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Implementing Corporate Social Responsibility (CSR) Program Through Zakat Model

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Implementing Corporate Social Responsibility (CSR) Programthrough Zakat Model

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Corporate Social Responsibility (CSR) is the commitment of the business institution to its environmet and community. Company awareness towards social responsibility is embodied in the form of CSR programs, awareness of the company to the environmental society built on the third phase of the 1994-2011 era when CSR was encourage to take more roles so that the presence of a company can really benefitting the surrounding community. In one hand, various types of program intervention have been delivered by the company to the public. And in the other hand, as Muslims employees who work at their company has a social responsibility in the form of zakat. This research is collaboration between PT Arun and the Faculty of Economics and Business as well as BadanAmil Zakat Malikussaleh University that aims to see zakat models which can be adopted by the company as a CSR program in improving community welfare. The research was conducted within twelve villages located surrounding the PT Arun NGL site. Stratified random sampling was apllied by taking 10% of the total population in each village. Describing the result of data analisys, descriptive analysis methode was applied and multiple linear regression model in identifing the model. The correlation coefficient (R) of 0.774 (77.4%); shows a very close relationship (correlation) between mustahiqrecruitment, mustahiqverification, business training, ZakahDisbursment, and monitoring mustahiq affect their welfare. While the coefficient of determination (R^2) of 0,600 (60.0%); means the process of mustahiq recruitment, verification, business training, realization of charity, and monitoring has the ability to explain their effects on increasing the welfare of mustahiq. While the remaining factors (40.0%) could be explained by other variables out of the model of this study.

Keywords: Zakat, CSR, Welfare, Mustahik, Zakat Model

1. INTRODUCTION

The world of business nowadays has set new paradigm in responding the demands of stakeholders, the responses was devided into three period, the first starting in 1960-1983 when the company did not care about the social impact around the company, the second phase was 1984-1994 in which the company startedaddressing implications of the problems occur in the community.[1] The third phase is the phase prevent the adverse effects caused by the company against society, this phase started from the year 1994 to 2011. In this phase, Company Social Responsibility (CSR) was introduced and a company might contribute more intense and show the benefit of their existence to surrounding community.

CSR in the oil and gas industry has the potential to improve environmental conditions. There are seven key issues that must be complied by a company; organizational governance, human rights, practice of employment, environments, fair operational conducts, consumer's issues and Community engagement and development. These items were exposed in the CSR Management ISO26000: 2010, which was launched on November 1, 2010 and has been signed by 93% ISO country members, including Indonesia.

Socially responsible business is considered as the only acceptable way of doing business in the future. The ethics will lead the business in a way that will bring benefits to stakeholders and increase the profitability of a company. The company's profits come from increased productivity, operational cost savings, improved product marketing, as well as an increase in the value of shares.

PT Arun NGL is a company in oil and gas industry that runs its operational in Aceh-Indonesia. Fulfilling their obligation, various efforts to improve community's welfare has done, and designing community development (CD) program is conducted continuously. A collaborated intervention will be set in in implementing CRS program. The design isinvolving multiple stakeholders; PT Arun, BAZMAL UNIMAL - Islamic financial institutions, and Economics Faculty of Universitas Malikussaleh.

In Islamic economics, inequality among human in property ownership constrained by certain norms to be followed; prohibition of miserly,[2] prohibition of wasteful,[3] and responsible of the owned property.[4] To achieve normal distribution within the

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community, *Tauheed* method has tobe adobted. It is concepts of Allah in the purpose of unity for Muslims in all aspects of life.

There are several methods that can be done to achieve such equality, 1) Zakat, 2) Sadaqah, 3) Waqf, 4) Ghanimah, 5) Nazar, 6) Waritsah, 7) Barriyah, 8) Kharaj, 9) Grant, 10) Mahar, 11) Kafarah, 12) Fai, 13) Diah, 14) Hadiyah.

This study will focus on zakat. Zakat is one of the main worship that includes a relationship with God and among human beings. Mannan (1994) Zakat plays two important roles; moral and socio-economic. This can be seen through some phlantrophy function of Zakat. First, purifythe souls from miserly. Second, as a tool inreducing poverty and awakening the rich of his the social responsibility. Third, it prevents the accumulation of wealth in certaint groups that would deepen the gap between the risch and the poor.

