

Analysis of the Functions and Roles of Islamic Banking in Strengthening Social Finance and Reducing Poverty in Aceh based on Aceh Qanun No. 11 Years 2018

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This study aims to analyze how Islamic banking implements its functions and roles in strengthening public finance (social finance) after the enactment of Qanun Number 11 of 2018 concerning Islamic Financial Institutions. This Qanun contains rules that can increase the potential for ZISWaf (*Zakat, Infaq, Shadaqah and Waqaf*) empowerment through sharia banking energy with BMA/BMK. This study uses a qualitative method with a descriptive approach and library research techniques. The source of data in this study is primary data in the form of interviews with related parties. The results of this study indicate that the use of social finance is not optimal operated by Islamic banks, because there is still a lack of distribution and empowerment of ZISWaf through Islamic banking. The paper suggests to have a linkage program between Islamic Banks and Baitumal Aceh.

Keywords: *Social Finance, Islamic Banking, Qanun*

Introduction

Sharia Banking continues show development from time to time. This thing could see from snapshot data of Indonesian Islamic banking (OJK, 2021) which concludes: that Islamic banking up to September 2021 continues show development positive to growth Assets,

Disbursed Financing (PYD), and Party Funds Third (DPK). This data show increase in assets from a total of Rp575.8T in 2020 to Rp646.2T or increase around 12.22% in 2021. Likewise with PYD which experienced growth around 7.45% in 2021, of which year previously total PYD increased amounting to Rp28.6T. The value of TPF also shows growth by 9.41% in 2021, or increase around Rp43.3T from year before.



Figure 1. Progress Assets, PYD, and DPK (Rp Trillion)

Source: OJK 2021 Snapshot

Along with continued growth of the bank increases, then evaluation bank performance is very important conducted for guard trust society. Islamic bank of course have different characters _ with conventional banks because there is *Merciful* Islamic values *lil'alam* in it, so make Islamic banks have a "face" social" (Widiastuti and Firman, 2016). The social role of Islamic banks is also very much needed for disclose not quite enough answer social company or often known with term *Corporate Social Responsibility (CSR)*, in addition to it's also through distribution loan goodness (*qardh*) *hasan*).

Aceh Qanun 11 of 2018 mandates function *social finance* Becomes dominant goal from institution Islamic finance as described in chapter I article 5. Next, Chapter III article 13 paragraph 2 confirms that bang sharia supports collection of *zakat*, *infaq*, alms and *waqf* in form cash on the names of BMA and BMK. Article 14 paragraph 1 (b) states that one Islamic banking activities are channel loan goodness (*qardh*) (*hasan*). Article 15 paragraph 1 (b) mentions one of the functions of Islamic banks are doing function social in form receive funds from *zakat*, *infaq* on name of BMA/BMK as well as alms, grants, cash *waqf* or social funds for interest Muslims. Article 16 also states: that in Thing financing inexpensive to effort micro and

development economy Aceh, Islamic banks are required cooperate with BMA or BMK via integration between *zakat, infaq, alms* and *waqf* with social funds others (Regional Regulation, 2018).

The Central Statistics Agency (BPS) noted that: level poverty in Aceh has increased by 0.20% or 16 thousand people since March 2021 to September 2021 to 15.53 percent. In total, the amount the poor population in Aceh reaches 850 thousand soul. The increase in the poor adds to long Aceh 's record to be province poorest on the island of Sumatra. Aceh is also in in five provinces with the highest number of poor people in Indonesia.

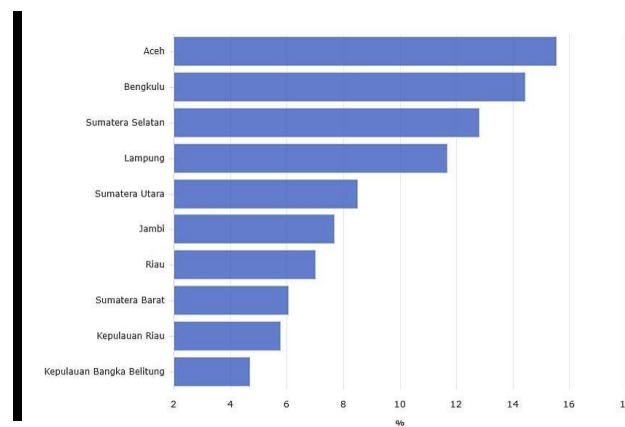


Figure 2. Percentage the Poor in Sumatra Island (September 2021)

Source: Central Statistics Agency (BPS) 2021

With majority population muslim in Aceh, of course open potency big related with contribution social Public good through *zakat, infaq and sadaqah* (ZIS). Likewise, with Islamic banking as desired mechanism realized based on the mandate of Aceh Qanun 11 of 2018 is to participate in Sharia banks coordinate and synergize with Baitulmal Aceh in strengthening distribution of social funds to society.

