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Research article

Developing an integrated model of Islamic social finance: toward an effective governance framework

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ABSTRACT

This study proposed an integrated model of Islamic Social Finance (ISF) to accelerate the transformation of the poor toward prosperity. This is a qualitative and quantitative approach using grounded theory and the Average Weighted Index (AWI). The integration model of Islamic social finance is implemented through 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience) by integrating Islamic social finance instruments in a joint project scheme. The additional finding of the empirical investigation shows that integrated Islamic social finance is 12% more effective in enriching the poor than the non-integrated program. This study emphasizes the significance of integrating Islamic social finance in accelerating the well-being of the poor community.

1. Introduction

Integrated Islamic social finance has an important role in achieving sustainable development (Abdullah, 2018; Fauzi et al., 2022; Hudaefi, 2020; Sukmana, 2020). Islamic Social Finance (ISF) is a type of finance that is based on Islamic principles and aims to create a successful community by assisting the poor and the weak (Cattelan, 2019). Islamic social finance includes philanthropic instruments (zakat *infaq*, alms, waqf), cooperative instruments (qard and qard hasan), and contemporary-based instrument (microfinance) (IRTI, 2020; Jouti, 2019). As the country that has the highest level of philanthropy, Indonesia has great potential in developing Islamic social finance (Charities Aid Foundation, 2021; Widiastuti et al., 2021a, 2021b; Fauzi et al., 2022). The potential for zakat reaches USD 26.1 billion, for cash waqf USD 12.6 million, and for land waqf USD 140 billion. However, the realization has only reached 3% for zakat (BAZNAS, 2021) and 0.21% for cash waqf (KNEKS, 2021). This fact shows that zakat is still primarily distributed in the form of consumptive (cash assistance), whilst waqf is still used for the non-productive sector that has fewer long-term effects (Huda et al., 2017; Ministry of National Development Planning, 2019; Widiastuti and Rani, 2020). Additionally, overlapping distribution and lack of coordination from the stakeholders become a few of the obstacles in enriching the poor (Widiastuti et al., 2021a, 2021b). The existing condition is a challenge for Islamic social financial institutions to manage and distribute Islamic social funds with the right strategy. Thus the realization of limited funds can offer us an opportunity to transform the *mustahiq into the muzakki.*

Integrated Islamic social finance is the right strategy to answer these challenges. For now, not many zakat and waqf schemes complement each other in an effort to maximize the utility of Islamic social funds (Ministry of National Development Planning, 2019). In the regional context, Indonesia has yet to implement Islamic social finance integration although it has been managed in an institutional and modern manner for the past 20 years. Research conducted by Sari et al. (2019) shows that the time taken by the *mustahiq* to exit poverty by receiving zakat is faster (3.3 years) than without it (6.6 years). Integrated Islamic social funds such as zakat, waqf, and microfinance will initiate new perspectives in financial investment owned by Islamic social finance (IRTI, 2020; Jouti, 2019). Consequently, if the instruments of Islamic social finance are integrated, the transformation of *mustahiq* will be more effective.

The integrated model of Islamic social finance significantly contributes to filling the gap in Islamic finance theory. Previous Islamic

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financial theories only focused on business-oriented Islamic finance. More than 400 articles about Islamic social finance have been recorded and discussed (Kuanova et al., 2021), and it will continue to expand. To the best of the author's knowledge, there have not been many studies describing the integrated model of Islamic social finance accompanied by empirical measurement of the model's effectiveness. Several previous studies have developed integrated models of Islamic social finance. Raimi et al. (2014), Haneef et al. (2015), and Hassanain (2015) built an integrated model for poverty reduction. Sulistyowati (2018) developed an integrated model of zakat and waqf for disaster management that can be implemented at various regional scales based on a literature review.

This study aims to build a sustainable integrated model of Islamic social finance using grounded theory. The model is built by integrating Islamic social finance instruments through project schemes supported by various supporting systems. Previous research has developed an integrated model, but its success is not measured and only focuses on building the conceptual model. Using the Average Weighted Index (AWI) approach, this study presents a measurement of the impact of the integration model based on Islamic objectives that can measure the extent of the recipient's condition, which is from very poor to more prosperous. The integrated model is implemented through the concept of 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience). Economic Rescue shows that the recipient is still in very poor condition while Economic Resilience indicates that the recipient has achieved prosperity.

The integration model is built by looking at the existing Islamic social condition in Indonesia. The large gap between realization and potential of Islamic social finances' instrument requires the institutions to find the right strategy so that the distribution of small funds can effectively enrich the poor. The empirical study reveals that integrated Islamic social finance is 12% more effective in enriching the poor than the non-integrated ones are. The result further strengthens the urgency of integrated Islamic social finance to accelerate poor enrichment.

The results of this study contribute to managerial and theoretical development. Managerial contribution of this study include, first, this research successfully emphasizes the urgency of implementing the integrated model. This should be considered by policymakers in regulating the integrated Islamic social finance. Second, the results of the study can become the reference material for Islamic social financial institutions in managing funds both during and after the COVID-19 pandemic. Third, it is hoped that the integrated model of Islamic social finance can solve the funding problems during the COVID-19 pandemic. Fourth, this research also supports the efforts of the World Zakat Waqf Forum (WZWF) in integrating Islamic social finance to achieve the welfare of the community. Furthermore, there are several theoretical contributions worth considering. This is the first study to classify Islamic social finance instruments in a single table, making it easier for readers to identify different types of Islamic financial instruments. This study also adds to the theoretical aspect of integrating Islamic social finance in transforming beneficiaries into beneficiary providers, because enhancing people's welfare cannot be accomplished with a single instrument. The facts show that the zakat collection is paltry in comparison to other instruments such as alms, Corporate Social Responsibility (CSR), and other instruments. To address this, the Islamic social finance institution combines integrated financing by offering productive programs. Zakat is distributed until the recipient's financial situation hits the poverty threshold. Furthermore, these findings highlight the significance of Islamic social finance integration, which has empirically demonstrated a 12% increase in welfare.