The mechanism of zakah collection, fair income distribution is the main concerns of Zakat. Wherein if the charity can be understood according to its meaning sacred, grow, clean and thrive, which can increase income of Mustahik (zakat receiver), purifying and increasing the wealth of Muzakki (zakat giver).[5] Implementation of zakat can increase utilization aggregate, decreased savings, changed resurfacing criteria, and led to increasing of the balance of national income.[6] In modern life, charity is one of the main distinguishing between Islamic economy and capitalist economy.[7] So, Zakat is one of the important discussions in the Islamic economy. Being exposed to the findings, it is the time for Indonesia to optimize the collection the potential of zakat, infak and sadakah, as a form of sharing economy that is believed to bring a constructive and positive impact.[8]

The existence of Zakat in Aceh legalized by Qanun 11/2002 on the implementation of Islamic law. Minister of Religious Affairs No.373/2003 on Organizational Structure and Work Procedure of BadanAmil Zakat (BAZ), Subsequently issued also Qanun No.7 / 2004 on the management of zakat, Law No.11 / 2006 on Governing Aceh (LOGA) and the Qanun (Local distric regulations) No.10 / 2007 on Baitul Mal.

The implications of above rules made Aceh as one of the provinces that make zakat as govermental revenue, and Baitul Mal was established as Islamic financial institutions that has its office in almost every village.

According to Dompet Dhuafa (2010) the poverty rate in Aceh reached 1,280,104 inhabitants, this shows the amount of Mustahik. In other words, poverty is still high when compared with other provinces in Sumatra. In the other hand, potential rate of zakat in each provinves was medium average, except West Sumatra which has a high potential of zakat while Aceh has low potential zakat.The high rate of poverty in Aceh become an indicator that shows the collection and distribution of zakat was not well and proper managed.

Islamic Dakwah Foundation of Arun (YBDI Arun) in collaboration with the Faculty of Economics which provides the final semester students as volunteer and BazmalMalikussaleh University as a supervisor in the economic empowerment of the community program. The following table shows the progress of zakah collection and distribution.

Based on the above background, and in an effort to contribute in the development of Islamic financial institutions in the province of Aceh, especially zakat institutions in developing small entreprise, a model that has been studied and tested by BAZMAL Unimal proves the increasing of mustahik income after the

intervention. The mechanism of distribution called Zakat Model which consist of several proceses; selection/identification and verification of Mustahik, business training, zakat disbursment and monitoring and surveillance efforts mustahik. This model is applied by PT. Arun NGL Lhokseumaweto implement their CSR program.

2. RESEARCH DESIGN

This study was conducted in 12 rural locations surroundingPT. Arun NGL. The entire people of the village become the study population. 150 respondent are involved in this study whom have received productive zakat fund from various sources; government or other parties.

The respondent was asked to provide answers to a statement in the questionnaire. The questions and the statement was designed in Indonesian language and asked by enumerators to reduce response bias. The questionnaire consists of two parts; respondent demographic and statements about their response to research variable. Pre-test questionnaire conducted to 36 respondents residing in 12 villages.

Data were analyzed using SPSS 16.0 for Mac and Microsoft Excel Mac. This study uses a simple regression and descriptive analysis to analyze the processed data. The instrument were tested using validity test and it shown that all indicators for all variables are valid (table 1-6). To see the impact of zakat on the increase in income is shown in the following equation models:

$$P = a + bRm1 + bVm2 + bPu3 + bMo4 + e ....(1)$$

Where:

P	=	Mustahik's Income
Rm1	=	Productive Zakat disbursed
Vm2	=	Mustahik Selection
Pu	=	Business Training
Mo	=	Monev

Explaining the qualitative data in this research, a descriptive analysis was apllied to identify this model It starts from mustahik determination mechanism, the mechanism of distribution of zakat, zakat amount of funds to be allocated, the determination of the type of business, a program run for ensuring business continuity assisted. So some sort of observation will provide a solution to the produkti zakat distribution model that can prosper mustahik especially the poor.

