

Performance analysis of Islamic bank social funds in the Covid-19: Evidance from Indonesia

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ARTICLE INFO

ABSTRACT

Keywords

Covid-19
Islamic bank
Social fund

The Covid-19 pandemic affected various sectors in Indonesia, resulting in people experiencing difficulties in fulfilling their needs. One of the Islamic banks' functions is social activities in collecting and distributing benevolence funds that can be used to help people affected by the pandemic. This study aims to analyze the comparison of the performance of Islamic banks in managing social funds before and during the Covid-19 pandemic. The quantitative descriptive analysis method uses secondary data derived from the publication of Islamic bank social fund financial reports in the first semester of 2019 and 2020. The sampling technique uses purposive sampling to obtain a sample of seven Islamic Commercial Banks in Indonesia.

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Introduction

At the end of 2019, the world has begun to be surprised by the existence of a virus originating from the city of Wuhan - China, namely the Corona Virus. The virus scientifically named Covid-19 (coronavirus disease 2019) is a virus caused by the infectious disease Sars-Cov-2 (WHO, 2020). From March 11, 2020, to September 17, 2020, WHO reported that more than 29,864,555 people from 210 countries had been infected with the Covid-19 virus and around 940,651 people died as many as 20,317,519 people were declared cured.

The impact of this virus is related to the health sector and several economic sectors, one of which is Islamic banking. Sharia banks cannot just stand by and watch behind the scenes. Islamic banks must participate directly in efforts to reform the Indonesian economy. As a viable alternative institution, Islamic banks are expected to be able to encourage economic growth as well as macro-finance.

Islamic banks have a function as a business entity (*Tamwil*) and have a social nature (*Maal*). The striking difference between Islamic and conventional banks lies in Islamic banks' ability to collect

and channel social funds efficiently and effectively (Putra et al., 2018). Islamic bank social fund reports must be transparent and full of responsibility. The higher the level of information quality, the higher the level of public trust (Hadiwardoyo, 2020; Putra et al., 2018). Islamic bank social fund reports must be transparent and full of responsibility. The higher the level of information quality, the higher the level of public trust (Hadiwardoyo, 2020; Putra et al., 2018).

According to the findings from Putra et al., (2018) analyzing the level of productivity of social funds in several Islamic banks using the Malmquist Productivity Index (MPI) technique. The data used is secondary data, using the publication of the audited annual financial statements of 8 Islamic Commercial Banks (BUS). The findings found that almost the entire sample experienced an increase in productivity by 32.2% of Islamic banking using technology to boost productivity.

Research from Putra et al., (2018) conducted tests on 8 BUS in Indonesia. The technique used is Data Envelopment Analysis (DEA), which results in a calculation that Islamic banks managed to achieve efficiency in the first two years. Still, in the third year, Islamic banks experienced inefficiency <1 due to the misallocation of resources in managing benevolence funds and ZIS funds. The inability to work and channel resources related to social funds has caused the total output of social funds to decline through analysis of potential improvement.

Nurhidayat (2020) researching related zakat fundraising strategies after the Covid-19 pandemic. This study applies a qualitative approach through a literature review using primary data from a literature review using thematic analysis. Dompot Dhuafa, Baznas, Lazismu, and Lazisnu are the selected research objects. By using data sources from various articles, reports, and reviews of *zakat* experts. The survey was conducted on 100 respondents, 49% of whom work at *amil zakat* institutions, 15.3% are workers in social foundation institutions, and 35.7% are in social business. The results of this study state that Covid-19 pandemic can reduce social fundraising by 20-50%. Optimal integration is not fully digital yet but a combination of both manually and digitally,

Santoso (2013) researched BMT Beringharjo regarding the implementation of ZIS funds distribution (*Zakat, Infaq, Alms*). The study results stated that the ZIS funds were successfully distributed according to the needs of the *mustahik's*, the funds were intended for the long term, and the improvement of the *mustahik's* welfare so that their status would increase from being *mustahik* to *muzakki*.

Research conducted by Supriyaningsih (2020) this research, which focuses on measuring Islamic Commercial Banks (BUS) 's performance, was conducted using non-statistical quantitative methods accompanied by quantitative descriptive methods. The sample used is in the form of BUS financial statements for the 2014-2017 period. The study results illustrate that in the process of managing and distributing ZIS funds to BUS, it tends to be "not good" based on the Islamicity Performance Index (IPI). The uneven distribution and the inadequate BUS in managing ZIS funds

are the reasons behind the low performance. BUS needs to suppress and improve performance so that ZIS funds can be better absorbed and channeled.

