Abstract

Welfare in Islamic Perspective and the Affecting Factors

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Abstract
Welfare is a condition that should be pursued by humankind, as the word of Allah in the Qur’an surah Al Qashash verse 77, but the efforts to achieve it often do not involve Allah SWT. Factors that influence the perspective of Islam are factors of religiosity (FR), namely the provisions of Allah SWT. through zakat and waqf, internal factors (FI) itself through investment and external factors (FE), namely through government capital expenditure, government social expenditure and development. Indonesia is the largest Muslim country in the world, but the welfare of its people still lags between Singapore and Thailand. This study aims to assess welfare in an Islamic perspective and the affecting factors of welfare. The research data taken from secondary data is panel data with a study population of 34 provinces in Indonesia from 2012 to 2017. Quantitative research methods with inferential statistics using panel data regression analysis. Data collected through written and electronic documents from BPS, BAZNAS, BWI and other institutions, are analyzed using panel data analysis with the Eviews9 program. The classic assumption test used are the normality test, multicollinearity, heteroscedasticity and autocorrelation. This research uses the theory and concept of Islam and Tawhidi String Relations. The result shows that zakat, waqf and government social spending has a direct and significant effect on welfare, while investment has a negative effect on welfare. The second result is a new discovery, and from this discovery can be concluded that the influence of zakat and waqf on welfare is no longer limited to a mere theory and study but can be proven theoretically and empirically. This research recommends the policy maker to give more consideration in arranging Islamic instruments, especially zakat and waqf in improving welfare of the citizen. The results of this study also provide strong scientific support for zakat and waqf institutions, both the government and the NGO to improve their performance and programs as an effort to improve community welfare as expected.

Keywords: Wellbeing, Welfare, Development, Zakat, Endowments, Domestic Investment, Government Capital Expenditures, Government Social Expenditures.

INTRODUCTION

The epistemology of Islamic economic fundamentals is based on the Qur’an and as-Sunnah, which are “the primordial stock of knowledge”, hence they are referred to as epistemologies tauhidi. The implementation of these epistemologies in life is pursued through a process letter in the form of ijtihad, recorded in Qiyas and Ijma, as well as contemporary thought from Muslim thinkers to the present (Choudury, 1998). Beside the theory and previous research, Qur’an is also the source of knowledge and base of research. Qur’an was given to humankind so they can create order in the world by following the guidance and behavior of the Prophet Muhammad SAW (Choudhury, 2002).

An episteme that Allah SWT revealed in the Qur’an surah Al Baqarah verse 201 illustrates that welfare is the purpose of human life, both in the world and in the hereafter. In general term, welfare is the state of doing well especially in respect to good fortune, happiness, well-being, or prosperity.

Every human being desires welfare and happiness in life, but there are many different opinions on how to achieve it. Psychologist belief that the principal source of happiness is fulfilment in the soul and the main problem in life is rooted in mental or psychological problems. Politician belief that the source of happiness is the existence of oneself towards the environment and the main cause of the problem in life is in the political aspect. Economist belief that fulfilling material needs are the means of life and happiness is often connoted with well-being, which is the adequacy of possession and physical comfort.

The fact shows that happiness is not always obtained even though a person possesses abundant wealth. Apparently, happiness cannot be seen only from a single perspective. Some people today experience failure in formulating the definition of welfare that brings happiness, as well as failure to make it happen due to errors in understanding the notion of well-being itself. Then how does Islam define welfare?

The definition of welfare in Islam is based on a comprehensive view of life. In the Islamic perspective, interpreting welfare with the term faal means holistic and balanced welfare between material and spiritual side, individual and social dimension, and the welfare in the world and hereafter. Falah will be achieved if the basic need is fulfilled in balance, thus create maslahah. Maslahah is all forms of

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circumstances, material and non-material, which are capable of increasing the position of human beings as the noblest human beings.

Welfare is a condition that requires the fulfillment of basic needs for individuals or groups in the form of food, education, health need (Badawi, 1986). Prophet Muhammad SAW in the history of hadith At Thabrani described prosperity or happiness, “Whoever has four things has been given the best in this world and the Hereafter: a grateful heart, a tongue if remembrance, a body that can withstand with trials, and a wife not seeking betrayal in herself or his wealth.” (HR Ath Thabrani and Al Baihaqi)

According to the Constitution of the Republic of Indonesia article 1 number 11 of 2009, social welfare is a condition of fulfilling material, spiritual, and social needs of citizens in order to develop themselves and carry out their social functions. From the definition above, there are three aspects to achieve social welfare: material aspect (basic need), spiritual aspect (divinity and religion), and social aspect (community). This is in line with Chapra (2011) which stated that Islam came as the last religion which aims to show and deliver its followers to true happiness. True happiness means happiness in every aspect: body and soul, physical and spiritual. Physical happiness can be attained with material things, whilst spiritual happiness can be attained by obedience and closeness to Allah SWT.

