

The Effect of Zakat on Poverty in Aceh Province: The Role of Employment Opportunity as a Moderating Variable

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ABSTRACT

This study analyzes the impact of zakat and employment opportunities on poverty as well as the moderating role of employment opportunities in the zakat-poverty relationship. Using panel data regression with Eviews, the findings show differences between the baseline model and the interaction model. In the basic model, zakat and employment opportunities have a negative and significant effect on poverty. However, in the interaction model, both variables are insignificant, and the moderating effect of employment opportunities is also insignificant (P-value 0.2887). This result shows that employment opportunity does not strengthen or weaken the relationship between zakat and poverty reduction. This may be due to the distribution of zakat that is not well-targeted or consumptive, as well as unequal or low-quality employment opportunities. To increase the role of zakat in poverty alleviation, strategic steps are needed such as more productive distribution of zakat, skills training, and increasing access to decent work.

ABSTRAK

Penelitian ini menganalisis dampak zakat dan kesempatan kerja terhadap kemiskinan serta peran moderasi kesempatan kerja dalam hubungan zakat-kemiskinan. Dengan menggunakan regresi data panel dengan Eviews, temuan menunjukkan adanya perbedaan antara model dasar dan model interaksi. Pada model dasar, zakat dan kesempatan kerja berpengaruh negatif dan signifikan terhadap kemiskinan. Namun, pada model interaksi, kedua variabel tidak signifikan, dan pengaruh moderasi kesempatan kerja juga tidak signifikan (nilai-P 0,2887). Hasil ini menunjukkan bahwa kesempatan kerja tidak memperkuat atau memperlemah hubungan antara zakat dan penanggulangan kemiskinan. Hal ini mungkin disebabkan oleh penyaluran zakat yang tidak tepat sasaran atau bersifat konsumtif, serta kesempatan kerja yang tidak merata atau berkualitas rendah. Untuk meningkatkan peran zakat dalam penanggulangan kemiskinan, diperlukan langkah-langkah strategis seperti penyaluran zakat yang lebih produktif, pelatihan keterampilan, dan peningkatan akses terhadap pekerjaan yang layak.

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1. Introduction

Indonesia is the country Poverty alleviation is a key focus in economic development, reflecting not only a person's inability to meet basic needs but also societal welfare inequality. At the local level, poverty arises when a group's income falls below the threshold necessary to meet these needs, increasing the risk of being trapped in a poverty cycle. This calls for effective interventions, particularly in boosting income and empowering communities (Amri, 2020). Aceh, affected by prolonged conflict and natural disasters, remains one of Indonesia's poorest regions despite poverty alleviation efforts (Baihaqi & Puspitasari, 2020). Zakat distribution is seen as a potential poverty-reduction tool, but its effectiveness is closely linked to employment opportunities. Low education and skill levels hinder productivity and prevent optimal resource use. Hence, employment opportunities play a crucial role in strengthening zakat's impact on poverty alleviation in Aceh (Martaliah *et al.*, 2023).

According to the Central Bureau of Statistics of Aceh Province (2020), poverty refers to the lack of people's economic ability to meet basic needs, such as food and other necessities, measured in terms of expenditure. A person is considered poor if their per capita expenditure per month is below the poverty line. Data on the percentage of poor people in Aceh Province from 2013 to 2022, obtained from BPS Aceh Province, is as follows:

Table 1. The dynamic of poverty rate in aceh province for the period 2013-2023

No.	Year	Number of Poor People (Thousand)	Poverty rate (Percent%)
1	2013	855.72	17.22
2	2014	881.26	16.98
3	2015	851.59	17.08
4	2016	848.44	16.73
5	2017	872.61	16.89
6	2018	839.49	15.97
7	2019	819.44	15.32
8	2020	814.91	14.99
9	2021	834.24	15.33
10	2022	806.82	14.64
11	2023	806.75	14.45

Source: Central Bureau of Statistics of Aceh Province (2023).

Based on the analysis in Table 1, the poverty rate in Aceh Province has fluctuated over the past decade, with these changes potentially affecting the regional economy. In 2013, the poverty rate was 17.6%, rising to 18.05% in 2014 before dropping to 17.8% in 2015. The rate continued to decline, reaching 14.99% by 2020. However, in 2021, the poverty rate increased by 0.34%, before dropping again to 14.64% in 2022. According to the Aceh Central Bureau of Statistics (BPS), the number of poor people increased by 11.7 thousand in September 2022, making Aceh the poorest province in Sumatra. Main challenge for the Aceh government is the high poverty rate, which hinders efforts to achieve local prosperity (Amri & Nazamuddin, 2018).

