The Potency of Islamic Philanthropy in Indonesia: Analysis of the Socio-Economic Context

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Abstract
Overcoming the problem of poverty and socio-economic inequality has always been a difficult challenge for all of us, including the government, since the early days of human civilization. Islam has presented philanthropy as an instrument to achieve social justice by interacting and incorporating religious aspects into solutions to overcome these problems. The biggest potency for Islamic philanthropy lies in Muslim countries, especially in Indonesia which has the largest Muslim population in the world. Human resources are very effective tools for optimizing true Islamic potency. In addition, an action that is able to strengthen the effect of Islamic philanthropy on socio-economic issues is to get involved in the economic sector to increase productivity and to reduce low income levels in society.

Keywords: Islamic Philanthropy, Socio-Economic, Productivity

A. Introduction
In the last few decades, Indonesia has slowly improved its social and economic structure as the fourth most populous country in the world after China, India and the United States, but the problem that Indonesia is still facing remains the same, such as poverty, which is also faced by other developing countries. According to the latest data in September 2022, the number of poor people in Indonesia reached 26.36 million people, both in rural and urban areas (BPS, 2022). In the previous year, the number of poor people was 26.50 million (BPS, 2021), so it was concluded that Indonesia had decreased by 0.14 million in terms of poverty growth. In September 2022, the Indonesian population's expenditure inequality level, as measured using the Gini Ratio is 0.381. This figure decreased by 0.003 points when compared to the Gini Ratio in March 2022 which was 0.384, but did not experience any changes when compared to the Gini Ratio in September 2021 which was 0.381 (BPS, 2022).

Based on the World Bank's inequality measurement, the distribution of expenditure in the bottom 40 percent is 18.24 percent. This means that population spending in
September 2022 was in the category of low inequality. If it’s broken down by region, especially in urban areas, the figure was recorded at 17.19 percent, which means it belongs to the low inequality category. Meanwhile for rural areas, the figure was recorded at 21.06 percent, which also means that it belongs to the low inequality category (BPS, 2022). Even so, inequality still exists. One of the main points in Indonesia's economic problems is shown by the large gap between the poor and the rich.

To alleviate problems such as those that occur in developing countries like Indonesia in particular, the government’s role must be supported in all ways, including community participation. Poverty and economic inequality have become a big challenge to achieve a welfare state. To overcome all challenges, people initiate informal institutions such as philanthropic organizations collecting donations to alleviate poverty and social inequality between the poor and the rich. Apart from collecting donations, these institutions also provide anti-poverty programs such as health, education, and microfinance. Therefore, this donation has an important role to fund the institution’s programs (Van Slyke & Books, 2005).

According to Islam, this activity includes "ta’awun" or mutual cooperation, this is also mentioned in the Qur'an, “Cooperate with one another in goodness and righteousness, and do not cooperate in sin and transgression. And be mindful of Allah. Surely Allah is severe in punishment.” (Q.S. Al-Maidah: 2). In addition to mutual cooperation, this activity is also realized through mutual sacrifice to fulfill their rights and obligations. Based on this concept, Islam offers alternative solutions to overcome poverty and economic inequality in the form of charitable instruments called zakat, infaq, shadaqah, and waqf. Basically, they are instruments known as religious traditions and are the main pillars of religious and social practices, which are proven to have a "domino effect" and great potential to lift people's lives, especially the poor from poverty, as well as increase income and employment opportunities.

Widyawati (2011) added that philanthropy is understood as generosity rooted in the basic moral teachings of religion. This fact can be seen in both the doctrines and religious practices of many traditions in different parts of the world, which of course have
different names but have the same meaning. Sometimes it is called amal, meaning the love of humanity, sometimes it is called charity because its popular meaning means "conscious action for the common good". Therefore, charities have an important role in helping the government to reduce poverty and social gap. By working together, these goals can be achieved and using all available resources to support independent philanthropic ideas.

