The Effect of Indonesia Philanthropy’s Regulation Towards the Welfare State

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ABSTRACT

Philanthropy has been very beneficial for social welfare. However, the regulation of philanthropy that governs philanthropy management institutions has not been successful in enhancing the welfare of the poor, particularly in post-COVID-19 tourism areas. This research explains the issue from a doctrinal normative perspective. The results indicate that the characteristics of philanthropy norms work as economic capital assistance, the regulation also should be able to identify the objectives and goals to be achieved for human welfare. Moreover, state and private institutions manage philanthropy independently, freely, and responsibly performing economic empowerment is developed with the existence of institutions that manage resources derived from philanthropic activities. These activities are based on the recommendations which are contained in scriptures and hierarchical juridical legitimacy containing transcendent norms.

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1. Introduction

In Indonesia, philanthropy is considered among the hereditary tradition of its people which play an important part in the nation's cultural history. Philanthropic activities have been used by philanthropic entities to embody their absolute values to build public trust, since, public trust is a vital mechanism of philanthropic activities. Philanthropy is part of the belief that captures the status of needs. The government plays an important role in supporting good philanthropic management. Djuhedi, believes that having a profound understanding of the core of good management in such

entities helps to improve and advance community welfare. Particularly, in West Nusa Tenggara, the management of philanthropy has transformed and adapted various managerial techniques that follow the legal guidelines. At the institutional level, Corporate Social Responsibility (CSR) is considered one of the philanthropy activities. CSR is considered the responsibility of entrepreneurs to help the poor. Besides, social assistance in terms of education and health services, infrastructure, and others is a philanthropic social action that strives to develop.

There has been extensive progress in the development of philanthropy during the past decades. There is an enormous growth in profiting technology and innovation in fundraising, including digital media such as financial technology (Fintech). Masrikhan, argued that this innovation greatly helps the quality of philanthropic method development. Accordingly, Law No. 23 of 2011 concerning the management of Zakat, has proposed a wide range of philanthropic practices. Its objective is to expand the audience and create a larger opportunity when collecting social funds from the public through online methods such as Pay Now, eNETS, and AXS. Scholars have identified various factors that influence a person’s decision to do something. In the context of philanthropy, health, income, expenses, age, work, and religious factors are no exception.

One of the noble goals of philanthropy bodies is to manage social funds intended for economic empowerment; the philanthropy disbursed by the community to realize socio-economic welfare. Since inequality and poverty are often common problems faced by several communities, particularly in developing nations, an alternative solution must be sought to reduce this socio-economic welfare problem. Correspondingly, philanthropic activities are useful tools for economic empowerment programs that can be carried out as much as possible. Besides, the beneficiaries of philanthropic fund capital assistance such as Zakat, Infaq, and Alms, can develop their businesses productively. In addition, religion-based philanthropy can reduce poverty both in the short and long term.

7Marc–Andrej Felix Mallin and others, ‘In Oceans We Trust: Conservation, Philanthropy, and the Political Economy of the Phoenix Islands Protected Area’, Marine Policy, 107 (2019), 103421 https://doi.org/10.1016/j.marpol.2019.01.010
especially in the integration of Islamic social and commercial finance into one model.\textsuperscript{13} Hence, effective productive philanthropy can help to improve community livelihood and welfare.\textsuperscript{14}

Economic empowerment programs conducted by philanthropy are inseparable from the characteristic aspect of philanthropic bodies, more specifically religious institutions that concern with the welfare of the community.\textsuperscript{15} Moreover, in terms of economic empowerment, the community received assistance from the business capital to facilitate the realization of economic development, this support can be carried out in both livestock and agriculture.\textsuperscript{16} Besides, the success of the economic empowerment relies heavily on the mentoring process, this is essential because it has a significant impact on increasing business performance, family income, abilities, knowledge, and skills as well as increasing religious knowledge.\textsuperscript{17} Furthermore, it is hoped that the economic empowerment program is considered independent in the business sector and undergoes economic changes, community, and business network.\textsuperscript{18}

Philanthropy-based economic empowerment is considered a superior program that should be continuously developed by philanthropic institutions, among these several forms of economic empowerment programs discussed above. In the institution context, the National Amil Zakat Agency and Institutions provide assistance, guidance, and continuous training for the poor community to improve their quality of life. However, it must be admitted that the legal norms governing economic empowerment are still not well established. The legal norm makes these activities more partial rather than productive, and the implementation of these programs is flat and unvaried.\textsuperscript{19} In addition, skill transfers are a constraint to changing the mindset of the poor to become wealthy.\textsuperscript{20} Besides, the philanthropic institution was established to encourage the community to improve welfare and prevent deprivation based on transcendent morals.