2.1 Operational definition

a.　　**Mustahik** is a person who is entitled to receive zakat, and those are the people who have received assistance in the form of productive zakat as for trading business support, fisheries, agriculture, and animal husbandry

b.　　**Productive Zakat** is the alms given to the poor or mustahik either in the form of working capital or equipment, such as pots, buffet table, livestock, rickshaws, and others.

c.　　**Selectedmustahik** are productive people who receive charity from PT Arun whom are identified by BadanAmil Zakat Malikussaleh University through a direct survey of spaciousness.

d.　　**Mustahik Verification** is the process conducted by zakat officers to attract prospective mustahik by asking religious leaders or village officials about their social status.

e.　　Business trainings are trainings delivered by zakat officers to the Mustahik to increase their capacity to run the business such as simple bookkeeping and Islamic motivation in

Business.

f. **Zakat disbursement** is the distribution of zakat fund to mustahik. The mustahik are received the materials they need instead of cash. The required material are properlydistributed based on previous interview.

g. **Monitoring and Evaluation** is the final activity in the process of distribution of productive zakat, each mustahikwas visited by BAZMAL Volunteer at least twice a month to collect savings from operating results and observe their business. The saving will be return to mustahik at the last period of intervence.

3. RESULTS AND DISCUSSION

Reliability test is an index indicating the extent to which the gauges reliable. A questionnaire said to be reliable if the answer given to the respondents' statements are consistent. A construct or a variable is said to be reliable if the α> 0.60, meaning that these variables are reliable / trustworthy. All independent variables (recruitment mustahiq, business training, zakat disbursement, monitoring) and one dependent variable (welfare mustahiq) fit the reliable criteria as shown in the table 7.

Normality test was done using One samplekolmogrov-Smirnov test. Results noted that α> 0.05 indicating a regression model has met the assumption of normality. The results of Kolmogorov-Smirnov test for normality (N=96) showed α = 0.279, means that regression model has to meet the assumptions of normality (normal distribution) and data deserves to be tested, as an alpha of 0,05 was used to determine statistical significance table 8.

Determining the contribution of Zakah as a model of Corporate Social Responsibility program implementation can be seen from the magnitude of the coefficient of each variable which are shown in table8 and the model model of this research is presented below:

$$Y=\alpha+\beta_1 Rm_1+\beta_2 Vm_2+\beta_3 Pu_3+ \beta_4 Rz_4+\beta_5 Mo_5+e$$

$$Y = 1,944 + 0,229 Rm_1 + 0,178 Vm_2 + 0,263 Pu_3 + 0,270 Rz_4 + 0,285 Mo$$

In the equation above can be seen recruitment mustahik, verification mustahik, business training, realization of charity, zakat and monitoring as a model are capable in providing welfare mustahiq. Constant value (α) of 1.944 means that if recruitment mustahiq, verification mustahiq, business training, realization of charity, and monitoring is considered constant, then the average value of 1,944 mustahiq welfare.

Mustahiq recruitment coefficient (β1) of 0.229, meaning that if the verification process mustahiq improved, then mustahiq welfare will increase.Business training coefficient (β3) of 0.263 which means that if the officer charity providing motivation and basic business bookkeeping business can be improved, then mustahiq welfare will increase. For the realization of the coefficient of zakat (β4) amounted to 0,270, meaning if the realization of charity in the form of goods and capital is increased, then the welfare mustahiq also increased. Monitoring coefficient (β5) of 0.285 which means that if monitoring of business developments and the savings can be improved, then mustahiq welfare will increase Table 9.

The correlation coefficient (R) of 0.774 (77.4%); which means a very close relationship (correlation) between mustahiq selection, business training, Zakah disbursement, and monitoring affect welfare. While the coefficient of determination (R²) of 0,600 (60.0%); means that mustahiq selection, , business training, zakah disbursement, and monitoring has the ability to explain their effects on welfare mustahiq. While the remaining 40.0% (100% -60.0%) is explained by other variables outside the model of this study.

It shows if zakah distributed properly will affect the mustahik, so the selection process is essential, BAZMAL have done it properly, one of the main indicators in selecting the mustahik was sense of religious. This could be explored through the interviewing of his neighbors.