Table 1. Benevolent Fund 2020 to 2021

| Year | BAS | | | BSI | | |
|------|---------------|---------------|-------------------|----------------|----------------|-------------------|
| | Reception | Expenditure | Remainder Balance | Reception | Expenditure | Remainder Balance |
| 2020 | 3,187 Million | 2,131 Million | 19,096 Million | 53,968 Million | 76,807 Million | 12,900 Million |
| 2021 | 5,342 Million | 4,115 Million | 20,323 Million | 72,606 Million | 59,529 Million | 25,977 Million |

Source: Data processed researcher year 2022

The Table above shows lack of charity donation in lower number poverty through financing. It could be seen in the table the use of benevolent funds presented at Bank Aceh Syariah (BAS)

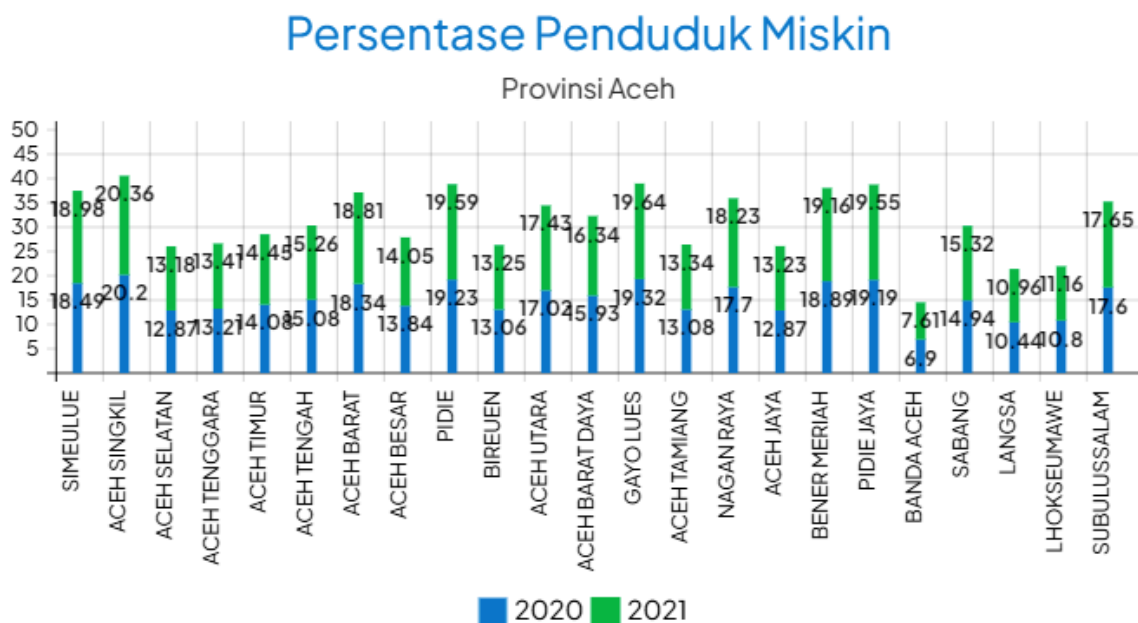
and Bank Syariah Indonesia (BSI). Remainder the balance of the virtue fund in BAS that has not been used 20.3 million rupiah and at BSI 25.9 million rupiah, this is a problem because in Qanun 11 of 2018 institutions Islamic finance must contribute big in operate *social finance*.

Literature Review

Aceh Poverty Data

The BPS data below shows the percentage of poverty in each region in Aceh Province in 2020 and 2021. The highest poverty percentage is in the Aceh Singkil area and the lowest poverty is in the Banda Aceh City area. The data also shows that the percentage of poverty from each region in the province of Aceh in 2021 also increases from the previous year.

