

## The Potential of the Millennial Generation in Paying Zakat through Digital Payment

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### ABSTRACT

*Indonesia has the largest number of Muslims in the world; therefore, the potential of zakat can reach 3.46% of the GDP. However, in fact, the total collection of zakat is not in accordance with its potential. One of the solutions which can be done is to approach the millennial generation. The millennial generation is also known as the generation who likes things that are easy and related to technology. The purpose of this research is to analyze how the intention of the millennial generation to pay ZIS through digital payments so that ZIS collectors can find out what needs to be improved. Based on the literature review, behavioral intentions will affect individual behavior of consuming an item or service, which in this study is behavior in deciding to pay ZIS through a digital platform such as OVO, GoPay, or mobile banking. This research has implications for OPZ to make android and ios-based applications to pay zakat, infaq, and sadaqah.*

*Keywords: Zakat, Millennial Generation, and Digital Payment.*

### INTRODUCTION

The majority of Indonesia's population is Muslim, thus making Indonesia have great potential and opportunities to become the center of the world's *sharia* economy. Almost all components of society are ready to advance the Islamic economy, and then it is just a matter of how to start properly so that all can work together.

The most important instrument in the Islamic economy, especially in improving the welfare of the State, is *Zakat*, *Infaq*, and *Sadaqah* (ZIS). Having 87.18% Muslim population of Indonesia illustrates that the potential for ZIS in this country is very large. This potential also results from the demographic transition, which increasingly dominates the productive generation of young people, and Indonesia's economic growth with the increasing number of middle-class people in the digital

economy era, which has reached 52 million people (Mega, Rindani, Nurul, 2020).

The public awareness of paying ZIS every year is increasing, especially with the support of technological advances that make it easier for everyone to pay ZIS. Today's society tends to make ZIS payments online. For example, for internal platforms, Zakat Management Organization (OPZ) has digitized collection services using several facilities, including the OPZ website. Apart from going through the website, OPZ has also developed an Android-based application to collect *zakat* funds from *muzakki*. With just a few steps, *zakat* payments are very easy to complete.

For external platforms, OPZ worked with external platform providers. First, the ride-hailing platform from Indonesia, namely Gojek, through its corporate unit called Go-Give. BAZNAS, Dompot Dhuafa, and Rumah Zakat have also

collaborated with the ride-hailing platform in collecting *zakat* funds. Second, by means of crowdfunding. One of the crowdfunding platforms used is Kitabisa. Third, BAZNAS, as the coordinating agency for OPZ, formed Zakathub (KNKS 2019).

Because transactions using e-wallets or digital wallets have become a trend in society to make various transactions. It is estimated that in the not-too-distant future, Indonesia will move towards a cashless society where transactions will be carried out in a non-cash manner (Asmara, 2018). So, OPZ has collaborated with e-wallet platforms to provide non-cash *zakat* payment facilities, such as Gopay, LinkAja, and OVO, to receive *zakat* and *infaq* payments.

## LITERATURE REVIEW

### *Online Zakat, Infaq and Alms Concepts*

*Zakat, Infaq, and Alms (ZIS)* is a form of worship that is highly recommended in Islam. In addition, ZIS also plays a role in solving economic development problems, especially poverty and unequal income distribution. So, paying for ZIS is very important and needs to be developed to facilitate the formation of worship for every Muslim. One of the new ways to pay ZIS in the industrial era 4.0 is through a digital or online platform, also known as ZIS online.