Research conducted by Saputra (2020) with the title Zakat as a Means of Assistance for Communities Affected by Covid-19 using descriptive qualitative research methods and data collection from various data media, library sources. Zakat can be a solution to elevate the economy of the people affected by COVID-19, of course, accompanied by the distribution that is right on target and effective.

Generous (2020) also stated that zakat institutions must also develop zakat collection and distribution programs so that *muzakki* is interested in paying Zakat so that the *mustahik* can be helped quickly. Several programs, such as cash for work, *mustahik* potential advocacy, and expansion of distribution in the health sector, are among zakat institutions' strategies.

Research on the analysis of Islamic banks' performance in managing and distributing social funds is mostly carried out during normal conditions and at zakat management organizations or institutions. There is no more specific research related to how the performance of Islamic banks. This study aims to analyze Islamic banks' performance in managing Islamic banking social funds, especially during the Covid-19 pandemic.

Method

This research design is descriptive quantitative use. Secondary data comes from the publication of financial reports of zakat funds and Islamic bank benevolence funds in the first semester of 2019 and 2020. This data is taken into consideration by comparing the performance of *Zakat*, *Infaq* and *Sedekah* (ZIS) funds and Islamic bank benevolence funds before and during the Covid-19 pandemic in Indonesia. Purposive sampling was used in this study with the sample criteria for Islamic commercial banks in Indonesia that have financial reports related to social funds in the first half of 2019 and 2020, including BRI Syariah, BNI Syariah, BSM, Bank Muamalat Indonesia, Aceh Bank, Bank NTB, and BCA Sharia.

Discussion

The Fig 1. is a data processing of zakat fund reports in 2019 and 2020 from 7 BUS. In the first semester of 2019, Islamic banking has a total income of zakat funds reaching IDR 54,311 trillion. Meanwhile, in 2020, when the pandemic conditions affect all aspects of the economy in Indonesia. This impact is also felt on the management of Islamic bank zakat funds. In the first semester, Islamic banks have zakat fund revenues of IDR 62,772 trillion. This figure shows that the zakat fund revenue of Islamic banks has increased by 15.58%.

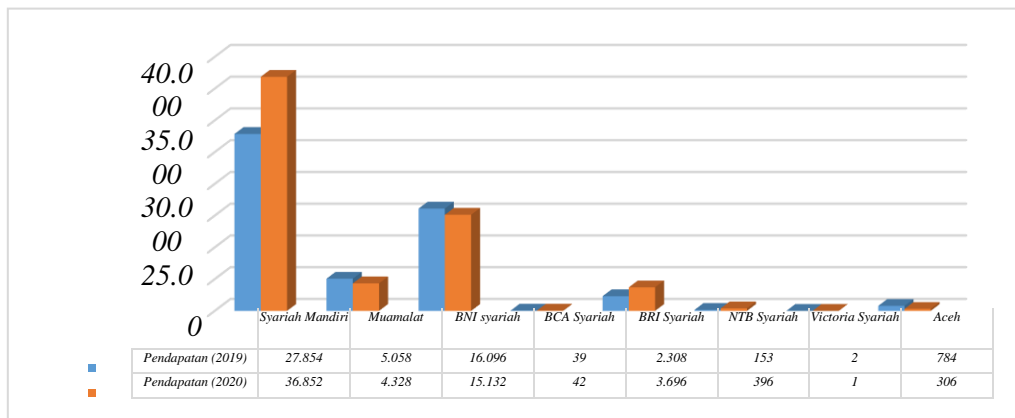


Fig 1. Zakat Fund Income Source: Secondary Data, 2019/2020
 Analysis of the impact of Covid-19 on Islamic bank zakat funds

The data above supports the research Iskandar et al., (2020) which uses a philanthropic scheme can help improve the economy, especially in the conditions of the Covid-19 pandemic. In research Sumarni (2020) said that the situation of this pandemic encourages a sense of *ta'awun* (help) and *takaful* (mutual protection) among the community in reducing the negative impact of the Covid-19 pandemic. In line with the optimization of the development of sharia technology finance in Islamic banking to smoothen liquidity of online market players on a sharia basis, at the same time increasing focus on social finance (ZISWAF) in addition to commercial finance. In the data above, it is precisely the opposite of research N Nurhidayat (2020) through survey results from the Institute for Demographic and Poverty Studies (Ideas), it was stated that the COVID-19 pandemic had an impact on raising funds in zakat institutions (LAZ). The survey results said that the Covid-19 pandemic affected drastically decreasing institutional assemblies in the range of 20-50%.