To address poverty issues, the government implements annual development programs aimed at reducing poverty. Given that the majority of Aceh's population is Muslim, zakat funds are also utilized for poverty reduction. The government has established zakat management institutions like Baitul Mal at the provincial and district levels. Zakat, a contribution from individuals who donate part of their wealth, aims to alleviate unemployment and reduce poverty (Amri & Marwiyati, 2019). In Aceh, zakat has been recognized as one of the sources of local revenue. Through zakat, people are encouraged to have a high working spirit, which in turn increases individual productivity. The role of zakat is very important in the effort to overcome poverty, because through zakat, zakat recipients are trained to create a decent independent income by using zakat funds efficiently as business capital. Baitul Mal Aceh Province openly publishes data on zakat revenue per capita. In 2019, the highest zakat revenue in Aceh Province reached Rp1,105,287.26, while the lowest was recorded in 2008 at Rp71,483.17. The dynamic of total zakat revenue in Aceh province for the period of 2008-2020 as in table 2.

Table 2. The dynamic of total zakat revenue in Aceh province for the period of 2008-2020

Year	IDR Million
2008	71,483.17
2009	159,793,00
2010	236,046.34
2011	194,148.40
2012	218,955.60
2013	237,596.24
2014	513,080.80
2015	546,037.01
2016	548,852.41
2017	1,039,176.26
2018	1,021,103.41
2019	1,105,287.26
2020	1,054,170.55

Source: Baitul Mal Aceh Province 2023.

The management of zakat in Aceh has not yet adhered to sound, fair, and neutral principles, limiting its potential benefits for the community. Productive zakat, intended for working capital or business investment, could boost economic growth by supporting small and medium enterprises, creating jobs, and reducing unemployment. Poverty, a multifaceted issue, is closely linked to employment opportunities, which span both formal and informal sectors. Increased workforce participation drives economic activity and enhances welfare, emphasizing employment's role in poverty alleviation and economic development (Sisca *et al.*, 2013). In this study, employment opportunity is a key moderating variable between zakat and poverty. Adequate job availability strengthens zakat's impact on poverty reduction by providing broader access to economic resources. Thus, zakat combined with sustainable job creation can effectively improve economic welfare and address poverty comprehensively. Despite the local government's efforts to manage zakat and increase employment opportunities to reduce poverty, the reality is that Aceh still faces a high poverty rate. Aceh is one of the provinces with a relatively high poverty rate compared to other regions in Indonesia. In March 2019, the number of poor people in this region reached 819 thousand people (around 15.32%), making it the region with the highest poverty rate in Sumatra. Nationally, Aceh ranks sixth highest after Papua, West Papua, East Nusa Tenggara, Maluku, and Gorontalo (Muliadi & Amri, 2019).

A study by Redha *et al.* (2016) reveals that zakat's contribution to poverty reduction is relatively small. Similarly, research by Mohd Ali *et al.* (2015) in Kelantan, Malaysia, found that while zakat can generate income for the poor, its impact on income generation is limited. The high poverty rate in Aceh indicates that the government's efforts to address poverty have not been entirely successful. This research addresses a gap in the literature, as zakat theoretically should reduce poverty. However, previous studies show that increased zakat distribution does not always directly reduce poverty. This study aims to explore the impact of zakat distribution on poverty in Aceh, considering employment opportunities as a moderating variable.

1.1 The Relationship Between the Realization of Zakat Distribution and Poverty

Zakat has an important role in reducing poverty. Herianingrum *et al.* (2024) highlight zakat as a fiscal policy tool in the Islamic context, contributing to state income and poverty reduction. As a pillar of Islam, zakat addresses social inequality and assists disadvantaged groups, allowing wealth redistribution to ensure fair allocation (Harahap,

2021). According to Fadillah *et al.* (2017) in (Haikal & Musradinur, 2023), zakat also improves access to health and education services, benefiting vulnerable groups such as orphans, widows, and the disabled. Zakat funds support medical treatment, education, and infrastructure development. Wahid (2015) in (Haikal & Musradinur, 2023) further emphasizes that zakat improves living standards by providing access to food, shelter, and basic needs. Proper zakat distribution enables vulnerable groups to escape poverty, easing the government's burden and strengthening community resilience. Fair and planned zakat distribution not only provides financial aid but also opens opportunities for a better future.

Looking at the impact of the distribution of zakat funds, it is clear how great the potential of zakat is in reducing poverty. When these funds are allocated appropriately, vulnerable groups gain better access to basic services, enabling them to escape the cycle of poverty. Assistance in the form of medical care, education, and fulfillment of basic needs serves as a bridge to improve the welfare of individuals and families. In addition, effective zakat distribution eases the burden on the government in addressing poverty and strengthens the social resilience of the community. With a fair and planned distribution of zakat, we are not only providing financial assistance, but also investing in a brighter future, opening up new opportunities for people in need.

