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Analysis of Digital Zakat Payment Implementation: A Comparison in Southeast Asia

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Abstract

Technological 4.0 refers to the trend towards automation and data exchange in technologies and processes such as cyber-physical systems, the internet, cloud computing, and artificial intelligence. Technology alters how people conduct financial transactions. Zakat is an important component of the social finance system, and it plays an important role in bridging the ummah's socioeconomic gap. This study aims to find out the implementation of digital zakat in four Asian countries. This study will also discuss the comparison of the implementation of digital zakat implemented by zakat institutions in four countries namely Malaysia, Indonesia, Brunei, and Singapore. The study found that there are some similarities and differences in the implementation of payment methods digital zakat implemented by zakat institutions in Southeast Asia. The results of the study found that the implementation of digital zakat for collection and distribution has been implemented in stages in Malaysia, Brunei, Indonesia, and Singapore. There are various steps in the implementation of digital zakat implemented by zakat institutions, whether the implementation is carried out by the institution itself by developing its own digital zakat application or the implementation is carried out in collaboration with external parties such as e-wallets and so on.

Introduction

Digital technology is rapidly evolving and innovating these days. The trend toward automation and data interchange in technologies and processes, such as cyber-physical systems, the internet, cloud, and artificial intelligence, is known as technological 4.0. In the financial sector, technology is changing the way individuals do business. The zakat sector is influenced by the circumstances to employ this technology to meet the mismanagement border in a remote place.

Any Muslim who possesses more wealth than the Nisab and the threshold at which Zakat is mandatory means is required to pay Zakat. Zakat has two stated goals. The first is that zakat functions as a mechanism for bridging the gap between the rich and the poor. This redistribution of wealth throughout society is thought to boost the poor's purchasing power, allowing them to contribute positively to the economic cycle, encouraging economic growth, and enhancing the well-being of others. The second goal is to encourage Muslims to invest their "spare money." Otherwise, their wealth will dwindle (Yunita, 2021).

Zakat plays an important role in driving economic growth. This charity fund is also expected to help alleviate poverty, improve people's welfare, and encourage Indonesia to become the center of the world's sharia economy (Katadata, 2019). Besides that using digital technology for ZISWAF management is an innovative approach that has the potential to boost zakat acceptance and distribution. According to Razimi (2018) we can increase the performance of the Zakat Board by implementing technology and using the Digital Payment application to reach out to a wider audience. According to Rachman (2018) also contend that Digital Payment, as a vehicle for providing technology-based financial services, can be a strong basis in efforts to improve zakat efficiency and efficacy. The zakat management system, which is now being developed and is coupled with digital payments, still requires innovation to enhance. Fintech, or financial technology, seeks to supplement conventional financial techniques in the provision of financial services. It makes use of technology to improve financial operations

Based on the above background, this study will examine the implementation of digital zakat applications that are currently used in the management system in Southeast Asian zakat institutions. This study aims to describe the implementation of digital zakat and at the same time, it also makes a comparison in four countries namely Malaysia, Brunei, Indonesia and Singapore. Based on this gap, this study will discuss the comparison of digital zakat implementation among four countries in Southeast Asia, which focuses on the collection and distribution management system implemented through IR 4.0 digital technology. This study offers new insights into the world of research regarding the digital zakat management that is implemented and can indirectly help the zakat institution to improve the zakat management system which is more effective and easier for the Muslim community and also the zakat institution itself. zakat development in the best sense alternative solutions related to the above problem.

Islamic Law's View on the Use of Digital Zakat Services

It is classified in zakat with an online system, based on ijtihad, which departs from the opinion of crowdfunding-based zakat scholars. The potential of online-based zakat alludes to Shaykh Yusuf Al-Fiqh Qardhawi's zakat view, which states: "A zakat giver does not have to expressly state to mustahik that what he contributes is zakat. As a result, if a muzak (one who gives zakat) does not inform the recipient of alms that the money he is donating is zakat, the zakat remains legal " That is, a person can send his zakat to the Amil Zakat institution via the internet.

The most crucial factor to consider while paying zakat online is the zakat statement and the zakat recipient's prayer. Also, don't forget to declare to the Amil Zakat Institution written confirmation of zakat in the form of a statement of zakat. It will be easier for amil to distribute zakat assets to people who are qualified with zakat confirmation or transfer to zakat accounts in particular. The conclusion drawn from the preceding is that paying zakat via the internet is permissible. However, as previously said, there are some exceptions. In terms of important

legitimacy, which is found in the *ijab qobul*, there are different points of view, including those who believe that zakat is a form of charity that is not required for the pronouncement of *qabul* authorization. It is sufficient to pass over the item to the recipient. Furthermore, others argue that wearing *ljab* or *qabul* alone may be permissible 2014. The *qabul* permit is obtained in writing without the use of words in the case of crowdfunding transactions, therefore this is also permitted. As we know Crowdfunding is a modern transaction that has no face-to-face or meetings between the two parties.