The remainder of the paper is structured as follows. The second segment discusses the theoretical basis of the integrated model built in the study. The third section discusses the methods and analysis techniques used. The fourth part discusses the integrated model. The fifth part of the study is summary and closing remarks from the authors.

2. Literature review

2.1. Islamic social finance

Islamic Social Finance (ISF) is a type of finance that is based on Islamic principles and aims to create a prosperous community by assisting the poor and the weak (Cattelan, 2019). It is a financial system that aims to empower the social economy in the community (Kuanova et al., 2021). ISF traditional instruments are divided into three. The first is based on philanthropy such as zakat, *infaq*, alms, and waqf, the second on cooperation such as *qardh* and *kafalah* (Jouti, 2019; IRTI, 2020). Meanwhile, the contemporary Islamic social finance instrument is in the form of Islamic microfinance.

The goals of Islamic social finance are reducing unemployment and poverty (Abduh, 2019; Jouti, 2019; Hamed, 2020; Faturohman et al., 2021), helping to build the socio-economic condition of the poor groups, realizing social justice, distributing fair income and wealth, and growing the economy (Ascarya, 2021; Kuanova et al., 2021), as well as filling the humanitarian funding gap through Islamic social finance instruments. Besides, Islamic social finance has also been used by several countries as an instrument in solving socio-economic problems, including Malaysia, Pakistan, Indonesia, the UK, and Saudi Arabia. Previous studies show several differences regarding the existing instruments of Islamic social finance, see Table 1.

Each instrument has its own function and role in realizing the welfare of society. Most of the previous studies mention zakat, *infaq*, alms, waqf, and Islamic microfinance as components of Islamic social finance. Thus, the definition of Islamic social finance in this study covers zakat, *infaq*, alms, waqf, and Islamic microfinance. The researchers put Islamic microfinance in addition to the components of ISF because it can handle problems such as poverty alleviation, gender, and socio-political empowerment including developing financial services to the poor (Abbas and Shirazi, 2015).

Each Islamic social finance instrument has differences and characteristics. Zakat, is an financial obligation paid by a Muslim and only given to 8 groups of people (*ashnaf*) (Jouti, 2019; Bin-Nashwan et al., 2020). *Infaq* is a donation in the form of wealth, whereas alms is wider than *infaq* because the donation given is not only in the form of wealth but also in the form of non-wealth (Jouti, 2019). Qard and qard hasan are loans given to someone without interest; however, qard hasan does not oblige someone to repay the loan that has been given. Grants are generally gifts specifically addressed to certain people. On the other hand, waqf is holding assets to be used for philanthropy, and the benefits of these waqf assets will continuously be distributed for good reasons (Fauzi et al., 2022). Islamic microfinance is socially responsible for providing adequate funding for micro-enterprises (IRTI, 2020; Rohman et al., 2021). The existence of various characteristics of Islamic social financial instruments is a force in accelerating the transformation of welfare.

2.2. The economy of zakat, infaq, alms, and waqf

Zakat, *infaq*, alms, and waqf are Islamic social financial instruments aimed at wealth distribution in Islam. In fiqh, several parties are involved in zakat transactions (Widiastuti et al., 2021a, 2021b), namely (1) *muzakki* as zakat givers, (2) *mustahiq* as zakat recipients, and (3) *amil* as zakat managers. Meanwhile, in waqf management, there are terms such as *nadzhir* as waqf manager and *mauquf alaih* as the person(s) receiving the benefits of waqf.

Zakat, *infaq*, alms, and waqf as Islamic philanthropic instruments can play a role in improving the socio-economic welfare of the community (Bin-Nashwan et al., 2020; Setiyowati, 2019; Sukmana, 2020). Beik and Arsyianti (2016) and Widiastuti et al. (2021a, 2021b) state that productive zakat empowerment positively impacts the welfare of *mustahiq*, which means that the empowerment program has succeeded in improving the welfare of *mustahiq* as well as their business. Furthermore, it is mentioned in Ascarya (2021) study that Islamic social finance

Table 1. Instrument of islamic social finance according to the previous studies.

No	Previous Studies	Islamic Social Finance Instruments								
		Zakat	*Infaq*	Alms	Waqf	Qard	Qard Hasan	*Kafalah*	Grant	Micro finance
1	Sulistyowati (2018)	✓	✓		✓					
2	Kamaruddin and Auzair (2019)	✓		✓	✓		✓		✓	
3	Jouti (2019)	✓		✓	✓	✓		✓		✓
4	Arumsari and Rikawati (2020)	✓	✓	✓	✓					
5	Adjar et al. (2020)	✓			✓		✓			
6	Hudaefi (2020)		✓	✓	✓					
7	IRTI (2020)	✓	✓	✓	✓	✓	✓	✓		✓
8	Usman et al. (2020)	✓	✓	✓						
9	Abdullahi et al. (2021)	✓		✓	✓					
10	Ascarya (2021)	✓	✓		✓					
11	Kuanova et al. (2021)	✓		✓	✓	✓		✓		✓
12	Ascarya (2022)	✓	✓	✓	✓					
13	Shuaib and Sohail (2022)	✓		✓	✓					
14	Umar et al. (2022)	✓			✓					✓

Source: Compiled by Authors (2021).

instruments, specifically zakat, *infaq*, and waqf, can play a role in helping the country's economic recovery from the crisis. Waqf can also be used to encourage Muslim-majority countries in realizing sustainable development goals (SDGs) by being oriented towards *maqashid* sharia (Abdullah, 2018). This is also evidenced by the research of Medias et al. (2021) which shows that as many as 68 articles discuss the relationship between waqf and poverty alleviation, welfare improvement, education, health fulfillment, and the use of waqf in supporting religious facilities.