Research on the impact of zakat on poverty has attracted the attention of many experts. Some of them have proven that zakat funds have significance and important role in reducing poverty level. A number of researchers found strong evidence that zakat funds are significantly able to reduce poverty levels in society. For example, the results of a study conducted by Mohamed (2019) In Selangor, Malaysia, it has been concluded that zakat can act as a tool to reduce poverty level. Rini *et al.* (2019) found that zakat has an impact on poverty alleviation in 34 provinces in Indonesia, although the distribution is still consumptive. Research by Aziz *et al.* (2020) also showed that zakat has a negative effect on multidimensional poverty and contributes significantly in achieving several sustainable development goals (SDGs) in Pakistan. Some studies from a number of researchers above indicate that the effect of zakat in reducing poverty is still a matter of debate. Although the distribution of zakat funds to the poor can increase their income and improve their living standards, the implementation of zakat funds is not enough to solve the problem of poverty as a whole.

1.2 The Relationship Between Employment Opportunities and Poverty

According to Muliadi and Amri (2019) cited in (Amri, 2020) the employment, which is one of the macroeconomic variables, has long been a major focus in economic studies. As a leading indicator of the economic health of a region, the role of employment opportunities reflects how the regional economy is running. Increased employment opportunities not only support economic growth, but also gradually reduce poverty levels (Zivanomoyo & Mukoka, 2015). The importance of employment opportunities in spurring economic growth and reducing poverty suggests that economic policy should focus on job creation (Amri & Nazamuddin, 2018). Nuraniah (2019) also argues that a person's ability to get a job has a direct impact on his income and fulfillment of his needs. Employment opportunities play an important role in determining whether a person will fall into the poor or non-poor category. In other words, employment opportunities affect the poverty rate. According to Sukirno (2004) in (Nuraniah, 2019) Employment opportunities and poverty have a close relationship, where unemployment can reduce people's income and prevent them from achieving welfare. When many people are unemployed, people's welfare decreases, and their chances of being trapped in poverty increase.

In a study conducted by Amri (2019), it was argued that in Aceh, job creation has succeeded in increasing people's income, which in turn reduces the number of people living below the poverty line. Areas with greater levels of employment opportunities usually have fewer people living below the poverty line. Therefore, there is an inverse

relationship between the poverty rate and employment opportunities.

According to Adetunji *et al.* (2012) cited in (Amri, 2020) according to Adetunji *et al.* (2012) cited in (Amri, 2020), there is a relationship between employment opportunities and poverty levels. However, not all types of employment opportunities have the same impact on poverty. The results of their study suggest that employment growth in the agricultural sector significantly helps to reduce the poverty rate. In contrast, employment in the trade sector does not have a significant impact, especially in countries where the majority of the population works in the agricultural sector. This finding is different from the results of Nassar and Biltagy (2017), who concluded that in general, poverty is related to a lack of employment opportunities and low wages. This suggests that employment opportunities and the level of wages received by workers as a whole affect the poverty rate.

1.3 The Role of Employment Opportunity in The Relationship Between the Realization of Zakat Distribution and Poverty

Zakat is a social obligation in Islam that has strategic potential to improve the welfare of the people through community development and empowerment. Zakat given to *mustahiq* (zakat recipients) aims to realize social justice and reduce poverty (Mahmudi & Absor, 2023). In reducing poverty through zakat, employment opportunity as a moderating variable has an important role. In the absence of sufficient employment opportunities, this can hamper the potential of zakat in an effort to reduce poverty. If zakat is only used in a consumptive form without being accompanied by efforts to create employment opportunities, this can make zakat recipients tend to remain dependent on the zakat assistance. This dependency adds to the cycle of poverty and can also reduce the effectiveness of zakat in terms of achieving long-term goals. On the other hand, channeling Zakat funds into productive economic activities that create jobs has wider implications. By providing skills training, venture capital or support to micro-enterprises, zakat can help zakat recipients (*mustahik*) get jobs or even start their own businesses. The employment opportunities created through productive use of zakat reduce dependency on direct assistance and facilitate the transition from zakat recipient status to independent economic actors (Fitri, 2017).

The relationship between zakat and poverty alleviation becomes more effective when employment opportunities are considered. Plentiful and quality employment opportunities not only increase the income of zakat recipients but also contribute to their long-term economic stability. Therefore, in designing zakat program, it is important to consider the aspect of job creation as the main strategy to moderate and enhance the impact of zakat on poverty alleviation. Increased employment opportunities can result in higher income, so workers are better able to pay zakat (Suherli *et al.*, 2023).

