global development framework built on 17 primary goals and create the direction with obvious aims to be accomplished in 2030. In particular, one of its goals promotes the global sustainability of economic growth and inclusive conditions that allow people to get an opportunity to have a decent work,

which will improve their living standards with equitable pay for work of equal value (Kamal, Muslem, et al., 2022; Suprayitno, 2019).

The SDGs started to act worldwide in 2016. It was performed by "Localizing the SDGs," which is not forcing of global goals into local contexts, but implementing the global agendas all over the places, cities, or territories. It is the responsibility of individual people, communities, and even governments to achieve local and global goals simultaneously, especially those vulnerable populations at risk of falling behind. Therefore, it's not a peculiar scene to see many religious communities taking an essential role in supporting the social structures and practices that contribute to poverty reduction, inequality, and unemployment, including the SDGs agenda (Kamal, Muslem, et al., 2022; Kismawadi, 2023; Triyowati et al., 2018).

This framework has been discussed in Islamic literature known as *maqasid sharia* (objectives or purposes of sharia). It is a universal theory of human prosperity in the Islamic viewpoint, which is more than the realization of income and wealth equity, and also the idea of how to fulfill spiritual and non-material needs and sustain long-term economic development (Chapra, 2000). Furthermore, Al-Ghazali (1993) recognized that *maqasid sharia* strengthens the identification of human welfare and protect the five essential preservation elements of human life, which involve faith or religion (*ad-din*), life (*an-nafs*), intellect (*al-'aql*), lineage (*an-nasl*), and property or wealth (*al-mal*).

Literally, in Arabic words, "maqasid" means "goals, objectives or purpose," while "sharia" is Islamic law itself. Ibn 'Ashour (2006) define *maqasid sharia* as the objectives behind the Islamic rulings. Those rules or doctrines established by sharia are mainly aiming to achieve "*maslaha*" (welfare) for humankind.

Following this idea, Zakat is to be one of the rules appointed for every Muslim to obey and be obligated (Kamal, 2022). It is one of five pillars in Islam. In the Islamic community, Zakat interprets as one of the most prominent concepts of human development and strongly aligned with SDGs achievements (Budiman, 2021; Saniff et al., 2020). It is not self-testimony without proof (Owoyemi, 2020). In the Islamic standpoint, Zakat is a huge asset and a significant source of funds for *mustahiq*, a group of people entitled to receive Zakat.

Since the Islamic communities have set to take a role in mapping the Sustainable Development Goals (SDGs), there are some attempts to respond to the SDGs framework to succeed. In order to examine the extent of those efforts, Islamic scholars have done

remarkable research and developed a broad framework in the form of Zakat, which is rooted in the concept of Maqasid Sharia (Bhari et al., 2023; Iskandar & Kurlillah, 2023; Suprayitno, 2019; Syamsuri et al., 2022). However, despite the fact that the results proved to impact the SDGs, it has a wide variety of results depending on the methods, indicators, or locations applied for the research.

Zakat has been proven as the role of succeeding in the SDGs (Alfiani & Akbar, 2020; Asmalia et al., 2018; Fitriyanti, 2019; Handi Khalifah et al., 2017; Ibrahim Atah et al., 2018). One of the five pillars of Islam, it has remarkably turned to be religion funding instruments in eradicating poverty and promoting prosperity for all through inclusive and sustainable economic growth in history (Kamal, 2023).

Human Development Index (HDI) is a measurement summary of average achievement in fundamental human development dimensions: a long and healthy life, being knowledgeable, and having a decent standard of living, which is estimated by gross national income (GNI) per capita (Meerangani, 2019). The higher its value, it signifies the level of welfare enjoyed by the population has increased. HDI itself has been empirically proven to have a positive impact on economic growth, thus promoting SDG.

## **2. RESEARCH METHODS**

This paper is an attempt to set an alternative approach to consider Zakat's contribution as one of the proper methods to succeed in the Sustainable Development Goals (SDGs). Therefore, this study will examine the impact of Zakat on Human Development Index (HDI).

To collect the data needed for the research, questionnaires were distributed to 100 respondents who were *mustahiq* (recipients of zakat) of Baitul Mal Aceh (BMA). The collected data was then analysed using Paired t-test to compare conditions before and after receiving the Zakat. Also, Multiple Linear regression tested to specify the impact of each variable. Hopefully, the result of all this test will determine how big the impact of Zakat for human prosperity, which is contained in 17 points of SDGs, and in particular, the success of the SDG 8, in promoting the inclusive and sustainable economic growth, extensive and productive employment and decent work for all.

### 3. RESULT

According to the previous explanation, the results of this research expected to provide a detailed information of 100 respondents. In particular, the mustahiq from zakat utilization programs at Baitul Mal Aceh (BMA). This detail information will signify the primary data for Human Development Index (HDI) estimation into at a minor level, in this case, mustahiq households.