The use of digital technology is permitted and does not violate sharia principles, according to Utami et al., provided that it does not pose a risk of harm to its users. In addition, M. Arifin Purwakananta, President Director of BAZNAS, asserts that the legality of zakat through a digital platform is supported by the fact that doing so makes it simpler for people to pay zakat and does not contravene *syar'i* concerns. With a zakat contract, zakat receipts, and online prayers, zakat can also be performed. the zakat officer's website (Baznas, 2020)

Analysis of Zakat Digital Payment Implementation

Malaysia

The State Islamic Religious Council (MAIN) is responsible for the management and administration of zakat monies in Malaysia, as stated in the relevant State Administration Enactments. The MAIN will be able to focus more on administering the collection and distribution of zakat now that this precise scope and jurisdiction have been established. As a result, based on the figures of the annual report, it can be seen that the collection and distribution of zakat funds in Malaysia are increasing (Meerangani, 2020) According to Firdaus (2017) in Malaysia, the zakat administration and management are the responsibility of zakat institutions in each state. In comparison to prior zakat management in Malaysia, today's zakat institutions face significant concerns and obstacles, particularly in inviting and persuading the Muslim community to pay zakat.

In Malaysia, there are a variety of zakat payment options. Zakat Online, Internet Banking, Smart Applications, and other platforms are among the zakat collection systems available. Zakat institutions have used the Financial Process Exchange (FPX) tool to make online Zakat payments. Malaysian Electronic Payment System Sdn Bhd, or MEPS, is in charge of the system. FPX is a web-based financial transaction platform that connects institutions for online payment transactions (internet payment gateway). This enables payers to make online payments through registered banks using a common platform. Payers can make zakat payments through their internet banking accounts if they meet recognized security criteria, such as Secure TAC. Smartphone applications, on the other hand, relate to the creation and availability of multi-functional smart applications that may be used in a variety of ways. (Meerangani, 2020)

Indonesia

Since 2016, the Badan Amil Zakat Nasional (Baznas) has developed five platforms to boost digital zakat. The first is the Baznas Platform, which will be used to construct the Baznas website and play store, as well as the 'Muzaki Corner' application program. According to the Law of the Republic of Indonesia No. 23 of 1999 on Bank Indonesia, the payment system is a set of laws, institutions, and processes that are used to carry out a fund transfer in order to meet commitments emerging from economic activity (Handayani, 2019)

Every year, Indonesia has potential zakat of 330 trillion dollars, which is a huge amount. However, as of May 2020, the total amount of zakat monies collected was roughly Rp. 10

trillion (Rahman, 2020), which is much below the potential. If this possibility is realized, and optimized, can undoubtedly assist the government in alleviating current poverty and lessen the size of the government's debt. The Ministry of Social Affairs is in charge of dealing with it. Indonesia's budget for social concerns in 2020 is Rp. 134 billion. trillion (Kementerian Sosial RI, 2020), which is still a long way from the zakat's potential.

There are several ways of paying for goods and services through the internet, ATMs, mobile banking, and phone banking in Indonesia. There are several forms of Payment Transactions available. First is payment through Electronic Data Capturing (EDC) available at the merchant/took for reading transactions made using payment instruments, such as ATM, debit, and credit cards. Second, through the input teller or an officer at the bank who remitted the funds on the basis of the draft transfer order made by the sender. The third ATM Machine (Anjungan Tunai Mandiri) is a replacement for the teller that can proceed with the remittance instructions. While the fourth is through the Internet, mobile banking, and phone banking which is a tool for payment by using the application or code inside the handphone.

Fintech in Zakat Payment in BAZNAS explains that digital technology is used in the process of collecting and distributing zakat, zakat management, and as a means of zakat education. The specifications are as follows (Baznas, 2019) First, the field of fundraising: There are three platforms available to raise zakat funds. First, the internal platform is a platform developed into the form of a website or BAZNAS application, for example providing a zakat payment page on the website. Second, external platforms, are platforms provided by partners to raise ZIS funds. For example by using e-commerce, online, crowdfunding, digital payment machines, also QR code. Third, the social media platform is a ZIS collection platform through social media.

Second, the field of zakat management: There is blockchain technology that is used to increase the transparency of zakat management institutions and is expected to increase the trust of *muzaki* in channeling their zakat through BAZNAS. Third, distribution of zakat: Use of an Independent Receiving Platform (ATM) Rice, *mustahik* can obtain rice only by attaching a Rice ATM card to the machine, then the rice will come out within the range specified by BAZNAS. Fourth, zakat education: Virtual assistant zakat is a chatbot named @zakibaznas which is equipped with a natural language process (NLP). This virtual assistant uses Artificial Intelligence technology that allows users to reply to messages with chatbots through the LINE application.