The nation of philanthropy is a transcendental principle that transcends humans and their lives in a holistic form encompassing materially and spiritually. Therefore, humans need norms as the foundation of human life which aims to achieve material and spiritual happiness. Based on the prior


\textsuperscript{17}Muneer M Alshater and others, ‘Fintech in Islamic Finance Literature: A Review’, \textit{Heliyon}, 8.9 (2022), e10385 https://doi.org/10.1016/j.heliyon.2022.e10385


\textsuperscript{19}Oriza Agustin and others, ‘Public Relations as Da’wah Communication Strategies In Economic Empowerment of Islamic Communities’, \textit{ICIDS}, 2019 https://doi.org/10.4108/eai.10.9-2.2019.2289369

evidence and argument, economic empowerment requires setting prophetic-based norms for philanthropic institutions in conducting their programs to have an ideal concept. Therefore, it is essential to study prophetic-based economic empowerment for philanthropic institutions.\textsuperscript{21}

Sukmana argued that despite the growing interest in this matter, the research discussing legal norms in the context of philanthropic institutions is still scarce. Particularly focusing on empowering a prophetic-based economy in Indonesia.\textsuperscript{22} Therefore, this work attempts to answer the question of how the legal characteristics of philanthropic institutions in carrying out the function of economic empowerment and how the concept of prophetic-based legal norms for philanthropy in carrying out community economic empowerment in the province of West Nusa Tenggara, Indonesia (NTB).\textsuperscript{23}

2. Research Method

This work was conducted in West Nusa Tenggara, Indonesia which is a religious pluralism area. Purposive sampling was used to determine the location and the sample of this study. Researchers conducted a field survey, documentation, and interviews with managers and beneficiaries at both state and private philanthropic institutions which collect and conduct philanthropy-based economic empowerment namely, the National Amil Zakat Agency (BAZNAS) and the Dompet Amal Sejahtera Ibnu Abbas Fostering House (DASI).\textsuperscript{24} This study used conceptual, legal, and sociological approaches. Normative juridical method or also called the doctrinal or normative juridical approach was used in this research. The doctrinal approach was used to conduct synchronization tests on various constitutional regulations on state philanthropic institutions that apply in West Nusa Tenggara with legal interpretation and construction.\textsuperscript{25} Qualitative analysis was carried out to provide researchers with logical and systematic, consistent and continuous, and repeated information.\textsuperscript{26} This method was chosen to allow research analysis in detail and formed with words and detailed descriptions.\textsuperscript{27}

3. Results and Discussion

3.1 The Effect of Indonesia Philanthropy’s Regulation Towards the Welfare State

Law Number 23 of 2011 to the philanthropic bodies and institutions concerning the management of zakat. The regulation has undergone various interpretations in some articles. The term empowerment is not referred to textually, but as "management and development." This exhibits the


\textsuperscript{27} Salim, Anggriawan, and Arumbinang.
flexibility of philanthropic fund governance but must be responsible for its reporting. In the context of the National Amil Zakat Agency (BAZNAS) and the Dompet Amal Sejahtera Ibn Abbas (DASI). The implementation of economic empowerment is a contextual interpretation of government regulations regarding philanthropy for the welfare of the community. With this motion, there is public enthusiasm for distributing money or donations to managers freely and institutions can professionally channel philanthropic funds. The right to channel their funds freely. Meanwhile, the management agency distributes it to poor people who deserve and are eligible for business capital assistance. In this case, the capital agreement provided is non-binding. Although most of them use special contracts such as Qard. Based on the result from the field observations, the contracts used are only in the form of grants or stimulant assistance where the profits are for the beneficiaries.

In West Nusa Tenggara, there are three management systems conducted by the managers of philanthropic institutions. The first management system refers to a one-way management system. With this system, public funds received are distributed simultaneously to the community on a microeconomic priority scale. The second is related to the feedback management system. This system allows managers of philanthropic institutions to act as facilitators for individuals who need funding or financial support so that the funding is distributed as capital for business development towards independence. Net profit is obtained as the development of the initial capital in this system. The third system is related to a pilot project. This system is planned to involve individuals or institutions that have limited resources to determine the level of effectiveness of the implemented system. Hence, philanthropic funds are essential for the community, especially for the provision of capital for small businesses and also life skills training. Further, philanthropic institutions also


need to use the system even in program actualization, particularly in human resources as it stands as a major problem.