Motivation and basic bookkeeping training effort is should be considered as an importaint part. The motivation in running their business should be part of his worship to Allah. And basic administrative and accounting skill such as bookkeeping to get accustomed to record profits and capital required for future. The disbursement of aid in the form of goods not in the form of cash money, this is to avoid misuse of funds. The final stage is the monitoring and evaluation by monitoring effort and saving of results of operations, volunteer will collect saving money every month and will be returned if mustahik need the money to increase business or other purposes.

Hyphothesis Test (T-test)
Based on Table 8 t-test results obtained t_{stat}mustahiq recruitment of 2.192 with a significance level of 0.031. While the value of t_{table}at 95% confidence level (α = 5% / 2 = 25%) and df = nk-1 (96-5-1 = 90) obtained t_{table} value of 1.986. Thus $t_{stat}>t_{table}$namely 2.192> 1.986. Results showed significant effect on the recruitment mustahiqmustahiq welfare.

t_{stat}mustahiq verification of 1.449 with a significance level of 0.151. While the value of t_{table}at 95% confidence level (α = 5% / 2 = 25%) and df = nk-1 (96-5-1 = 90) obtained t_{table} value of 1.986. Thus $t_{stat}<t_{table}$ie 1.449 <1.986.Mustahiq verification results showed no significant effect on the welfare of mustahiq. There are several reasons why verification did not significantly effect on mustahiq welfare, there are several villages where the apparatus have deeply intervenes on beneficiaries selection as they recommend hisrelatives and friends.

Value of t_{stat}business training amounted to 2.040 with a significance level of 0.044. While the value of t_{table} at 95% confidence level (α = 5% / 2 = 25%) and df = nk-1 (96-5-1 = 90) obtained t_{table} value of 1.986. Thus $t_{stat}>t_{table}$ namely 2.040> 1.986. The results showed a significant effect on business training mustahiq welfare.

Value of t_{stat} of zakat disbursementwas 2.779 with a significance level of 0.007. While the value of t_{table} at 95% confidence level (α = 5% / 2 = 25%) and df = nk-1 (96-5-1 = 90) obtained t_{table}value of 1.986. Thus $t_{stat}>t_{table}$ namely 2.799> 1.986. Results showed significant effect on the charity realization mustahiq welfare.

Value of $t_{stat}$of monitoring was to 2,717 with significance level of 0.008, while the value of t_{table} at 95% confidence level (α = 5% / 2 = 25%) and df = nk-1 (96-5-1 = 90) obtained t_{table}value of 1.986. Thus $t_{stat}>t_{table}$ namely 2.717> 1.986. The results showed a significant effect on the welfare monitoring mustahiq

4. CONCLUSION AND SUGGESTION

Implementing community development program such as CSR could have a proper design. It isn't only disbursing cash or distributing materials based on the donor assumption as its purpose is to assist the needy people and take them out from the poverty. Zakat Model has been design in such away to reach the goal as it also been tested in some communities. The model has stages and processes before disbursing the material to the

Mustahik; selecting the really needy people, train them on business, disburse required material instead of cash and observe their business. This processes could increase mustahik's welfare. This model could be adobted by other company in delivering their community development program as well as CSR program. given the obligation of zakat for institutions and companies located in Aceh. Zakat also could be well managed and regulated by local government. Aceh government has to think on how to link zakah fund and tax. Recently, zakat disbursement was deducting tax payable. Zakah could be the only obligation of Muslim to his country/government.

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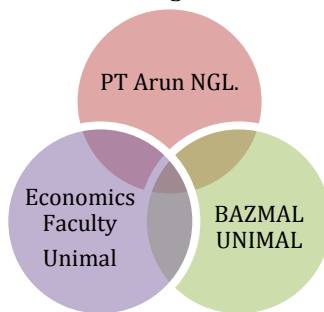## Figure captions

Figure 1. Collaboration Diagram of CSR Program

Fig. 1. Collaboration Diagram of CSR Program

Table 1. Zakat Collection and Distribution BAZIS YBDIA run

Item	2012	2013	2014
Total Collection	**4.028.063.795**	**3.454.485.775**	**3.829.204.358**
Disbursment:			
•Education	778.050.240	829.365.000	1.281.425.000
•Education & Religious Facilities	333.680.483	523.128.911	602.350.000
•RumahDhuafa	73.300.000	230.538.000	146.955.000
•Small Business Starter	11.500.000	59.800.000	151.650.000
•Health	200.952.435	194.977.000	241.000.000
•Fakir Miskin	895.340.164	1.201.017.249	1.793.733.339
•Operasional Support	304.982.810	206.069.768	819.804.343
Total Disbursment	**4.227.998.610.86**	**3.244.895.928**	**5.036.917.682**

