

## Chapter 2

# The Role of Digital Technology for the Revitalization of *Zakāt* and *Waqf*

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### Introduction

I would like to discuss the development of *Waqf* and *Zakāt* in Indonesia as well as the latest trends in digital donations globally. I will introduce two case studies regarding digital *Zakāt* and digital *Waqf* in Indonesia based on two papers that I wrote with my colleagues from the University of Indonesia. In the conclusion, I will try to provide some insight regarding the role of digital technology for revitalizing *Zakāt* and *Waqf* in general.

In the first chapter, Professor Monzer Kahf has already explained that the importance of *Zakāt* and *Waqf* in Islam is indisputable. *Zakāt* and *Waqf* institutions have played significant roles throughout Islamic history, from the time of Prophet Muhammad to the present day. The Islamic institution of *Zakāt* decrees that a share of the wealth of the rich should be given to the poor and needy, and therefore it is aimed to create welfare and ensure that income is distributed equally and creates social justice.

*Waqf* is also considered as an important Islamic welfare institution, as the objectives of *Waqf* are directed towards the benefit of society as a whole which often includes provision of religious services, socio-economic relief for the poor and needy, education and environment activities. Professor Monzer Kahf has also enlightened us regarding

the history of *Zakāt* and especially *Waqf*, that it was first derived from the traditions of Egypt and Rome and then developed by Prophet Muhammad. He also explained about the first *Waqf* made by ‘Umar ibn al-Khattab, the land of Khaybar and also shared some historical evidence that *Waqf* had been successfully used, especially during the time of the Ottoman states, and he also mentioned that Cash *Waqf* has been given to small and medium enterprises who needed funds for their businesses.

*Waqf* has also been used for providing health services like hospitals, and there was a hospital in Damascus during the Umayyad period that was fully financed from *Waqf* funds. The doctors, the nurses, the facilities, the medicines were all provided from *Waqf* funds. There was also a time during the Ottoman period in several cities in Turkey, like Istanbul, in which almost three-quarters of the buildings were *Waqf* properties. This is evidence that *Zakāt* and *Waqf* are both important Islamic welfare institutions, and they provide benefit to society as a whole.

However, it is also suggested that the role of *Zakāt* and *Waqf* in Islamic civilization has deteriorated in the last few decades, albeit nowadays there are some efforts to revitalize the role of the Islamic welfare institutions in contemporary Muslim societies.

## **1. Potential and Realization of *Zakāt* and *Waqf* in Indonesia**

Indonesia is the world’s largest Muslim country, and the potential for *Zakāt* and *Waqf* is considered very high. A study by the National Zakat Board (BAZNAS) has suggested that the potential for *Zakāt* collection in Indonesia reaches IDR 233.8 trillion annually, so this is a very huge amount. In terms of *Waqf*, the Indonesian *Waqf* Board or

BWI, noted that the potential for *Waqf* assets in Indonesia reaches IDR 2,000 trillion per year, with a total of *Waqf* land reaching 420 thousand hectares. Meanwhile, the potential for Cash *Waqf* is estimated to be IDR 77 billion annually.

Recently, the minister of finance of Indonesia, Sri Mulyani Indrawati, mentioned that the national potential for *Waqf* from 74 million Indonesian middle-class people is around IDR 217 trillion or equivalent to 3.4% of Indonesia's gross GDP. Thus, the potential amount of *Waqf* in Indonesia is very high.

According to the World Giving Index published by the Charity Aid Foundation, Indonesia is the most generous country worldwide, so the potential for collecting *Zakāt*, *Waqf*, and *Ṣadaqa* (charity) in general in Indonesia is great.

However, in reality, the actual collection of both *Zakāt* and *Waqf* have been far below this potential. The collection of *Zakāt* in 2020 was only IDR 13.22 trillion, or around 6% of its potential (BAZNAS 2020). Meanwhile the collection of Cash *Waqf* revenue was only around IDR 225 million in 2019. One possible reason for this low figure collected is not using digital technology for collecting *Zakāt* funds and also Cash *Waqf* (KNKS 2020).

## **2. Issues in Collecting *Zakāt* and *Waqf* Funds in Indonesia**

In this respect, research has suggested that although some *Zakāt* organizations operate a digital platform to enhance *Zakāt* collection, most of them have not used the technology optimally. In fact, a recent study from *Philanthropy Indonesia* reported that only 6.74% of *Zakāt* collected was actually raised through the digital platform. Despite that there was an increase in *Zakāt* funds collected through the digital

channel, from 1% in 2016 to 12% in 2017. So, there has been a huge increase in the amount of digital *Zakāt* payments.

As for digital Cash *Waqf* collection, few studies have discussed this, especially in terms of empirical studies. One of them is my paper with my college from which I will share some of our research findings.