Islamic philanthropy has long been an integral part of Indonesian society, which is predominantly Muslim. The concept of zakat (compulsory donation) and infaq (voluntary donation) in Islam has become the main pillar in helping to ease the socio-economic burden of people in need. With the world's largest Muslim population, Indonesia has great Islamic philanthropic potency to make a significant impact on the country's social and economic well-being. Therefore, a thorough analysis of the social and economic contexts of Islamic philanthropy in Indonesia is important to understand and to optimize this philanthropic potency.

By taking a look of this background, it is hoped that an analysis of the social and economic contexts of the potency for Islamic philanthropy in Indonesia will provide deeper insights into how the concept of Islamic philanthropy can be effectively implemented to achieve a wider positive impact on society.

B. Literature Review

Islamic Philanthropy

Etymologically, the meaning of philanthropy is charitability, generosity, or social contributions; something that shows love to humans. This term comes from the Greek, which are *philos* (love) and *anthropos* (man) which literally means the conceptualization of the practice of giving, service, and association voluntarily to help others in need as an expression of love (Abubakar & Bamualim, 2005). According to Latif (2013), philanthropy or generosity is a popular term that presents human activities to improve the quality of life. Philanthropic theories originating from other religions have something in common, such as caring for other human beings. According to Islamic teachings, philanthropic
actions have two principles that originate from the Quran which are sunnah and obligatory. In general, acts of philanthropy in Islam are known as shadaqah, but to understand further, Islam has classified shadaqah into three instruments based on obligatory and voluntary principles shown in the following figure.

![Diagram of Islamic Philanthropic Instruments](image)

**Figure 1**
Islamic Philanthropic Instruments

Based on figure 1, the general instrument that represents three philanthropic instruments, such as infaq, waqf, and zakat which are known as shadaqah is also written in the Quran, Surah At-taubah verse 103,

“Take alms out of their riches and thereby cleanse them and bring about their growth (in righteousness), and pray for them. Indeed your prayer is a source of tranquillity for them. Allah is All-Hearing, All-Knowing.”

This verse describes the collection of shadaqah from people who are entrusted by Allah to access and use all means to improve their lives. The verse tells us that charity is obligatory, so all Muslims who believe in the Qur'an must follow this commandment. In distributing the welfare of the people, Islam teaches its people to perform Zakat, Infaq, Shadaqah and Waqf (ZISWAF) worship (Syafiq, 2018). To understand more deeply, charitable instruments such as shadaqah, infaq and waqf are part of the voluntary principle, but zakat is an obligatory part or principle that is absolutely necessary.

Shadaqah is defined as giving something (charity) wholeheartedly to get closer to Allah, not for the sake of respect. Therefore, charity is born from the deepest sincerity and honesty in the heart of the giver. Shadaqah is worship in the form of a general gift which
is not only in the form of giving of wealth but also applies to good deeds resulting from the courage of a Muslim's faith (Widiastuti et al., 2019). The virtues of shadaqah include being able to train and foster social feelings in society, can help the community's economy, a means of purifying and cleaning assets, aborting sins, multiplying one's reward, and can provide shade on the last day (Wahyuni & Wimeina, 2019). Another voluntary philanthropic instrument shown in the figure is infaq.

According to Uyun (2015), infaq is all forms of spending assets for things that are in line with Islamic law. It was also found that infaq has been recommended to Muslims and has been mentioned in the Qur'an 73 times (Hastuti, 2017). This is to show how important philanthropy (infaq) is as a way to build humanity. Waqf is also one of voluntary philanthropy that has no explicit reference in the Qur'an and Sunnah (Mubarok, 2008). Furthermore, waqf means standing, eternal, stopping and holding (Hasanah, 2018). In general, waqf is defined as the act of holding property or objects that are not easily damaged to then be managed and benefited from and then distributed to the interests of the people in accordance with sharia provisions' (Baiti & Syufaat, 2021).