2.3. Islamic microfinance

Islamic microfinance is a mix of two developing industries, namely microfinance and Islamic finance (Drissi and Angade, 2017). Islamic microfinance institutions have different mechanisms from conventional microfinance institutions (Fianto et al., 2019) because Islamic microfinance Institutions (I-MFI) are based on Sharia principles and provide loans to the poor without repayment terms such as fixed interest (Wasiaturrahma et al., 2020). Islamic microfinance is one of the instruments in Islamic social finance, which is considered an economic development tool to deal with various problems that occur in the community such as poverty alleviation, gender, and socio-political empowerment, including improving financial services to the poor (Abbas and Shirazi, 2015; Ginanjar and Kassim, 2020). Islamic microfinance has a more ethical approach than traditional finance in seeking profit, in which it is allowed to extend the payment period if the debtor has difficulty repaying on time (Begum et al., 2018). Islamic microfinance is one of the instruments that can positively contribute to the empowerment of the community by providing welfare, creating value, and increasing people's living standards (Usman and Tasmin, 2016). Additionally, several previous studies, such as the ones by Alaro and Alalubosa (2019), Rohman et al. (2021), and Umar et al. (2021), state that Islamic microfinance can play a role in reducing the level of poverty that occurred in the community.

2.4. Integrated Islamic social finance

In general, the definition of integration is the union of parts into a whole (Balassa, 1991). Integration can also be defined as collaboration to achieve common goals between parties with teamwork and shared resources (Kahn and Mentzer, 1996). However, the term integration is used in both the economic and educational fields to describe a process and its result (Gulledge, 2006). Integration in the economic field can also be defined as a policy union culminating in binding authority (Balassa, 1991). Integration has become a key factor in the competitive advantage of companies in various sectors (Prencipe et al., 2003). Integration has several advantages (Balassa, 1991). First, it allows the movement of factor production so that it will increase welfare. The second possibility is to reduce costs accompanied by an increase in output. The third possibility is to specialize in work. Fourth, integration will create a more effective economic competition by increasing the number of competing companies (Shrivastava, 1986; Scitovsky, 2013). Fifth, welfare is created through policy harmonization (Balassa, 1991). Sixth, integration contributes to the increasing knowledge of technology (Balassa, 1991; Shrivastava, 1986). Seventh, integration has the potential to significantly contribute to filling, or at least narrowing, the existing gaps in financing the sustainable development goals (SDGs) (Yesuf and Aassouli, 2020).

Previous researches integrated ISF components for some specific purposes. Jouti (2019) integrated Islamic social finance instruments such as zakat, waqf, Islamic microfinance, and sukuk to create a theoretical scheme. Shalleh et al. (2020) and Sulistyowati (2018) developed an integrated model of Islamic social finance to handle problems caused by disasters. Haneef et al. (2015) examined ISF integration (waqf and microfinance) using SEM analysis techniques by analyzing the significance between Islamic microfinance and takaful, waqf resources, and human resource development. Meanwhile, Hassanain (2015) built three integration models by integrating zakat, waqf, and Islamic microfinance. Previous researches only focus on the conceptual model and do not show the empirical evidence of the integration's effectiveness in improving welfare. This study develops the previous research by building a more comprehensive integration of Islamic social finance models to accelerate the enrichment of the poor as well as analyzing the impact of the integration of Islamic social finance instruments.

2.5. Effective Islamic social finance framework

In general, effectiveness is defined as an achievement of organizational goals without considering the optimal way and use of assets (Jaouadi et al., 2014). Effectiveness is an important problem in organizational management (Price, 1972), as well as in socio-economic problem-solving programs. In terms of solving socio-economic problems that occur in society, several countries have labored to handle the problems through various social and welfare programs. However, most of the existing social security programs have not run effectively (Kuanova et al., 2021). Thus, it opens an opportunity for Islamic social finance instruments to contribute to solving the existing problems. Islamic social finance instruments are considered powerful in giving more flexibility to start and develop effective social finance ecosystems. An ecosystem made by Islamic social finance can provide an opportunity in terms of

integration between Islamic traditional and commercial finance institutions so that it can be carried out according to the sharia (Jouti, 2019). Amuda (2013) has studied the role and efficiency of waqf cash, zakat, alms, and public funding in solving the problems of poverty specifically in the Muslim society of Nigeria. The study shows that integration between cash waqf, zakat, alms, and public funding can greatly contribute to community empowerment if it is managed properly. The result accords with a study by Haneef et al. (2015) that develops *an integrated waqf-based Islamic microfinance* (IsMF) to solve the poverty problems in Bangladesh. The result of the study reveals that the level of poverty can be reduced by the developed integrated model.

3. Research methods

This study uses the mix-method (qualitative and quantitative). The qualitative method utilizes a grounded theory approach to develop an integrated Islamic social finance model and is validated by the Average Weighted Index (AWI) approach. The AWI is used in this study as a calculation method and estimation to measure the impact of the integrated and non-integrated Islamic social finance empirically (see appendix 3). The AWI method develops the Multi-Stage Weighted Index method which previously is carried out by the Government Zakat Institutions (BAZNAS) in building zakat transparency index, zakat village index, and various other indices. The grounded theory is the method used to develop a scheme/model of integrated Islamic social finance. Holloway and Schwartz (2018) state that the grounded theory method is suitable for research on proposed theory or new schemes because it combines primary and secondary data. Corbin and Strauss (1990) state that for using grounded theory, several questions must be considered such as the completeness of definitions and categories, the relationship between phenomenon and proposed theory, and substantive and practical arrangement.

Meanwhile, the method used to validate the model is the Average Weighted Index (AWI) approach. The use of this method refer to the Zakat Transparency Index and the Zakat Village Index established by the government zakat institution (BAZNAS). The result of validation and investigation plays a role as the material to be considered before the model is regulated and as the reference in decision-making.

This study uses primary and secondary data. The primary data is obtained from Focus Group Discussion (FGD) and in-depth interviews with twelve individuals to build an integration model and questionnaires for the AWI method (see appendix 1 and 2). The purposive sampling technique is used for the selection of respondents. The criteria for respondents in this study are: (1) experts in the field of Islamic social finance; (2) representatives of associations/practitioners/regulators/academics; (3) have experience in the field of Islamic social finance management for more than five years for groups of practitioners, (4) has more than three publications in the field of Islamic social finance for academic groups, (5) has managerial positions for groups of regulators and associations. Meanwhile, the secondary data is obtained from analysis of previous literature studies, especially reputable journals, to find the base gap in theory development. Furthermore, the procedures of the research are described in Figure 1 below.