In the context of the function of law in economic empowerment. Various laws and regulations have been established and implemented to regulate philanthropic institutions in West Nusa Tenggara. These laws and regulations have provided ample space to conduct their role efficiently. This is mainly because the program is more responsive to local conditions and needs and relevant to its various potential in West Nusa Tenggara. There is no specific comprehensible policy regarding economic empowerment, however, there is on the micro-economy scale. Therefore, the legal function is still responsive and tentative. The output of the integration mechanism by the law is enabled to acknowledge the productive processes in society in both effective and optimal ways. Consequently, the goals set in during the implementation of economic empowerment programs are often not legitimated by the community because they are based on small businesses, and provide relatively small capital assistance. This case can be seen from the synchronization of the Law of the Republic of Indonesia Number 23 of 2011 concerning Management of Zakat, Regional Regulation of West Nusa Tenggara Province Number 9 of 2015 concerning the Implementation and Management of Zakat, Infaq, and Alms. Those regulations outline that community empowerment can be given to 8 groups who are entitled to include business assistance for small business actors.

3.2 Philanthropy Legal Norms in Prophetic-Based Welfare State

In the context of Prophetic Legal Norms. The enactment of Law Number 23 of 2011 concerning Zakat Management further strengthens the role of the Amil Zakat Agency and the National Zakat Institution as philanthropic institutions. These philanthropic institutions are authorized to manage zakat, infaq, and alms nationally. Regarding the highest regulation, the National Amil Zakat Agency and Institution are declared as non-structural government institutions. They are independent and under the responsibility of the state. Both managers and the government are responsible for overseeing the management of philanthropic funds. They must be honest, trustworthy, beneficial, fair, legal, integrated, and accountable in managing philanthropic funds. Moreover, Zakat is useful and considered as an important business capital, it can be used for empowering micro-enterprises, improving micro-enterprises, fostering enthusiasm, increasing abilities and skills, and promoting entrepreneurship. First, from the socio-economic aspect, zakat can stimulate the economic growth of poor and vulnerable communities. Zakat can help increase their purchasing power and increase the employment rate, boost small business income. Second, looking at the moral-spiritual aspect, zakat can increase one's obedience and servitude to God. Thus, the concept of philanthropy as working capital becomes an effective way to increase people's welfare. It is undeniable that economic problems have become a big problem in the livelihood of the residents of West Nusa Tenggara. The

Zones Reform and Corporate Philanthropy: Evidence from China’, Economic Modelling, 115 (2022), 105954
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Covid-19 pandemic has caused severe socio-economic problems in the region which can be seen from the many cases of disconnections in the society.36

As an archipelagic country, Indonesian development is based on extractive sectors such as agriculture, plantations, fisheries, and animal husbandry.37 Accordingly, treatment to protect the lives of the poor and provide counseling, guidance, and assistance in the empowerment process both individually and collectively should be a priority task. In doing so, programs related to community empowerment and development can be taken into account. These would help to boost the community's economy and provide food security based on local economic independence. As a result, they will be protected from disastrous humanitarian problems including starvation. Moreover, zakat law number 23 of 2011 is a significant breakthrough in zakat management in Indonesia. It is hoped that the management and utilization of zakat in Indonesia can be more professional and well developed to strive to help and improve the people's economy in Indonesia.38

Besides, the 1945 Constitution of the Republic of Indonesia, namely Article 28H paragraph (1) which states "everyone has the right to live in physical and spiritual prosperity, to have a place to live, and to have a good and healthy living environment and the right to health services...". Then Article 33 paragraphs (3) and (4) state "...the earth and water and the natural resources contained therein are controlled by the state and used for the greatest prosperity of the people." Based on this legitimacy, the law can only be understood with a holistic approach that incorporates all aspects of human lives including material but spiritual needs. In addition, deviating from the constitutional legitimacy, in terms of achieving community prosperity, the process of economic empowerment requires a set of prophetic concepts in the form of humanization, liberation, and transcendence that provides a solution to and abolish poverty in society.

