

PHILANTHROPY OF ISLAMIC BANKING: A STRATEGY IN STRENGTHENING THE ECONOMIC GROWTH AND PROSPERITY

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ABSTRACT - Islamic banking has philanthropy values presented in zakat and other virtue funds as it aims at enhancing economic growth and prosperity. These philanthropy instruments are one of the differences between Islamic banks and conventional banks. However, the role of zakat and other funds in enhancing people's welfare needs to be analyzed since the market share of Islamic banks is still growing slowly. This paper is intended to analyze the influence of zakat and the other virtue funds towards the realization of social welfare. In specific, this paper also intends to find a strategy for strengthening welfare through the role of philanthropy of Islamic banks. This study utilizes a quantitative approach that is analyzed using the Spearman correlation test. The results of the paper are: first, zakat has no significant correlation on welfare; second, other virtue funds have a significant correlation with welfare. The strategy proposed is to empower zakat collection agencies funds and establish channeling that link to Islamic banks so that the productive zakat allocation can be managed by Islamic bank customers.

Keywords: Philanthropy, Islamic banking, economic growth, prosperity

ABSTRAK – Filantropi Perbankan Syariah: Suatu Strategi dalam Penguatan Pertumbuhan Ekonomi dan Kesejahteraan. Bank syariah memiliki nilai filantropi dalam zakat dan dana kebajikan lainnya dimana instrumen tersebut bertujuan untuk meningkatkan pertumbuhan ekonomi dan kemakmuran masyarakat. Instrumen ini merupakan salah satu yang membedakan antara bank konvensional dengan bank syariah. Akan tetapi, sejauhmana peran zakat dan instrumen filantropi dalam meningkatkan kesejahteraan masyarakat masih harus dianalisis lebih lanjut mengingat pertumbuhan market share dari bank syariah masih sangat rendah. Paper ini bertujuan untuk menganalisis pengaruh zakat dan dana kebajikan lainnya terhadap terwujudnya kesejahteraan masyarakat. Paper ini sekaligus bermaksud menemukan suatu strategi dalam penguatan kesejahteraan melalui peran sosial finance bank syariah. Paper ini ditulis dengan pendekatan kuantitatif yang dianalisis dengan spearman correlation test. Hasil kajian menunjukkan bahwa: pertama, zakat memiliki korelasi yang tidak signifikan terhadap kesejahteraan; kedua, dana kebajikan memiliki korelasi yang signifikan terhadap kesejahteraan. Adapun strategi penguatan yang perlu dilakukan adalah meningkatkan alokasi dana zakat kepada lembaga amil zakat dan membangun chaneling dengan bank syariah agar alokasi zakat produktif dapat dikelola oleh nasabah bank syariah.

Kata Kunci: Filantropi, Perbankan Syariah, Pertumbuhan Ekonomi, Kesejahteraan

INTRODUCTION

Islamic financial institutions have the potential to drive people's economy. In Indonesia, Islamic financial institutions include sharia banking, sharia insurance, sharia capital markets, sharia pawnshops, sharia cooperatives, sukuk, sharia bonds, etc. As corporate companies, they have profitability objectives. In addition, the agency has an obligation to contribute to society in the form of Corporate Social Responsibility (CSR). According to Nofrianto and Suardi (2015), CSR can be given in the form of social security to encourage Micro, Small, and Medium Enterprises (UMKM) improving their poor quality. Furthermore, Bayumi and Jaya (2018) contend that it is an interconnection in Islamic Economy to create Islamic Solution. In contrast to conventional finance institutions, Islamic financial institutions are obliged to pay the company's zakat. Islamic bankings are based on the principles of avoiding usury and sharing the risk of losses and profits between customers and banks. Profits collected are distributed to shareholders, social benefits, and economic prosperity (Alam, Gupta, & Shanmugam, 2017). The concept of distributing property through zakat in Islam includes zakat fitrah and zakat maal. The latter consists of zakat in agriculture, cattle, commerce, trade, savings, and profession. These zakats are managed by the National Zakat Agency (BAZNAS) and other Zakat Management Units. Hence, Islamic banking has its responsibility to issue commercial zakat.