The results of observations, interviews, and literature reviews are then validated through focus group discussions (FGD) by several experts. After the validation process, the initial theory of the model is developed. The initial theory/model is re-validated through in-depth interviews. Next, the result of the developed theory/model is positioned to fill the theory gap and strengthen the positioning theory in Islamic economic science. After all the procedures are performed, a model is proposed.

The empirical analysis of the integrated model is done by the quantitative approach using Average Weighted Index (AWI). The index component of the model is built by five dimensions based on Islamic objectives, consisting of religion, life, mind, offspring, and wealth. They are structured in the form of a questionnaire. The model is validated by six Islamic social finance institutions to find the impact of integration and non-integration. The institutions involved are LMI, LYM, LAA, IZI, BML, and LNU. To select Islamic social finance institutions, the purposive sampling technique is used with the following criteria: (1) ISF institutions that operate on a national and provincial scale, (2) for the integrated program, the program

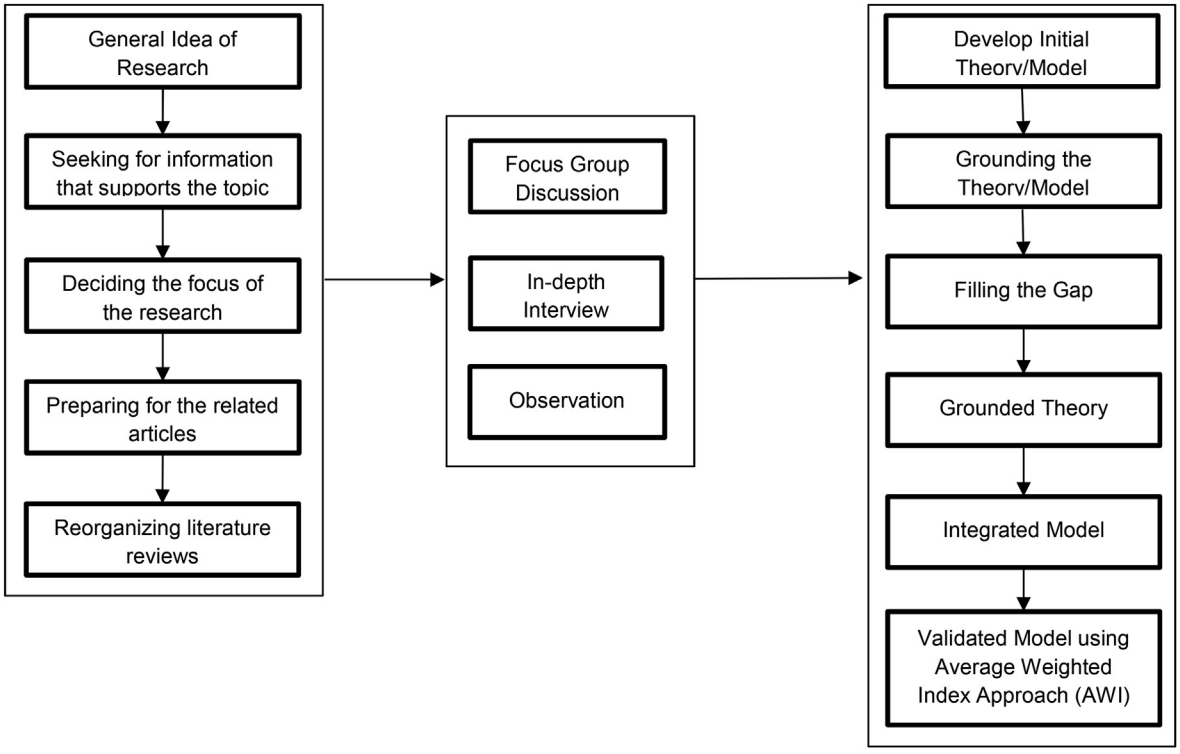


Figure 1. Research procedures. Source: Modification by authors from Corbin and Strauss (1990) and Holloway and Schwartz (2018).

must be funded by assimilation/combination of Islamic social finance instruments, and (3) for the non-integrated program, only ISF institutions that are financed by one of the Islamic social finance instruments. In terms of research ethics, all institutions were required to fill a specific consent letter to ensure no pressure from any party to participate in this research. The detailed result is presented in Table 2 below.

Indicator components that are formed adopt the zakat utilization index and zakat village index. Index components include dimensions, variables, and indicators. Respondents will answer each indicator on a scale of 1–5. A scale of 1 indicates that the integrated program (or non-integrated program) is not effective in helping transform the poor, while a scale of 5 indicates that the integrated program (or non-integrated program) is effective. Next, each indicator that has been answered is calculated according to its weight and multiplier. The results of data validation are calculated by the Center of Strategic Studies (BAZNAS, 2017):

$$\text{Indicator}_x = \frac{(\text{Score}_x - \text{Scoremin})}{\text{Scoremax} - \text{Scoremin}}$$

in which, variable means variable value x; score x means score in indicator x; score min means 1 (lowest value); score max means 5 (highest value).

The results of the calculation range in value from 0 to 100. The division of value categories is as follows, see Table 3:

The weight category result is then tabulated again based on the selection of each model validation. The tabulation results are then added with the index ER formula to find an increase in the effectiveness level if the integrated model is implemented.

Table 3. Weight category of integration effect.

Range of value	Interpretation
0–25	Economic Rescue
26–50	Economic Recovery
51–75	Economic Reinforcement
75–100	Economic Resilience

Source: Authors's Own (2021).

