



## Indonesia's Zakat Transformation in the Digital Era: Opportunities and Challenges

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### Abstract

**Purpose:** In the ever-evolving digital era, the transformation of zakat is becoming increasingly relevant and urgent. By utilizing digital technology wisely, zakat institutions can open the door to greater efficiency in the collection, management, and distribution of zakat, as well as increase community engagement in the practice of sharing blessings. However, to reach its full potential, there needs to be a concerted effort from all parties to overcome the challenges associated with using technology in religious and social contexts. **Methodology:** This research uses a qualitative descriptive approach combined with document analysis. This qualitative descriptive method focuses on explaining facts and circumstances that were observed during the research on Zakat Transformation in the Digital Era: Opportunities and Challenges. **Findings:** The results of this study show that the transformation of zakat in the digital era is a significant change in how zakat is managed and distributed by utilizing information and communication technology. Zakat institutions have five opportunities and four challenges of zakat transformation in the digital era, which should be prepared so that the transformation of zakat in this digital era positively impacts zakat institutions in particular and society in general.

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## A. Introduction

Zakat, as one of the pillars of Islam, has an important role in helping to overcome poverty and social inequality. In Indonesia, zakat has long been an integral part of the economic life of Muslims. However, with the rapid development of digital technology, especially in the last two decades, there are new opportunities and challenges in the management of zakat.

The growth of digital technologies, such as the Internet, smartphones, and electronic payment platforms, has changed the global economic landscape including religious practices (*Baznas Kota Yogyakarta - Peluang dan Tantangan Pengembangan Infak Digital di Indonesia*, 2023). In this digital era, people are increasingly connected globally and have easy access to information and services (*Zakat di Era Digital*, 2022). Digital transformation provides great opportunities in zakat management. Nowadays, zakat institutions can utilize technology to improve efficiency in fund collection (Pusparini et al., 2023), management, and distribution of zakat to the entitled/ *mustahik*. With the digital platform, public participation in paying zakat can be significantly increased. The ease of making zakat payments online or through mobile applications can reduce administrative barriers and increase convenience for *muzakki*.

However, along with opportunities, digital transformation also brings new challenges. Issues of personal data security, public trust in digital zakat institutions, and the need for strict regulations in the management of zakat funds are some of the problems that need to be addressed (*Tantangan dan Strategi dalam Meningkatkan Efisiensi Manajemen Zakat di Era Digital – Ekonomi Syariah*, 2023). In addition, zakat institutions need to develop sustainable business models in the digital context. This includes how they can optimize the use of technology to improve transparency, accountability, and social impact of zakat management (Sugeng et al., 2023).

In the ever-evolving digital era, the transformation of zakat is becoming increasingly relevant and urgent. By utilizing digital technology wisely, zakat institutions can open the door to greater efficiency in the collection, management, and distribution of zakat, as well as increase community engagement in the practice of sharing blessings (Prakoso et al., 2023). However, to reach its full potential, there needs to be a concerted effort from all parties to overcome the challenges associated with using technology in religious and social contexts. By researching this topic, we can gain a deeper understanding of the impact of digital transformation on religious and social practices, as well as provide a basis for more effective policy development in zakat management in this evolving era.

Thus, the research on Zakat Transformation in the Digital Era not only makes a practical contribution to zakat management, but also provides important theoretical and practical insights for policy development, managerial approaches, and sustainability of zakat institutions in an increasingly digitally connected future. This research is expected to provide practical and theoretical guidance for zakat institutions in managing their digital transformation. The research findings can support the development of more adaptive and sustainable policies, strategies, and technologies in the management of zakat in the digital era.

## B. Methods

This research uses a descriptive qualitative approach combined with document analysis. This qualitative descriptive method focuses on explaining facts and circumstances, which were observed during the research on Zakat Transformation in the Digital Era: Opportunities and Challenges. Document analysis involves collecting and

analyzing data from relevant documents sourced from various journals. This approach is used to gain insights into relevant policies, and practices on zakat in the digital era.

## C. Results and Discussion

### 1. Results

#### Zakat Opportunities in the Digital Age

Based on several research results, it is found that the transformation of Indonesian zakat in the digital era opens up significant opportunities to improve zakat collection, management, transparency, education campaigns, and distribution. The use of an online platform for zakat payment makes it easier for *muzaki* to channel their zakat anytime and anywhere. This can increase the amount of zakat collected. Specialized zakat mobile applications allow for quick and easy transactions, as well as automatic reminders to pay zakat (As, 2022).

In addition, the implementation of blockchain technology can increase transparency in zakat management by providing an immutable and transparent record of zakat collection and distribution. A digital-based zakat management system can provide real-time reporting to *muzaki* on how and where their zakat is spent (Musana, 2023). The use of big data and analytics can help zakat institutions identify the neediest recipients, ensuring a more targeted distribution of zakat. An integrated management system that combines data from various sources can help in planning and tracking zakat distribution more efficiently (Paizin, 2021).