Economic empowerment is considered as a means of fulfilling basic needs as well as the legal basis used for vulnerable communities that attract transcendent values. Donors and managers of philanthropy show practice of spiritual values which are then translated into actions. It is relevant for the character of the prophet who in the context has the function of being the head of the example as well as the leader. A leader who processes an ideal human trait spiritually individually, and is seen as a pioneer of change towards improvement and carrying out a relentless struggle against oppression.39 Historically, Prophet Ibrahim fought King Nimrud, Prophet Musa fought Pharaoh, and

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Prophet Muhammad has this ideal character. With their goal of liberation, they guided the poor and young slaves against every oppression and injustice.\footnote{Supriyadi Supriyadi, ‘Kebijakan Penanganan Covid-19 Dari Perspektif Hukum Profetik’, Suloh:Jurnal Fakultas Hukum Universitas Malikussaleh, 8.2 (2020), 91–109 https://doi.org/10.29103/sjp.v8i2.3069}


The concept of prophetic economic empowerment is a step to improve the economy of the community and increase the economic dignity of the people in an area. One of the philanthropic functions of zakat, infak, and alms is a social function, a means of narrowing the gap between the rich and the poor. In this case, the practice of philanthropy in the community can be used as a form of capital for small businesses. The distribution of large amounts of zakat funds significantly affects the growth of micro, small and medium enterprises (MSMEs) and the economic growth of a region.\footnote{Muhammad Zaki, Amiur Nuruddin, and Saparuddin Siregar, ‘Implication of Law Number 23 of 2011 On Zakat Institution Governance Based On Sharia Quality Management Principles; A Case Study in Baznas of Jambi Province’, Jurnal Cita Hukum, 8.1 (2020) https://doi.org/https://doi.org/10.15408/jch.v8i1.14481 Paige Clayton, Maryann Feldman, and Emily I Nwakpuda, ‘After the IPO: Entrepreneurs’ Transition to Philanthropy’, Journal of Business Venturing Insights, 15 (2021), e00236 https://doi.org/https://doi.org/10.1016/j.jbvi.2021.e00236} Yusuf (2021) states that managing zakat more professionally and productively can help the economy of the vulnerable community and assist the government in improving the economy of a country. Thus, I can be done through community economic empowerment with the mission of transcending the functions of people's lives.\footnote{Arifin and Anwar.}

In the context of philanthropy from the dimension of humanization and liberation, philanthropy funding for a business is an issue for businesses that meet certain criteria based on their character, capability, and ability to meet their needs. However, among the drawbacks of this community is that they do not have sufficient income to meet the basic needs of the household. This means that their income is lower than their basic needs due to limited skills.\footnote{Parthiban S Gopal and others, ‘Poverty Is a Multidimensional Phenomenon: A Preliminary Observation’, Malaysian Journal of Social Sciences and Humanities (MJSSH), 6.1 (2021), 40–51 https://doi.org/10.47405/mjssh.v6i1.608} On the other hand, recipients of philanthropic benefits in the form of unproductive funds are often provided to the elderly, sick, and people with special needs. They are prioritized because of their limitations so they cannot find their income to meet the basic needs of their families.\footnote{(Misnah, 2021)} Although assistance is still needed for poor
entrepreneurs to enable them to save and become more prosperous in a decent life, as a result, welfare is dominated by spiritual satisfaction rather than physical so prophetic-based economic empowerment becomes a necessity for philanthropic actors who are obedient and continuously developed for the benefit of the community.

4. Conclusion

The main conclusions of the study may be presented in a short Conclusions section. The conclusion section should lead the reader to important matter of the manuscript. In conducting functions in community economic empowerment in West Nusa Tenggara, the legal characteristics of philanthropic institutions indicate the synchronization of laws and government regulations regarding the implementation of philanthropy. This synchronization and implementation employ the forms and types of philanthropy, and the goals to be achieved for human welfare. In philanthropic management, state and private institutions manage philanthropy independently, freely, and responsibly. Besides, the concept of prophetic-based legal norms for philanthropy in carrying out economic empowerment is developed by the existence of institutions that manage resources. These resources originate from philanthropic activities based on recommendations and even orders contained in scriptures and the legitimacy of laws that hierarchically contain transcendent norms. Furthermore, this work proposes a concept for prophetic-based economic empowerment. First, the discourse on philanthropy should take into account the differences in the conditions and situations in each region or community. Also, should consider the potential sectors in the area in terms of agricultural, urban, and coastal areas. Second, is the need for freedom for the poor to develop their interests and talents in developing their businesses. Finally, economic empowerment needs to be provided with spiritual provisions to produce material and immaterial welfare.

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