4. Findings

4.1. Proposed integrated Islamic social finance model

This study develops an integrated model of Islamic social finance (Figure 2). The model was created through focus group discussions, in-depth interviews with 12 expert panels, and a literature study (see appendix 1). The expert group concluded that the integration of the Islamic social finance instrument is critical (see appendix 2). This is due to the fact that welfare change cannot be achieved only by one instrument. The results of the focus group discussions and in-depth interviews indicate that consumptive zakat can only help *Mustahiq* get out of the state of welfare danger. It is no longer the burden of zakat if the *mustahiq* has moved over the state of danger. However, *Mustahiq's* or micro actor position remains vulnerable, which indicates he does not have enough savings to deal with shocks. As a result, productive zakat, waqf, and micro takaful can assist to ensure social entrepreneurs. In other words, zakat cannot cover the entire process of shifting from *mustahiq* to

Table 2. Indicators of model validation.

Code	Dimension	Variable	Indicator	Weight	Multiplier	Source
A1	Religion	Worship quality	Programs to improve the quality of worship (*jasadiyah* and *maaliyah*)	1/3	20%	Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
A2		Worship activity level	Programs that educate recipients to actively participate in socio-religious activities	1/3		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
A3		Worship facilities	Programs to help supply worship equipment need	1/3		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
J1	Life	Food supply	Food supply that has a value of 3000 Kcal/day	1/4	20%	Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS; Regulation of the Ministry of Manpower No. 18/2020 anout Decent Living Needs; Poverty Line Index
J2			Monthly food expense Rp. 462.000/ person	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS; Regulation of the Ministry of Manpower No. 18/2020 anout Decent Living Needs; Poverty Line Index
J3		Clothing supply	Ability to meet the needs of proper clothing (*syar'i*)	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
J4		Housing supply	Ability to meet housing needs (proper house)	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
B1	Mind	Accessible education	Recipients can have the access to education	1	20%	Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
K1	Offspring	Family protection	Ability to protect the family	1/2	20%	Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS
K2		Accessible health protection	Recipients can have the access to health protection	1/2		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Literature of Had Kifayah BAZNAS; Act no. 36 of 2009; No. 12 of 2013 National Health Insurances
H1	Wealth	Decent income	Ability to earn a decent income	1/4	20%	Widiastuti et al. (2021a, 2021b); Zakat Village Index; Zakat Empowerment Index
H2		Saving ability	Ability to save recipients' own money or asset properly	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Zakat Empowerment Index
H3		Investment ability	Ability to invest the assets	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Zakat Empowerment Index
H4		Zakat/alms ability	Ability to do zakat/give alms	1/4		Widiastuti et al. (2021a, 2021b); Zakat Village Index; Zakat Empowerment Index

Source: Authors's Own (2021).

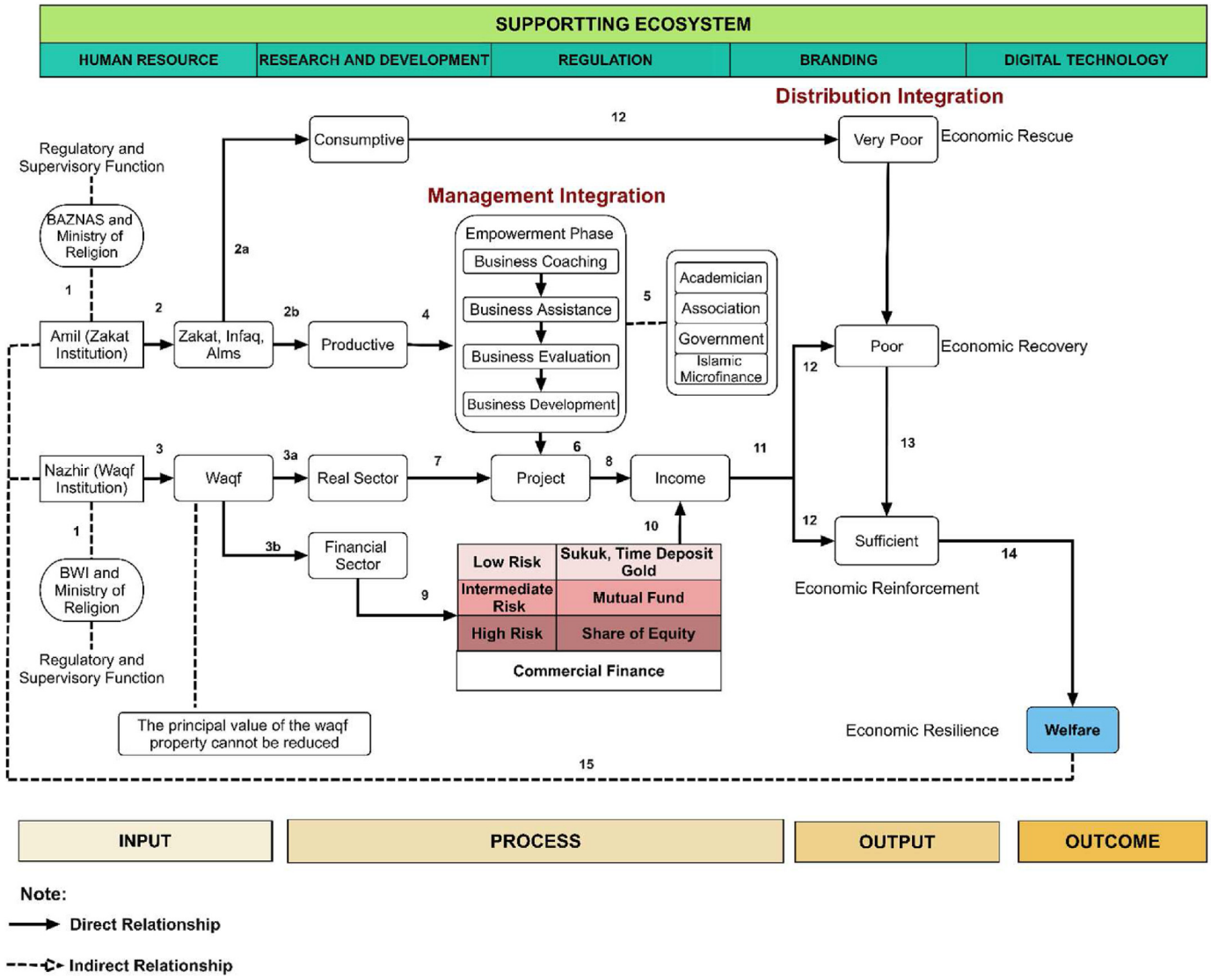


Figure 2. Integrated model of Islamic social finance. Source: Develop by the authors (2022).

muzakki. *Mustahiq* can only use zakat funds for working capital until it can grow its own business scale. Waqf funds and other ISF instruments can be utilized as an investment/financing program as the business increases in size.