Singapura

Zakat Singapore is a strategic unit under the Islamic Religious Council of Singapore or Majlis Ugama Islam Singapura (Muis). It oversees the management and administration of Zakat funds in Singapore. Since the outbreak of the covid pandemic, -19 zakat institutions in Singapore have also been affected by the new norm, which the local Muslim community is encouraged to fulfill their zakat obligations digitally through online methods through the enhanced zakat portal at www.zakat.sg. The following are some of the payment options available to Muslims:

As we get through the busy month of improving ourselves, being able to pay zakat online is definitely a plus. Zakat. sg is the official online platform of Majlis Ugama Islam Singapura (Muis). First, payment can be made through Zakat. sg which is the official online platform of the Islamic Religious Council of Singapore (Muis) where payers will be guided on how to pay zakat. This platform teaches the payer of various types of zakat that can be paid according to the assets and how to calculate the zakat of the zakat payer. In addition, there are also

tutorials on paying zakat using PayNow, debit card, or eNETS. In addition, zakat can also be paid through benefits in Singapore such as the Muslim Trust Fund Association. With the online zakat payment platform, zakat payers can pay zakat online via PayNow or credit card. (Singapore, 2020)

Brunei

The management of zakat in Brunei Darussalam is governed by the Islamic Religious Council of Brunei Darussalam (MUIB) under the Ministry of Religious Affairs (MORA). MUIB is given the authority by the laws of Brunei to collect and distribute the zakat funds¹. This role conforms to Islamic law in obligating the state to exercise zakat as a vital instrument to fulfill basic needs in Muslim society as well as an instrument of fiscal policy. Brunei Islamic Religious Council (MUIB) has introduced an alternative payment method for *Zakat Fitrah* through the *Zakat Fitrah* Online Payment Service. This is made possible with the collaboration between the Ministry of Religious Affairs, Data stream Digital Sdn Bhd (DST), and Bank Islam Brunei Darussalam (BIBD). The launch of eZakat is part of DST's initiative to support Brunei Darussalam's 2025 Digital Economy Master Plan to further promote and raise awareness of e-services effectively to the public.

Discussion

The trend towards automation and data exchange in technologies and processes such as cyber-physical systems, the internet, cloud computing, and artificial intelligence is known as technological 4.0. Technology is altering the way people conduct financial transactions. The conditions influence the zakat sector to use this technology to fulfil the border of mismanagement in a remote area. The role of the internet in various people's daily activities is very dominant in the current digital era 4.0. Internet technology also makes a significant contribution to community comfort and convenience. The internet now plays a role on a small scale, such as buying and selling transactions in the community, as well as a large scale, such as at the corporate and industrial levels. The positive impact of using internet technology is now becoming more pronounced (Rohim, 2019).

In addition, the mechanism and process of zakat collection are currently undergoing a shift in accordance with the times, namely through the use of digital technology. Zakat institutions in Southeast Asia have begun to implement this shift by collaborating with e-commerce sites in an effort to socialize and collect zakat. It is difficult to expect optimal zakat collection if technological advancements in the current digital era are not followed and utilized by zakat collection institutions. In fact, the zakat collection will lag far behind. Zakat quotes institutions are even required to continue innovating and making new discoveries within the conditions for campaigning and disseminating zakat to the public in order to maximize the amount of zakat accumulated and the amount of zakat obtained.

However, as far as the author is concerned, the literature review related to zakat digitization is still very limited and rarely discussed. As a result, the purpose of this study is to fill a gap in previous research on digital zakat from various perspectives of the digital zakat implementation phenomenon in four countries: Malaysia, Indonesia, Singapore, and Brunei. This study is expected to identify and provide some insights into the phenomenon and impact of digital zakat implementation around the world.

As zakat management in Malaysia is managed by different management based on states, the method of zakat collection or payment and distribution are also differing among

the states. However, as technology advances, the method of managing the zakat is also changing to adapt to society's requirements and to facilitate ease to the Muslim community in Malaysia in discharging their responsibility to pay zakat as muzak. Zakat management in Malaysia has a long history of development and sometimes creates confusion among the public due to the difference between states, however, every zakat institutions have the same objective in ensuring the zakat is distributed to the *asnaf* as guided by Shariah (Rahman et al., 2018).

In the management of the distribution of zakat, we can also see innovations using technological advancement in Malaysia. Previously, a manual process of application is needed at the zakat institutions, interviews and investigations by the zakat institutions are being done and manual cash distributions of zakat to the *asnaf* is used as a method of zakat distributions in most states of Malaysia. Towards the Industry Revolution 4.0, we can see that the zakat distribution is now done in a more technological way such as transferring money to the *asnaf* using internet banking transfer. The methods of receiving zakat also changed from distributing in the form of cash, and cheque and nowadays with internet banking where *mustahik* can save time and cost. This also shows the evolution in the distribution of zakat towards Industry Revolution 4.0. (Chek, 2020)

Conclusion

In general, facilities in this digital era have a lot of positive impacts on the development of zakat, both in terms of the convenience of *muzakki* using technology to fulfil zakat obligations or facilitating zakat amil institutions to collect zakat funds and transparency in reporting zakat distribution. Zakat's goal is to enhance zakat's socialization in order to raise muzakki awareness in an easy method using information technology. The 4.0 industrial revolution, in which the industry develops and uses technology to assist streamline processes, is a good example of how quickly digital technology is evolving. Furthermore, in this era of Industry 4.0, people are increasingly shifting their lifestyles and behaviors to include digital actions and lifestyles in their daily activities. In terms of zakat payment, this phenomenon is not unique to the community.

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