**Table 1. The HDI Growth Before and After Zakat**

Variables	Before Zakat		After Zakat		Changes
	Value	Index	Value	index	%
Life expectancy index	0,24	24	0,25	25	1,74
Education index	0,64	64	0,70	70	8,90
Income index	0,55	55	0,75	75	26,53
Human Development Index	0,46	46	0,57	57	19,38

In general, the finding depicts the contribution of zakat on mustahiq HDI estimation growth. The Table 1 show the significant changes of various variables. The least increase is Life expectancy index by only 1,74%, followed by Education index at 8,90%. The highest is Income index, which increases by 26,53% and HDI level after receiving zakat by 19,38% from 46 to 57.

**Tabel 2. HDI Multiple Linear Regression Test Results**

Variables	HDI	HI	EI	II
C	-1.0770* (-4.3214)	-0.7248* (-2.9617)	-0.9943* (-2.7318)	-1.5086* (-3.5950)
Zakat	0.1131* (7.5270)	0.0914* (6.1949)	0.1170* (5.5328)	0.1312* (5.1828)
	-0.0079	-0.0204*	-0.0129	0.0111
Occupation	(-1.4758)	(-3.8606)	(-1.6494)	(1.2314)
Member of Households	-0.0292* (-4.7285)	-0.1015* (-6.7050)	-0.0208** (-2.3077)	0.0337* (3.2425)
Zakat Type	0.0186 (1.5686)	0.0023 (0.2030)	0.0029 (0.1677)	0.0488** (2.4315)
R-Square	0.6139	0.8758	0.4349	0.2905
Adjusted R-Square	0.5976	0.8705	0.4111	0.2606
DW	1.5610	1.4065	1.5687	1.6856
			18.2840*	

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F-Statistic	37.7795* 167.4891*	9.7256*
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Note:

- a) Numbers in parentheses ( ) are t-statistics.
- b) Significance at the level of 1% and \*\*) significance at the level of 5%.

According to result of the multilinear regression test in Table 2, Zakat demonstrated its power toward the HDI and its components, Health Index (HI), Education Index (EI), and Income Index (II). It confirmed that each of HDI, HI, EI, and II, respectively, (7.5270), (6.1949), (5.5328), and (5.1828) with the significance level at 1%. This result can be used as a reference to involve Zakat in SDGs achievements.

#### **4. DISCUSSION AND IMPLICATIONS**

At this point, the implication of Zakat can define as an alternative financial instrument that has a positive and significant impact on raising the HDI and the value of its components. Therefore, it should be a great idea to address Zakat as a part of the SDGs program. Similarly, Shaikh and Ismail (2017) wrote in their paper regarding the potential of zakat institutions, which have an essential role in facing development challenges, especially those contained in 17 points in the SDGs agenda such as poverty, hunger, health, and welfare, quality of education and equitable income distribution, etc.

In Indonesia, the contribution of Zakat has been developing progressively in SDGs achievement. It manifested through the collaboration between UNDP and BAZNAS that signed a memorandum of understanding in April 2017 to support the zakat inclusion on succeeding SDGs. So, the zakat inclusion and its role in supporting SDGs and will be introduced as major issues for discussions at the UN General Assembly fora at the end of 2017.

Unlike other variables showed in Tabel 2, the mustahiq occupation exposes positive results only toward the income index without even showing any sign of significance value. This circumstance explains that mustahiq current jobs are not feasible enough for them to meet basic human needs despite a slight increase in income. With this in mind, the mustahiq should discover the opportunity to get a better job or develop their existing works to create the conditions where all of the mustahiq can fulfill their needs and increasing the quality of their lives.

Historically, Zakat proved to be an effective instrument for human development. Besides being managed as the primary source of state income, Zakat has been strong enough to fight against poverty. During the reign of caliph Umar ibn al-Khattab 13H to 22 H (634-644 CE) and Umar ibn Abd al-Aziz (r. 99-101 H./ 717-720 CE), the distribution of Zakat has developed more than on poverty reduction. Due to the improvement of the Islamic State's financial condition, there is almost no one qualified to be mustahiq. So, Umar ibn Abd al-Aziz diverts the utilization of Zakat to another form. He then wrote to the Egyptian governor to use the zakah for bridges constructions and rest houses for travelers, freeing slaves and helping young men and women get married.

With this in mind, it can be said that zakat has comprehensive purposes despite Quran has mention 8 categories of zakat receipience or known as mustahiq.

## 5. CONCLUSION

These outcomes expose how Zakat can perform in creating exceptional conditions for humans to live in prosperity. It has a substantial and compelling collision covering basic social life. With this result, Zakat has the ability to play a supporting role or alternative in succeeding the SDGs by 2030.

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