

Digital Innovation In Zakat Collection And Distribution: Opportunities And Challenges

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ABSTRACT

This article discusses the development of digital innovation in zakat collection and distribution, focusing on the opportunities and challenges that arise in the technological era. Using a descriptive method of analysis and an inductive approach, this study traces and analyzes various sources of literature, both classical and contemporary, to build a comprehensive understanding of this topic. The research process involves collecting data from a variety of sources, including classic fiqh zakat books, recent research on fintech in Islamic finance, journal articles on zakat digitalization, and reports of zakat management institutions. An inductive approach was used to identify patterns and themes emerging from the data, which were then analyzed to generate insights into the impact of digital innovations on zakat practices. The results of the analysis show that digital innovations, such as zakat crowdfunding platforms, mobile applications, and blockchain technology, have opened up new opportunities in improving the efficiency of zakat collection, expanding outreach, and increasing distribution transparency. However, the research also identifies significant challenges, including digital divide, data security and the need for regulatory adjustments to accommodate new forms of zakat management. The research concludes that although digital innovation offers transformative potential in zakat management, a balanced approach between technology adoption and preservation of sharia principles is required. The article also emphasizes the importance of inclusivity in the implementation of digital solutions to ensure that the benefits of innovation can be felt by all levels of society.

Keywords: zakat, digital innovation, fintech, crowdfunding, blockchain, financial inclusion

INTRODUCTION

Zakat is one of the obligations of Muslims that must be fulfilled, in addition to other obligations. The obligation to pay zakat with the obligation to pray is often linked in the Quran and there are 27 verses that state about this. One of them is QS. at-Taubah [9]: 103 which means “Take zakat

from some of their wealth, with which you cleanse and purify them”.

Indonesia is a country with the largest Muslim population in the world, the potential for zakat is very large but its realization is still far from optimal. According to Sophisticated et al. (2017), there is a significant gap between the potential and realization of zakat collection

in Indonesia. In recent years, the development of digital technology has opened up new opportunities in various aspects of life, including in zakat management. Digital innovations such as crowdfunding platforms, mobile applications and blockchain technology are starting to be used by zakat institutions in Indonesia.

Digital zakat collection began in 2016 with a collection amount of Rp 0.49 M, in 2019 the potential for digital zakat collection in Indonesia reached Rp 63.9. In 2022, Indonesia also has a huge potential for zakat, reaching Rp 327.6 trillion (BAZNAS, 2023). However, the realization of zakat collection is still far from the potential, where in 2022 the total national zakat collection only reached IDR 10.2 trillion or around 3.1% of the potential (Beik & Arsyianti, 2023). The gap between the potential and realization of zakat collection is caused by various factors, including limited access, lack of public understanding, and suboptimal collection and distribution systems (Nurhasanah, 2020).

The application of digital technology in zakat management has the potential to overcome various challenges that have been faced, such as limited reach, lack of transparency, and inefficiency in distribution. Rachman and Salam (2018) argue that the use of information technology can improve the accountability and transparency of zakat management, which in turn can increase public trust.

Digital transformation in zakat management is a necessity, especially after the COVID-19 pandemic that accelerated the adoption of digital technology in various aspects of life, including in financial and social transactions (Hasanah et al., 2022). Digital platforms, mobile banking, and various financial technology (fintech) innovations open up new opportunities in

optimizing zakat collection and distribution (Firmansyah & Devi, 2021).

However, the adoption of digital technology also brings its own challenges. Ascarya and Yumanita (2018) in their research on zakat value chain identified several barriers in the digitalization of zakat, including digital divide in society and the need for adaptive regulation.

This research aims to comprehensively examine the opportunities and challenges arising from digital innovation in zakat collection and distribution in Indonesia. By understanding these dynamics, it is expected to provide insights for the development of effective strategies in optimizing zakat potential through the utilization of digital technology, while still paying attention to the principles of sharia and inclusivity. Based on the above background, the author will discuss how digital innovation in zakat collection and distribution can be both an opportunity and a challenge in zakat management.

METHODOLOGY

This research is descriptive-analytical and uses an inductive approach in tracing and collecting scientific materials and referring to old and modern references, including books, research, articles, scientific conference recommendations, and so on. The analytical approach is used to study the problem and the elements related to it, by analyzing the opinions of experts and scholars and researchers as well as the experience of workers in implementing the process of distributing zakat in Indonesia.