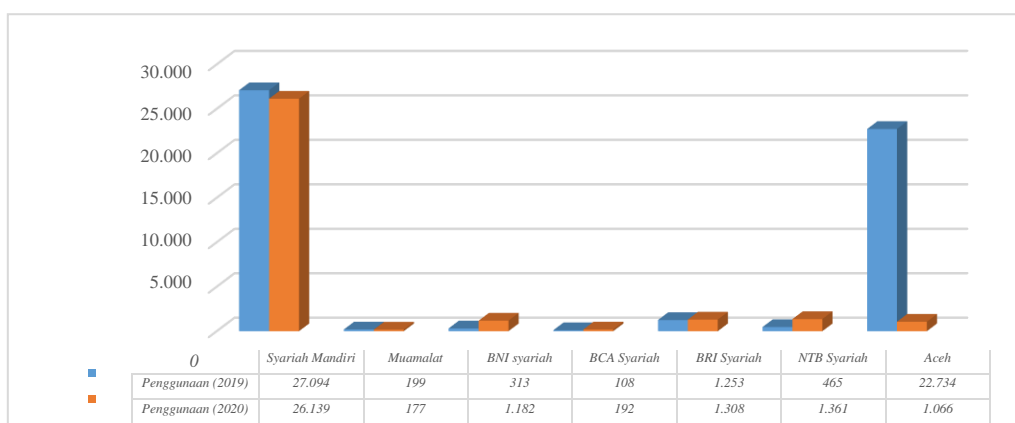


Fig 2. The Use of Zakat Funds Source: Secondary Data, 2019/2020
 Analysis of the impact of Covid-19 on the use of Islamic bank zakat funds

The use of zakat funds in Islamic banking in the publication of financial reports is mostly channeled through the Zakat Management Organization (OPZ) or the *Amil Zakat Infaq Shadaqah*

Institution (LAZIS) or in increasing productivity through Qardhul Hasan financing products provided by Islamic banks. This supports research Frastuti et al., (2019) also stated that Islamic banks have a trusted role in managing zakat funds. The high use of zakat funds is influenced by customer trust in Islamic banks. The data that has been obtained through these financial reports shows a drastic spike. Fig 2. Shows that from the first semester of 2019, the number of zakat funds from Islamic banks reached IDR 36,133 trillion. Whereas in 2020, the increase in the use of zakat funds in Islamic banks reached IDR 91,308 trillion. This figure shows a quite drastic increase of IDR 55,175 trillion or an increase of 152.70%.

The sharia bank that has experienced a relatively high increase in Bank Syariah Mandiri, which is 2019, the use of zakat funds was only IDR 6,907 trillion. Meanwhile, in 2020 it will increase drastically to IDR 53,765 trillion, an increase of 678.41%. It is suspected that the use of zakat funds is mostly channeled through the Amil Zakat Institution (LAZ). One of the services for distributing zakat funds by Islamic banks is to help people affected by the Covid 19 pandemic by providing basic needs, health facilities, and business capital. Fig 2. is in line with the research conducted Saputra (2020) that the increasing use of zakat funds is influenced by the high number of funds needed by the people affected by Covid 19. It is suspected that the weakening of the community economy has further encouraged the intensity of the use of zakat funds by OPZ and LAZ.

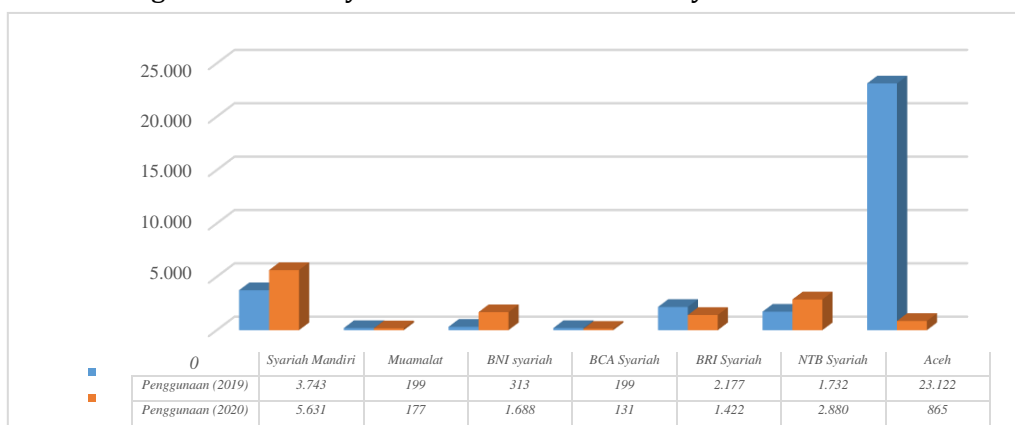


Fig 3. Figof Use of Benevolence Fund Source: Secondary Data, 2019/2020 Analysis of the impact of Covid-19 on Islamic bank benevolence fund income