In moderating the effect between zakat and poverty in this case, employment opportunities play an important role. When individuals get better access to employment opportunities and also access to employment, this can increase the ability of zakat to reduce poverty. In other words, individuals will earn higher income because they have access to stable employment and will be more able to utilize zakat funds optimally. Furthermore, professional zakat, which is zakat paid on income earned through work or profession, also plays an important role (Anin *et al.*, 2021). When employment opportunities increase, this will increase individuals who have a profession and reduce unemployment, which in turn will increase *muzakki* (zakat payers) who can contribute professional zakat from the work they get. With the increase in the amount of professional zakat, this can increase the zakat relief fund to help the needy, making it more effective in fighting poverty. In other words, increased opportunities not only help someone to earn income but also increase the *muzakki* base that supports poverty alleviation through professional zakat.

Several researchers argue that zakat, as a fundamental Islamic obligation, plays a significant role in reducing poverty and empowering the economy. Studies show that

income from zakat and job creation can reduce poverty, with job creation having a stronger impact (Amri, 2020). Productive zakat, used as capital for micro-enterprises, effectively reduces poverty by improving the socio-economic status of recipients (mustahik) and potentially turning them into zakat givers (Bahri & Oktaviani, 2018). To optimize zakat's benefits, strategies are needed to create business opportunities for disadvantaged groups through productive sectors (Dzulqurnain & Sari, 2020). Therefore, poverty alleviation policies should focus on sectors with the greatest potential to generate productive employment, integrating zakat policies with job creation in strategic sectors to enhance poverty reduction efforts. More job opportunities strengthen zakat's impact, making it a powerful tool for sustainable poverty reduction.

2. Data and Econometric Model

In this study the data used is secondary data in the form of panel data consisting of *time series* data during the period 2014-2023 ($n = 10$) and *cross section* data taken from 23 districts / cities in Aceh. poverty data and employment data are sourced from the Central Bureau of Statistics, while data on zakat distribution is sourced from Baitul Mall Aceh. In order to fulfill the interests of quantitative analysis of the relationship between the three variables in this study, it is necessary to explain each measurement per variable. In this study, the distribution of zakat is proxied by the distribution of zakat per capita which is calculated in units of rupiah per capita, employment opportunities are the number of labor forces that are able to get a job expressed in units of souls. Furthermore, the poverty level is calculated based on the ratio of the number of people who are on the poverty line which is measured in units of percent. In this analysis, zakat revenue and employment opportunities are used to measure their effect on poverty through panel regression econometric model.

The selection of panel regression is based on the fact that the functional relationship between variables is usually analyzed using panel data. In addition, this study also includes employment opportunities as a moderating variable between zakat revenue and poverty. The existence of moderating variables in the relationship between two or more variables indicates that the model used is Moderated Regression Analysis (MRA). MRA allows the analysis of the effect of moderating variables in a regression model (Ghozali, 2011). Therefore, the panel regression equation is modified using MRA to examine the moderating effect of employment opportunities on the relationship between zakat and poverty, as shown in the following equation:

$$\ln\text{Pov}_{it} = \beta_0 + \beta_1 \ln\text{ZR}_{it} + \beta_2 \ln\text{Emp}_{it} + e_1 \quad (1)$$

Model 1 describes the basic model where $\ln\text{Pov}_{it}$ represents the logarithmic value of poverty rate in the regency of i for the period of t . $\ln\text{ZR}_{it}$ is denote for total zakat revenue in the regency of i for the period of t , and $\ln\text{Emp}$ represents the logarithmic Value of employment opportunities in the regency of i for the period of t .

$$\ln\text{Pov}_{it} = \beta_0 + \beta_1 \ln\text{ZR}_{it} + \beta_2 \ln\text{Emp}_{it} + \beta_3 \ln\text{ZR}_{it} * \ln\text{Emp}_{it} + e_1 \quad (2)$$

Model 2 describes the basic model where $\ln\text{Pov}_{it}$ represents the logarithmic value of poverty rate in the regency of i for the period of t . $\ln\text{ZR}_{it}$ denotes the total zakat revenue in the regency of i for the period of t , and $\ln\text{Emp}$ represents the logarithmic value of employment opportunities in the regency of i for the period of t . Additionally, the model includes an interaction term, $\ln\text{ZR}_{it} * \ln\text{Emp}_{it}$ which captures the combined effect of total zakat revenue and employment opportunities on the poverty rate. This interaction term is used to examine whether employment opportunities moderate the relationship

between total zakat revenue and the poverty rate in the regency of ii for the period of t. In this study, three panel regression model approaches were used: common effect model, fixed effect model, and random effect model. To determine which model is the most appropriate, two important tests are conducted, namely the Chow test and the Hausman Test. The Chow Test is used to select the best model between common effect and fixed effect, while the Hausman test is used to select between fixed effect and random effect models. By using these two tests, the analysis can ensure that the resulting estimation model is the most appropriate and accurate for the data used (Muliadi & Amri, 2019).