As one part of the concept of social goodness, the obligation to give zakat has been mandated in the Qur'an for all Muslim individuals around the world. Also known as the pillar of Islam, zakat has an aspect of socio-economic value. According to Qardhawy (2012), zakat is considered as a form of worship that cannot be separated from the obligation to prayer. Zakat is a form of worship taught in Islam which has two dimensional objectives in it, such as the divine dimension and the human or social dimension (Syafiq, 2016). In addition, zakat is also an integral part of the social economic system in Islam. Thus, zakat has two different aspects, such as part of the obligation to worship which aims to clean up assets and as a social action to increase the income of zakat recipients. Broadly speaking, the purpose of implementing zakat is to protect people who are included in the poor group, who do not have a decent standard of living, and lack food, clothing, and shelter. The main objective of the implementation of zakat is to improve the standard of living of those who are included in the poor so that they can
achieve a decent level of life (Qardhawi, 2005). According to Rahardjo (2003), zakat can also be regarded as a process of personal self-purification. It is known that zakat is an obligation for Muslims that is personal. So, if someone obeys an order, there will be a reward given to him or vice versa.

**Philanthropy in Social Context**

In the social aspect, welfare is the main target to be achieved through ZISWAF. The word welfare has the origin of the word prosperous which describes a state of being safe, prosperous and free from disturbances and similar things (KBBI). Fahrudin (2012) stated that welfare is when a person is able to fulfill his basic needs, such as food, shelter and clothing, and has educational and job opportunities that support his life. This makes individuals are spared from poverty, lack of knowledge, and fear, so that their lives run safely and peacefully. When referring to the social dimension, this term refers to the welfare of society. Social welfare is a condition in which the basic needs of the community are well met, which can be seen from the conditions of proper housing, the fulfillment of sufficient food and clothing, as well as the accessibility and quality of affordable education and health services. In addition, social welfare also involves meeting adequate physical and spiritual needs (Saifudin, 2019). So, well-being involves all parts of an individual's life, including psychological well-being, mental health, and social interactions in society. For example, zakat philanthropy has a positive impact not only on zakat givers, but also on zakat receivers and will indirectly affect the social situation in the local community.

In another aspect, paying zakat is a form of obedience in performing Allah's commands. The purpose of taking these assets is to get rid of bad traits; miserly, greedy for wealth, and rude to people who are miserable, or in other words to grow a social soul and be willing to sacrifice for the benefit of others (Maraghi, 1987). Besides, it is also an illustration of good principles that must be applied in social life such as generosity, empathy, concern for others, obligations to society, and the like. Therefore, the combination of these two elements will create a Muslim individual who is devout in worship and responsible in his social life. A life that is built with a balance between these
two aspects will take place in harmony, coherence, and serenity and away from conflicts and fights.

Performing philanthropic activities provides assistance and attention to other individuals, so that we can divert attention from the problems at hand. Our minds will also be distracted by the things around us. In other words, when a person's heart and mind achieve balance and harmony, their focus and energy will be diverted to things that bring good. Finally, this will give him peace of mind and relieve the burden he feels because of the problem (Musbikin, 2007).

**Philanthropy in Economic Context**

Economic problems are closely related to poverty aspects. Solving the problem of poverty is a solution towards prosperity as conveyed in the values of religious beliefs. Islam defines well-being as 'falih' which means happiness in this world and in the hereafter by fulfilling basic needs (Hany & Islamiyati, 2020). Non-fulfillment of basic human needs will result in disruption of daily activities and even the survival of humans themselves. If the problem of poverty continues to be allowed, then this will continue to expand and become a big danger, not even a few people who have lost their minds and morals just because of poverty (Ilhaniyah & Anwar, 2019).

Islamic economic principles have the main goal of realizing long-term economic growth rates and maximizing human welfare (Nurfadhilah & Ratnasari, 2019). In Islamic view, there are elements of welfare in society that need to be met as what is referred to as *Maqashid Al-Syariah* including, which are *Hifdz Ad-dīn* (preservation of religion), *Hifdz An-Nafs* (preservation of the soul), *Hifd Al-Aql* (preservation of reason), *Hifdz An-Nasl* (preservation of offspring) and *Hifdz Al-Maal* (preservation of assets). *Maqashid Al-syariah* is a *syar'i* goal that aims to achieve the benefit of the people where the welfare indicator is *Maqashid Al-syariah* itself (Robimadin & Cahyono, 2020). In language, *Maqashid Al-syariah* consists of two words, which are *maqashid* and *sharia*. *Maqashid* is the plural form of *maqshid* which means intentional or purposeful, *sharia* means the path to a water source. The road to this water source can also be said to be the road to the main source of life.
Islamic philanthropy means conceptual action and is intended as a solution to economic and social problems, such as poverty. Islamic philanthropy has an identity as an action focusing on the dilemma of poverty (Murti, 2017). Basically, philanthropic funds can be used as a means of alleviating poverty. This is because it can reduce the gap in people's income (Yusuf Q & Hapid, 2017). Islam has provided guidance in solving the poverty problems described above, the solution lies in more effective use of philanthropic funds (Zulkarnain & Murtani, 2020).

