

Research Article

Digital Zakat and the Role of Zakat Intermediation: Case Study at BAZNAS West Java

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Abstract.

This study aims to determine the relationship between the use of digital zakat and the intermediary role of zakat in zakat institutions. The background of the research starts from the zakat institution which is authorized by the government according to Law Number 23 of 2011 concerning the management of zakat in Indonesia which carries out the role of zakat intermediary, namely collecting funds from muzaki and distributes to mustahiq. In fact, there is less than optimal collection of zakat with low realization of collection and less effectiveness of zakat distribution. Allegedly many factors are considered to be the cause of the ineffectiveness of the intermediary role of zakat, namely the collection and distribution of zakat. In this article, it is explained that the implementation of digital zakat is considered as one of the factors that has become an obstacle. The research method used is a case study at zakat institutions at the provincial level in the city of Bandung, namely BAZNAS West Java. Variables of research are digital zakat and the role of intermediation. Data collection were done by performing interviews and documentation. The results of the study show that the implementation of digital zakat at zakat institutions can optimize zakat collection with evidence of increased collection and more effective distribution of zakat, especially related to performance achievements.

Keywords: digital zakat, effectiveness, optimization of collection

1. INTRODUCTION

One of philanthropy Islam for which is generally used for solving economic, social and health problems. After the enactment of Law Number 23 of 2011 concerning the management of zakat. The growth and development of zakat institutions is increasing rapidly both in terms of quantity and quality of zakat management. Zakat institutions consist of government-based, namely the National Amil Zakat Agency (BAZNAS) and community-based, namely Lembaga Amil Zakat (LAZ). The National Amil Zakat Agency (BAZNAS). Structure and the levels are equated with the structure and levels of government, namely the central government (national), provincial governments and city/regency governments. The structure and levels of the Amil Zakat Institution (LAZ) consist of regional

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LAZ (LAZDA) and National LAZ funds (LAZNAS). The mechanisms and provisions that apply are regulated in Law Number 23 of 2011 concerning the management of zakat and Government Regulation number 14 of 2014 concerning Procedures for Implementing Law Number 23 of 2011 concerning the management of zakat [1].

Zakat institutions are institutions that are authorized by the government according to Law Number 23 of 2011 concerning the management of zakat in Indonesia which carry out the role of zakat intermediary, namely collecting funds from muzaki and distribute to mustahiq. Funds managed by zakat institutions are not only zakat funds including infaq funds, alms and other social religious funds (DSKL), which are then known as ZIS and DSKL funds.

For the role of collecting ZIS and DSKL funds from muzaki, zakat institutions design collection programs to optimize fundraising. Based on the facts, the collection of ZIS and DSKL funds still leaves problems because there is still very little realization of ZIS and DSKL funds compared to their potential. The potential for zakat is 320 trillion, while the realization is 20 trillion, or about 2.6% [2]. Likewise with the effectiveness of the role of distributing zakat which is considered to be lacking due to technical constraints considering that Indonesia is an archipelagic country with a large area, so that in the management of zakat it is necessary to also implement technology. Then, it is alleged that many factors are considered to be the cause of the ineffectiveness of the intermediary role of zakat, namely the collection and distribution of zakat. This article will explain the relationship between digital zakat and the intermediary role of zakat.

2. LITERATURE REVIEW

Zakat is defined as assets that must be issued by a Muslim or business entity to be given to those who are entitled to receive it [1]. The role of zakat in development is listed in the BAZNAS West Java Strategic Plan 2016-2020 [3]. Next, viewed in the context of economic life, it is always identified with poverty. Then, in Indonesia, issues related to the concept of implementing zakat both as a religious obligation and zakat as a component of public finance are very popular [4]. This was triggered by the issuance of Law No.23/2011 concerning Zakat Management. This law becomes a stronger legal umbrella in the management of zakat in Indonesia. Furthermore, the law requires that institutions that are allowed to manage zakat in Indonesia are government-based zakat institutions, namely BAZNAS and LAZ. This is in accordance with the research results of Fadilah et al , that good zakat management will have an impact on increasing public trust and zakat collection [5, 6].

Zakat institutions carry out the role of zakat intermediary, namely collecting zakat from muzaki and distributing it to mustahik. The role of collection is very strategic because it will determine how much zakat will be distributed. For this reason, zakat institutions will make the best strategy for collecting zakat. One of them is utilization technology digital for zakat collection with financial technology (Fintech).