The philosophical foundations of the capitalist economic system are materialism and secularism. The definition of the human as homo economicus or economic man is a materialistic-hedonist human, therefore human is always considered greedy towards material things. In this system, material things are very important and even considered the main driver of the economy. Rationality assumption in the economy, according to Roger Miller, is that individuals do not intentionally make decisions that would leave them worse off. In another word, the rationality assumption is the fulfillment of life basic needs. People make choices to satisfy their wants and needs, motivated by self-interest, and respond predictably to opportunities for gain.

Welfare is a matter of consideration for both community and government that should involve God as the Creator of life. Therefore, the factors that influence it need to be explored further in order to achieve welfare suitable with Indonesian majority Muslim community. The first factor is the religious aspect, which is the factor that involves Allah SWT through zakat and waqf. The next factor is the internal and external factor. The internal factor of society is the direct involvement of the community towards welfare through private investment. The external factors are from the government which is responsible for managing the nation's resources, funds, and policies.

The welfare of Indonesian’s citizen that are developing at this time is inseparable from developing concepts and theories, which are deemed to be inconsistent with the conditions of the Indonesian Muslim majority. The reality in the field, the phenomenon of these factors still occurs. On one hand, these factors should have a strong influence on public welfare as explained by Saefudin (1986) and Patmawati (2006) regarding zakat. The implementation of zakat in Egypt and Turkey where waqf is a factor that is quite strong in influencing welfare. Sukirno (2000) and Todaro (2004) explain that investment influences welfare. Halim (228) Soepangat (1991) and Badrudin (2012) explain the capital government expenditure. Nordhaus (1994) and Musgrave (1993) explain the effect of social spending on government spending.

Based on the phenomenon, problem and the scope of the research above, this research will learn more about welfare in an Islamic perspective and the affecting factors using general research approach and Tawhidi String Relations (TSR). This research will try to answer the question: Do zakat, waqf, investment, government expenditure on capital, government expenditure on social spending have a positive and significant effect on welfare?

Based on the scope and formulation of the problem above, the general purpose of this research is to analyze factors that influence welfare from an Islamic perspective, and the specific purpose is to analyze the effect of zakat, waqf, investment, government expenditure on capital, government expenditure on social spending on the development of welfare.

THEORITICAL BASIS

Tawhidi String Relation (TSR)

The source of TSR, according to Choudhury (1999:104) is the knowledge from Qur’an, which explains the divinity of Allah SWT. Tawhidi is a unity of knowledge from Qur’an and consists of divine law
(sunnatullah) denoted by \((\Omega, S)\). Qur’an was revealed to Prophet Muhammad SAW through a shuratic process and practiced in his daily life. The practice of Qur’an in the prophet’s daily life is called Sunnah Rosul (s). The shuratic process is the process of interaction between human and the universe through a consultative process in a broader sense (participation and complementary), which creates consensus.

Epistemology in surah Ash Shuraa verse 49 state that “To Allah belongs the dominion of the heavens and the earth; He creates what he will…” and verse 50 “or He makes them (both) males and females and He renders whom He wills barren. Indeed, He is Knowing and Competent”. Knowledge, which is based on the study of the Qur’an \((\Omega, S)\) and sunnah Rosul (s), then through the shuratic process between the ulama (Ijma), has become known and understood by the ummah, and symbolized as teta \((\theta)\). This \((\theta)\) is applied to solve certain problems or problems faced by people in real life and then become special knowledge.

The flow of knowledge and humankind has consensus through the shuratic process, denoted by \(X(\theta)\). With interaction and integration between ummah, through the evolutionary process will create social creatures, denoted by \(W(\theta, X(\theta))\). Then through interaction, integration and evolution (IIE), which in the process always refers to Qur’an and Hadith, subject to circular causation, will cause New \(\theta\) or new theories or knowledge or discoveries. The process will be continuous and repetitive through another IIE process to find new theories or discoveries \((\theta)\), which improve human well-being to be better until the end of the world.

Welfare

Basically, the welfare state theory is divided into two parts; social and economic welfare theory (Albert and Hahnel, 1999). Social welfare theory can be classified into utilitarian classical, neoclassical welfare theory, and new contractarian approach. The classical utilitarian approach emphasizes in pleasure or utility. The different levels of pleasure felt by the same individual can be compared quantitatively. Base principal for every person is to increase their welfare as high as possible. Amartya Sen, an Indian economist, and Nobel award winner said that poverty is not just a lack of money, it is not having the capability to realize one’s full potential as a human being. He also believes that virtually all the problems in the world come from inequality of one kind or another. He implies the importance of distribution. Based on this, other welfare indicators are developed, which is the human development index.