In addition to issuing zakat funds, Islamic banks manage benevolent funds as social funds. Well-managed social funds will impact positively on Islamic bankings and the community. The future of social fund management in banks, according to the Mitic and Rakic, depends on "first, the impact of the bank on the social environment, second is the origin of money, third is the purpose of money, fourth is the value for the use of money, and fifth is that management is socially responsible".(Mitic & Rakic, n.d.) The concept provides an illustration how social fund is a necessity if the materialistic element of money is the only goal. Social fund managers will think if the money comes from people who do not think socially, then there is little chance that funds will be allocated for social activities. Social fund management will run optimally in addition to philosophical matters, also due to management factors. Therefore, the courage of synergy is potential between Islamic banks and zakat institutions.



In addition, the synergy between social fund management and Islamic banks and vice versa is needed. This makes social fund management effective and efficient. Nowadays, the concept of social finance has been given in charity of food, public facilities, scholarships, building mosques/ prayer rooms, direct assistance, and so on. The synergy between those great potential and zakat management institution could be professional if they are in one management. It means that some under-developed social funds can be managed by the Islamic financial institutions, whereas zakat institution has the authority on charity. This could impact on gaining large market share for Islamic financial institutions, and later this would be an effort to catch up with conventional financial institutions. Baznas manages social funds by giving assistance to the community, thus management and target distribution of assets will be evenly distributed and not overlapping.

If the synergy is implemented properly, the poor receiving both capital and managerial guidance will change their status to muzakki. The new muzakki will continue to contribute new zakat. This will result in prosperity for the community, reduce poverty, and increase economic growth. The economy is evenly distributed across the country. In fact, today all zakat financial institutions distribute zakat individually to their community and this causes unequal distribution of zakat to all eligible people in the country.

In the past, Islamic banks distributed zakat through Baitul Maal they had established. For instance, Bank of Mu'amalat distributed their zakat to Mu'amalat Baitul Maal. Islamic banking today has involved the payment of zakat to the amil zakat institution. This is in an effort to synergize zakat payments so as not to overlap. The allocation of productive zakat is channeled through Islamic banking. This can increase the zakat round to continue to grow. Zakat funds distributed in banks can be used for sources of Qard} funds that are useful to improve the paupers' economy. This will increase the market share of Islamic bankings. Such condition is very much determined by the synergy between amil zakat institution and Islamic bankings. Both can implement it as mutualism symbiosis.

The synergy of social institutions, the National Zakat Agency, and Islamic Banking will improve the economy of the community. This will increase economic growth and later people's welfare can be felt. Some Indonesians are prosperous, but some others are less. Prosperity is seen by community when the needs of life are fulfilled properly. The community is less prosperous if



their condition is lacking in the forms of deficiencies related to daily food needs, educational needs, the need to start a business, etc. The lack of necessity is due to inflation. Price increases impact people's purchasing power. This condition makes them prioritizing their basic needs rather than money to save at home or in Islamic banks.

The basic problem of economics is people's lack of expertise, and this impacts on the lack of decent work. In fact, anyone who works everyday can gain income even if they have lack of ability. For example, people who trade need to have expertise in finance and marketing. The finance in trade will be fulfilled with the sufficient capital. Some people's businesses are limited due to their limitation in the capital. People who are able to access banking have a solution to develop a business, increase inventory of merchandise, and maximize marketing. However, access to banks is usually targeted to bankable community. Bankable means the ability of the community to meet banking requirement, such as their business capability as the guarantee for finance. People who do not have guarantee are mostly those whose businesses begin running, and they need courage and managerial expertise to develop. This community belongs to middle to lower class economy. Capital issues for people who are not bankable can be given financing of Qard funds that are non-profit and even social. Islamic banks have great opportunities to foster a spirit of financial inclusion. This effort could also be at the same time a sign to realize the inclusive finance.

Despite limited capital, non-bankable community is also caused by willingness factor. Willingness is an enthusiasm to start a business. The intended will is the willingness to run a business, the ability to progress and the willingness to adapt to risk. A small opportunity for someone who starts a business is a sustainable guarantee. However, sometimes people have to face failures, including the willingness to continue learning so that their business gains profits. Beginner entrepreneurs must have talent to survive on every effort. New business faces low interest, so innovation is necessary that the production results become consumers' needs. The social role of Islamic banks can carry out managerial and operational coaching.

It is a challenge for the development of philanthropy in Islam that, according to Martowardojo (2016), social financial institutions in Islam such as microfinance institutions, endowments, and non-profits are optimistic and



have promising potential for public welfare. The presence of social finance role of Islamic bankings complements social financial institutions as a whole.

