



Digital Zakat Innovation and Sharia Fintech: Governance Challenges and Economic Opportunities in Indonesia

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Abstract: Indonesia's rapid growth of the digital economy has fundamentally changed the landscape of Islamic social finance mobilization, demanding immediate adaptation from zakat management institutions. Although the potential for national zakat is estimated to reach Rp 327 trillion per year, the realization of collection through formal channels is still low due to the gap in trust and accessibility. This study explores how sharia-based financial technology (sharia fintech) facilitates digital zakat innovation, with an emphasis on trust building mechanisms and data protection risk mitigation. Using a descriptive qualitative approach, this study combines literature analysis and semi-structured interviews with digital platform practitioners. The findings of the study reveal three main innovation clusters: (1) the integration of digital payment channels for transaction efficiency, (2) the *crowdfunding model* of the zakat program to increase the emotional attachment of muzakki, and (3) real-time tracking features to strengthen transparency. The study proposes a digital readiness framework that includes user experience, substantive sharia compliance, and rigorous data governance to guide stakeholders in improving sustainable social finance inclusion.

Keywords: *digital zakat; fintech syariah; Islamic philanthropy; trust; data protection*

Introduction

The transformation of the digital economy encourages changes in people's transaction behavior, including in Islamic philanthropic practices. On the one hand, Indonesia's zakat potential is estimated at around Rp. 327,000,000,000,000/year (National Amil Zakat Agency, 2024). This figure reflects the extraordinary philanthropic capacity of the ummah to become an instrument of wealth redistribution and poverty alleviation (Beik & Arsyianti, 2016). On the other hand, the collection of national zakat recorded in 2023 (including the collection of *off balance sheet*) amounting to Rp. 32,321,000,000,000 (National Amil Zakat Agency, 2024). This sharp disparity between potential and realization indicates that the main challenges in zakat management are not

only theological issues, but also closely related to the accessibility of services, the level of public trust, and the design of the user interface on payment platforms (Kasri & Yuniar, 2021).

The macroeconomic context also strengthens the urgency of adopting this technology. Bank Indonesia recorded that the volume of digital payment transactions at the end of the fourth quarter of 2024 grew by 36.1 (**yoy**) (Bank Indonesia, 2024). Reports *e-Conomy SEA* also highlighted that Indonesia's digital economy continues to grow rapidly with high adoption of new consumers. This trend provides an important context that as digital payment channels become more accepted, zakat management needs to be present in the same transaction space, without sacrificing sharia compliance, accountability and data security.

In the digital zakat discourse, the term *Sharia Fintech* It is often understood as the use of financial technology to provide financial services that are in line with sharia principles. The innovation that develops is not only the digitization of payments, but also the digitization of processes, starting from verification *muzakki*, program determination, distribution reporting to impact evaluation (Rusydiaana & Devi, 2018).

However, digitalization brings new risks, especially related to data privacy. In the era of "surveillance capitalism" (*surveillance capitalism*), user behavior data becomes a commodity that is vulnerable to exploitation (Zuboff, 2019). In perspective *Maqashid Syariah*, the protection of customer data is a manifestation of the protection of property (*Hifzh Al-Mal*) and honour (*hifzh al-'ird*), (El-Amri & Ali, 2019). Failure to protect donor data is a breach of trust. Therefore, the urgency of digital zakat innovation is not only in the sophistication of features, but also in trustworthy governance This article aims to analyze forms of digital zakat innovation through the platform *Sharia Fintech*, identify the challenges and opportunities and formulate a practical framework that can be used by amil zakat institutions and platform providers to strengthen transparency, compliance and public trust.

Research Method

This study uses a descriptive qualitative approach. Data was collected through two techniques: (1) Literature study on scientific publications and policy documents related to digital zakat, financial sector technology innovation and sharia fintech practices; and (2) semi-structured interviews with two key informants (each representing one zakat-related digital platform) who were purposively selected based on their role in feature development and service governance.

The interview focused on three themes: product design and user experience (*user experience*), sharia compliance and accountability mechanisms, as well as security and privacy risk mitigation. Furthermore, the data were analyzed using Miles and Huberman's interactive analysis model: data reduction, data presentation, and conclusion/verification. Triangulation of sources and *member checking* done to increase the credibility of the findings (Miles & Huberman, 1994).