Indicator of prosperity, according to Qur’an, is stated in surah Quraysh verse 3-4 that says “So let them worship the Lord of this House (Ka’ba), who fed them against hunger and secured them from fear”. Well-being in TSR approach can be explained with ontology symbolized by \(\Omega (Q, S)\). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about welfare in Qur’an can be found in surah Al Baqarah verses 126 and 201, Qoshosh verse 77, An Nahl verse 97, Thaha verses 117-119, An Nisa verse 9, and Al Quraisy verses 3-4. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by teta \((\theta)\). Furthermore, the knowledge of welfare originating from Qur’an and Sunnah interacts with the system in society that leads to knowledge and result \(W(\theta, X(\theta))\), including results by Salim Bahreisy (1988: 595), Al Ghazali in AbdorRohman (2010: 84-86), Sholahudin (2009: 220-221), and Qardhawi (1982: 62-66). The evolutionary process in this research can lead to another teta \((\Omega N)\). This process will go on and on repeatedly.

Zakat

Zakat comes from the word zaka, which means to flourish. In the books of Islamic law, the word zakat is interpreted as a sacred, blessing, growing and developing. Zakat purifies wealth as it goes into the hands of rich to poor, making it grow because it will bring benefit to another human being. Zakat is a religious obligation for all Muslims who meet the necessary criteria of wealth. It is a mandatory charitable contribution only for Muslims. Well-Managed zakat will increase economic growth as well as equal distribution income, or known as the concept of economic growth with equity (AM Saefuddin, 1986). Monzer Kahf (1995) stated that zakat and the Islamic inheritance system tend to be the distribution of an egalitarian asset, and as a result of zakat, assets will always be distributed.
Zakat in the TSR approach can be explained with ontology symbolized by $\Omega$ (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about zakat in Qur’an can be found in surah Ali Imran verse 92 and Al Hasyr verse 7. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by $\theta$. Furthermore, the knowledge of zakat originating from Qur’an and Sunnah interacts with the system in a society that leads to knowledge and results in $W(0, X(0))$, including results by Saefuddin (1986). The evolutionary process in this research can lead to another $\theta$ (0N). This process will go on and on repeatedly.

**Waqf**

Waqf comes from the Arabic word “waqafa” which means holding back, stopping, staying quiet, or standing still. The word al-Waqf in Arabic means donating property with no intention of reclaiming the assets. According to Shafi’ I and Ahmad, waqf is the release of assets that are represented by wakif ownership with the correct procedure. While the definition of waqf according to Ibn Qudamah, waqf is “holding back the origin and let the result flows”.

Waqf in the TSR approach can be explained with ontology symbolized by $\Omega$ (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about waqf in Qur’an and Sunnah can be found in surah Al Baqarah verse 261, Ali Imran verse 92, and hadith of Bukhari and Muslim regarding waqf. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by $\theta$. Furthermore, the knowledge of waqf originating from Qur’an and Sunnah interacts with the system in a society that leads to knowledge and results $W(\theta, X(\theta))$, including results by Zaim (2007) and Raissouni (2007). The evolutionary process in this research can lead to another $\theta$ (0N). This process will go on and on repeatedly.

**Private Investment**

According to Sunariyah (2003:4), investment is putting one or more assets that are owned and usually in long term period in the hope of gaining profits in the future. Islam teaches investment that gives benefit to all parties (win-win solution) and prohibits humans from investing in zero sum games or win loss investment. Fair investment is an investment with a profit and loss sharing system. The two parties involved in the investment equally bear the profit or loss, based on an agreement beforehand. Risk in investment arises because of the uncertainty of time and the amount of return that will be received by the investor.

Investment in the TSR approach can be explained with ontology symbolized by $\Omega$ (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about investment in Qur’an and Sunnah can be found in surah Luqman verse 34. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by $\theta$. Furthermore, the knowledge of investment originating from Qur’an and Sunnah interacts with the system in society that leads to knowledge and results $W(0, X(0))$, including results by Wihardjo (2014), Sitompul (2007), Rustiono (2008), Luntungan (2008) and Sodik (2005). The evolutionary process in this research can lead to another $\theta$ (0N). This process will go on and on repeatedly.

**Government Expenditures for Capital**

Capital expenditure according to Halim (2008: 4) is an investment in the form of procurement or purchase of assets that have a twelve-month useful life and these assets are used in governmental activities that are economically, socially, and other benefits, thereby increasing the government’s ability to serve the community. Investment regarding public service has different types. Subiyanto in Halim (2008) divides investment into two groups, infrastructure, and other public facilities. This investment does not obtain cash inflows to cover costs but instead serves the activities of other economic sectors and sometime turns into a cost center (Badrudin, 2012: 69) Government expenditure for capital in the TSR approach can be explained with ontology symbolized by $\Omega$ (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about capital expenditure in Qur’an and Sunnah.
Government Expenditure for Social Assistance

The first social assistance theory was written for the residents of Bruges by Jean Louis Vives in his book De Subventione Pauperum Sive de Humanis Necessitatibus (On Assistance to the Poor), published in 1526. The idea of social assistance is an action based on social solidarity, and is really important regarding the interdependence among people in society (Vladimir Rys, 2011: 28). In Islamic economic, government expenditure for social assistance is also an effort to reduce social problems that occur in society, by encouraging the productivity of the community and maintaining a balanced distribution in wealth inside the community. It is compulsory in Islam for wealth to circulate to all member of society, in order to prevent the circulation of wealth within only a few people. Allah SWT said in Qur’an “… so that it will not be a perpetual distribution among the rich from among you…” (Surah Al Hashr verse 7).