Fig 3. Shows the number of benevolence funds received in Islamic commercial banks for the first semester of 2019 and 2020. In 2019 the first semester of benevolent fund revenue received a total of IDR 33,504 trillion. Still, in 2020 the first semester of Islamic banks experienced a decline and only received around IDR 14,814 trillion, decreased by IDR 18,690 trillion, or the equivalent of 55.78% when compared to the previous year. Inversely proportional to ZIS fund income, benevolence fund income during the Covid-19 pandemic.

The decline in the number of benevolence funds is thought to be due to the financing reconstruction policy issued by the OJK. As it is known, one of the sources of benevolence fund

revenue comes from the payment of Islamic bank financing installment fines. So that if a financing customer proposes a credit/financing restructuring to a sharia bank, a reduction in the arrears of fines will appear by adjusting the debtor's ability (Afrianty, 2018)

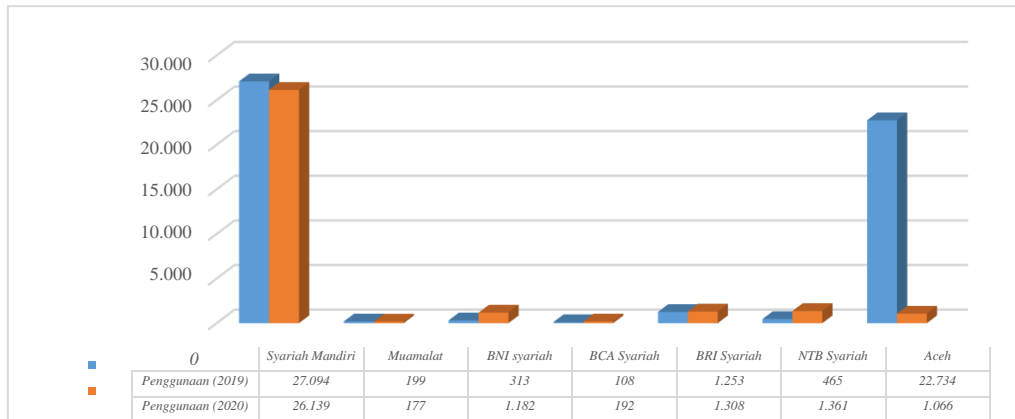


Fig 4. Use of the Benevolence Fund Source: Secondary Data, 2019/2020
 Analysis of the impact of Covid-19 on the use of Islamic bank benevolence funds

Fig4. It shows that the total use of benevolence funds has decreased by 38.28% or equivalent to IDR 20,740 trillion. In the first semester of 2019, the real benefit of funds was IDR 54,185 trillion. Meanwhile, when viewed from the use of benevolence funds in the first semester of 2020, the total is only IDR33,445 trillion. The lower the expenditure is due to the decrease in the benevolence fund income this year. The Covid 19 pandemic has reduced income, which is directly proportional to spending, which is also lower than in 2019 yesterday. We assume that some of the policies taken due to this pandemic affect sources of benevolence such as fines, grant funds, some non-halal income, and also other social funds. These findings are consistent with the research of in the results of his research, and some inefficiencies occur in 3 research samples. The inability of banks to manage their resources so that they do not achieve an optimal output. Inefficiency is suspected of misallocating the distribution of social funds, both ZIS funds, and benevolence funds.

Conclusion

These findings indicate a difference between the income and expenditure of Islamic bank social funds during the Covid-19 pandemic. This is thought to encourage community sympathy and empathy, as characterized by the significant increase in the receipt of ZIS and benevolence funds. Meanwhile, the expenditure side of Islamic bank ZIS funds also experienced an increase compared to 2019. In contrast to benevolence funds during the Covid-19 period, both sources and expenditures decreased. Thus, Islamic banks have performed social functions as mandated by law. Unfortunately, there is no relevant research related to the decline in and virtue of Islamic banks. This is one of the recommendations in future research that discusses Islamic bank benevolence funds during the pandemic.

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