This model builds on previous research such as Sulistyowati (2018) who developed an integration model of zakat and waqf for disaster management, Raimi et al. (2014) who developed a poverty alleviation model based on corporate social responsibility, zakat, and waqf, Haneef et al. (2015) which developed the waqf and Islamic microfinance model. These studies focused on building a conceptual model and did not show the effectiveness of the integration.

This study expands earlier research by constructing a thorough 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience) impact measurement model by integrating the Islamic social finance fund in a cooperative project scheme. The integrated model of Islamic social finance starts with the collaboration of Zakat and Waqf institutions to prepare a business-oriented project. Private zakat institutions (LAZ) are supervised by government zakat institutions (BAZNAS) while the *Nazhir* is supervised by the government waqf board (BWI).

The main objective of the integrated Islamic social finance model is to accelerate the enrichment of the poor community. The integration is achieved through management and distribution integration. Management integration is in the form of funding that proposes to (a) provide a project to the recipient through the empowerment process by distributing zakat fund and (b) develop funding through the investment instrument. The distribution integration aims to avoid overlapping distribution. In distribution integration, this study divides the process into 4 phases, named 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience). It measures the extent of the integrated Islamic social finance process in enriching the poor.

The process of integrated Islamic social finance components cannot be separated from the supporting ecosystem. An ecosystem that can assist ISF integration consists of (1) qualified human resources, (2) sustainable Islamic social finance research and development, (3) regulations supporting Islamic social finance development, (4) branding or introduction of Islamic social finance institutions to the community, and (5) adopting technology infrastructure to support the operational convenience of benefactors and recipients. The integrated model is organized into input, process, and output. The input section consists of an integrated source of funds (consisting of Zakat, *infaq*, alms and Waqf funds). Meanwhile, the process section contains how the fund integrated and related stakeholders. The output section contains the result of the integrated process and the result of fund management allocation to the recipients.

The integration of Islamic social finance instruments is carried out without violating Sharia principles. For example, ISF institutions A (zakat

institutions) and ISF institutions B (waqf institutions) work together to integrate zakat and waqf funds into one program. Consumptive zakat will be given to rescue the mustahiq from the state of danger. Productive Zakat funds will then be given through empowering/training program, and waqf will be given as business capital in the form of qard (loan). The recipients will return the qard after the business has succeeded in certain growth and gained profits.

In this model, consumptive zakat is given through direct donations, while productive zakat is given through some training and business development and the provision of business tools. Hence, productive zakat is intended to increase the ability and productivity of the recipient. In addition to zakat, waqf funds can play a role in accelerating business growth. Waqf is included in two sectors, real and finance and will be given in the form of qard. The benefits of the waqf will be used to encourage recipients toward prosperity. All stakeholders must commit to maintaining the principal value of waqf so that integration does not violate Sharia principles. In more detail, the integrated Islamic social finance model is explicitly described in Figure 2.

As explained earlier, this research builds an integrated model of Islamic social finance by integrated management and distribution of zakat and waqf funds. The description of the model in Figure 2 is as follows:

1. Amil/Zakat institutions allocates zakat, *infaq*, and alms funds to be integrated with waqf funds allocated by Nazhir/Waqf institutions and supervised by the government zakat Institution/Badan Amil Zakat Nasional (BAZNAS), government waqf board/Badan Wakaf Indonesia (BWI) and Ministry of Religion as a regulator.
2. Allocation of zakat funds is divided into several quotas:
   a. Consumption sector for fulfillment programs for supplying living needs
   b. Productive sector for training programs in entrepreneurship targets to produce entrepreneurs and skilled labor
3. The Nazhir/Waqf Institutions manages both cash and non-cash waqf instruments. Cash waqf can be assigned to both the financial and real sectors; however non-cash waqf can only be awarded to the real sector.
4. Productive zakat is allocated to empowerment programs.
5. Several supporting stakeholders, including academics, practitioners, government, and Islamic microfinance, are involved in the empowerment phase process to serve as trainers, consultants, and funding sources.
6. The empowerment phase, given to selected recipients, produces entrepreneurs who will be granted capital funds from waqf funds and financing from Islamic microfinance.
7. Waqf fund is allocated to the real sector and managed by the Nazhir/Waqf Institutions by direct investment. The business model in the real sector is carried out according to the expertise of each of the entrepreneurs.
8. The business must gain profit and earn an income within a certain period.
9. Meanwhile, the waqf fund is allocated to the financial sector based on risk. There are three levels of risk: high, medium, and low. Sukuk, deposits, and gold are all low-risk investments. Mutual funds are appropriate for medium-risk investments. Stocks can be a high-risk investment.
10. Waqf funds allocated to the financial sector will generate income.
11. The income will be distributed to other beneficiaries (mauquf alaih) to provide another social safety net to the poor and additional capital (qard) to those who are sufficient. In this scheme, we assume that if the beneficiary can take profit from his business, they will be free from poverty. Then the profits will be used to expand their business.
12. Distribution to the beneficiaries is prioritized to the very poor (Economic Rescue program) and the poor (Economy Recovery program). Consumptive zakat is given to the group who is living in very poor conditions, while productive zakat and waqf are given to poor and sufficient groups.
13. The poor must be released from poverty after the economic recovery program is implemented.
14. Part of the community with sufficient income can carry out the Economic Reinforcement program to transform them into prosperous families.
15. Meanwhile, for the prosperous community, the Economic Resilience program will be implemented to maintain their welfare. It is hoped that the prosperous community will contribute to the institutions of Amil/Zakat institutions and Nazhir/Waqf institutions by pay zakat and waqf.