Government expenditure for social assistance in the TSR approach can be explained with ontology symbolized by Ω (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about social assistance expenditure in Qur’an can be found in surah Al Alyr verse 7 and Al Anfal verse 41. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by θ. Furthermore, the knowledge of social assistance originating from Qur’an and Sunnah interacts with the system in society that leads to knowledge and result W (θ, X(θ)), including results by Nawawi (1343), Ghazali (2003), Badrudin (2012) and Putra (2016). The evolutionary process in this research can lead to another teta (θN). This process will go on and on repeatedly.

Development

Discussing various aspects of economic development requires several development theories as academic instruments, including Adam Smith, Malthus, Ricardo, John Stuart Mill, and Karl Marx. Known as the “Father of Economics, Adam Smith (1723-1790) was a Scottish economist, who wrote a classic book An Inquiry into the Nature and Cause of the Wealth of Nations published in 1776.

Ibrahim (2011) stated that the main concern of economic development in the Islamic economy is human welfare. According to him, the process of economic development must be as humanely as possible, concern about education, and prioritize in social integrity and environmental conservation. The economic development should be sustainable and not forgetting the future generations.

Development in the TSR approach can be explained with ontology symbolized by Ω (Q, S). It is the knowledge of tawhid from Allah SWT, which manifest epistemologically through Qur’an and Sunnah. References about development in Qur’an and can be found in surah Hud verse 61 and Al Mulk verse 15. From these references, through suratic process (ijtihad or ijmak), can lead to knowledge symbolized by θ. Furthermore, the knowledge of development originating from Qur’an and Sunnah interacts with the system in society that leads to knowledge and result W (θ, X(θ)), including results by Wihardjo (2014), Sitompul (2007), Rustiono (2008), Luntungan (2008) and Sodik (2005). The evolutionary process in this research can lead to another teta (θN). This process will go on and on repeatedly.
Figure 1 Conceptual Framework

Source: author of various theories

Development of Hypothesis

The hypothesis is a probable answer to a problem, as the result of a series of reasoning based on a particular framework (Nuryanto, 2008). Based on the framework of thinking and theory above, and referring to the formulation of the problem, the hypothesis can be developed as follow:

Hypothesis 1:
Ha: Zakat has a positive and significant effect on welfare
Ho: Zakat does not have a positive and significant effect on welfare

Hypothesis 2:
Ha: Waqf has a positive and significant effect on welfare
Ho: Waqf does not have a positive and significant effect on welfare

Hypothesis 3:
Ha: Investment has a positive and significant effect on welfare
Ho: Investment does not have a positive and significant effect on welfare

Hypothesis 4:
Ha: Government expenditure on capital has a positive and significant effect on welfare
Ho: Government expenditure on capital does not have a positive and significant effect on welfare

Hypothesis 5:
Ha: Government expenditure on social assistance has a positive and significant effect on welfare
Ho: Government expenditure on social assistance does not have a positive and significant effect on welfare
Hypothesis 6:
Ha: Economic development has a positive and significant effect on welfare  
Ho: Economic development does not have a positive and significant effect on welfare

RESEARCH METHODS

This study uses quantitative methods with inferential statistics, namely, research to process quantitative data with the aim of testing hypotheses. The variables studied are divided into two, namely exogenous or bound variables and endogenous variables. These variables are exogenous variables X1, namely zakat, exogenous variables X2 namely waqf, exogenous variables X3 namely domestic investment, exogenous variables X4 namely government capital expenditure, variables exogenous X5, namely government social expenditure, Y exogenous variable is development and endogenous variable Z is community welfare.

This study uses secondary data with panel data. The population in this study were 34 provinces in Indonesia from 2012 to 2017 with a total of 204 observation units. The main data sources in this study were obtained from the Central Bureau of Statistics (BPS) of the Republic of Indonesia in Jakarta. While other supporting data is obtained from the Ministry of Religion, Ministry of Finance of the Republic of Indonesia, Bank Indonesia, Domestic Investment Agency (BPMDN), BAPPENAS, National Zakat Institutions, such as Baznas, PKPU, Dompet Duafa and Zakat Houses, Financial Institutions, Waqf Bodies Indonesia and various other relevant sources such as journals, scientific publications on the internet, books, and research results related to this research.