3. Results

3.1 The Result of Descriptive Statistics

Descriptive statistics are tools used to summarize and analyze data by providing an overview through key metrics such as averages, maximum and minimum values, and standard deviations. From the processed data, the descriptive statistical analysis results for zakat distribution, poverty rates, and employment opportunities are presented as follows:

Table 3. The Result of Descriptive Statistics

	Poverty Rate (%)	Zakat Distribution per capita (IDR per capita)	Employment Opportunity (%)
Mean	16.19	30,499.00	93.53
Median	16.46	26,277.79	93.53
Maximum	23.79	94,699.58	99.63
Minimum	6.90	430.72	82.95
Std. Dev.	3.66	20,460.31	2.89
Observations	230	230	230

Source: Author's calculation by E-views, 2024.

Descriptive Statistics provides a detailed overview of the observed variables, including the poverty rate, zakat distribution per capita, and employment opportunities. The average poverty rate is 16.19%, with a median of 16.46%, indicating a relatively symmetrical distribution of the data. The poverty rate ranges from a maximum of 23.79% to a minimum of 6.90%, with a standard deviation of 3.66, reflecting relatively small variations across observations. The zakat distribution per capita has an average of IDR 30,499 and a median of IDR 26,277, suggesting a slightly positively skewed data distribution. The maximum value for zakat distribution is IDR 94,699 per capita, while the minimum is only IDR 430.72, highlighting a significant disparity. This variability is further supported by the high standard deviation of IDR 20,460. Employment opportunities show an average of 93.53%, with a median that matches the mean, indicating a symmetrical data distribution. The highest recorded employment opportunity is 99.63%, and the lowest is 82.95%, with a standard deviation of 2.89, reflecting minimal variation between observations. With 230 observations for each variable, the dataset is sufficiently large and robust for further statistical analysis. The stark disparity in zakat distribution per capita, compared to the relative stability of employment opportunities, underscores the need for more equitable zakat allocation to achieve a significant impact on reducing poverty levels.

3.2 The Result of Panel Regression

The following table presents the results of panel regression analysis and moderation test that examines the effect of zakat distribution on poverty with employment opportunity as a moderating variable. Using three different estimation methods - common effect, fixed effect, and random effect - this table presents the coefficient

estimates, p-values, and goodness-of-fit measures for each model. This analysis aims to understand the extent to which the effect of zakat distribution on poverty rate is affected by employment opportunity as a moderating variable, as well as to provide insights on economic factors that can enhance the effectiveness of zakat in reducing poverty in the observed region.

Table 4. The result of panel regression and moderate regression analysis

Constant & independent variables	Dependent Variable: InPov					
	Model 1-Basic Model			Model 2-Interaction Model		
	Common e	Fixed Effect	Random Effect	Common Effect	Fixed Effect	Random Effect
Constant (β_0)	-10,314 [-4,458] (0,000)	9,679 [9.324] (0.000)	9,325 [8.958] (0,000)	112,435 [4,194] (0,000)	19,642 [2,088] (0,038)	22,481 [2,399] (0,017)
lnZR (β_1)	-0,077 [-4,447] (0,000)	-0.028 [-2.650] (0,008)	-0,029 [-2.802] (0,000)	-12,316 [-4,624] (0,000)	-1.067 [1,092] (0,275)	-1,411 [1,452] (0,147)
lnEmp(β_2)	-3.050 [5,873] (0,000)	-1.466 [-6.341] (0,000)	-1.365 [-5.936] (0,000)	-24,031 [-4,063] (0,000)	-3,659 [1,765] (0,079)	-4,282 [2,074] (0,039)
lnZR _{it} * lnEmp _{it} (λ_1)	-	-	-	2,699 [4,595] (0,000)	0.228 [1,063] (0,288)	0,030 [1,422] (0,156)
R ²	0.158	0.945	0.173	0,230	0,945	0,180
Adj. R ²	0.151	0.939	0.166	0,220	0,939	0,169
F test	21.443 (0,000)	148.400 (0,000)	23.832 (0,000)	22,601 (0,000)	142,600 (0,000)	1.658 (0,000)
DW	0,143	0.586	0.487	0,143	0,587	0,492
JB-Test	15.785 (0,000)	3.287 (0.193)	42.937 (0,000)	9,315 (0,011)	3,689 (0,159)	41,545 (0,000)
	chow Cross-section F			Hausman		
Effects Test	Statistic	d.f.	Prob.	Statistic	d.f.	Prob.
Model 2- Interaction Model	610,435	22	0.000	14.054	3	0.002
Model 1- Basic Model	134.684	22	0.000	13.836	2	0.001

Source: Author's calculation by E-views, 2024.