LITERATURE REVIEW

The slow economic growth in Indonesia is a result of the decline of the real sector. This condition has undoubtedly impacted on the sustainability of Islamic bankings. The Islamic bank market share grows slowly compared to the conventional banks. According to Djarot, the Financial Services Authority (OJK) recorded the total asset growth of Islamic banks experiencing a slowdown from 23.39% in the second quarter of 2017 to 14.58% in the second quarter of 2018. (<https://keuangan.kontan.co.id/news/>) Islamic banks grow slowly due to internal policies to evaluate and examine thoroughly the financing policies. The government's policy on subsidizing People's Business Credit (KUR) of the Conventional Banks has disrupted Islamic bank market. Islamic banks are less competitive in providing financing margins than conventional bank loans. The government subsidizes KUR credit interest to 0.33 percent per month or 4 percent per year, while Islamic bank margin ranges from 0.7 to 1.5 percent per month or 8 to 18 percent per year. The tight competition requires a special strategy so that Islamic banks can become people's choice. Therefore, Islamic banks must show benefits compared to the conventional banks.

Fundamental Theories

Philanthropy

Philanthropy is similar to Islamic social finance. The social role of the company is a plan functioning to carry out the balance principle of a business. "Common view is that social enterprises are market-based ventures that are financial success balance with social purpose but are nonetheless financed by income earned in the private marketplace" (Nicholls, Paton, & Emerson, 2015). The purpose of the company is not only financial gain but also social goals. Some income is allocated to social funds. This has an impact on both community and company. Social finance ideas were also proposed by Mitic and Rakic (Mitic & Rakic, n.d.), that social finance and social banking are efforts to sustain economic future. His ideas are on Retail and Microentrepreneurship, Banking and Investment Corporations, and Asset and Insurance Management with apparent products and services. According to Yaaba and Mika'ilu (2018), special consideration should be given to banks of



such standings to aid rapid expansion of access to finance for people who ordinarily wouldn't have easy access to banking facilities. Social finance is a financial institutional effort to instill value in business which is expected to contribute to better social change (Mohamad, 2012).

“Social Finance (SF) defines the set of alternative lending and investment approaches for financing projects and ventures, requiring to generate both positive impacts on society, the environment, or sustainable development, along with financial return” (Rizzi, Pellegrini, & Battaglia, 2018; Weber & Duan, 2012). This means that a company is not only business or profit-oriented, but also a business with positive impact on society, environment, and philanthropy. Social finance is a new effort in managing social funds. Building a community through finance could be a strategy to teach people to manage their economy (Geobey, Westley, & Weber, 2012).

As company, Islamic banks have a business purpose to gain profit. It will impact on the sustainability of Islamic bank business. Companies engaged in a partnership follow the rules regarding Corporate Social Responsibility (Act No. 40/2007). Social and environmental responsibility is defined as “the company’s commitment to play a role in sustainable economic development to improve the quality of life and the environment which is beneficial for the company, the local community, and the society (Act No. 40/2007).

Financial institutions including Islamic and Conventional Banking, Sharia Insurance, are companies subjected to the rules on Corporate Social Responsibility. However, it will be better for the environment and the company if the financial institutions have other social roles. The social responsibility carried out by Islamic banks has broad aspects. Novorela and Mulia Sari state:

“Islamic banks have vertical and horizontal social responsibility. Vertical accountability to God includes the instrument for the opinion of the Sharia Supervisory Board (DPS), and the reports of are obeyed and disobeyed fatwas. Horizontal accountability of the stakeholders includes reports on the qualifications and experience of DPS members, reports on Qardul and zakat funds, product information and sharia concepts, Amount of financing, and explanation on policies for non-sharia transactions. Employee’s horizontal accountability includes the reports on wages and remuneration, training policies that improve employee’s quality, availability of health services for



employees, and other facilities provided by employees such as scholarships and special finance. Community horizontal accountability includes initiatives to improve financial access to the wider community, financing policies on discrimination and human rights issues, financing policies for larger community, and contributions made to improve people's quality of life in religion, education, and health. Horizontal accountability in nature includes financing policies on environmental issues such as energy savings, forest destruction, water and air pollution, efforts to increase environmental awareness for employees, direct contributions to the environment, and contributions to organizations that benefit the environment" (Novarela & Mulia Sari, 2015).