*Zakat, Infaq, and Alms (ZIS) Online* is a ZIS payment process that is done digitally or online where *muzakki* who want to pay ZIS do not need to go to the *zakat* payment center or meet directly with the *amil*. In *sharia*, the practice of ZIS payments is permissible because it follows the times and technological advances that make it more convenient. In addition, the *fiqh* conditions also follow, namely the existence of consent and *qabul* indirectly because the *amil* and *muzakki* do not meet. Therefore, the prayer that is recited when the *muzakki* hands over *zakat* to the *amil* can be sent via SMS (Mega, Rindani,

Nurul, 2020). Based on *Outlook Zakat Indonesia* (2019), published by BAZNAS, there are three types of digital platforms that can be used to pay ZIS, namely:

1. Internal Platform, a platform developed by the *zakat* management organization itself in the form of a website or application. For example, Muzaki Corner which BAZNAS owns, dtpeduli.org, and Zakat Apps which Sinergi Foundation owns;
2. External Platform, a platform provided by *zakat* management organization partners to raise ZIS funds. Such as through e-commerce (Tokopedia, Bukalapak, Lazada, Elevenia, Blibli), online crowdfunding (KitaKita.com), QR Code (GoJek);
3. Media Platform, a ZIS fundraising method through social media such as OY! Indonesia.

### *Millennial Generation*

According to Yuswohady in the article *Millennial Trends* (2016), the Millennial generation is the generation born in the early 1980s to 2000. This generation is often referred to as Gen-Y, Net Generation, Generation WE, Boomerang Generation, and Peter Pan. Generations, and others. They are called the millennial generation because they are the generation that lives at the turn of the millennium. Simultaneously, in this era, digital technology has begun to permeate all walks of life (Syarif Hidayatullah, Abdul Waris, 2018).

### *Millennial Generation Characteristics*

Sweeney (2006: 2) explains 16 characteristics of the millennial generation that influence shifts in their behavior:

1. More Choices; More Selectivity. They have a lot of personal preferences, with many but more selective choices. Because they are spoiled for choice, they become very

- picky, especially in buying products and using services. They feel that abundant choice is their right;
2. **Experiential and Exploratory Learners.** They tend to prefer an exploratory way of learning (learning by doing). So, they learn by doing something, simulating and interacting, then making the best choice until the last second;
  3. **Flexibility/Convenience.** They act flexibly, so they like flexibility in terms of time and place. In his activities, he likes to be constantly connected using social media wherever and whenever;
  4. **Personalization and Customization.** To fulfil their tastes quickly, they like to shop online by liking products or services that have personalized features and can be adjusted according to their wishes. Even when they like something, they will immediately search for the product on the internet and conduct a survey about the product;
  5. **Impatience.** They have the character of impatience in dealing with a problem. So, they tend to be impatient, so they have no tolerance for delays in fulfilling their needs;
  6. **Practical, Results Oriented.** They are externally oriented, with a tendency to be practical and results oriented. It means not being interested in the process so that what is important from the results can speed up their work;
  7. **Multitaskers.** They have a habit of multitasking so they can do several jobs simultaneously at the same time;
  8. **Digital Natives.** They are very adaptable to computer technology, the internet, and gadgets. Because he was born in the midst of the rapid growth of computers and the internet, in this case, technology has become a friend in his life;
  9. **Gamers.** They really like the game (gamers). They are willing to spend hours just playing video games;
  10. **Nomadic Communication Style.** They like nomadic ways and styles of communication, so they have many friends. Furthermore, they like to communicate using social media with the principle of instant messaging;
  11. **Media/Format Agnostic.** They most enjoy fully interactive multimedia, colorful images, audio including text media. It is like the multimedia learning model that is done with vodcasting and iPodcasting;
  12. **Collaboration & Intelligence.** They prefer collaborative work and rely on their intelligence, so they are more efficient in terms of time. They know how and when to work with others more effectively;
  13. **Balanced Lives.** They don't want to work 80 hours a week at the expense of health, free time, and even higher wages. Based on the motive to pursue a balanced life, they like a balanced life. They tend not to like spending their time working just for the sake of a big salary. They have time to please themselves or enjoy life and hope to earn more than their parents.

## RESEARCH METHODS

The analytical method used in this paper is a qualitative descriptive method that aims to explain and comprehensively analyze the potential of the millennial generation in paying *zakat* through digital platforms. The data used are secondary data obtained through literature studies sourced from journals, books, publications, and others.