There are so many opportunities for the transformation of zakat in the digital era, zakat transformation can also innovate, especially for infrastructure development and emergency assistance. This is by the importance of using crowdfunding. Crowdfunding platforms allow the collection of zakat for specific projects, such as infrastructure development or emergency relief, which can attract more *muzaki*. Zakat-based peer-to-peer lending model can help community economic empowerment by providing access to capital for small businesses (Baskoro & Karmanto, 2020; Nurhalima et al., 2024).

Digitalization can also contribute to raising awareness and education about zakat: educational campaigns through social media, blogs, and online videos can increase public awareness about the importance of zakat and the correct payment procedures. The use of interactive content such as animated videos and infographics can help explain the concept of zakat to a wider audience, including the younger generation (Subkhan, 2023).

#### Challenges of Zakat in the Digital Age

Although digital transformation in zakat management offers many opportunities, some challenges need to be overcome to ensure its success and effectiveness. Based on the research results, shows the same thing that there are still many challenges of zakat in the digital era that must be resolved. Not everyone has good access or sufficient understanding of digital technology. Low digital literacy can be a big obstacle, especially among older communities or in remote areas (Pimada et al., 2023). In addition, the use of digital technology in zakat management involves a lot of sensitive data, such as financial information and personal data. Ensuring data security and user privacy are key challenges that need to be addressed to prevent data leakage or misuse (Gaol et al., 2024; Khotimah & Larasati, 2019).

Many people may hesitate to use digital platforms for zakat payment due to concerns regarding security and transparency. Building public trust in digital platforms is key to the success of this transformation (Anggraini & Indrarini, 2022; Zaeni et al., 2024). Not all regions have adequate technological infrastructure, such as good internet connectivity. This infrastructure limitation may hinder the implementation of the digital

zakat system in some areas. The last challenge of zakat transformation in the digital era is that digital transformation can enlarge the gap if it is not implemented inclusively. Special efforts must be made to ensure that all groups of society, including the less well-off, can access and utilize this technology (Salsabila et al., 2023).

## 2. Discussion

### Analysis of Zakat Transformation in the Digital Era

Zakat's transformation in the digital era is a significant change in how Zakat is managed and distributed by utilizing information and communication technology. However, there are still many challenges coupled with opportunities from this zakat transformation. Based on the research results, it is found that the opportunities for zakat transformation in the digital era are enormous. The use of online or digital platforms has many opportunities, namely making it easier for *muzaki* to channel zakat to increase the amount of zakat collected (As, 2022); Increasing transparency in zakat management (Musana, 2023); Ensuring more targeted zakat distribution (Paizin, 2021); Helping community economic empowerment through zakat crowdfunding (Baskoro & Karmanto, 2020; Nurhalima et al., 2024); and increasing awareness and education about zakat (Subkhan, 2023).

Nowadays, many zakat institutions already have applications and websites to make it easier for Muslims to pay zakat. Among the zakat institutions that already have applications are Dompot Dhuafa and Baznas; websites include zakat.org and kitabisa.com; and e-wallet integration such as GoPay, OVO, and Dana; which makes it easy to pay zakat online. Automated systems to remind zakat payments and integration with the banking system also facilitate the zakat collection process (As, 2022). In this practice, zakat institutions have been able to read the big opportunities and have been followed up through the use of online platforms and integrated with several banking institutions. This is a real action as an effort to increase the number of *muzaki* and the amount of zakat collected.

The second opportunity is to increase transparency in zakat management (Musana, 2023). In their routine, zakat institutions provide real-time reports of zakat collection and distribution through online platforms, allowing donors to see the impact of their zakat directly. However, in current practice, it is found that some zakat institutions provide online dashboards that display transparency data, including the amount of zakat collected, distribution, and beneficiaries. This practice is essentially already leading and heading towards good, but not all zakat institutions do it yet. It is good that transparency practices in zakat management are followed by all zakat institutions in order to increase public trust in zakat institutions.

The third opportunity is to ensure a more targeted distribution of zakat (Paizin, 2021). In practice, zakat institutions use a database system to manage data on zakat recipients, ensuring targeted distribution based on needs analysis. Online platforms contribute greatly and distribute zakat digitally, for example, through bank transfers directly to beneficiaries or digital vouchers that can be exchanged for goods. In an effort to ensure a more targeted distribution of zakat, stakeholders of zakat institutions should always monitor by going directly to the field, to adjust the conditions of zakat recipients.

The fourth opportunity helps community economic empowerment through zakat crowdfunding (Baskoro & Karmanto, 2020; Nurhalima et al., 2024). In its application, zakat institutions use crowdfunding platforms to raise funds intended for specific projects, such as school construction, health assistance, and economic empowerment. In addition, zakat institutions develop products that are invested in productive projects to

provide long-term benefits to beneficiaries. This innovation is something positive applied by zakat institutions in reading the potential of crowdfunding and giving more meaning and benefits from zakat institutions for the community.