The highest increase in the percentage of poverty occurred in the Banda Aceh City area. The percentage of poverty in the Banda Aceh region in 2020 is 6.90 and in 2021 it will increase to 7.61% or an increase of 0.71%. Then followed by Nagan Raya, Langsa, Simeuleue and so on. Meanwhile, the lowest increase in the percentage of poverty occurred in the Subulussalam region, which increased by 0.05% from the previous year.



Source: Central Statistics Agency (BPS) 2021

Poverty Theory

Poverty is one of the economic problems faced by almost all regions, especially in developing countries. Machmud (2016: 280) defines poverty in a narrow sense as a condition in which a person lacks money or goods to ensure his or her survival. Poverty occurs due to the inability

of a person or group of people to meet the minimum standard of living. According to BPS, poverty is a condition of economic inability to meet basic *needs approach*) both basic food and non-food needs when measured from the expenditure side.

Broadly speaking, poverty can be divided into two (Suyanto, 2015:3), among others: 1) Relative Poverty, namely poverty expressed by a few percent of national income received by population groups with certain income classes compared to the proportion of national income that is accepted by population groups with other income classes. 2) Absolute Poverty, namely poverty which is defined as a situation where the absolute income level of one person is not sufficient to meet basic needs, such as clothing, food, housing, health, and education.

Poverty alleviation strategies in Indonesia continue to develop, but tend to rely on economic approaches such as infrastructure development, health and education assistance. Meanwhile, poverty is a very complex problem that can involve various resources in overcoming it, including in terms of strengthening social finance and empowering the poor. This is in line with research conducted by Nasution (2016) which states that social capital plays an important role in efforts to reduce poverty in rural areas of Indonesia.

Study Imam Zuchroh (2021) in journal entitled “*Islamic Social Finance Perspective in Effort Alleviation Poverty in Indonesia*”. Research the show that zakat, waqf and sadaqah is an important instrument in effort to reduce poverty and inequality. The research by Safitri and Nurul Huda (2021) in journal entitled “*Islamic Social Finance Optimization For Economic Growth (Covid 19 In Indonesia)*” shows that *Islamic Social Finance* becomes solution in increase growth economy in the middle Covid 19 pandemic by plotting instrument in the short period and long periode, in which public resolved optimally, and the economy could endure and experience growth return normally.

Meanwhile, Dita Indah Wahyuni 's research (2020) entitled “*The Role of Development of Islamic Social Finance (ISF) Based Philanthropy in Alleviation Poverty in Banjarbaru City*” found that the role development *Islamic social finance* involved several relevant agencies such as Bank Indonesia for the Province of South Kalimantan and BAZNAS in the city Banjarbaru not yet optimally explored. While the city 's BAZNAS strategy Banjarbaru in alleviation poverty in the city Banjarbaru using a distribution strategy consumptive and productive tools.

Study by Imam Zuchroh (2021) in journal entitled “*Islamic Perspective of Social Finance in Indonesia*”*Effort Alleviation Poverty In Indonesia*”. Research the show that zakat, waqf and

sadaqah is instrument important in effort subtraction poverty and inequality if it is operationalized in the best form.

Zakat has been regulated in the Qur'an that there are eight groups who are entitled to receive zakat. In addition, in the perspective of constitutional law, zakat and its management are also regulated in Law no. 23 of 2011. This proves that Indonesia also places zakat in Indonesian constitutional law, where the state intervenes in the management of zakat. If the government or the state has the responsibility to manage zakat for the community, zakat can be optimally regulated by the state in order to achieve and realize community welfare because zakat management is efficient and successful in alleviating poverty.

According to Babinah (2017), Giving zakat gives contribution for growth economy good in period short nor period long. Distribution of Ziswaf should not be only restricted for needs consumption only. Result support view that zakat is not only bringing social benefit but also have a positive impact for economy through enhancement Islamic bank financing.

Optimization collection as well as distribution of zakat, infaq, alms, and waqf (ziswaf) was conducted by PT Bank Syariah Indonesia Tbk. (BSI). Meanwhile, based on data from the National Amil Zakat Agency (Baznas), as of 2020 the total Ziswaf funds collected estimated reached Rp12.5 trillion, growing from the amount as of 2019 is in the position of Rp10.6 trillion. In 2021, it will increase to Rp19.77 trillion. Even though the zakat collection keep going and increase every year, however amount accumulated Ziswaf that not yet how much compared to potential which reaches Rp327.6 trillion

Methodology Study

Type research applied qualitative method with an approach by descriptive analysis. According to Sugiyono (2016) qualitative method is research based on philosophy post-positivism used in research on conditions object scientific (as opponent experiment) where researcher is as instrument key. Source of data in study is primary data in the form of the result gaiced from Interview to parties related, such as party Sharia Banking in Aceh, BMA/BMK, BAPPEDA Aceh and other parties related other in knowing more on role strengthening social finance in poverty reduction effort in Aceh, in which it involves 15 respondents.