Results

Based on the results of field data analysis and studies; The literature shows that the integration of *sharia fintech* in the zakat ecosystem in Indonesia has given birth to a significant and multidimensional transformation. Digital zakat innovation through *sharia fintech* does not run monopolitically or uniformly, but develops in three main innovation clusters, each of which offers a *different* value proposition for *muzakki*, *mustahik* and management institutions, namely the following:

1. Payment Channel Integration (*Payment Channel Integration*)

The platform integrates payment channels that are commonly used by the public including *Quick Response Code Indonesia Standard* (QRIS) and electronic wallets (*e-wallets*) so that zakat transactions can be carried out quickly, securely, and documented. Bank Indonesia defines an electronic wallet (*e-wallet*) as a service to store data on payment instruments and/or electronic money that can hold funds to make payments. In the context of zakat, this feature allows *muzakki* to fulfill their zakat obligations impulsively but still calculated (*calculated impulsiveness*), anytime and anywhere, without being bound by office operating hours. This innovation effectively answers the challenge of *transaction friction* which has often been a psychological barrier in conventional payment methods.

The main advantages of this innovation cluster include: (1) Automation of proof of payment; (2) Periodic reminder feature (*push notification*); and (3) Integrated zakat calculator. This development is in line with trends in the Islamic banking sector, where digital banking services are also experiencing rapid growth. The merger of Islamic banks into BSI, for example, has strengthened the digital payment infrastructure that is the backbone of these zakat transactions, allowing for smoother integration between customer accounts and zakat institutions (Kasri & Yuniar, 2021).

2. Crowdfunding model for zakat programs

In this second innovation, it adopts a *crowdfunding model* that is popular in the world of *start-ups* and global philanthropy to finance zakat programs that are productive and directed. The findings of the study show that the campaign pattern of this program significantly increases the *sense of ownership* and emotional *engagement* of *muzakki* to the funds they distribute. *Muzakki* no longer felt that he was simply "abandoning the obligation of the pillars of Islam", but felt that he was actively participating in a real social change project. Transparency of the purpose of using funds is the main attraction of this model.

However, the zakat *crowdfunding* model requires a much stricter *mustahik* verification process than general donations. The platform must ensure that:

- a) Beneficiaries are really included in the category of eight *asnaf* who are entitled to receive zakat according to sharia.
- b) The programs offered are realistic to run and have a measurable impact.
- c) There is no overlap of funding (*over-funding*) for one project while another project is underfunded.

Without rigorous verification and curation of the program, this model risks triggering a negative perception that zakat has been reduced to an "ordinary donation" without regard to the requirements of sharia (*dhawabith syar'iyah*). Therefore, the role of the sharia committee and the program team in zakat institutions is very crucial in filtering the campaigns that will be displayed on the platform

3. Transparency and *Traceability* Features

The third innovation cluster focuses on the downstream side of zakat management, namely reporting, accountability, and impact measurement. The findings reveal the development of *real-time* reporting features, distribution notifications equipped with photo/video geo-tagging documentation, and experimentation with *distributed ledger* technology such as blockchain for fund tracking.

The main principle of this innovation is the creation of a digital *audit trail* that is transparent, immutable, and easily understood by the public. This is not just an addition of technical features or *marketing gimmicks*, but a fundamental effort to

rebuild public trust that has been eroded by less transparent management issues in the past. In a digital ecosystem where face-to-face interaction is minimal, system transparency is a substitute for interpersonal trust. The features in this klistor include: (1) *Transparency dashboard*; (2) *Personal Impact Report*; (3) *Blockchain tracking*. The following table 1 summarizes the key innovation features found, the added value offered, along with the key risks associated with them and mitigation strategies identified from field studies and literature.

Table 1. Summary of Innovation Features and Risk Mitigation Focus

Example actor/channel	Forms of innovation	Added value for muzaki	Key risks & simple mitigations
LAZ/BAZNAS + QR channel/e-wallet	Digital payment integration	Ease of access, automated transaction trail, periodic reminders, automatic tax deduction receipts	Risk: Data leaks & financial transactions Mitigation: strengthen encryption, multi-level access controls, PDP Act compliance and strict system log audits
Campaign platform (<i>Crowdfunding</i>)	Crowdfunding of zakat program (productive/social)	Specific program selection, emotional engagement, impact visualization before donation	Risk: Validity is essential; over-funding, fictitious campaigns Mitigation: Indicator-based verification and reporting standards, systematic funding limitations, sharia curation
Real time reporting system (<i>Blockchain/Dashboard</i>)	Transparency and tracking dashboard	High confidence, immediate impact evaluation ability, <i>peace of mind</i>	Risk: Report manipulation; technical complexity Mitigation: Data governance, function

			separation, input-validation function separation and third-party verification
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Source: Extracted from research findings and related literature

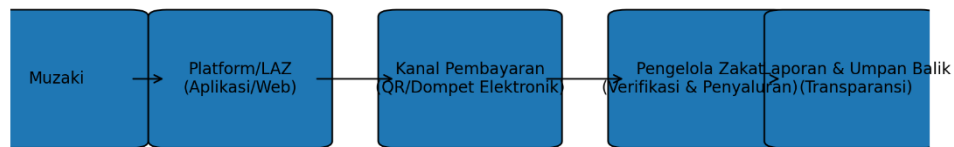


Figure 1. Simple flow of digital zakat through sharia fintech channels

The above data shows that *fintech* innovation in zakat not only changes the "way of paying", but also changes the structure of interaction and power relations between *amil*, *muzakki*, and *mustahik* institutions. However, every leap in innovation brings with it new vulnerabilities, especially related to data security which is a vital asset in the digital economy. These data risk findings are in line with global concerns about the "hidden costs" of digitalization, where personal data is often a vulnerable commodity if not protected with strong governance.