RESULT AND DISCUSSION

Definition and Purpose of Zakat

Zakat comes from the word “zaka” which means holy, good, blessing, growth, and development. Zakat is named because it

contains the hope of obtaining blessings, cleansing the soul and nurturing it with various goodness. Zakat is an obligatory contribution imposed on Muslims to help the needy. It serves as a wealth redistribution tool and plays an important role in reducing socio-economic disparities.

According to Sophisticated et al. (2017), zakat is defined as the obligation of a Muslim to spend part of his wealth that has reached the nishab (minimum limit) within a certain time and given to those who are entitled to receive it. According to M. Djamal Doa, zakat is a material obligation for every Muslim who has met the requirements (nisab and haul) to set aside part of his property in accordance with the provisions of Islamic law. Literally, zakat means to grow, develop, and purify.

According to Didin Hafidhuddin, zakat is part of the property with certain requirements that Allah SWT requires the owner to submit to those entitled to receive it with certain requirements as well. He emphasized that zakat is a *maaliyah ijtima'iyah* worship (worship related to the economy and society).

The purpose of paying zakat is to help the poor to improve their welfare and purify their assets by paying zakat to those entitled to receive zakat (*mustahik*) (Cokrohadisumarto et al., 2019). In addition, based on Kasri's research (2016), the main objectives of zakat include:

- a) Poverty alleviation
- b) Equalization of wealth distribution
- c) Community economic empowerment
- d) Improvement of social welfare

Development of Zakat Management in Indonesia

The history of zakat management in Indonesia has evolved over time. Fauzia (2013) Zakat management in Indonesia has evolved from a traditional system based on

mosques and Islamic boarding schools to modern institutions that are managed professionally. Methods of Zakat payment :

a) Traditional Methods of Zakat Collection

Historically, zakat collection was done through mosques, religious institutions, and government. However, this method often suffers from limitations in terms of efficiency and transparency.

b) Zakat collection via digital

The use of online payment platforms and mobile banking has increased the accessibility and ease of paying zakat. Research by Nurhasanah and Suryani (2018) shows that the use of e-payment in zakat payment has a positive effect on the interest in paying zakat.

- **Special Application for Zakat**

The development of special smartphone-based zakat applications has made it easier for muzakki to calculate and pay zakat. For example, the "Zakat Kita" application developed by BAZNAS. Rachman and Salam (2018) found that the use of zakat application increases muzakki's satisfaction and trust towards zakat institution.

- **Integration with E-commerce**

Some e-commerce platforms in Indonesia have integrated zakat payment feature in their services. Huda et al. (2017) highlighted the potential of zakat integration with e-commerce in improving zakat collection in the digital era.

- **Mobile Application and Online Platform**

Mobile application provides convenience for muzakki in calculating and paying zakat. A study from BAZNAS (2019) shows that the use of apps can increase the number of muzakki and the efficiency of zakat collection.

- **Digital Payment System**

Integration with e-wallet and online payment system provides convenience and speed in zakat payment. A report from Islamic Relief Worldwide (2022) shows a significant increase in zakat payment through digital platforms over the past few years.

Zakat management in Indonesia has been regulated in Law No. 23 Year 2011. As stipulated in chapter II article 5 states that (paragraph 1), to carry out the management of zakat, the Government establishes the National Amil Zakat Agency (BAZNAS). (BAZNAS), while (in paragraph 2) BAZNAS as referred to in paragraph (1) is domiciled in the capital city of the country. Meanwhile, Article 15 (in paragraph 1) states that in order to implement zakat management at the provincial and district/city levels, provincial Baznas and district/city Baznas are formed. Article 17 states that to assist Baznas in carrying out the collection, distribution, and utilization of zakat, the community is allowed to conduct zakat privately, which is referred to as LAZ (Lembaga Amil Zakat).

Blockchain In Zakat Management

Blockchain technology offers several advantages in zakat management (Firmansyah et al., 2023): Transaction transparency, data security, distribution tracking and smart contracts for automation.