Various studies have stated that human resources (HR), both in the Islamic social finance institutions and beneficiaries, are the keys to the success of the empowerment program (Fauzi et al., 2022; Hasan et al., 2019; Widiastuti et al., 2021a, 2021b). Therefore, an empowerment process is needed to enrich the poor community effectively (Amuda, 2013; Widiastuti and Rani, 2020). This study divides empowerment into four phases to support the integrated system or Islamic social finance. The first phase is business coaching in which the beneficiaries are given knowledge training and introduced to the business, and then talent development and determination of the business they will engage in. The second phase is business assistance in which business aid is provided more effectively. The third phase is business evaluation in which HR management will monitor and evaluate the implemented business. After evaluation, the next phase is business development through readjustment according to evaluation results, so that the purpose of integration (*mustahiq* transformation acceleration) is achieved. The empowerment process cannot be separated from the roles of stakeholders, such as academics, associations, government, and Islamic microfinance.

Regarding waqf, the management fund can be allocated to the real sector as well as the financial sector. Allocation to the real sector is in the form of direct investments of the trained resource using zakat instruments. Meanwhile, the financial sector places the fund into the capital market according to the desired risk base. The income from management funds in the real sector and the financial sector will generate the appropriate profit to be distributed to the beneficiaries.

The income from zakat and waqf productive, also consumptive zakat distributed to the beneficiaries will be allocated according to the level of need and urgency of the beneficiaries. The order of the beneficiaries is from the very poor, poor, and sufficient to the prosperous welfare family. The techniques of distribution for beneficiaries are also different, and are is called 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience), which are described as follows:

a Economic Rescue. Economic rescue provides programs to help supply basic human living needs. The implementation of the program includes food supply assistance, proper clothing supply, shelter provisions, and other types of assistance to meet the basic living needs.
b. Economic Recovery. Economic recovery contributes to a proper life by providing basic business capital assistance in the hope of increasing human living standards. Implementations of this program include providing employment with decent income based on eligible lifestyle needs (ELN), providing access to early capital, and assisting entrepreneurship.
c. Economic Reinforcement. Economic reinforcement means reinforcing a community sufficiently to achieve a decent lifestyle. However, the focus of the program is to make the community capable of paying zakat and waqf. Implementation of the program includes an introduction to business networks, managerial training, and advanced access to the capital.
d. Economic Resilience. Economic resilience is the ability of the community to strengthen its welfare condition. Implementation of the program includes investment training.

4.2. Empirical investigation of integrated model of Islamic social finance

The main objective of the integrated model is to generate more impact through accelerating the enriching of the poor community. Various studies have proven that both zakat and waqf positively impact the *mustahiq*. However, this study aspires to prove that integration will significantly impact the *mustahiq*. Therefore, this study tries to investigate the impact of integration and non-integration, which have been researched, to support the proposed integrated model. The results of the empirical investigation are presented through Table 4 as follows:

This study modifies the zakat village index and the zakat empowerment index created by the government zakat institutions (BAZNAS) by emphasizing the *maqashid* sharia aspects to assess the impact of integrated and non-integrated Islamic social finance. Investigation is carried out into the Islamic social finance institutions that have integrated, even to the smallest extent, and into the Islamic social finance institutions that have not integrated. Using the average weighted index, the results show that integration is 12% more effective in enriching the poor than non-integrated Islamic social finance is. However, by both integrated and non-integrated approaches, the poor community position is still at the stage of economic recovery (scored 26–50%), because integrated ISF has not been carried out massively and optimally.

5. Discussion

This study creates an integrated model of Islamic social finance. The model is implemented through 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience) by integrating zakat and waqf funds in a joint project scheme. The model is in line with the zakat theory developed by Kusuma and Ryandono (2016) in which zakat plays the role of enriching the poor. The model is also supported by Jouti (2019) who proposed an integrated model of social finance to build an Islamic finance ecosystem. The importance of integrated Islamic social finance is further emphasized by Ali (2014), Shirazi (2014), Haneef et al. (2015), Pitchay et al. (2018), Sulistyowati (2018), Amilahaq and Ghoniyah (2019), Shalleh et al. (2020) and Thaker et al. (2021). Integrated Islamic social finance has been discussed for a long time, but until now, not much integration has been done. The management and distribution of Islamic social finance instruments are still separated and have not become a complementary instrument in achieving the target of welfare.

The integrated model built in this study supports the theory of integration related to the movement of factor production (Balassa, 1991) through integrated management and distribution of zakat and waqf. If zakat and waqf instruments are integrated and complement each other, then factor production (distributed funds/capital) to beneficiaries and productivity-based distribution may be increased. In this model, zakat instruments play a role in developing the skills and business capital of zakat beneficiaries through productive empowerment, while waqf acts as an investment instrument. The integrated instruments of zakat and waqf will increase the spending cost efficiency and also the productivity (Balassa, 1991), of both the poor community and zakat and waqf fund productivity. As indicated before, zakat and waqf are still widely used for consumptive purposes (Huda et al., 2017; Rusydiana and Devi, 2014; Widiastuti et al., 2021a, 2021b). Finally, integrated Islamic social finance is carried out to create a more effective economic condition (Balassa, 1991) and accelerate the enrichment of the poor community.

The proposed model involves various stakeholders who support the whole process. The government zakat institution (BAZNAS), government waqf board (BWI), and ministry are the stakeholders who act as supervisors. Additionally, within the management process, academicians, associations, and government are very much needed. Academicians play a role in research development; associations expand the integrated network, whereas government creates policies that support optimal integration. This model supports the theory of integration on work specialization (Balassa, 1991).