## RESULTS AND DISCUSSION

### *Analysis of the Effectiveness of Zakat Payments through E-Payment*

According to Hafidhuddin and Ahmad, fundraising is a very important activity for *zakat*, *infaq*, and alms management institutions. If a *zakat* management institution does not carry out fundraising

activities, certainly the activities will not run smoothly. Because fundraising is not synonymous with money alone, but the scope is broader and deeper. The term of fundraising can be interpreted as an activity or action to collect or raise *zakat*, *infaq*, and *sadaqah* funds as well as other resources from society, individuals, groups, and organizations that will be channeled and utilized for *mustahiq* (Trisno, 2022). The potential for collecting *zakat* funds for the millennial generation is quite large. Of course, this is a concern for *zakat* management organizations in utilizing the potential of millennial *zakat*. To achieve this *zakat* potential, an analysis of supporting the millennial generation in *zakat* is needed, both internally and externally, through a SWOT analysis.

One way to take advantage of the potential of *zakat* is to update the payment system, one of which is using the digital payment feature or e-payment for *zakat*. The results of previous research stated that the implementation of *zakat* online was effective; this was supported by e-commerce features which were also effective (Rohman & Indrarini, 2021). During the recent Covid-19 pandemic, the role of paying *zakat* via e-payment is, of course, very much needed in helping each other to people affected by Covid-19. In addition, *zakat* is an effective Islamic financial instrument in helping people reduce poverty after the Covid-19 pandemic (Afifah, 2020).

This e-payment can provide easy access to the distribution process because it can be done easily and quickly without having to come in person (Ninglasari & Muhammad, 2021). This statement is supported by research results from Sakka and Qulub; the results of the study showed that online *zakat* collection exceeded 2% of the stated target. The target of collecting *zakat* in 2017 is IDR 1,114,329,320, while what has been achieved is IDR 1,242,957,097. Thus, applying a finance technology-based *zakat* payment system to

Dompot Dhuafa in South Sulawesi is running effectively (Sakka & Qulub, 2019). Other studies state effective results with different benchmarks, namely research on the Rumah Zakat Foundation using allocation-to-collection ratio (ACR) analysis. Based on the results of the study, it was concluded that the distribution of funds (use of assets) at the Rumah Zakat Foundation using the allocation-to-collection ratio (ACR) is very effective (Yudhira, 2020).

Information and financial technology in the 4.0 era in collecting *zakat* is needed to increase the efficiency of *zakat* collection (Friantoro & Zaki, 2018). The distribution of *zakat* through e-payment can be an adaptation to the Industrial Revolution 4.0 era, where all human activities cannot be separated from digital applications (Santoso, 2019). By utilizing digitization, *zakat* can increase the efficiency of *zakat* management because it is easy and saves time. Meanwhile, to further optimize the role of digital in distributing *zakat*, it is necessary to improve the governance of this digital *zakat* information system because online payment systems or financial technology can increase the intention of millennial Muslims to donate easily (Niswah et al., 2019). It is undeniable that fintech is urgently needed to collect *zakat* funds in Indonesia so that it is more effective with a wide reach in cities and villages without demographic boundaries, except for internet network barriers (Syed et al., 2020).

Meanwhile, other studies stated different results. There are several results of previous studies state that the application of *zakat* online has not been effective, including research for a case study at the At-Taqwa Center Cirebon. The case study conducted by Faozi and Jehan uses several benchmarks of effectiveness, including usability, accuracy and objectivity, scope, cost-effectiveness, and accountability. However, only two benchmarks yielded

effective results, namely in terms of cost-effectiveness and accountability. This is because there is no centralization of barcodes, and the public is not used to using the barcode (Faozi & Jehan, 2020).

Next is research from Ar-Rofie, which examines the same matter. His research stated that the gain was optimal but not yet effective. In terms of fundraising, it has been very optimal; the funds that have been collected, if we look at the report in 2020, were able to collect as much as IDR 4,448,517,958 is not a small amount. However, based on an analysis of the effectiveness ratio in achieving the set targets, it can be said that it has not been effective; this is because it has not been able to reach the targets that have been set (Ar-Rofie, 2021).