The data analysis technique used in this study uses panel data (data pool) so that the regression is called the panel data regression model. Data Panel is a combination of time series data (time-series) and cross section data (Gujarati, Damodar, 2012). The general model of panel data regression (Nachrawi, 2006) is as follows:

\[ Z_{it} = \beta_0 + \beta_1 Y_{it} + \beta_2 X_{1it} + \beta_3 X_{2it} + \beta_4 X_{3it} + \beta_5 X_{4it} + \beta_6 X_{5it} + \epsilon_{1it} \]  

Information:
- \( Z = \) Welfare  
- \( \beta_0 = \) Constants  
- \( Y = \) Development  
- \( X1 = \) Zakat  
- \( X2 = \) Waqf  
- \( X3 = \) Investment  
- \( X4 = \) Government capital expenditure  
- \( X5 = \) Government social expenditure  
- \( \beta1, ..., \beta12 = \) independent variable coefficients  
- \( \epsilon_1, \epsilon_2 = \) error term  
- \( i = \) province  
- \( t = \) year

Panel data regression must go through the stages of determining the correct estimation model. The basic approach method used in estimating the regression model with panel data (Ajija, 2011), namely: a) Least Square / Pooled least square (PLS) panel. b) Fixed Effects Approach. c) Random effect. Select the appropriate model using the F statistical test (Chow Test), Hausman test and Lagrange Multiplier test.

In producing an efficient and consistent model, it needs to be evaluated based on economic criteria whether the results of the estimation of the regression model do not occur problems of normality, heteroscedasticity, multicollinearity and autocorrelation. Hypothesis testing is done by using the R-square determination coefficient test (R2), simultaneous significance test and partial significance test (t test).

RESEARCH RESULT

Common Effect data, Fixed Effect and Random Effect are then processed to determine the right model. It was concluded that the Random Effect model was more appropriate than the Common Effect model.
In the classic assumption test, there is autocorrelation and heteroscedasticity in the model so that it is treated with Cochrane-Orcutt and transformation with natural logarithms (Ln) (Nachrowi, 2006). So that the model improvements are as follows:

\[ \text{Ln}Z_{it} = \beta_0 + \beta_1 \text{Ln}Y_{it} + \beta_2 \text{Ln}X_{1it} + \beta_3 \text{Ln}X_{2it} + \beta_4 \text{Ln}X_{3it} + \beta_5 \text{Ln}X_{4it} + \beta_6 \text{Ln}X_{5it} + \mu_{it} \]  

(2)

**Table 1 Random Effect Model Panel Data Regression Model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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<tr>
<td>lnY</td>
<td>0.551195</td>
<td>0.103908</td>
<td>5.304650</td>
<td>0.0000</td>
</tr>
<tr>
<td>lnX1</td>
<td>0.001584</td>
<td>0.000773</td>
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<td>lnX2</td>
<td>0.006881</td>
<td>0.001847</td>
<td>3.725850</td>
<td>0.0003</td>
</tr>
<tr>
<td>lnX3</td>
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<td>0.001400</td>
<td>-0.253865</td>
<td>0.7999</td>
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<tr>
<td>lnX4</td>
<td>0.000543</td>
<td>0.000770</td>
<td>0.706013</td>
<td>0.4810</td>
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<tr>
<td>lnX5</td>
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<tr>
<td>C</td>
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Effects Specification

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<th>Rho</th>
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<tr>
<td>Idiosyncratic random</td>
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Weighted Statistics

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<td>R-squared</td>
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<td>0.022658</td>
<td>1.026606</td>
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<tr>
<td>Adjusted R-squared</td>
<td>0.564658</td>
<td>S.D. dependent var</td>
<td>0.066238</td>
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<tr>
<td>S.E. of regression</td>
<td>0.017106</td>
<td>Sum squared resid</td>
<td>0.055302</td>
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<tr>
<td>F-statistic</td>
<td>43.1539</td>
<td></td>
<td>0.402546</td>
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<tr>
<td>Prob(F-statistic)</td>
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Unweighted Statistics

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<th>Durbin-Watson stat</th>
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<tbody>
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<tr>
<td>Sum squared resid</td>
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<td>0.079983</td>
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</table>

Source: Output Eviews 9.0, data processed

Based on table 1 above, we will create the model as follows:

\[ Z = 1.876 + 0.551Y + 0.002X_1 + 0.007X_2 - 0.0004X_3 + 0.0005X_4 + 0.005X_5 \]

The adjusted R2 value is 0.565 or 56.5%, this means that 56.5% of welfare variation can be explained by variables of development, zakat, waqf, investment, government capital expenditure and government social spending. While the remaining 43.5% is explained by other reasons outside the model which is the contribution of other independent variables outside of the six independent variables.