### **3. Donations and Digital Technology**

If we look globally at nations and digital technology, the growth of technology and social media has transformed the way people give charity, and also the way voluntary sector organizations fundraise and connect with their donors. According to Blackbaud's 2019 Charitable Giving Report, online giving grew 6.8% year over year, with an estimated 26% of online donations being made using mobile devices. The report also suggested that religious-based donations through online platforms also grew 8% in 2019 (Blackbaud 2019). More recently, the COVID-19 pandemic has also significantly influenced the practice of donating through digital channels worldwide and in Indonesia. GoPay Digital Donation Outlook 2020 reported that the average number of digital donations has almost doubled from IDR 64,000 to IDR 110,000 since the COVID-19 pandemic. It is also interesting that in terms of the donation mechanism, more and more people are only making digital donations. Before the COVID-19 the figure was 32% and it has increased to 43% since the pandemic and if we look at the trends in digital donations in Indonesia, there are five trends that might be of concern to us.

First, the pandemic has affected people's habits of donating. As I mentioned earlier, the average increase in donation value was 72%, in which health and social causes were the main choices of donors. Second, social values are also the main reason donors make the donations. Third,

the millennials' generation, those who were born after 1980, are the ones who donate the most. Meanwhile, Generation X, those born from 1965 to 1980, also donated at a higher rate. It is reported that millennials donate an average of 1.5 times per month. However, all age groups reported a nominal average increase in digital donations during the pandemic. The fourth trend is that digital donations are growing because of the convenience of technology. Around 47% of respondents choose to donate digitally to initiatives that provide digital payments. The majority of the donors get information through digital channels, through social media. In the fifth trend however, it is also notable that education about digital donation still needs to be improved, especially outside big cities in Indonesia.

While considering, the development of *Zakāt* and *Waqf*, the huge gap between their potential and their actual realization, the problems involved in digital donations, and the trend in global digital donation, the main objective is to discuss empirical case studies regarding the role of digital technology in particular *Zakāt* and *Waqf* institutions in Indonesia, and hopefully this can provide some insight in order to revitalize *Zakāt* and *Waqf* institutions.

#### **4. Empirical Case Studies**

Our empirical case studies are built upon the relationship between Islamic social finance, digital technology, and behavioral economics. The role of digital technology in influencing the behavioral intention to make online payments of *Zakāt* and *Waqf* could be investigated using frameworks such as The Theory of Planned Behavior (TPB), and the Unified Theory of Acceptance and Use of Technology (UTAUT).

The TPB is a popular psychology theory proposed by Ajzen and Fishbein (1980), that is commonly used to study the intentions in doing

something including making donations. Meanwhile, the UTAUT is one of the latest technology acceptance models, which combines eight preexisting theories of technology acceptance, and it is considered to be a useful theory for assessing the introduction of new technologies and understanding acceptance factors that can contribute to the use of a new system, including digital donations.

In the Theory of Planned Behavior, an individual's intentions are influenced by three factors, namely attitude, subjective norms, and perceived behavioral control. Attitude is related to the perceptions, personality, and motivations of a person, which influence their behavior. An individual's attitude towards a behavior is influenced by the individual's assumptions about the consequences and benefits of that particular behavior. Subjective norms refer to an individual's perception about the particular behavior, which is influenced by the judgment of significant others, including perhaps parents, spouses, teachers, and so on. Perceived behavioral control refers to an individual's perceived ease or difficulty in performing a particular behavior.

Now, the TPB framework code has been extended to include more factors such as knowledge, religiosity, and so on, and has been used in several studies related to the intention to pay *Zakāt*.

The UTAUT model is considered to be the most accurate model associated with predicting intention to adopt and utilize new technology. In the model, four main factors give the greatest significance in influencing the intention and use of technology, Performance expectancy, Effort expectancy, Social influence, and Facilitating conditions. Performance expectancy refers to the degree to which an individual believes that using the system will help him or her get benefits in doing something such as job performance. Effort expectancy refers to the degree of ease associated with the use of the system. Social influence refers to how significant others such as parents, spouses,

friends affect an individual's decision to use the system. Facilitating conditions refers to the degree to which an individual believes that an organizational and technical infrastructure exists to support the system's use.

UTAUT has been developed into extended UTAUT, similar to TPB, where additional factors could be included in the model in making the predictions.

### **(1) First Case Study: Digital *Zakāt***

There are five hypotheses: *Zakāt* literacy, performance expectancy, effort expectancy, social influence and facilitating conditions. These all positively and significantly influence the behavioral intention to use an online platform to pay *Zakāt*. These hypotheses were developed after reviewing several studies, and to test them, we adopted a quantitative research method using the UTAUT framework. We collected primary data through online questionnaires by using purposive sampling. We managed to get 223 respondents who always pay *Zakāt* through online platforms, and subsequently, we analyzed the data by using structural equation modeling.