C. Research Method

This research method is descriptive qualitative by analyzing Islamic philanthropy through a literature study approach (Library research). Literature study is a type of research that generally does not go into the field in searching for data sources. Literature research is a method used in data search or a way of observing (a form of observation) in depth on the topic under study to find a 'temporary answer' to the problem found at the beginning before the research is followed up. Based on related references, this research will describe Islamic philanthropy as a solution to socio-economic problems in Indonesia.

D. Results and Discussion

The Potency of Islamic Philanthropy in Indonesia

Islamic economic growth has experienced rapid development, especially in countries which have adopted Islamic principles, such as Indonesia. There are several factors that are the reasons behind the rapid development of the Islamic economy, one of which was triggered by the global crisis that occurred in 2008. The spread of the potency of the Islamic economy does not only have an impact on the financial sector, but also on small and medium-sized companies. As well as having an impact on the financial sector and small and medium enterprises, it will have a positive impact on lower socio-economic groups to a degree that exceeds expectations. To strengthen the effect of acceleration, the potency for charitable donations from Muslims needs to be considered as a solution to address poverty and socio-economic problems more broadly. One
common indication of the possibility of Islamic philanthropy is through all available resources. As far as we know, conducting philanthropic activities with Islamic principles is the right way to ensure and to increase the happiness and quality of life of the less fortunate people. These activities should be performed by people who have access and are able to utilize all available resources. So, the basic conclusion that can be drawn is that human resources are the main potency in Islamic philanthropy. To realize the potential of Islamic philanthropy, especially in utilizing natural resources in Indonesia, it is important to classify the role of Muslims as resources. This will be shown in the following image:

From the illustration in Figure 2, it can be seen that Islamic human resources have four different roles, such as philanthropist, skilled practitioners, bureaucrats, and mustahiq (beneficiaries).

According to a report from The Royal Islamic Strategic Studies Center (RISSC) entitled The Muslim 500 of 2023 edition, it shows that the total Muslim population in Indonesia has reached 237.55 million. This number is equivalent to 86.7% of the total population in Indonesia. Therefore, if we estimate that half of the Muslim population in Indonesia contributes IDR 10,000 per month to overcome poverty and other sectors, then the total funds collected are around IDR 1.36 billion per month or around IDR 16.41 billion per year. In Indonesia, it is estimated that there is a potential zakat of IDR 327 trillion. This amount can be seen in the following table;
Table 1

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agricultural Zakat</td>
<td>IDR 19.79 trillion</td>
</tr>
<tr>
<td>2</td>
<td>Livestock Zakat</td>
<td>IDR 9.51 trillion</td>
</tr>
<tr>
<td>3</td>
<td>Savings and Deposits Zakat</td>
<td>IDR 58.76 trillion</td>
</tr>
<tr>
<td>4</td>
<td>Income and Service Zakat</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Civil Servant Zakat</td>
<td>IDR 9.15 trillion</td>
</tr>
<tr>
<td></td>
<td>Non-Civil Servant Zakat</td>
<td>IDR 129.8 trillion</td>
</tr>
<tr>
<td>5</td>
<td>Company Zakat</td>
<td>IDR 99.9 trillion</td>
</tr>
</tbody>
</table>