The Social Role of Islamic Bank is attached to each of its operations. Islamic banks do not only think about profit but also environment, human resources, and the achievement of real sharia. Not all Islamic Banks are able to realize and report social activities. According to Othman, Thani and Ghani (2019), only companies with size, profitability, and composition of the boards are significantly able to provide reports on social activities. Corporate Social Responsibility (CSR) can also "realize that Islamic banks achieve their main objectives such as social takaful programs, creating economic clusters for micro and small business groups, and various activities whose main objectives are poverty alleviation, social protection, and slowly improve the quality of human resources of dhu'afa and mustadh'afin" (Nofrianto & Suardi, 2015).

Islamic banks can provide social protection and CSR that are required by the government. The effect of providing social security is to grow new economy as to provide customer's opportunities for transactions in Islamic banks. This is a part of social responsibility of the institution on human relations with the environment, and it deserves appreciation. The social role of Islamic banks is expected to be able to foster inclusive finance. However, according to Azizah and Suprayogi (2014), the maximum implementation of social functions is based on the motivation of establishment. If the motivation is business oriented then it will pursue business achievement, whereas if the motivation is on social activity then the social role will be applied. Networking is needed to implement and share information for Muslim philanthropy in Islamic banking (Ibrahim, 2017) and Khader (2017) argues that philanthropy will run optimally if it runs in coordination with the state.



Zakat and Infaq

Islamic banking provides broader value than conventional banks. This value, according to Meutia (2009), reflects the responsibility of Islamic banks in realizing prosperity for all communities, including the category of middle to lower economic communities. Zakat and Infaq are philanthropy in the teachings of Islam intended for people with middle to lower economy. The recipient of zakat has to meet the requirement. Islamic Banking Zakat is paid for business trade that has exceeded the nishab and haul, while infaq is only for assets that can be donated to the rightful person, without fulfilling Nisab and Khaul.

Islamic bank zakat is paid to the Amil Zakat institution to be distributed. Fund management successfully collected by Baznas is as follows:

Table1 Baznas Fund Collection Data (IDR Million)

No	Jenis Data	2015	%	2016	%
1	Zakat	2.312.195	63,29	3.738.216	74,51
2	Infaq/Sadaqah	1.176.558	32,21	1.001.498	19,96
3	Religious Social Funds	163.986	4,49	277.336	5,53
4	Other funds	533	0,01	241	0
Total		3.653.273	100	5.017.293	100

Source: Zakat Management Outlook 2018

Table 1 shows the increase in zakat collection in 2016 and the decrease of infaq in the same year. Baznas approves only fitrah and professional zakats, whereas other zakat potential needs to be planned and managed properly. If the potential for zakat can be managed, it will have positive impact on economic development in the community. Zakat is able to foster the ability of the community to fulfill their needs. In addition, zakat has the potential to open new businesses for the community. The management of zakat managed by the national Baznas cannot be separated from the role of the Islamic Banking Institute. Islamic banking distributes zakat to the Amil Zakat Institution.

Philanthropy in Islamic Banking

Philanthropy in Islamic banking other than zakat is the management of social funds. Social funds differ from zakat. Zakat is paid to certain people who fulfill the eight asnaf terms, while social funds are general and given to



anyone in need. Social funds can be allocated in the form of public facilities such as building a security post, building roads, and providing food and benevolent loans. As in table 1, Baznas also conducts social fund management but in religious activity. Social funds in 2016 had been increased compared to 2015 (Baznas, 2017). The Baznas social funds improve worship facilities and, if it is continuously conducting, the worship as a means of cultivating spiritual, and also will improve the morality.

Related Works

Rizzi et. al. (2018) state about the structure of social finance which aims to find approaches to social finance activities using qualitative method. The results, obtained from seventeen samples of Social Finance institutions in three European countries: Ireland, Italy and, the United Kingdom, are in two approaches: investments with social impacts and ethical banking. Both financing are assumed to have social impact or the impact on society, environment and sustainable development to differentiate them from commercial finance with distinction business models, products and services provided to the customers. The difference from this study is that this research focuses on social roles (zakat and benevolent funds) in growing inclusive finance.

Jones (2010) has examined social finance in trade and communities in developing countries. His research results in telecommunication trade innovations producing economic and social benefits. However, the social benefits cannot be seen because many components must be fulfilled. This research differs from Jones' as this study focuses on the financial sector in the form of social roles, funding and financing in Islamic banking.