Source: BAZIS YBDI PT Arun Annual Report 2012-2014

Table 2. Validity Test for Mustahik Selection

	Corrected Item-Total Correlation	r_tabel	**Kesimpulan**
Petugas zakat melakukanrekrutmensecaralangsung/keyinforman/proposal yang saudarakirimkanuntukmenjalankanusaha.	0.668	0.2006	Valid
Petugas Zakat melakukanverifikasilangsungsebelummenetapkansebagaiMustahik.	0.636		Valid

Secarakeseluruhan proses rekrutmenmustahik Zakat membantu yang berhakmenerima zakat (Mustahik).	0.702		Valid

Table 3. Validity Test for Business Training

	Corrected Item-Total Correlation	r_{tabel}	Kesimpulan
Petugas Zakat memberikanmotivasiusahabagicalonmustahik	0.542		Valid
Petugas Zakat memberikanpembukuandasarbagicalonmustahik	0.358	0,2006	Valid
SecarakeseluruhanpelatihanbagicalonMustahik Zakat membantudalammenjalankanusaha.	0.669		Valid

Table 4. Validity Test for Zakat Disbursement

	Corrected Item-Total Correlation	r_{table}	Kesimpulan
Petugas Zakat menyalurkan zakat dalambentukbarang yang diperlukanMustahik.	0.440		Valid
Petugas Zakat menyalurkan zakat dalambentuk modal yang diperlukanMustahik.	0.368	0,2006	Valid
Secarakeseluruhanrealisasi zakat bagicalonMustahik Zakat UNIMAL membantudalammenjalankanusaha.	0.546		Valid

Table 5. Validity Test for Monitoring and Evaluation

	Corrected Item-Total Correlation	r_{tabel}	Kesimpulan
Petugas Zakat melakukan monitoring minimal satubulansekali.	0.695		Valid
Petugas Zakat monitoring denganmengutiptabunganmustahik minimal satubulansekali.	0.664	0,2006	Valid
Secarakeseluruhansistem monitoring zakat bagicalonMustahik Zakat UNIMAL membantudalammelancarkanusaha.	0.586		Valid

Table 6. Validity Test for Mustahik's Welfare

	Corrected Item-Total Correlation	r_{tabel}	Kesimpulan
Denganbantuan Zakat UNIMAL dapatmeningkatkanpendapatanmustahik.	0.623		Valid
Denganbantuan Zakat UNIMAL mustahikdapatmenabungdariusaha yang dijalankan.	0.712	0,2006	Valid
Denganbantuan Zakat UNIMAL mustahikdapatmenambah asset dariusaha yang dijalankan.	0.829		
Denganbantuan Zakat UNIMAL mustahikdapatmenjalankanusahasecaraberkesinambungan.	0.680		Valid

Table 7. Reliability Test

Variable	Cronbach's Alpha	N of Items	Kesimpulan
Mustahiq Selection	0,664	3	Reliable
Business Training	0,698	3	Reliable
Zakat Disbursement	0,612	3	Reliable
MONEV	0,799	3	Reliable
Mustahik's Welfare			

Table 8. Normality TestOne-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		96
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	1.11905632
Most Extreme Differences	Absolute	.101
	Positive	.101
	Negative	-.065
Kolmogorov-Smirnov Z		.992
Asymp. Sig. (2-tailed)		.279

Table 9. CoefficientRegression

		Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
Model		**B**	**Std. Error**	**Beta**		
1	(Constant)	1.944	1.424		1.365	.176
	Mustahik Selection	.178	.123	.142	1.449	.151
	Business Training	.263	.129	.188	2.040	.044
	Zakat Disbursement	.270	.097	.235	2.779	.007
	MONEV	.285	.105	.231	2.717	.008

a. Dependent Variable: Mustahiq's Welfare

Table 10. CorrelationCoefficient and Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.774[a]	.600	.578	1.150	.600	26.973	5	90	.000