Benefits of Blockchain Implementation

- Increase transparency of zakat fund management
- Reducing the operational costs of zakat institutions
- Minimizing the risk of misappropriation of funds
- Facilitate auditing and reporting
- Increase muzakki trust

Implementation Challenges

- Uneven technology infrastructure
- Limited understanding of blockchain technology
- Regulation that is not yet comprehensive
- High initial investment costs
- Need for competent human resources

Financial Technology (Fintech) in Zakat Management

The development of fintech has opened new opportunities in zakat management. Rusydiana (2018) identifies various fintech models that can be applied in the zakat ecosystem, including crowdfunding, peer-to-peer lending, and blockchain. Furthermore, Rachman and Salam (2018) show how fintech implementation can improve accountability and transparency in zakat management.

Benefits of Digital Innovation in Zakat Distribution

Data Analytics and Mapping

By utilizing data analytics, zakat institutions can identify areas that need zakat the most, increasing the effectiveness of distribution. This technology enables more targeted and data-driven distribution.

Transparency and Accountability

The use of digital platforms increases transparency in zakat management. Publicly accessible reports increase public trust in zakat institutions, as reported by Dompot Dhuafa (2021).

Concept and Implementation of Zakat in the Digital Era

Zakat, as an Islamic financial instrument, has undergone a transformation in its implementation in the digital era.

Andriyanto (2019) explains that the digitalization of zakat not only includes the collection and distribution process, but also involves aspects of education and transparency. Meanwhile, Nurhayati et al. (2019) emphasized the importance of innovation in zakat management to increase effectiveness and efficiency.

Challenges of Digital Technology Implementation in Zakat

Despite offering various benefits, the adoption of digital technology in zakat management also faces challenges. Ascarya and Yumanita (2018) identified several key barriers, including digital divide, data security, and the need for adaptive regulations. Meanwhile, Purnamasari and Firdaus (2017) emphasize the importance of considering sharia aspects in the implementation of digital technology for zakat.

Opportunity to Increase Zakat Collection through Digital Innovation

Several studies show the significant potential of digital innovation in improving zakat collection. Sophisticated et al. (2017) analyzed the gap between zakat potential and realization in Indonesia, highlighting the role of technology in bridging the gap. Furthermore, Wahyuni (2020) demonstrated how digital platforms can expand the reach and improve the efficiency of zakat collection.

I. Optimizing Zakat Distribution through Technology

Digital innovation also has the potential to optimize zakat distribution. Kasri (2016) explores the effectiveness of zakat targeting in poverty alleviation, emphasizing the role of technology in improving distribution accuracy. Meanwhile, Mubarakah et al. (2017) examined the impact of zakat on mustahik

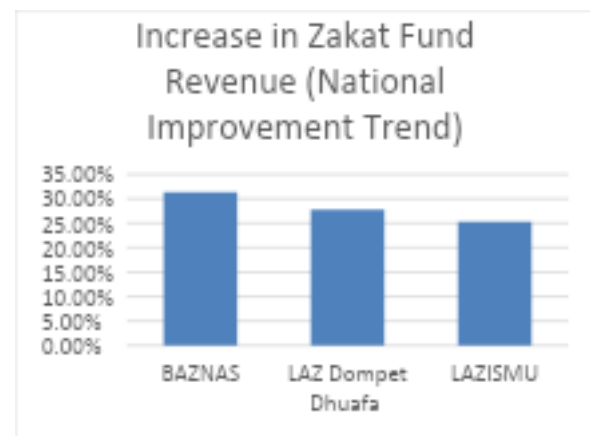
welfare, showing how technology can assist in monitoring and evaluating zakat programs.

The results of the research conducted through the research methodology are as follows:

Improved Efficiency of Zakat Collection

The implementation of digital technology has shown a significant increase in the efficiency of zakat collection. According to research conducted by Wahyuni (2020), the use of digital platforms for zakat collection at LAZISMU Magetan increased the amount of zakat revenue by 27% in one year.

This is in line with Nurhasanah's (2018) findings which showed that the adoption of online payment system by BAZNAS increased the total national zakat collection by 31% compared to the previous year.