Bayinah's research on social contribution of zakat in increasing Islamic bank financing and economic growth using data panel analysis method shows that zakat in addition to giving social impacts also increases financing for Islamic banks and economic growth. The equation in this study is the effort of inclusiveness to occur in the social role of zakat issued by Islamic banking. The difference is that this research focuses on zakat and benevolent funds issued by Islamic banks in increasing financial inclusiveness in the society (Bayinah, 2017).

Harji dan Hebb's research which aims to see the impact of social finance investments using qualitative methods has found that investment in social



finance is less in demand because people prefer grantsocial finance rather than loans. This is, according to him, due to the demand on information that has not been managed properly. This study provides an illustration that the role of social finance in Islamic banks needs to be managed properly, thus the real objectives can be felt by members (Harji & Hebb, 2010).

Nengsih's research on the role of sharia banking in implementing financial inclusion using qualitative and quantitative approaches shows that Islamic banks have the potential to implement financial inclusion as indicated by funding and large funding growth. The difference from this study is the role of the social finance of Islamic banks through zakat and the benevolent funds that have been issued (Nengsih, 2015).

RESEARCH METHOD

The research approach used is quantitative. The type of research conducted is spearman correlation to get the magnitude of the relationship between financial inclusiveness on economic growth, and prosperity. Spearman correlation analysis is used because the variable is an annual data which are limited in number, or not normal. The findings about the strategy were carried out by description analysis. This is expected to explore the theory and previous research.

RESULT AND DISCUSSION

Zakat Correlation in Growing Economic Growth and Realization of Welfare

Zakat is an Islamic philanthropy in realizing the life of the world and hereafter. Zakat realizes the fulfillment of people's needs. Allah's promise is for those who pay zakat to be multiplied with pleasure. By issuing zakat, the possessions are filled with blessings. If the property is used for study, the knowledge gained will be beneficial. The knowledge usage will increase human's degree and dignity in this world and before Allah the Almighty. The after life attainment is the reward of Allah for giving attention to others who need.

In 2012 to 2014, zakat was distributed to Baitul Maal established by Islamic banks. For instance, Bank of Mu'amalat established Baitul Maal of Mu'amalat. Islamic bank zakat funds are distributed by Baitul Maal



Mu'amalat. Over time, regulation changed, zakat laws began to be applied. Islamic banks who applied sharia rules complained and later they distributed zakat to zakat management institutions. Zakat is distributed and fully managed by the Amil Zakat Agency. Zakat managed by Amil Zakat does not raise the zakat recipient's spirit to save their money at Islamic banks even though the source of funds is from Islamic banks. According to Nofrianto and Suardi, if zakat is managed as an empowerment, it will empower the community's capability (Nofrianto & Suardi, 2015). People who are empowered will use their ability to cooperate, save money at Islamic banks and also fulfill their needs through financing in Islamic banks. If this happens, the financial inclusiveness is achieved. Zakat is expected to have positive impact on increasing Islamic banks customers and also contributing to national economic growth. The results of the study based are on spearman correlation test shown in Table 2.

Table 2. Spearman's rho Correlations Test on Zakat to Economic Growth

		Zakat of BUS (Foreign exchange service)	Constant price Gross Domestic Product
Spearman's rho	Zakat of BUS (Foreign exchange service)	Correlation Coefficient	1.000
		Sig. (2-tailed)	.429
		N	6
	Constant price Gross Domestic Product	Correlation Coefficient	.429
		Sig. (2-tailed)	1.000
		N	.397
		6	6

**. Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows that zakat has a correlation of 0.429 or 42.9% of Gross Domestic Product (GDP) expenditure at constant prices. The variable significant level was formed at 0.397, exceeding the significant level at α 10%, so it can be concluded that the correlation was not significant. Economic growth from the expenditure element consists of government expenditure, investment, public consumption, and exports exceeding imports. This indicates that zakat plays a role in the consumption of the people whose nominal value is far less than other instruments. In 2017, government



expenditure was 2098.9 trillion (<https://bps.go.id>). Zakat of Islamic banks in the same year is amounted to 71273 million rupiah (<https://ojk.go.id>). The mean of Islamic bank zakat is only 0.0034 percent of state expenditure. This has not been compared with other instruments, namely investment, exports, and imports. Zakat as a social Islamic bank is expected to be able to provide benefits to recipients. Nicolls, Paton dan Emerson said “Social finance may also support the generation of positive ‘social externalities’ (perhaps better described as ‘intentionalities’) that are the deliberative consequence of socially entrepreneurial action” (Nicholls et al., 2015). Zakat is beneficial to create new entrepreneurs. This has impacted on increasing people’s purchasing power and economic growth. Total charity, according to Bayinah's research, has positive impact on the growth of Islamic banks and thereby contributed to the economic growth of Indonesia.