Financial technology is any form of new technology that aims to improve and automate the use of financial services (financial). National Digital Research Centre (NDRC). Fintech is a term used to refer to innovation in the field of financial or financial services. If referring to OJK, then Fintech is defined as an innovation in the financial services industry that utilizes the use of technology. Fintech product usually in the form of a system built to run a specific financial transaction mechanism. Meanwhile, according to Bank Indonesia (BI), financial technology or Fintech is the use of technology in the financial system that produces new products, services, technologies, and/or business models and can have an impact on monetary stability, financial system stability, and/or the efficiency, smoothness, security, and reliability of the payment system.

Fintech can be understood as a financial technology startup [7]. There are at least six types of fintech business models; namely payments, wealth management, crowd-funding, loans, capital markets, and insurance [8]. Existing scientific works on fintech, at least, cover technical issues, such as fintech and board financial stability [7], a country's acceptance of fintech [9], understanding the latest fintech developments in Asia [10], the application of technology to implement the world movement on sustainable development goals (SDGs) [11].

In Indonesia, the recent development of fintech is very important. According to the regulator, currently there are 44 fintech companies offering payment services [12], and 99 companies per to peer (P2P) lending [13]. The rapid growth of fintech has contributed to efficient and effective practices in sector finance. In addition, fintech has also benefited the management of other industries, such as zakat organizations. Discussion of the idea of innovation in the management of zakat with technology has been of interest in scientific debates recently. This subject has a large scope for further exploration.

Researchers have discussed the notion of fintech and zakat in the Indonesian context. As carried out by Rachman & Salam, highlighted the need for regulation and standardization of technology based on zakat management [14]. Regarding the problems that arise, they propose a legal strategy involving the relevant Ministries and BAZNAS, for good governance practices in technology-based Zakat management at the national level [14]. Then, another opinion that discusses the idea of e-Zakat in Indonesia by Hakim et

al [15]. The researcher conducted interviews with members of the Indonesian Ulama Council (MUI) regarding the practice of collecting and distributing zakat funds through an online system. The result of his research is to explain that the perspective of modern jurists on the subject matter is documented to be permitted. The basis for this permit was given to support transparency, efficiency, and accountability practices [15]. Furthermore, Manara et al explained the problem of local poverty and the unrealized potential of Zakat in Indonesia [16]. For this reason, they project a strategy model to realize the potential of Zakat in local and national contexts through the Zakat crowdfunding system. They claim such a model can assist the government in reducing the national problem of poverty [16]. Overall, the results of previous research have helped to understand how far discussions about Zakat and fintech in the Indonesian context have gone. Then, as literature that includes the idea of building a legal strategy to practice good governance in technology-based Zakat management, the crowdfunding-Zakat model to reduce national poverty, and the views of scholars about the permissibility of zakat management with an online system. This is explained conceptually, which has not yet informed the way zakat institutions respond to fintech.

3. METHOD

The research method used in this study is the case study method approach descriptive analysis [17]. The case study method referred to in this study is a method that studies one case in one organization/company in depth. The approach in research is descriptive analysis research (descriptive analysis research) and qualitative. Furthermore, this method describes a comprehensive search, with analysis that can be chronological, conceptual, or thematic [18]. In this study, we will review the practices of BAZNAS regarding the management of zakat funds with online and digital systems, especially financial technology (Fintech) [19].

4. RESULT AND DISCUSSION

The pattern of collecting ZIS and DSKL funds at BAZNAS in West Java Province since 2015 is patterned on the infographic as follows:

From the picture above, the forerunner to the use of financial technology (fintech) media for zakat collection comes from the pattern: (1) BAZNAS Digital Channel; (2) Based on online applications; and (3) Bank Transfers (ATM and Mobile)