The level of significance F-Statistics obtained is 0.000. The level of significance used in this study is 0.05 (\( \alpha = 5\% \)). This means that the independent variables affect the dependent variable with a significance level of 0.000. While \( F_{\text{count}} \) is 43.153 and \( F_{\text{table}} \) value is 2.14. Test criteria namely H0 is accepted if \( F_{\text{count}} < F_{\text{table}} \) and H0 is rejected if \( F_{\text{count}} > F_{\text{table}} \). The value of \( F_{\text{count}} > F_{\text{table}} \) (43.153>2.14) then H0 is rejected. This means that the regression model can be used to predict development, zakat, waqf, investment, government capital expenditure, and government social expenditure together to influence welfare simultaneously.

The results obtained for \( t_{\text{table}} \) are 1.972. Based on Table 1, the \( t_{\text{value}} \) is calculated. As long as the value of \( t_{\text{table}} \) is obtained 1.972, the description is as follows:

1) Y variable or development, with \( t_{\text{count}} \) 5.305> 1.972, then H0 is rejected and Ha is accepted, meaning that development has a positive and significant effect on welfare with a regression coefficient of 0.551.
2) Variable X1 or zakat, with a value of \( t_{\text{count}} \) 2.048> 1.972, then H0 is rejected and Ha is accepted, meaning that zakat has a significant effect on welfare with a regression coefficient of 0.002.
3) Variable X2 or waqf, with a value of \( t_{\text{count}} \) 3.725> 1.972, then H0 is rejected and Ha is accepted, meaning waqf have a significant effect on welfare with a regression coefficient of 0.007.
4) Variable X3 or investment, with a value of t count -0.253 < 1.972, then H0 is accepted and Ha is rejected, meaning that investment does not affect welfare.

5) Variable X4 or government capital expenditure, with the value of t count 0.706 < 1.972, then H0 is accepted and Ha is rejected, meaning that government capital expenditure does not affect welfare.

6) Variable X5 or government social expenditure, with 3.166 > 1.972, then H0 is rejected and Ha is accepted, meaning that government social spending has a significant effect on welfare.

**DISCUSSION**

**The Effects of Zakat on Welfare in Indonesia**

The first law of zakat in Indonesia was issued in 1999. However, the official governmental agency (BAZNAZ) was formed based on the nation’s constitution Keputusan Presiden RI No. 8 in the year 2001. This agency is responsible for collecting and distributing zakat, infaq, and social donations (ZIS) nationwide. The constitution No.23 year 2011 was then made to complete the previous constitution, the No.38 year 2009, in order to improve zakat management in Indonesia. These constitutions about zakat are the guidelines for zakat agency and community to carry out zakat. Therefore, from 2012 to 2017 the management and implementation of zakat had improved even better, and the community had sensed the impact.

Zakat variables have a positive and significant influence on welfare. The result of this study is in accordance with Quran Surah At Taubah verse 60, Ali Imran verse 92, Al Hasyr verse 7, and in line with the research result of Hasanah (2006), Shirazi (1996), Patmawati (2006), Beik (2010), Mintarti (2012), Kahf (1995), Chouduri (2010), Saefudin (1986) which states that zakat has a significant effect on welfare. This result is incompatible with the research result of Huda (2017).

This finding, when viewed from the TSR approach, can be explained that ontology is symbolized by $\Omega (Q, S)$ which is the knowledge of tawhid from Allah SWT, which epistemologically is manifested through the Qur’an and Sunnah. Qur’an and Sunnah view zakat towards welfare, through suratic process (jithhad or ijmak) that leads to knowledg is symbolized by teta ($\theta$). Furthermore, the knowledge of zakat toward prosperity originating from the Qur’an and Sunnah interacts with the system in society leads to W (0, X ($\theta$)). The evolutionary process in this research can lead to another teta ($\Omega N$). This process will go on and on repeatedly. The ontology $\Omega (Q, S)$ in Qur’an surah At Taubah verse 60 about zakat is explained that zakat (charitable donations are only for the poor and the needy, and those who work in the administration of such donations, and those whose hearts are to be won over, for the freeing of people in bondage and debtors, and to further God’s cause, and for the traveler in need. This is a duty ordained by God, and God is All-knowing, Wise. The above verse stated very clearly that zakat allocation is for certain people, especially those in need or less prosperous. Islamic concept emphasizes on effort to improve the well-being of those in need or less prosperous so they can have better and prosper life. In Zakat, there is also the concept of distribution, where assets are circulating, not just spinning among the rich.

Ontology from God ($\Omega$), through the process of IIE (Integration-Interaction-Evolution) which then descends into tawhid knowledge ($\theta$) states that zakat is an instrument to improve welfare, which is then syuratic process in this study when related to welfare or happiness index X ($\theta$). Then it is proven that zakat is a variable that affects welfare. In conclusion, W (0, X ($\theta$)) the well-being function, which means that welfare is a condition that will be achieved through zakat as one of the ways.