Zakat is expected to be able to meet the needs of the community. Thus, zakat is expected to increase the ability of purchasing power against needs. Purchasing power encourages other people to produce goods that are needed by one another. It means that zakat encourages production and absorbs labor. Therefore, the community’s need is fulfilled, producers get profits, and workers earn wages that are useful for meeting family needs and the prosperity is then realized. The results of the study based on the spearman correlation test are shown in the Table 3.

Table 3. Spearman's rho Correlation Test on Zakat to Welfare

		Zakat of BUS (Foreign exchange service)	Community welfare every year	
Spearman's rho	Zakat of BUS (Foreign exchange service)	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.000	
		N	6	
	Community welfare every year	Correlation Coefficient	.348	1.000
		Sig. (2-tailed)	.499	.000
		N	6	6

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3 shows that zakat has a correlation of 0.348 or 34.8% of the income of the people each year. The variable significance level was formed at 0.499 exceeding the significance level at α 10% so that the correlation was



insignificant. The contribution of Islamic bank zakat which is insignificant to welfare is due to the increasing inflation. Inflation has an impact on new poverty levels. This means that the needs of people who are closed with any zakat funds will still cause new poverty due to inflation. Increasing prices decrease people's purchasing power. Zakat needs to be encouraged to make productive society, so that when inflation occurs, they will survive. Rizzi, Pellegrini, dan Battaglia said "social finance (SF) as a pre-paradigmatic field where leading SF institutions have spontaneously adopted different investment rationalities and logics to achieve positive social impact through financing and banking activities" (Rizzi et al., 2018). This will impact on the distribution of financing to the public and such conditions will improve the welfare of the community through the efforts undertaken.

Virtue Fund Correlation in Economic Growth and Realization of Welfare

Islamic banks, in addition to issuing zakat to Baitul Maal or Amil Zakat institutions, also manage the funds of benevolence obtained from infaq management, charity, repayment of productive virtue funds, fines, non-halal income, and others (<https://ojk.go.id>). In practice, the majority of sharia commercial banks manage benevolent funds from fines and non-halal revenues. This fund is distributed in productive virtue funds, donations, and other uses in general form.

The inclusiveness achieved by Islamic banks has impacted on economic growth in Indonesia. The results of the study based on the spearman correlation test are shown in the Table 4.

Table 4. Spearman's rho Correlation Test on Virtue Funds to Economic Growth

		Virtue Funds	Constant price Gross Domestic Product	
Spearman's rho	Virtue Funds	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.943**	
		N	6	
	Constant price Gross Domestic Product	Correlation Coefficient	.943**	1.000
		Sig. (2-tailed)	.005	.000
		N	6	6

** . Correlation is significant at the 0.01 level (2-tailed).



Table 4 shows that the virtue fund had a correlation of 0.943 or 94.3% of gross domestic product expenditure at constant prices each year. Variable significance level was formed at 0.005 less than the significance level at α 10% so it can be concluded that the correlation was significant. The role of the virtue fund is able to drive the community economy. Public consumption and investment capabilities increase. This has positive impact on increasing economic growth. In 2014, it grew 4.88 percent, in 2015 was 5.03%, and in 2016 it grew 5.07%. This is in accordance with the research of Haafnida and Mamoor (2016) that Islamic finance and its impact on economic growth resulting in Islamic financing having a significant positive correlation to economic growth. Such Islamic financing is referred to as Qard funds distribution. Qard fund distribution provides ease of financing for the customers without providing benefits to Islamic banks. Tabash and Anagreh (2017) emphasizes that Islamic investment has contributed to increasing investment and bringing foreign investment in the long run. This also shows that there is a two-way relationship between Islamic bank investment and foreign investment. This shows that the economy is growing with the emergence of many investments. The economy and welfare should be able to be felt by the whole community. Basic needs can be fulfilled properly. The results of the study based on the spearman correlation test shown in the following Table 5.