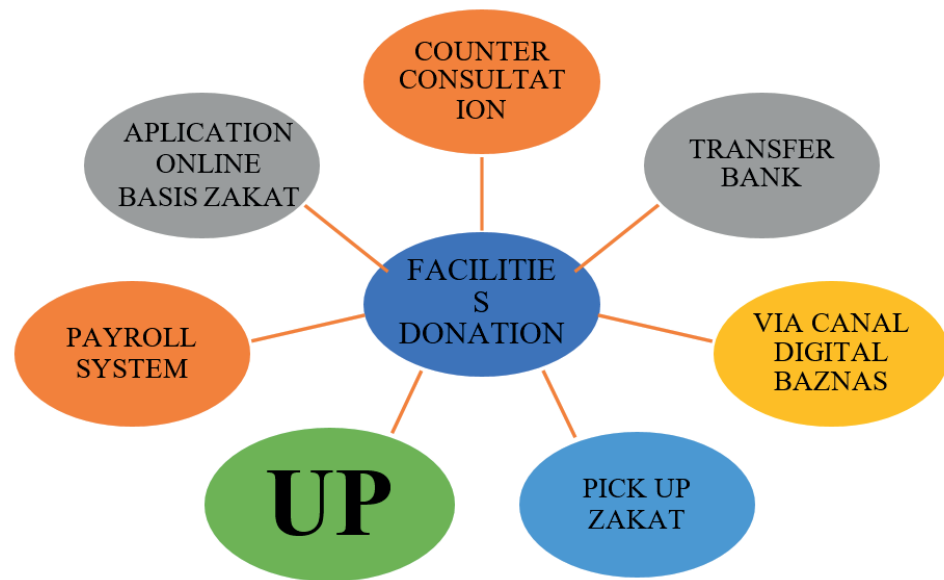


Figure 1: Pattern of ZIS and DSKL Fund Collection at BAZNAS West Java.

Until this time, the biggest source of collection was deducting professional zakat from the salary of ASN West Java Provincial Government (Payroll). The legality of deducting professional zakat from the salary of ASN West Java Provincial Government is: (1) Presidential Instruction Number 3 of 2014 concerning Optimization of Zakat Collection in Ministry, State Institutions, BUMN, Pemda and BUMD, and (2) Regulation of the Governor of West Java no. 70 of 2015 concerning Management of Professional Zakat, Infaq and Alms from Employees in the West Java Provincial Government.

The mechanism for deducting professional zakat from the salary of ASN West Java Provincial Government (Payroll). Furthermore, it can be explained that digital zakat strategy, especially the use of fintech media in raising ZIS funds from 2018, has increased by 8.55% in 2019. In 2020, it has decreased by 70.80% from 2019. This is due to the covid 19 pandemic and its impact on all fields. Then it experienced an increase again in 2021 from 2020 of 157.75%. The increase in ZIS fundraising from 2018 was partly due to the usage of financial technology media (fintech). Thus, based on data related to receiving strategies for using digital zakat especially usage financial technology media (fintech) can have an impact on increasing or optimizing the collection of ZIS funds.

The next intermediary role is channeling days ZIS for mustahik which consists of 8 asnaf namely Fakir, Poor, Amil, Riqab, Gharimin, Mualaf, Fisabilillah and Ibnu Sabil. The role of distribution is divided into 2 programs, namely the distribution of Zakat (consumption in nature) and the utilization of zakat (productive and empowerment in nature). BAZNAS West Java Province distributes and utilizes zakat, infaq, alms and other social religious funds through 5 main programs, namely Jabar Sehat (Healthy),

Jabar Peduli (Social Human), Jabar Smart (Education), Jabar Taqwa (Religion) and Jabar Mandiri (Economy).

Then, the success of a program will be measured by indicators and measurement tools that have been determined. Below, a zakat fund distribution program is presented with the optimization of each size index:

TABLE 1: Optimization of the Zakat Distribution Program.

No	Program	Program Optimization
1	Healthy West Java	National Zakat Index (IZN) - Achievement of SDG's Healthy society, etc
2	Smart West	National Zakat Index (IZN) - Achievement of SDG's Educating the nation, etc. - Eradicating illiteracy, etc
3	West Java Independent	National Zakat Index (IZN) - Achievement of SDG's Alleviating poverty, etc. - Food self-sufficiency Improve well-being
4	West Java Cares	National Zakat Index (IZN) - Handles emergencies Handling disaster, etc
5	Jabar Taqwa	National Zakat Index (IZN) - Anticipating Apostasy Increase piety
6	Zakat Community Development (ZCD)	National Zakat Index (IZN) - Community Empowerment Zakat Village Index (IDZ) - Creating jobs Achievement of SDG's - Building MSMEs

Source: BAZNAS West Java Document

After 2017, the West Java BAZNAS zakat fundraising strategy follows environmental changes, especially changes in the very fast technological environment. Coupled with the Covid 19 pandemic that has hit the world including Indonesia since 2020, where human interaction is very limited, the use of digital technology including the use of financial technology (fintech) media has become a necessity. West Java BAZNAS pursues and accelerates digital zakat.

Prior to using financial technology (fintech) media, a survey was conducted on muzaki regarding their preferences. And a benchmark to the central BAZNAS. Financial technology (fintech) at BAZNAS is not only used for collecting and distributing ZIS funds [20], but also for managing ZIS funds. However, the strategy of using financial technology (fintech) is more widely used for the ZIS fundraising role.

Fundraising (fundraising) is the process of collecting voluntary contributions in the form of money or other resources by soliciting donations from individuals, companies, foundations or government agencies. At BAZNAS West Java, the grand design strategy for raising funds is. Retail, Zakat Collection Unit (UPZ) and CSR funds. However, for BAZNAS West Java, it is mostly retail and UPZ. As for the donor/muzaki behavior of the

BAZNAS West Java, it is not much different from the central BAZNAS, as shown in the following table:

TABLE 2: BAZNAS West Java of Behaviour Donors.