Our research findings show that performance expectancy, effort expectancy, facilitating conditions, and *Zakāt* literacy have a significant positive effect on the intention to use an online platform to pay *Zakāt*. However, social influence is also found to be insignificant. There are several reasons behind these results, including the benefits of using digital *Zakāt* payment, the fact that the online *Zakāt* payment program is still very new in Indonesia, and also individuals' feelings of responsibility.

From the empirical study, we made several recommendations. First, *Zakāt* management should make sure that its system increases

the effectiveness and efficiency of payment and creates the easiest way for people to make a *Zakāt* payment through an online platform. This is because performance expectancy was found to be significant in our empirical study. So, when the system is easy to use, when the payment can be made easily, then people will have a higher intention to pay *Zakāt* online.

Second, *Zakāt* management organizations and the government should prepare the necessary infrastructure and resources to implement online *Zakāt* payment, because facilitating conditions are found to be significant in the study, and at the same time, Digital *Zakāt* is something that is quite new Indonesia.

Third, all *Zakāt* stakeholders should attend and collaborate to increase education and literacy programs related to the concept and implementation of Digital *Zakāt*. This is quite obvious because with a higher literacy rate it can be expected that more people will be able to use online platforms to pay *Zakāt*.

Finally, the *Zakāt* organization is also expected to continue innovations in its operational activities, including continuing the collaboration with various parties such as Ecommerce, FinTech companies, and other digital platforms. These are related to digital *Zakāt* payment.

## **(2) Second Case Study: Digital Cash *Waqf***

This is also an empirical study, and importantly, this study involves Muslim millennials in Indonesia for several reasons, but in particular because in Asia, millennials make up one third of the population and more than 50% of the productive age group. Also, millennials are very tech savvy, with more than 90% using mobile phones and close to 60% having regular interaction with the Internet.



For our case studies of Muslim millennials in Indonesia we made six hypotheses. After reviewing the existing literature, we hypothesized that knowledge, religiosity, attitude, subjective norms, and perceived behavioral control are all positively related to the intention to engage in Online Cash *Waqf* amongst the Muslim millennials.

We employed a quantitative research method by using the theory of planned behavior framework. We collected our primary data through online survey questionnaires by using purposive sampling. We managed to collect data from 418 respondents aged 18 to 38 who had never made donations of Online Cash *Waqf*.

Basically, we found that all the latent variables which influence attitudes towards Online Cash *Waqf*, that is knowledge, trust, and religiosity, and all the factors of the theory of planned behavior, attitudes, subjective norms, and perceived behavioral control, have a significant and positive influence on the intention to engage in Online Cash *Waqf* donation among Indonesian millennial Muslims.

There are several reasons behind these findings, including the narratives on *Waqf*'s benefits that are promoted by *Waqf* institutions and also by the government, the respondent's perspective toward *Waqf* and the nature of the millennial generation which has a strong tendency towards using digital technology.

Based on these findings, we suggest several recommendations in relation to the role of digital technology, especially that *Waqf* institutions need to make sure that their digital platforms can be used easily and effectively, because perceived behavioral control is found to be significant according to this study. So, the ease or difficulty of using the system positively and significantly influences the behavioral intention to donate through Cash *Waqf* among the millennials.

Now, from these two case studies, on Digital *Zakāt* and Digital Cash *Waqf* we have shown that digital technology has indeed contributed

positively and has improved the performance of *Zakāt* and *Waqf* institutions in Indonesia, basically because it was able to enhance the efficiency and effectiveness of the payment of *Zakāt* and *Waqf*. It was also found to be possible to enhance literacy and awareness as well as trust and accountability towards *Zakāt* and especially towards *Waqf* organizations through the empirical study on the use of the trust factor in *Waqf* studies.

Improving the performance of *Zakāt* and *Waqf* institutions would require appropriate investment in the infrastructure of digital technology. At the moment only a few *Zakāt* and *Waqf* organizations have a digital platform, and these digital platforms are not used optimally. Human Resources also need to be trained in how to use the system.

At the same time, it also requires an appropriate ecosystem including education, which could directly increase awareness and also the literacy of people regarding *Zakāt* and *Waqf* in Indonesia. The literacy index of *Zakāt* in Indonesia is only 60%, which means that presently only sixty out of every one-hundred people know about the concept of *Zakāt*, and the figure is even lower for the *Waqf* literacy index.

I predict that digital technology in the future can and will play a more important role in revitalizing *Zakāt* and *Waqf* institutions or Islamic welfare institutions in Muslim societies.

Finally, I would like to close by sharing from the Qur’anic Sūra ar-Raḥmān, 55:33, which is believed by scholars to show the importance of developing technology:

“O society of jinn and men, if you can pass the bounds of heaven and earth, then pass, but you cannot pass without authorization” (Qur’an 55:33).

I hope we can all reflect on this verse of the Qur'an.

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**Chapter 2. The Role of Digital Technology  
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