#### *The Potential of the Millennial Generation Paying Zakat through Digital Platforms*

Indonesia's *zakat* potential is estimated at IDR 327 trillion, with the 2022 National *zakat* collection target reaching IDR 26 trillion. However, the Islamic social fund, ZISWAF (*Zakat, Infaq, Sadaqah, and Waqf*), is still experiencing difficulties in collecting it, so it has not been able to reach its potential point. The National Amil Zakat Agency (Baznas) reports that the trend of giving *zakat* in 2021 is dominated by millennials aged 25-44 years. In fact, the amount reaches 70 % of the total collection of *zakat, infaq, and alms (ZIS)* of IDR 11.5 trillion. One of the causes of the difficulty in collecting *zakat* is the *zakat* payment channel for Indonesian society, which is still dominated by payment through channels other than *zakat* institutions, such as mosques, closest people, or giving directly to the poor.

This is due to a lack of public trust in the governance, transparency, and accountability of *amil zakat* institutions. A digitization strategy is needed so people are closer to *zakat* management institutions. *Zakat* payments can also be channeled via

the internet. Many online applications provide digital *zakat* services. Digitalization has enormous potential to help address key issues in Islamic social fundraising. For example, throughout 2021, the collection of *zakat, infaq, alms, and endowments* at LinkAja Syariah has increased transactions by more than 780 %. Rumah Zakat has been a partner of the LinkAja donation institution since 2019, and in 2021 the collection of LinkAja Syariah donations through Rumah Zakat has increased transactions by more than 520 %, active users by more than 610 %, and donation value of more than 360 %.

INDEF researcher, Izzudin Al Farras Adha, said that *sharia* fintech has contributed to Islamic social finance in Indonesia. During a pandemic, Islamic economics and finance also took responsibility and played a role in alleviating socio-economic problems. Until the end of 2021, there are 17 *sharia* fintech registered and supervised by OJK. *Sharia* fintech assets in Indonesia grew by IDR 134 billion in June 2021, or around 3 % of total fintech assets in Indonesia. Although the contribution to overall fintech assets is relatively small, *sharia* fintech assets have increased by more than 50 times from 2019 to mid-2021.

From a demographic perspective, Indonesia has enormous ZISWAF potential due to a demographic bonus. This situation is favorable. Currently, as many as 26 % of the population are millennials, and 28 % are generation Z. Therefore, a special strategy is needed to maximize the potential of digitalization and millennials so that the collection of Islamic social funds can get closer to the actual potential amount. BAZNAS optimizes through the BAZNAS Information Management System (SIMBA) application developed to be used by *zakat* managers.

The potential for *zakat* from the millennial group in 2020 can be reflected in the potential for *zakat* income among those aged 25-40 years. According to BPS data,

as of February 2019, there are two main types of work for the millennial group with an income of more than IDR 5 million (professional *nishab zakat*) per month. These jobs include mining and leadership, with an average income of IDR 5,237,299 and IDR 7,538,441, respectively. Assuming that more than 80 % of Indonesia's population is Muslim, and the number of millennials increases in 2020, there will be a large potential for *zakat*. This is a challenge for OPZ to realize.

In addition to the potential for *zakat* income, the millennial generation also has great potential to provide other Islamic funds such as *infaq*, endowments, and alms. At least this potential can be measured from Indonesia's achievements as the number one country in terms of donations, according to *The World Giving Index* (2019). Of course, this will be a challenge for OPZ to capture and realize opportunities for the millennial generation to donate.

### CONCLUSION

The potential for *zakat* collection in Indonesia is quite large. However, it is still experiencing difficulties in collecting it, so it has not been able to reach its potential point. *Zakat* management organizations use various methods to achieve the potential for collecting *Zakat*, one of which is through innovative *zakat* payments using digital platforms or using e-payment.

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