Ecosystem-supporting infrastructure such as the use of technology must be involved in Islamic social finance. The implementation of technology simplifies distribution management and can avoid overlapping target recipients (Widiastuti et al., 2021a, 2021b). Infrastructure that is also needed is qualified human resources and regulations. This model supports the government's Islamic economic master plan 2019–2024 in which, as stated, no scheme integrates zakat and waqf instruments (Ministry of National Development Planning, 2019). In Indonesia, each Islamic social finance instrument has distinct regulations. Thus, a specific regulation is needed so that both instruments of zakat and waqf can be integrated. Accordingly, this model supports the theory of integration related to policy harmonization (Balassa, 1991).

In this model, moral hazard behavior can be avoided (Vetter and Karantininis, 2002), due to a large number of external stakeholders involved such as academics, government, and associations. They also have to act as supervisors of the integrated Islamic social finance. Thus, asymmetric information that can cause moral hazard can be avoided (Vetter and Karantininis, 2002). In fact, information that can be accessed by donors from Islamic financial institutions is still very limited (Widiastuti et al., 2021a, 2021b).

Several Islamic social finance institutions, such as the ones in Indonesia, have an integrated system, even though with a small scope. For example, *Rumah Gemilang Indonesia* (RGI), managed by Zakat Institution is an integrated Islamic social finance instrument in the educational field. Zakat funds are generated to improve skill and knowledge, whereas waqf funds are utilized to provide educational infrastructure. Integrated ISF is also carried out in the agricultural field, in which farmers are given agricultural land by using waqf land while working capital is funded from zakat.

To this day, there have been many studies that discussed integrated Islamic social finance, such as Jouti (2019), which integrates traditional and commercial Islamic social finance. Sulistyowati (2018) proposes an integrated model for disaster management, and Raimi et al. (2014) integrate zakat, waqf, and CSR. However, the development of integrated finance is still at the theoretical stage and has not progressed to an empirical stage yet. Meanwhile, there must be a measure/index to evaluate the impact of integration. The uniqueness of the developed integrated model in this study is that it includes the empirical investigation based on the objective of the Islamic economy to measure the success of

Table 4. Result of empirical investigation.

Dimension	Code of indicator	Integrated			Non-integrated		
		LMI	LYM	LAA	IZI	BML	LNU
Religion	A1	0.67	0.33	0.33	0.67	0.33	0.33
	A2	1	1.33	0.33	0.67	0.33	0.67
	A3	1	0.67	0.33	1	0.33	0.33
Life	J1	0.25	0.25	0.25	0.5	0.25	0.25
	J2	0.25	0.25	0.25	0.5	0.25	0.25
	J3	0.5	0.25	0.25	0.75	0.25	0.75
	J4	0.5	0.75	0.25	0.5	0.25	0.25
Mind	B1	1	2	1	3	1	1
Offspring	K1	2	1	0,5	1	0,5	0.5
	K2	0.5	1	0,5	1	0.5	0.5
Wealth	H1	0.25	0.5	0.5	0.5	0.25	0.25
	H2	1	1	1	0.5	1	0.75
	H3	1.25	1.25	1.25	0.5	1.25	1.25
	H4	0.75	1	1.25	0.5	1	1
Weighted Index		43.6	46.3	32	46.3	30	32.3
Average Weighted Index (AWI)		40.6			36.21		
Increase impact ([AWI score max – AWI score min]/ AWI score min)		12%					

Source: Primary Data, Processed (2021).

integration by proposing the concept of 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience). The concept of 4 ER describes the effectiveness of integrated Islamic social finance in enriching the poor community.

To prove the effectiveness of integration, this study empirically investigates the impact of integrated and non-integrated Islamic social finance. The investigation is done by a qualitative method with the Average Weighted Index (AWI) approach. The result reveals that integrated Islamic social finance is 12% more effective in improving the welfare of the poor. This is in accordance with Widiastuti et al. (2021a, 2021b), who stated that the ineffective management of Islamic social finance is due to a lack of synergy and integration.

The proposed model contributes to restoring the nature of integrated Islamic social finance management as in the era of *Rasulullah, Khulafaurrasyidin, Umayyah,* dan *Abbasiyah* (Cizakca, 1998). The proposed concept of 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience) in the model focuses on the acceleration of the enrichment of the poor community.

6. Conclusion

This research paper is based on the idea of integrated instruments of Islamic social finance to accelerate the enrichment of the poor community more effectively. The integrated model in this research is implemented through integrated management and distribution. Integrated management aims to integrate zakat and waqf instruments in joint projects as well as to empower beneficiaries. Zakat instrument plays a role in empowerment, while waqf acts as an investment instrument. The integrated model is conceptualized in 4 ER (Economic Rescue, Economic Recovery, Economic Reinforcement, and Economic Resilience) to show the condition of the community's economic capacity. Empirical evidence suggests that the integrated model of Islamic social finance is 12% more effective at enriching the poor. This study is limited by the use of a qualitative approach to develop a model that analyzes the integration of the instruments of zakat and waqf. Further research may also examine the integration of other Islamic social financial instruments, such as sukuk, *qard hasan*, *takaful*, and others.

This study has several implications for several of the stakeholders. First, the institutions of Islamic social finance must understand the integrated model that is being developed in the study to be implemented according to their respective environments. Second, the government must issue new regulations to support the integration of Islamic social finance instruments. So far, each of the instruments has different regulations, thus, a specific regulation for integrated Islamic social finance is needed. Third, associations of Islamic social finance must initiate a mutual synergy and integrate Islamic social financial instruments to accelerate the enrichment of the poor.

Declarations

Author contribution statement

Tika Widiastuti; Sri Ningsih; Puji Sucia Sukmaningrum; Imron Mawardi; Sri Herianingrum; Anidah Robani: Conceived and designed the experiments; Performed the experiments; Analyzed and interpreted the data; Wrote the paper.

Muhammad Ubaidillah Al-Mustofa; Aufar Fadhlul Hady: Conceived and designed the experiments; Performed the experiments; Analyzed and interpreted the data; Contributed reagents, materials, analysis tools or data; Wrote the paper.

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Data availability statement

Data will be made available on request.

Declaration of interests statement

The authors declare no conflict of interest.

Additional information

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