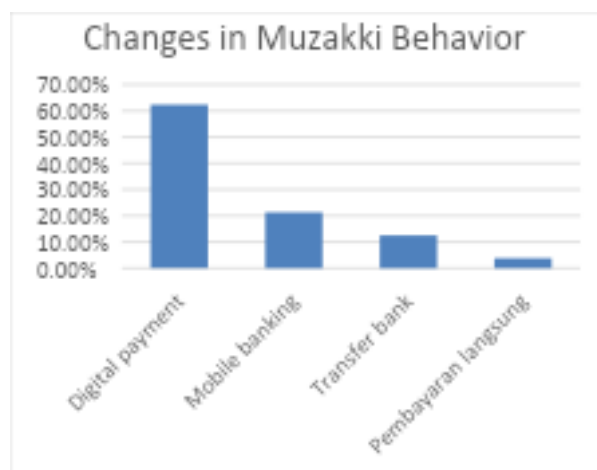
- BAZNAS recorded a 31.4% increase in revenue in 2022 after the implementation of the digital platform (BAZNAS, 2023).
- LAZ Dompot Dhuafa reported a 27.8% increase in digital zakat collection (Rahman et al., 2023)

- LAZISMU recorded 25.3% growth from digital channels (Azizah & Hassan, 2023).

Expansion of Muzakki Reach

Digital innovation also plays a role in expanding outreach to potential muzakki. Research by Afif and Oktavianti (2019) revealed that the use of social media and mobile applications by zakat institutions increased the awareness and participation of the millennial generation in paying zakat. Furthermore, Purnamasari and Firdaus (2017) found that digital marketing strategy increased the number of new muzakki by 42% in one of the amil zakat institutions in Jakarta.

Digital technology has enabled zakat institutions to reach remote areas that were previously difficult to access. A case study conducted by Firmansyah and Devi (2017) in East Kalimantan shows that the use of mobile applications for zakat data collection and distribution has increased the reach of zakat programs to remote villages by 60% in two years.



- Digital payment: 62,4%
- Mobile banking: 21,3%
- Bank transfer: 12,5%
- Direct payment: 3.8% (Abdullah et al. (2023))

The digitalization of zakat has encouraged innovation in mustahik empowerment programs. Some examples of innovations that have emerged:

- Digital skills training program for mustahik
- Special marketplace for zakat-assisted MSME products
- Online mentoring system for productive zakat recipient micro-entrepreneurs

Ascarya and Yumanita (2018) show that this digital-based empowerment program has a 25% higher success rate in increasing mustahik income compared to conventional programs. Increased zakat collection through digital channels has reduced the government's budget burden for poverty alleviation programs by up to 3% in some pilot project areas.

Optimization of Zakat Distribution

In terms of zakat distribution, digital technology allows more targeted distribution. Kasri (2016) in his research found that the use of geographic information system (GIS) in mustahik mapping increased the accuracy of zakat distribution up to 68%. Meanwhile, Mubarakah et al. (2017) showed that the implementation of digital monitoring system increased the effectiveness of zakat empowerment program by 35%

Lubis et al. (2018) showed that the implementation of a GIS-based mustahik database management system (Geographic Information System) in Aceh has improved the accuracy of zakat distribution by 40% and reduced overlap of beneficiaries.

Increased Transparency and Accountability

One of the main benefits of digital innovation is increased transparency and accountability. Rachman and Salam (2018)

reported that the implementation of digital financial system in BAZNAS increased the level of muzakki trust by 40%. This is reinforced by Rusydiana's (2018) findings showing that the use of blockchain technology in zakat management can increase transaction transparency by 90%.

The transparency offered by digital technology has had a positive impact on public trust in zakat management institutions. A survey conducted by the BAZNAS Center for Strategic Studies (2021) shows an increase in the level of trust of muzakki by 15% after the implementation of a digital reporting system that allows real-time tracking of the use of zakat funds.

Data Security and Privacy

Data security is a major challenge, especially with the increasing cases of data leakage. The protection of muzakki and mustahik's personal information is a top priority in the adoption of this technology.

Technology Infrastructure

Not all areas have adequate access to technology. A report from Bank Indonesia (2020) shows that internet access and digital devices are still a major constraint in some rural areas.

Digital Literacy

Digitalization of zakat has contributed to the improvement of Islamic financial literacy in the community. Digital zakat applications equipped with educational features have been proven effective in improving public understanding of zakat and Islamic finance in general. A survey conducted by the Financial Services Authority (OJK) in 2020 showed an increase in the Islamic financial literacy index by 8% in areas that have widely implemented the digital zakat system. Lack of digital literacy among muzakki and mustahik may hinder

the adoption of this technology. Education on the use of digital technology in zakat needs to be improved. Examples of countries with digital zakat implementation:

1) Malaysia

Malaysia utilizes blockchain technology to increase transparency in zakat distribution. According to the Malaysian Zakat Board report (2023), the use of blockchain has increased public trust in the zakat system.