**The Total of Zakat Potency**  IDR 327 trillion

Source: Puskas BAZNAS RI, 2022

From the potency shown in the table above, the total of 5 zakat aspects are IDR 327 trillion. However, from the total of zakat potency, only IDR 17 trillion of the realized zakat has been collected, or about 5.2% from the existed zakat potency. This amount did not even reach 10% of the total potential of zakat in Indonesia. If this amount is added by the philanthropy’s estimated potency for a year, which is about IDR 14.24 trillion, so the fund percentage would be about 4.3%. Therefore, if the realized amount of zakat is added by national zakat’s estimated potency, then the percentage would be about 9.5% or almost reach the 10% of Indonesian’s zakat potency. The low amount of realized zakat happened due to the inequality in the aspect of zakat collection. This inequality illustrates that the potential absorption of zakat in Indonesia is still very low. This is of course related to the lack of awareness of Muslims in paying zakat.

We can conclude that the potency for funding owned by Indonesian Muslim human resources is unlimited, with the condition that every Muslim person who does charity is influenced by sincerity solely for Allah SWT, not more or less. After realizing that the sources of philanthropic funding are unlimited, what comes next is the need for skilled practitioners. Even though the amount of funds from philanthropist is very abundant and has no limit, without having reliable experts to run and to develop Islamic philanthropy, all of that will be useless. To improve the quality of life and future hopes of

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the underprivileged people, Indonesia still needs professionals who are skilled in managing donations, as part of Islamic human resources. Some of them manage the budget through social organizations and distribute and collect funds to individuals who need them according to the circumstances and requirements that apply to them.

In addition to having social organizations, skilled practitioners also need to have a comprehensive understanding of sharia economics and Islamic norms. Thus, people who really understand the theoretical and practical framework of the study of Islamic economics are the most skilled practitioners. Professionalism is another term that skilled practitioners have to apply. Even though experts have an understanding of Islamic economics and Islamic values, it does not guarantee that the process will run well and achieve the expected results without professionalism. The professionalism that an expert practitioner should have is a good reputation, reliable ability, high integrity, honesty, and obedience to rules.

To improve both aspects of Islamic Human Resources, which are individuals who are generous and professional, the role of bureaucrats is very important in strengthening and influencing Islamic charity. Bureaucrats, in this case, have the duty to encourage and to provide support to other sections of the human resource management staff to apply better Islamic philanthropic principles in their daily lives. Additional support for legalizing institutions to manage philanthropic funds is very important besides supporting the implementation of Islamic Philanthropy. This is considered important because good cooperation between philanthropic institutions and the government is crucial and there is no need for arguments about who is more responsible for dealing with the problems of the poor. Finally, in terms of human resources in an Islamic context, a mustahik or beneficiary is needed. It is known that even though the amount of philanthropic funds collected is large and the number of practitioners who are skilled in managing philanthropic funds is large, without beneficiaries (ie the poor), philanthropy will be useless. This explanation explains that the essence of philanthropy is to help others, so if there are no beneficiaries in the Islamic community, then the basic concept of philanthropy will be neglected.
With competent and effective support from all parties, the distribution of philanthropic funds through economic programs and business capital will result in higher business creativity of mustahiq. The distribution of philanthropic funds to economic programs will encourage mustahiq to be even better at meeting their needs. The impact of channeling these funds will provide long-term benefits to mustahiq. It is hoped that later mustahiq will be able to turn into muzakki (Munandar et al., 2020). This collection of funds will indirectly help accelerate the overcoming of poverty and socio-economic disparities. However, if the use of philanthropic funds is directed outside the economic sector, it can cause damage and cause the poor to be more tempted to be consumptive than before. In order to deal with this problem, philanthropic funds must be allocated to the economic sector to boost the productivity of the less fortunate individuals and thereby have a positive impact on the economy. There are various ways to illustrate the implications of Islamic philanthropic funding in the economy, as shown in the figure below:

**Figure 3**

**Implication of Islamic Philanthropy**

The figure above illustrates how philanthropic funds have an impact on the economy by being allocated to economic sectors. First of all, the management of philanthropic funds must be organized by parties who have professional expertise. In Indonesia, the majority of organizations that raise funds are not-for-profit charities or community social organizations. Some examples include LAZMUH, LAZNU, DPUDT,
Rumah Zakat, Group Alms, and many more. In Islam, philanthropic activities are activities focused on reducing the problem of poverty. Sharia philanthropy is oriented towards poverty alleviation, some of the poverty alleviation is short-term, and some is long-term (Linge, 2015).