Discussion

The above findings confirm that digital zakat innovation is not just moving payment channels from physical counters to mobile applications (*digitization*), but a digital transformation (*digital transformation*) thorough. A more substantial and decisive transformation lies precisely in governance (*governance*): How platforms build trust through auditable reporting, while maintaining Sharia compliance and user data protection (Langley & Leyshon, 2021). In the context of national collections, the BAZNAS report shows that the collection of ZIS-DSKL in 2023 reached IDR 32.321 trillion and increased by 43.74% compared to the previous year (National Amil Zakat Agency, 2024b). This increase illustrates momentum, but it is not enough to close the gap to the potential of zakat.

Interviews with practitioners underscore that user experience (ease and clarity of process) is often the gateway to trust. The P1 informant emphasized that "what users are looking for is not a complicated feature, but proof that the funds arrived at the promised program". Meanwhile, P2 informants highlighted the importance of standardizing cross-program reporting so that the public does not compare disparate "numbers" (e.g. differences in reporting periods or definitions of operational costs).

In terms of international learning, studies in Malaysia show that the receipt of zakat payments through electronic channels is strongly influenced by *perceived usefulness* and *perceived ease of use*, which then forms attitudes and intentions of use (Hainnuraqma et al., 2024). Other studies confirm that *perceived risk* negatively impacting the intention of adoption, while *perceived transparency* Strengthening adoption (Ishak et al., 2025). The two findings are relevant for Indonesia: digital zakat platforms need to combine ease of transactions with verifiable transparency, while managing security and privacy risks.

Based on the findings and literature, this article proposes a framework for assessing the readiness of the digital zakat platform that includes four dimensions: (1) a simple and inclusive user experience; (2) traceable sharia compliance (e.g. clarity of contracts, distribution mechanisms, and the role of amil); (3) data governance (access control, log audit, and personal data protection); and (4) indicator-based program accountability (output and outcome) so that the report is not just a narrative, but a "fact that speaks". In the third dimension, this framework is in line with strengthening consumer protection in digital financial services, including through POJK 22/2023 concerning Consumer and Community Protection in the Financial Services Sector (Financial Services Authority, 2023).

Conclusion

Digital innovation in zakat management through sharia fintech in Indonesia has grown far beyond just digitizing payment channels. This study successfully identified and mapped three main innovation clusters that are driving this transformation: (1) digital payment integration that offers convenience and speed, (2) a program-based *crowdfunding* model that increases emotional attachment and participation of muzakki, and (3) a transparency system based on tracking technology (*traceability*) that answers the demands of public accountability. These three innovations collectively offer concrete solutions to the classic problems of zakat management in Indonesia, namely limited accessibility, often questionable accountability, and fluctuating public trust.

However, these technological advances bring serious consequences in the form of data security and privacy risks that must be managed with very strict trust principles. In the era of the digital economy, data is a valuable asset as well as a heavy liability. Sharia compliance is no longer enough just to validate transaction contracts on paper, but must include the protection of customer data as an implementation of *hifzh al-mal* and *hifzh al-'ird*, as well as ensuring fairness in the service algorithms used.

This study concludes that the success of digital zakat transformation in Indonesia depends on the harmonious synergy between three main pillars:

1. **Trusted Technology:** The development of technological infrastructure that is not only sophisticated and efficient, but also prioritizes cybersecurity and privacy protection as an integral part of sharia ethics.
2. **Adaptive Regulation:** A legal framework and fatwa that can accommodate the speed of innovation, provide legal certainty, while mitigating systemic risks and protecting consumers.
3. **Inclusive Literacy:** Continuous education efforts to ensure that people are not only able to use technology, but also understand the benefits, risks, and implications of sharia from digital zakat.

Close cooperation between regulators (OJK, BI, BAZNAS, KNEKS), the fintech industry, zakat institutions, and academics is needed to strengthen this ecosystem. Without a foundation of good governance and strong security, digitalization risks becoming a disruption that erodes public trust, instead of being an accelerator of people's welfare. The future of Indonesian zakat lies in its ability to combine Islamic eternal spiritual values with the efficiency of modern technology, making zakat an instrument

that is truly *rahmatan lil alamin* to bring grace, justice, and prosperity to the universe in the digital economy era.

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