Notes: The number in [] is the t-statistic value, and the number in () is the p-value. P-value < 0.10, p-value < 0.05, and p-value < 0.01 indicate significant at 90%, 95% and 99% confidence, respectively.

The panel regression test results (Table 4) indicate that the fixed effect model is the most appropriate approach based on both the Chow and Hausman tests. In the base model, the Chow test yielded a cross-section F value of 134.684 (P-value 0.000), and the Hausman test produced a cross-section F value of 13.836 (P-value 0.001), confirming the fixed effect model's superiority over the random effect model. Similarly, in the interaction model, the Chow test showed a cross-section F value of 610.443 (P-value 0.000), and the Hausman test reported a cross-section F value of 14.054 (P-value 0.002), further supporting the fixed effect model. Therefore, the fixed effect approach is deemed the most suitable for estimating the influence of zakat and employment opportunities on poverty, with employment opportunities as a moderating variable.

3.3 Analysis of The Effect of Zakat on Poverty in Aceh Province

Based on the estimation results presented, the basic model and interaction model provide different findings regarding the effect of zakat on poverty. In the basic model, the zakat variable shows a P-value of 0.008 (<0.05) with a coefficient of -0.028. This shows that zakat has a negative and significant effect on poverty. This means that an increase in zakat can contribute to the reduction of poverty level in this model. However, in the interaction model, the results show that zakat has a P-value of 0.2759 (> 0.05), which means that zakat does not have a significant effect on poverty. This difference can be explained through several possibilities. The effectiveness of zakat distribution may not be optimal, so its impact on poverty reduction is not significantly visible. The distribution of zakat that is not on target or the amount of zakat distributed is not sufficient to meet the needs of the poor can be the main factor that causes the low impact of zakat on poverty.

In addition, the zakat collected may still be a relatively small amount compared to the total need to address poverty as a whole. If the amount of zakat distributed is not large enough, its impact on poverty reduction will be small or not visible statistically. In the context of this study, the research location is Aceh. Based on Law No. 11/2016 on the Government of Aceh, zakat has been included as one of the sources of Regional Original Revenue (PAD). With great potential, zakat, infaq, and shadaqah should be one of the solutions to reduce poverty in Aceh Province. However, the result of this study shows that the majority of the data still reflects that zakat has not given significant influence on poverty (Baihaqi & Puspitasari, 2020). Furthermore, the reason for the absence of significant effect of zakat distribution on poverty reduction in Aceh can be attributed to the consumptive pattern of zakat distribution. Baitul Mal Aceh generally distributes zakat in the form of basic needs, such as rice or cash, which is used to fulfill daily needs. Although this distribution is in accordance with the social function of zakat, the benefits generated tend to be short-term and do not provide sustainable solutions for the recipients. As a result, zakat has not been able to effectively alleviate poverty in the long term (Baitul Mal Aceh, 2024).

To answer this challenge, a more innovative and empowerment-oriented zakat management strategy is needed. One important step is to shift the focus from consumptive distribution to productive programs that can increase the economic capacity of mustahik. With this approach, zakat can be a more effective tool to improve the standard of living of recipients while encouraging them towards independence and prosperity. The results of this study are in line with the findings of Ramadhani *et al.* (2022), which revealed that the distribution of Zakat, Infaq, and Sadaqah (ZIS) funds has not had a significant impact on reducing poverty in the aggregate. The main cause is the dominance of consumptive programs compared to productive programs. Therefore, zakat management needs to be directed towards a more sustainable strategy, emphasizing on mustahik economic empowerment so that the impact can be felt more widely and in the long term.

3.4 Analysis of the Effect of Employment Opportunities on Poverty in Aceh Province

Based on the research results presented in Table 3, the estimation results in the basic model and interaction model provide different findings. In the basic model, employment shows a P-value of 0.000 (<0.05) with a coefficient of -1.466. This indicates that employment has a negative and significant effect on poverty. In other words, an increase in employment opportunities in this model is associated with an increase in poverty, which may reflect structural factors or low job quality. This finding is in line with research conducted by Amri (2019) where the results showed that employment opportunities have a negative and significant effect on poverty. This identifies that job creation in Aceh has been able to increase people's income so that it can reduce the number of people living in poverty. Regions that have relatively large employment opportunities can reduce the number of poor people. Thus, there is an

inverse relationship between poverty and employment opportunities.