Data collection techniques in study applied here is semi- structured interview. Semi- structured interview is a method interview conducted by providing instrument study in the form of

question written in different sequence question for every participant, depending on the interview process and answers each individual. However, in this study, it also tried to ensure researcher could gather several similar type of data from participants (Rachmawati, 2007). *Focus group discussion* (FGD) is also used to equalize every perception or issues and topics related analysis implementation function and role Islamic banking in strengthening finance social and reduction poverty in post Aceh the enactment of Aceh qanun number 11 of 2018 which in the end will give a comprehensive agreement, understanding and implementation related current issues discussed.

After the data collection process is carried out, then the data will be analyzed with the following steps and among other (Bungin, 2013), 1) Data reduction, i.e select and summarize answer on the problem under study; 2) Presentation of data, which is done by making description short, chart or connection between category; 3) Verification, description short on steps previously is concluded while strong evidence is so needed so that the description becomes credible.

Results and Discussion

Qanun Number 11 of 2018 concerning Islamic Financial Institutions is a statutory regulation that is equivalent to regional regulations in which the state gives authority to certain regions to be able to manage their own regions, such as Aceh. The existence of Qanun 11 of 2018 concerning Islamic Financial Institutions has a positive impact on the national economy, especially the regional i.e. Aceh economy, because there are regulations that are able to increase the potential for Ziswaf empowerment so that the goals of community welfare and justice are achieved with the connection of Islamic banking and BMA (Baitul Maal Aceh).

The research found that the utilization of *social finance* not optimally run by Islamic banks, to reduce poverty, decline unemployment, and increase economy society. This is because the study found that amount distribution Ziswaf at still minimum level, caused by several factors, namely: limited development of *Social Finance* funds and lack of utilization distribution of *Social Finance* funds through Islamic banks. This result was in line with research by Rosenman (2019) which states that *Islamic social finance* was in doubtful to reduce poverty.

Optimization of *Social Finance* needs to be mapped in advance, both in terms of receiving and distributing funds, and mapping the time period in implementing these funds to the community. Mapping the use of zakat and waqf funds is also needed in this optimization. Islamic financial

institutions banks and non-bank must be able to integrate Islamic social finance, namely zakat and waqf into their operational forms to provide social security to the community.

The Ziswaf potency in Indonesia is estimated more of IDR 300 trillion and if can mobilize source of finance for development. It has been good in the form of distributing educational scholarship, building community development, CSR funds and other. This great potential fund must be interlinked with the integrated program supported by various financial institutions. In Aceh, BSI, BAS and BMA could lead to perform programs that could empower the people and hence reduce poverty level in Aceh, as long as the transparency could be maintained reliable.

If the distribution Ziswaf is only to empower consumptive purposes, then it will just reduce the power to economically up-grade the zakat receiver (*mustahik*). Hence it could lead to diminishing treasure distribution of zakat and as result it could not change the mustahik's status to become zakat payers (*muzakki*). The empowerment of zakat distribution should be managed with huge zakat funds and followed by best distribution that will develop benefit society and hence it will potentially change not only change not only the mustahik's income but also be able reduce unemployment and poverty level in Aceh. Integrated work among Islamic banking institutions with BMA is expected to speed up economic growth apart from having more zakat collection and distribution.

Conclusion

This study found that the practice of Qanun No. 11 of 2018 in Aceh concerning Sharia Financial Institutions in the form of social finance is weak and low. In fact, this Qanun has entrusted Islamic banks to cooperate with BMA through the integration of zakat, infaq, alms and waqf (ziswaf). However, the result does not seem to support the intention to improve mustahik status let alone to reduce poverty in Aceh. Therefore, this study suggested that the implementation of Qanun should be in the form of an integrated linked program between banks and non-banks in Aceh, not only in ziswaf funding, but also in operating financing so that economic empowerment could be realized.

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