No	Behaviour	Description
1	Attention	Out Door (Sapnduk, Baleho, Banner) Publicity (Release/Presscon) in Print Media, Online, tv, radio) Social Media (FB, IG & Twitter, WA) Magazine Flyer (brosur/News letter)
2	Interest	Direct mail / e-mail Direct WA, SMS, Line, Messenger Telemarketing Flyer (brosur/News letter) Events, Recitations, Outreach
3	Search	Website & Social Media Call Center - (telp/WA/Email, Chat OL) ZIS Counter BAZNAS Office Program Location
4	Action	ZIS BAZNAS Counter Transfer Bank : ATM, M-Banking, Internet Banking Ecommerce ZIS outlets (partner retail cashiers) Lending Page (Internal/External Platform) Agency (Agent of good behavior / PPOB)
5	Share	Social Media Community Event

Source: BAZNAS West Java Document

The financial technology media used by West Java BAZNAS is presented in the following table:

TABLE 3: Media Financial Technology Used by BAZNAS West Java.

No	Media Fintech	Description
1	Donation Website: Baznasjabar.org	Presents all information related to BAZNAS West Java. It is also a channel for the muzaki community to donate
2	QR Code: QRIS, Link Aja and Gopay	QR Code is an integration system for various codes created by the Indonesian government to facilitate online transactions.
3	CrowdFunding: We can Your time Hijrah We Care	Interesting content Writing/Copywriting writing evoke Activated with social media Convenience of donations Distribution updates Real time notifications to donors
4	Banking Channel	Using the partnership principle with banking partners, such as: BSI, BJB Syariah, CIMB Syariah Bank, Mandiri Bank, Mandiri Syariah Bank, BCA Bank and others.

Source: BAZNAS West Java Document

BAZNAS West Java Province as a non-structural government institution that is independent and responsible to the Local Government and Central BAZNAS one of the duties and functions of BAZNAS West Java is to collect zakat, infaq and alms (ZIS) and fundssocial other religions (DSKL). Through building community trust and strategy

collection ZIS and DSKL funds using financial technology (fintech) can increase the optimization of ZIS and DSKL fundraising.

TABLE 4: BAZNAS West Java ZIS Fund Receipts.

No	Type Donation	2021	2020	2019	2018
1	Zakat	35.749.423.110,00	15.277.755.991,00	24.673.563.256,95	24.673.563.237,00
2	Infak	2.688.011.847,00	829.204.270,00	2.432.320.524,00	1.242.652.572,00
3	Factor	9.131.090.816,00	3.093.041.491,00	5.325.847.560,00	3.961.978.455,00
	Total	47.568.525.773,00	19.200.001.752,00	32.431.731.340,95	29.878.194.264,00

Source: <https://baznasjabar.org/content/laporan-pengelolaan-zakat>

Based on the data in the table above, it shows that with strategy digital zakat, especially the use of fintech media in collecting ZIS funds from 2018, has increased by 8.55% in 2019. In 2020 it has decreased by 70.80% from 2019. This is due to the covid 19 pandemic and its impact on all fields. Then it experienced an increase again in 2021 from 2020 of 157.75%. The increase in ZIS fundraising from 2018 was partly due to this usage financial technology (fintech) media (Lee, I., & Shin, Y. J.:2018)[8]. Thus, based on data related to the receipt of zakat funds, the strategy for using digital zakat is mainly usage financial technology media (fintech) can have an impact on increasing or optimizing the collection of ZIS funds (Suharyati, et al. 2023)[22]

5. CONCLUSION

Based on the discussion previously explained, the conclusions are: (1) It becomes a necessity due to environmental changes, especially technological developments plus the Covid 19 pandemic in 2020. (2) The selection of fintech media will be based on the results of a survey of the public, especially muzaki. (3) The use of fintech is not only for the role of collecting and channeling ZIS and DSKL funds. (4) Fintech media used by BAZNAS West Java, among them: Donation Website Channel, QR Code Channel, Crowdfunding Channel, Banking Channel. Out of the 5 fintech channels/media, the most widely used is channel crowdfunding which ranks first is used by the community/muzaki of BAZNAS West Java. And (6) The strategy of using fintech can increase the collection of ZIS and DSKL BAZNAS West Java funds which have proven to have increased from 2018 – 2021. The recommendations from this study are (1) Before determining fintech media, zakat institutions need to conduct a community/muzaki preference survey to increase the effectiveness of using Fintech media. (2) zakat institutions must carry out monitoring related to the effectiveness of the use of fintech media.

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