In contrast, in the interaction model, the estimation results show that the p-value for employment opportunities is 0.0790 (>0.05). This means that in the interaction model, employment opportunities do not have a significant effect on poverty. This difference in results underscores the importance of understanding the context in which the employment opportunity variable is analyzed, especially when it interacts with other variables. Employment opportunities do play a crucial role in poverty reduction, but their impact can be insignificant or even counterintuitive under certain conditions. For example, if available jobs offer only low pay, working individuals remain vulnerable to poverty, even if they are statistically considered part of the active labor force. This phenomenon is known as "working poverty/ Working poor" (Liu 2022).

In addition, the unequal distribution of employment opportunities is also a significant factor. People in rural or remote areas often have limited access to decent work. Lack of adequate skills also prevents individuals from taking advantage of available employment opportunities. Thus, job quality and skill matching are important elements that must be considered to ensure that employment opportunities truly have a positive impact on poverty reduction. This finding is consistent with previous studies, such as the one titled "The Effect of Life Expectancy, Education, and Employment Opportunities on Poverty in Districts/Municipalities of West Nusa Tenggara Province in 2018-2022." The study also noted that employment opportunities do not always have a significant influence on poverty. Therefore, poverty reduction strategies should include a holistic approach that focuses not only on the quantity of employment opportunities, but also their quality and accessibility (Winarni, et.al 2024).

3.5 Analysis of The Effect of Zakat Moderated by Employment Opportunities on Poverty in Aceh Province

From the research results above, it can be seen that the zakat variable moderated by employment opportunities shows the P-Value is $0.2887 > 0.05$, then zakat moderated by employment opportunities has no significant effect, the interaction between zakat and employment opportunities is not strong enough to affect poverty, in this situation, even though zakat is given and employment opportunities are available, the combination of these two factors has no significant impact on poverty reduction, if zakat is only given in the form of direct financial assistance without leading to improving the skills or education of recipients, they may not be able to take advantage of better employment opportunities. Zakat should be directed to increase the capacity of individuals so that they can get better and stable jobs, according to previous research related to this study states that employment opportunities will accommodate all available labor if the available jobs are sufficient or equal to the number of available workers. One of the main mechanisms in developing countries to reduce poverty and inequality in income distribution is to provide adequate wages and provide employment opportunities for the poor.

Employment opportunities play an important role in strengthening the effectiveness of zakat in reducing poverty. When individuals have better access to employment opportunities and stable jobs, they can increase their income and economic capability. In this case, zakat can be more effective in helping them out of poverty, because higher income from employment allows them to utilize zakat funds more optimally to meet living needs, education investment, or other quality of life improvements, In the context of the relationship between zakat and poverty, employment opportunity plays a role as a significant moderator. Better access to employment allows individuals to increase their income and better utilize zakat as temporary relief or to develop their economic capacity. In addition, professional zakat, which is deducted from employment income, also strengthens the zakat distribution cycle, so that zakat not only helps those in need but also creates a society that is more self-reliant and able to contribute to poverty reduction in a sustainable manner (Atabik, 2015).

4. Discussion

Based on the results of the analysis that has been carried out, the findings from descriptive statistics and panel regression provide a fairly clear picture of the relationship between zakat distribution, employment opportunities, and poverty levels in Aceh Province. Descriptive statistics show that the average poverty rate reaches 16.19%, with a relatively small variation (standard deviation 3.66) between the maximum value of 23.79% and the minimum of 6.90%. This indicates that there is a poverty gap that is not too extreme among the regions observed, although the figure still reflects a major challenge in poverty alleviation efforts. In contrast, the distribution of zakat per capita shows a very striking disparity, with an average of IDR 30,499 and a high standard deviation (IDR 20,460), and a range between the maximum value of IDR 94,699 and the minimum of IDR 430.72. This inequality indicates that the allocation of zakat is not yet even, which has the potential to weaken its impact on poverty reduction. Meanwhile, employment opportunities have a more symmetrical data distribution with an average of 93.53% and a low standard deviation (2.89), indicating relative stability in employment availability, although the variation between 82.95% to 99.63% still reflects the existence of areas with limited access to employment.