2) Indonesia

As a country with the largest Muslim population, Indonesia has pioneered various digital initiatives through BAZNAS and other institutions. The implementation of digital zakat in Indonesia has shown positive results, with increased efficiency and transparency. Implementation of Digital Zakat Innovation in Indonesia:

a. BAZNAS: Digitalization of National Zakat Services

BAZNAS has developed various digital innovations, including Muzaki Corner application and integrated zakat reporting system. Sophisticated et al. (2017) analyzed the impact of BAZNAS digitalization on the efficiency of zakat collection and distribution.

b. Dompet Dhuafa: Zakat Crowdfunding

Dompet Dhuafa has implemented a zakat-based crowdfunding platform for social projects. Sitorus (2015) examined the effectiveness of Dompet Dhuafa's zakat crowdfunding model in increasing muzakki participation.

c. Rumah Zakat: Integration with E-commerce

Rumah Zakat has collaborated with various

e-commerce platforms to facilitate zakat payment. Purnamasari and Firdaus (2017) studied the impact of this collaboration on increasing zakat collection.

Challenges in Implementation

Despite providing many benefits, the implementation of digital innovation also faces several challenges. Ascarya and Yumanita (2018) identified three main challenges: digital divide in society, data security, and the need for adaptive regulations. Furthermore, Canggi et al. (2017) emphasized the importance of digital education for the community to optimize the potential of zakat in the digital era.

While digital innovation brings many positive impacts, it also creates new challenges in the form of the digital divide. Nurwati and Amalia (2021) identified that:

- 25% of potential mustahiks in rural areas have difficulty accessing digital zakat services due to limited infrastructure and digital literacy.
- There is a risk of exclusion for community groups who do not have access or ability to use digital technology.

Adaptation and Risk Mitigation Strategies

To overcome these challenges, several strategies have been proposed. Nurhayati et al. (2019) emphasized the importance of collaboration between zakat institutions, government, and technology sector in developing inclusive digital infrastructure. Meanwhile, Andriyanto (2019) proposed a phased approach in the digitalization of zakat, focusing on education and human resource capacity building in zakat institutions.

CONCLUSION

Based on the results of the analysis and discussion that has been carried out, several important conclusions can be drawn regarding digital innovation in zakat collection and distribution in Indonesia:

- 1) **Collection Efficiency:** The implementation of digital technology has been proven to significantly improve the efficiency of zakat collection. The use of digital platforms and online payment systems has resulted in an increase in zakat revenue of up to 31% at the national level.
- 2) **Muzakki Reach:** Digital innovation, especially through social media and mobile applications, has successfully expanded the reach to potential muzakki, especially among the millennial generation. Digital marketing strategy has proven effective in increasing the number of new muzakki.
- 3) **Distribution Optimization:** Digital technology, such as geographic information system (GIS) and digital monitoring system, has improved the accuracy and effectiveness of zakat distribution. This enables more targeted zakat distribution and more effective empowerment programs. **Transparency and Accountability:** The implementation of digital financial system and blockchain technology has significantly improved the transparency and accountability of zakat management. This has a positive impact on the level of trust of muzakki towards zakat management institutions.
- 4) **Implementation Challenges:** Despite providing many benefits, the implementation of digital innovation also faces challenges, especially related to the digital divide in society, data security, and the need for adaptive regulations.

- 5) Adaptation Strategy: To optimize the benefits and overcome the challenges, an adaptation strategy is needed that involves multi-stakeholder collaboration, a gradual approach to digitalization, and a focus on education and human resource capacity building in zakat institutions.

Overall, digital innovation has brought significant positive changes in the zakat ecosystem in Indonesia. However, to maximize its potential, a balanced approach between technology adoption and preservation of sharia values is required. It is also important to ensure that the digitalization of zakat is inclusive and does not neglect groups of people who are less familiar with technology. This research highlights the importance of harmonious integration between digital innovation and traditional zakat principles. With the right approach, the digitalization of zakat can be a catalyst to optimize the potential of zakat in Indonesia, increase the effectiveness of poverty alleviation, and ultimately contribute to a more inclusive economic development.

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