The fifth opportunity is increasing awareness and education about zakat (Subkhan, 2023). Nowadays, zakat institutions are actively using social media for educational campaigns on the importance of zakat, payment procedures, and the impact of distributed zakat. Organizing webinars and online workshops to educate the public about zakat, including the benefits and how to calculate zakat. With regard to this practice, the efforts made by zakat institutions are good in reading the opportunities to increase awareness and education about zakat.

While the challenges of zakat transformation in the digital era based on the research results found that not everyone has sufficient access or understanding of digital technology (Pimada et al., 2023); data security and user privacy (Gaol et al., 2024; Khotimah & Larasati, 2019); public trust in the transparency of digital platforms (Anggraini & Indrarini, 2022; Zaeni et al., 2024); and digital transformation can enlarge inequality if not implemented inclusively (Salsabila et al., 2023).

The first challenge is that many people, especially those in rural areas and older age groups, still lack understanding of the use of digital technology (Pimada et al., 2023). This prevents them from utilizing digital platforms for zakat payment. In unraveling this first challenge, there is a need for intensive education from the government and Zakat institutions to increase public understanding of how to use technology for Zakat payment and its benefits. There is no event other than increasing understanding through the education process.

The second challenge is data security and user privacy (Gaol et al., 2024; Khotimah & Larasati, 2019). Concerns about the security of personal data and online transactions can inhibit people from using digital platforms. Data and transaction security is a major concern. People must be assured that their data is safe when using digital platforms. In addressing the second challenge, the solution is to have strong regulations to protect user data and ensure that digital platforms adhere to high-security standards. Cooperation between the government, zakat institutions, and technology service providers is needed to ensure the digital zakat ecosystem runs well.

The third challenge is public trust in the transparency of digital platforms (Anggraini & Indrarini, 2022; Zaeni et al., 2024). People must be confident that the zakat they pay through digital platforms will be managed transparently and used in accordance with their intentions. What can be done by zakat institutions is to provide maximum trust effect by reporting zakat management transparently and responsibly. Zakat institutions that use digital platforms must have a good reputation and can be trusted to increase public participation.

The fourth challenge is that digital transformation can increase inequality if not implemented inclusively (Salsabila et al., 2023). In the context of zakat, this can happen if digital technology can only be accessed by some people who have access and the ability to use it. An inclusive and comprehensive approach is needed to ensure that Zakat's digital transformation does not widen the gap. Through increasing digital literacy, technology access, data security, supportive regulations, and good collaboration. Digital transformation can provide equitable benefits for the entire community, including the most vulnerable groups.

#### **D. Conclusion**

In conclusion, zakat transformation in the digital era is a significant change in the way zakat is managed and distributed by utilizing information and communication technology. Zakat institutions have five opportunities and four challenges of zakat transformation in the digital era, five opportunities for zakat transformation in the digital era include first, many zakat institutions already have applications and websites to make it easier for Muslims to pay zakat, this is a concrete action in an effort to increase the number of muzaki and the amount of zakat collected; Second, zakat institutions provide online dashboards that display transparency data, including the amount of zakat collected, distribution, and beneficiaries, but not all zakat institutions have practised it; Third, in an effort to ensure a more targeted distribution of zakat, stakeholders of zakat institutions should always monitor by going directly to the field, to adjust the conditions of zakat recipients; Fourth, zakat institutions help empower the community's economy through zakat crowdfunding by giving more meaning and benefits to the community; Fifth, zakat institutions actively use social media for educational campaigns about the importance of zakat, payment procedures, and the impact of distributed zakat, this is done in an effort to read opportunities to increase awareness and education about zakat. The four challenges of zakat transformation in the digital era are: firstly, many people, especially in rural areas and older people, still do not understand digital technology. So there needs to be intensive education from the government and zakat institutions to increase public understanding of how to use technology and its benefits; Second, concerns about personal data security and online transactions can prevent people from using digital platforms. The solution is the existence of strong regulations to protect user data and ensure that digital platforms comply with high security standards; Third, people must be sure that the zakat they pay is managed transparently, so zakat institutions must report zakat management transparently and responsibly. Fourth, digital transformation can increase inequality if not implemented inclusively, so efforts need to be made to improve digital literacy, access to technology, data security, supportive regulations, and good collaboration. Digital transformation can provide equitable benefits for all people, including the most vulnerable groups.

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#### **F. Author Contributions Statement**

This research was entirely designed by Anggoro Sugeng, after which we discussed how to prepare this article, including materials or references. all authors contributed to the publication of this manuscript, from the beginning, revision, and until the end of this manuscript was published.

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