**Effect of Waqf on Welfare in Indonesia**

Waqf has a significant influence on welfare in Indonesia, and the community has already begun to feel its benefit. The result of this study is in accordance with Qur’an surah Al Baqoroh verse 261, Al Hasyr verse 7, Ali Imron verse 92, and also in line with research result of Azhary (1998). This indicates that waqf has started giving impact on welfare in the community.

The constitution No.41 year 2004 was a starting point of waqf management in Indonesia. Waqf assets can be used more productively because the law contains a more modern understanding and management
pattern in empowering waqf potential. After waqf had a legal basis in law and constitution, waqf can be an alternative solution to improve the socio-economic welfare of the community. Expansion in management and development is rapidly ongoing at the present, based on the constitution stated.

Nowadays, waqf is not only in the form of land ownership but also in cash. This means that waqf assets are not only just for infrastructure development, but also economic welfare development by directly and productively give benefit to the community. With cash, there is more investment opportunity available regarding religious aspect, education, and social service. In Muslim countries with more advanced waqf management such as Egypt, Jordan, Saudi Arabia, Turkey and Bangladesh, waqf is not only used consumptively but also productively. Besides infrastructure for worship, religious activity and education, waqf is also used in agricultural plantations, farms, finance, stock market, real estate, etc, which truly able to improve welfare in the community (Darwanto, 2012).

The ontology \( \Omega (Q, S) \) contained in Qur'an surah Al Baqoroh verse 261 concerning waqf is explicitly explain: The case of those who spend their property for the cause of God is like that of a grain that brings forth seven ears, each bearing a hundred grains. God gives manifold increase to whom He wills. God is Munificent, All-Knowing.

Ontology from God (\( \Omega \)), through the process of IIE (Integration-Interaction-Evolution) which then descends into tawhid knowledge (\( \theta \)) states that waqf is an instrument to improve welfare, which is then syurally process in this study when related to welfare or happiness index \( X(\theta) \). Then it is proven that zakat is a variable that affects welfare. In conclusion, \( W(\theta, X(\theta)) \) the well-being function, which means that welfare is a condition that will be achieved through waqf as one of the ways.

**The Effects of Investment on Welfare in Indonesia**

This research shows that investment does not affect welfare in Indonesia. This is in accordance with the research result of Sukirno (2000), Ozdemir (2006), and Metwally (1995). However, it is not in accordance with the research result of Permana and Alla (2010), Wihardjo (2014) and Suciati (2015).

The effect of investment on welfare needs further research. This research refers to data from 2012 to 2017 and shows that investment does not affect welfare in Indonesia, while research results of Wiharjo in 2014 and Suciati in 2015 showed the opposite results. An empirical analysis that also needs to be developed is that government investment emphasizes foreign investment by including foreign workers in the realization of investment in infrastructure development.

In accordance with the empirical findings, from 2015 to 2015 the government used a lot of foreign workers and imported materials in infrastructure development. Therefore, the direct impact on the absorption of domestic workers and the community, in general, is not significant. The development tends to be enjoyed by the upper class citizen, but not much by most people in the community, who is in lower to the middle class citizen.

Ontology \( \Omega (Q, S) \) is in Qur'an surah Yusuf verse 46 to 50 about investment. In Islamic law, the term investment is called mudharabah, which means to give money as capital to traders in order to gain profit. The Majma Fiqh Al-Islami Decree states that any investment that requires the businessman or traders (mudarib) to give back a certain level profit to an investor is forbidden. This is because the nature of the investment has turned into a loan with a promise of the benefit of usury.

Ontology from God (\( \Omega \)), through the process of IIE (Integration-Interaction-Evolution) which then descends into tawhid knowledge (\( \theta \)) states that investment is an instrument to improve welfare, which is then syurally process in this study when related to welfare or happiness index \( X(\theta) \). But it is not proven that investment is a variable that affects welfare. In conclusion, \( W(\theta, X(\theta)) \) the well-being function, which means that welfare is a condition that is not directly affected by the investment.

**Effect of Government Capital Expenditure on Welfare in Indonesia**
This research shows that government expenditure on capital does not affect welfare in Indonesia. This is in accordance with research result of Ingrid (2010), Badrudin (2012), Syahril (2011), Mawarni (2013), Karmini (2016) and Dewi and Supadmi (2016) which state that the government capital expenditure has no effect and no correlation with welfare directly. The failure of capital expenditure in influencing welfare occurs because of the still low allocation of capital expenditure in an effort to improve welfare and the allocation of capital expenditure has not been implemented correctly (Dewi and Supadmi, 2016).