Based on the view above, to perform philanthropic or charitable actions aims to provide a sense of security, especially for those who are in a poor situation. However, there are several obstacles such as the lack of security facilities provided, and sometimes they only focus on improving health, education, and meeting consumption needs. In order to get better results, it is suggested that the funds raised for philanthropic activities are allocated to the economic sector. Thus, the level of productivity of people who are in a disadvantaged condition will be positively affected. The economic sector is one of the sectors in the economy that deals with financial transactions to meet daily needs. In this context, allocating resources to the economic sector means providing business capital without collateral requirements and reasonable administrative costs. The hope of this injection is to encourage business development, with the aim of increasing investment and attracting investors to participate in their business. In order to be able to attract investment from other economic sources besides philanthropy, the management must encourage entrepreneurs to develop businesses that are based on creativity and to have the selling value of the nation's cultural heritage. This will also provide added value in offering business opportunities to corporate investors.

If there is investment that goes into the industry, it will automatically increase the income for the less fortunate groups of people. In order to get a higher income than before, investors must propose the principle of Profit and Loss Sharing. Profit and Loss Sharing is an instrument that is often used in sharia investment, especially in the context of Islamic economics. The method of Profit and Loss Sharing in practice is a form of cooperation agreement between investors and capital managers in running an economic business. In the agreement, both of them agree to share profits according to the percentage that is agreed upon from the start. Likewise, if the business suffers a loss, both parties will be responsible and bear the loss in accordance with their respective portions.
(Wahab, 2016). In theory, the use of Profit and Loss Sharing as a business tool, which ideally has a higher ratio, results in an increase of investment. As a result, investment will increase income and ultimately stabilize the economy.

Connected to higher investment growth, income should also increase so that people become more able to consume. Increasing levels of consumption will lead to increased demand, which in turn will increase aggregate demand. The increased demand is caused by an increase in consumer desires which needed to be controlled through consumption restrictions based on Islamic principles, such as avoiding extravagance and redundant. By adopting the principle of reducing extravagance and redundant as the basis for the use of resources, it will simultaneously reduce consumption demand. In addition, by promoting a caring attitude towards others, there will be an increase in the amount of philanthropic funds that can be reinvested in the economic sector. After the economic sector is stable, philanthropic funds can only be allocated to other sectors. Therefore, the consequence of this philanthropic act is that this fundraising will provide boost for a better economy, reducing poverty and increasing socio-economic inequality.

E. Conclusion

Generosity towards others has been taught in many religions, but in Islam, generosity towards others means providing assistance in material and non-material forms, as well as showing concern which is obligatory and being stated in the Qur’an. This behavior is known as philanthropy.

According to Islamic religious principles, acts of kindness and concern for others can be expressed in four forms, such as shadaqah, infaq, waqf, and zakat. Basically, this instrument has two main characteristics, such as voluntary and following the orders of the Qur’an. The main issues faced by many countries in various parts of the world, including countries with a majority Muslim population, are basically the same, for example the problem of poverty and socio-economic inequality. To handle and to manage these problems, the presence of philanthropy can be an option and also a solution to answer them. The potential for Islamic philanthropy can be observed through
the potential of a country's Muslim population, such as Indonesia with the largest Muslim population in the world.

In order to optimize the potential of Indonesia's human resources, comprehensive specifications are needed in four categories which are philanthropists, skilled practitioners, bureaucrats, and beneficiaries (mustahiq). However, to develop the potential of human resources to be more effective, they need to be professional and have integrated knowledge, skills, credibility and discipline. Allocating philanthropic funds to the economic sector will be the best step in overcoming poverty and socio-economic gaps. This will encourage the poor to be more productive and reduce unproductive consumption patterns, so that it will also have an impact to the country's welfare and economic stability.

References


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