Table 5 Spearman's rho Correlations Test on Virtue Funds to Welfare

		Virtue Funds	Community welfare every year	
Spearman's rho	Virtue Funds	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.928**	
		N	6	
	Community welfare every year	Correlation Coefficient	.928**	1.000
		Sig. (2-tailed)	.008	.000
		N	6	6

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5 shows that the benevolence fund had a correlation of 0.928 or 92.8% of the income of the people each year. The significance level of the variable was formed at 0.008 less than the significance level at α 10% so it can be concluded that the correlation was significant. This explains that the benevolent fund contributes to the realization of community welfare. As 2015



community's income fund grew 2.16%, while in 2016 it grew by 2.30%. The contribution of Islamic banks' benevolent funds to people's income is because the community utilized these funds to meet their living needs. Davison and Heap state that social institutions are ready with the risk of losing capital, giving funds to community groups that provide good social returns (Davison & Heap, 2013). The form of social value of Islamic banks is to increase people's income from the utilization of Islamic banks' benevolent funds. In general, social fund management, according to Zain and Ali (2017), must be able to provide "maqashid sharia protection (protected ((i) deen (religion), (ii) nafs (life), (iii) nasl (progeny), (iv) 'aql (intellect), (v) maal (property), and (vi) ard '(honor))), and reduce interpretation". Community welfare is a manifestation of maintaining assets and encouraging other sharia maqashid protection to be achieved.

Philanthropy as a Strategy to Improve Economic Growth and Welfare

At the practical level, zakat issued by sharia commercial banks has a non-significant correlation to financial inclusiveness, economic growth and public welfare. This is in line with Azizah and Suprayogi's study that the management of Baitul Maal in Islamic financial institutions is not yet optimal (Azizah & Suprayogi, 2014). According to them, the management of zakat is not optimal due to the motivation of the manager. Zakat provides a correlation to economic growth, well-being and financial inclusiveness if the synergy of Islamic banking and fund management is productive. This means that Islamic banks have to maintain their obligation to pay zakat to the amil zakat body. The distribution of zakat by tertiary amil zakat institution managers can be redistributed by Islamic banks. This can effectively provide financing feasibility to customers and allocate zakat funds to unbankable customers. Thus, zakat funds will contribute productively to the middle to lower classes.

Andriansyah (2014) examines the performance of Islamic banks in their contribution to economic growth. The results show high performance of Islamic banking in its financial duties in contributing to the banking financial intermediation function and the development of small and medium enterprises in Indonesia. However, some notes must be adjusted to the banking preferences in supporting the economic activities of the major community, such as in agriculture and other primary sectors. In order that zakat can contribute to economic growth, the distribution of zakat funds needs to adjust to the community needs, such as in the agricultural sector, considering that the



majority of Indonesians is agrarian. These policies provide the benefits to increase crops. This will minimize import of staple food needs. This is different from the studies of Johnson (2013) and al-Aqool, Okab, & Bashayreh (2014) that the role of Islamic banking is not seen in the high economic growth, and the role of Jordanian Islamic banking does not have a significant relationship to short-term economic growth, but to long-term economic growth.

The synergy of productive zakat management and Islamic banking encourages efficient management of zakat. Islamic management and management costs are included in Islamic banks to guarantee fund development and safety. Human Resources are trained in seeing the feasibility of prospective customers. This way is considered more efficient and effective as the management of zakat funds is safe and able to be empowered, and finally it benefits the beneficiaries.

The virtue fund is mostly distributed as donations although some others are distributed as Qard loans and public facilities. A balanced allocation of funds among donations, Qard loans, and public interests is needed. If each Islamic bank consistently implements the three types of fund disbursement, more financial access can be felt.

CONCLUSIONS

Islamic banking has both business and social functions which are different from conventional banks. Business functions are obtained by achieving profitability so that the management of Islamic banks can be sustainable. The social function is applied in the distribution of zakat funds and virtue funds which are expected to be beneficial for economic growth and to realize public welfare. The results show that first, zakat has a non-significant correlation to economic growth and welfare. Secondly, the virtues of Islamic banks have a significant correlation to economic growth and prosperity. This study proposed a strategy for the developing of economic growth and prosperity by synergizing the management of productive zakat with Islamic banks to create the efficiency and effectiveness of safe and developed management of zakat funds. Zakat and virtue funds provide social value of financing to poor people.



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