This finding, when viewed from the TSR approach, can be explained that at the time of the Prophet Muhammad and the Companions applied applications in capital expenditure towards welfare, through suratic process (ijtihad or ijmak) that leads to knowledge is symbolized by teta (θ). Furthermore, the knowledge of zakat toward prosperity originating from the Qur’an and Sunnah interacts with the system in society leads to W (θ, X (θ)). The evolutionary process in this research can lead to another teta (ΩN). This process will go on and on repeatedly.

The Sunnah of Prophet Muhammad through the IIE process (Integration - Interaction - Evolution) which then descends into tawhid knowledge (θ) states that government capital expenditure is not an instrument that directly improves welfare, which is then syuratically process in this study when related to welfare or happiness index X (θ). It is evident that government capital expenditure is a variable that does not directly affect welfare.

**Effect of Government Expenditure in Social Assistance on Welfare in Indonesia**

Government expenditure on social assistance has a direct influence on welfare in Indonesia. The result of this research is in accordance with Qur’an surah Al Hasyr verse 7 and in line with research results of Badrudin (2012) and Nordhaus (1994), while Yuwani (2011) found the opposite result. It can be said that the government has carried out its duties trustworthy that the fund has reached the community, which can be shown by the increase of welfare due to the direct social assistance program.

The ontology Ω (Q, S) in Qur’an surah Al Hasyr verse 7 about government expenditure in social assistance is explained that whatever grains God turns over to His Messenger from the people of the townships belong to God, the Messenger, kinsfolk, orphans, the needy and the traveler in need. Thus, they would not just circulate among those of you who are rich. Whatever the Messenger gives you, take it; and whatever he forbids you, abstain from it. Remain God-fearing; for God is severe in retribution.

Ontology from God (Ω), through the process of IIE (Integration-Interaction-Evolution) which then descends into tawhid knowledge (θ) states that government expenditure in social assistance is an instrument to improve welfare, which is then syuratically process in this study when related to welfare or happiness index X (θ). Then it is proven that government expenditure in social assistance is a variable that affects welfare. In conclusion, W (θ, X (θ)) the well-being function, which means that welfare is a condition that will be achieved through government expenditure in social assistance as one of the ways.

**Influence of Development on Welfare in Indonesia**

This research shows that development variable has a significant effect on welfare. This result is consistent with the research result of Ibrahim (2011), Yuliati (2001), Adamapoulos (2004), Hamzah (2007), Adi (2006), Ranis (2004), Arsyad (2010), Mirza (2010) and Priambodo (2005) who found that development has a significant effect on welfare.

The development regression coefficient value towards welfare which is quite large, 0.551, illustrating that the development at the moment is still strong enough to influence welfare in Indonesia.

The essence of national development is the full development of Indonesian citizen and overall development of Indonesian society. In national development, there is harmony, balance, and unity that is intact in all development activities. Development for citizen, not citizen for development. In todays and long-term development, human elements, socio-cultural elements, and material elements must receive balanced attention.
This is in line with the Islamic perspective that economic development is material and spiritual, which include the human resources (HR), social, cultural, and so on. In Islamic economy perspective, there are three factors that influence the level of development (Yusuf, 2016). The first factor is investible resources. The second one is HR and entrepreneurship. The third one is technology and innovation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The purpose of this research is to prove that zakat, waqf, investment, government expenditure in the capital, government expenditure on social assistance and development have an effect on welfare in Indonesia. Based on the result of the analysis and discussion, the conclusions of this research are as follow:

1. Zakat has a positive and significant effect on welfare. This indicates that zakat empirically can have a direct influence on people’s welfare.
2. Waqf has a positive and significant effect on welfare. This indicates that zakat can be proven empirically its role in people’s welfare.
3. Investment has a negative effect on welfare. This indicates that domestic investment in research data time span, from 2012 to 2017, has not yet had an impact on Indonesian people welfare, and even has a negative effect.
4. Government expenditure in the capital does not affect welfare. This indicates that government expenditure in the capital does not directly affect welfare, but it will influence through development.
5. Government expenditure on social assistance has a significant positive effect on welfare. This indicates that government expenditure in social assistance with direct assistance programs such as BPJS, KJS, KJP, or similar program, is more directly felt by the community.
6. The development has a positive and significant effect on welfare. This indicates that the government-run development has been able to improve the welfare of people in Indonesia.

Recommendations

1. This research recommends policy makers to use more optimally Islamic instruments, especially zakat and waqf, as well as domestic investment in improving people’s welfare. The demographic dividend, which is mostly Muslims, is very relevant to the results of this study to return to the optimization of Islamic instruments in improving people’s welfare.
2. This research result is highly supported zakat and waqf institution and advises them to be more optimal and professional in managing zakat and waqf, considering they have the capacity to support the government in improving people’s welfare. Ulama, majelis ta’lim, and pesantren should socialize more about zakat and waqf as the implementation of the main pillars in the religion.
3. Further research shoud be held using primary data to strengthen this research result.

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