The panel regression results further reveal significant differences between the basic model and the interaction model in explaining the effect of zakat and employment opportunities on poverty. The basic model, which uses the fixed effect approach as the best method based on the Chow and Hausman test, shows that zakat has a negative and significant effect on poverty (P-value 0.008; coefficient -0.028). This means that an increase in zakat distribution is correlated with a decrease in the poverty rate. Likewise, employment opportunities show a negative and significant effect (P-value 0.000; coefficient -1.466), indicating that better access to employment contributes to poverty reduction. This finding is in line with Amri's (2019) research, which concluded that job creation in Aceh was able to increase people's income and reduce the number of poor people, especially in areas with greater job opportunities. However, when the interaction variable between zakat and job opportunities was included in the model, the results showed a striking change. Zakat no longer had a significant effect on poverty (P-value 0.2759), as well as job opportunities (P-value 0.0790). Furthermore, the moderating effect of job opportunities on the relationship between zakat and poverty was also insignificant (P-value 0.2887), indicating that the combination of the two factors did not have a strong impact on reducing poverty rates. This insignificance can be explained by several structural factors. First, the distribution of zakat in Aceh, which is mostly managed by Baitul Mal, tends to be consumptive, such as rice or cash assistance for daily needs. Although in accordance with the social function of zakat, this approach only provides a short-term solution without creating sustainable changes for recipients (*mustahik*), as also found by Ramadhani et al. (2022). Second, the amount of zakat collected may not be sufficient to meet the total poverty alleviation needs in the region, so that its impact is statistically limited.

On the other hand, the insignificance of job opportunities in the interaction model indicates problems with the quality and distribution of jobs. Many available jobs may only offer low wages, so that working individuals remain vulnerable to poverty, a phenomenon known as "working poverty" (Liu, 2022). In addition, access to decent work is often limited in rural or remote areas, compounded by the lack of skills matching between the workforce and market needs. This is in line with the findings of Winarni et al. (2024), which emphasize that job opportunities do not always have a significant impact on poverty reduction if their quality and accessibility are not considered. Thus, although in theory job opportunities can strengthen the effectiveness of zakat in reducing poverty—such as through increased income that allows for more optimal use of zakat funds—the reality on the ground shows that this synergy has not been

achieved. Critically, the results of this study underline the need for transformation in zakat management and job creation in Aceh. Zakat needs to be shifted from a consumptive pattern to a productive program, such as providing business capital or skills training, in order to be able to increase the economic capacity of mustahik towards independence. At the same time, local governments must prioritize the creation of quality jobs, especially in sectors that absorb a lot of labor such as agriculture and plantations, and ensure a more equitable distribution of job opportunities. Without strategic integration between zakat management and employment policies, the potential of both factors to overcome poverty will continue to be hampered. These findings also emphasize the importance of a more holistic approach in designing poverty alleviation policies, by considering not only the quantity but also the quality of the interventions implemented.

5. Conclusion and Recommendation

The results of this study show that in the basic model, zakat has a negative and significant effect on poverty, which shows its potential in reducing poverty if it is well managed. However, in the interaction model, zakat has no significant effect on poverty reduction. This difference indicates that moderating factors, such as employment opportunities, affect the contribution of zakat, which becomes insignificant. This may be due to the distribution of zakat that does not support job creation or skill enhancement of zakat recipients, so that the impact of zakat tends to be short-term and does not provide systemic changes in the long term. Further, the results show that in the base model, employment opportunities have a negative and significant effect on poverty, which confirms the importance of employment opportunities in poverty alleviation. However, in the interaction model, the effect of employment opportunities on poverty becomes insignificant, which indicates that employment opportunities do not moderate the relationship between zakat and poverty reduction. This is due to several factors, such as the low quality of employment opportunities or their uneven distribution. In addition, the zakat given has not been directed to strengthen the capacity of recipients, such as through skills training or productivity improvement, so that there is no significant synergy effect between zakat and employment opportunities. Thus, employment opportunities do not strengthen the impact of zakat in reducing poverty.

The findings highlight the importance of strategic zakat management, increasing the amount of zakat collected, and integrating zakat programs with economic empowerment initiatives such as skills training and enhancing access to decent work. By implementing these measures, the potential of zakat as an instrument for sustainable poverty reduction can be maximized. Based on the conclusions above, the following technical policies should be implemented by the Aceh government to reduce poverty through zakat and employment opportunities: First, zakat funds should be distributed to mustahiq, particularly those classified as poor and needy, in the form of productive zakat, especially for individuals who already have businesses. Support can be provided through production equipment and working capital, allowing their businesses to grow and create added value. However, attention must also be paid to the distribution of consumptive zakat to those mustahiq who are in dire need. Second, the government should increase employment opportunities across all districts/cities. Development budget allocations aimed at strengthening the local economy should focus on sectors that can absorb more labor, such as agriculture and plantations, considering that many people in Aceh work in these sectors.

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