

Waqf and Fintech: Integration Methods in Disseminating Productive Waqf Activities

Sarwo Edi¹
Rahmi Amalia²

¹ Universitas Muhammadiyah Sumatera Utara

² Universitas Muhammadiyah Malang

(e-mail: rah_amalia@umm.ac.id)

Abstract: *This study aims to explain fintech opportunities in socializing waqf in society. This study uses a causal flow of thought in formulating opportunities that occur as a result of the integration of waqf and fintech. This research method is qualitative by using secondary data sources. The main data sources in this research are studies of scientific literature and news media that have good credibility in their editorials. Based on the research results, the use of fintech as a medium for carrying out waqf activities to raise productive funds has a positive effect on waqf socialization in society, especially for the younger generation who are considered active in using fintech platforms in their daily economic life. For the younger generation, integration between waqf services and fintech platforms can provide an opportunity for them to better understand the concept of productive waqf and generate interest in applying it. This research seeks to contribute to fully supporting and motivating productive waqf managers to build digital infrastructure (fintech) in collecting and managing productive waqf funds as well as being a medium of socialization for the public in understanding productive waqf.*

Keywords: *Productive Waqf, Dissemination, Fintech, Public Literacy*

Introduction

In the world of Islamic philanthropy, currently, waqf is quite widely known, especially among academics and philanthropic practitioners. The objective of waqf is to furnish substantial advantages to society. Productive waqf has been carried out a lot because the scope of its utilization is wider than the waqf that was previously understood. Productive waqf, in some cases, has the power to help problems related to the people's economy. Thus, quite a lot of productive waqf activities are carried out, such as the use of vacant land, and buildings. All of them are for business capital support. Productive waqf is supported by the government as evidenced by the existence of Law Number 41 of 2004 concerning waqf.

The pursuit of productive waqf, particularly cash waqf, has been going on for a long time. Even in collecting cash waqf funds, Nadzir waqf has also worked with financial institutions appointed as partners in collecting community waqf funds. Furthermore, the form of raising waqf funds uses the fintech platform provided by the financial institution. Through fintech, waqf fundraising activities become more efficient and structured. The donors will have it straightforward to access cash waqf services through fintech.

On the other hand, Despite the waqf study being quite echoed, however, the level of waqf literacy in the community who knew about waqf money was still fairly low. Some literature

states that socialization is still a major factor in the low knowledge of the public about productive waqf, especially waqf money. Waqf money is not yet popular as the form of alms zakat. So, the right thing is to determine the right form of socialization for the community, especially for the younger generation who can apply it.

The socialization purpose of waqf is to increase public view of the importance of cash waqf. In order for socialization to be achieved, supporting instruments are needed so that the community can be accustomed to cash waqf activities. Money waqf activities must be increasingly introduced through platforms that are often seen by the community. One of the things most often used by people in their daily lives is e-commerce. E-commerce is part of fintech.

The integration between the practice of cash waqf and the fintech platform gives a special role in the socialization effort. Indirectly the waqf funds received by the Sharia Financial Institution Manager of Waqf Money through the Fintech Platform have participated in socializing with customers.

This research was conducted to show that the integration between the practice of gathering waqf has a role in socializing waqf. Some existing studies have shown that the study of waqf relies more on the task of waqf for the community and the potential for productive waqf management. In addition, other research seeks to show the management concept of productive waqf practices. Research related to fintech with waqf has not been specifically discussed in the scope of its role in socializing waqf itself.

This study seeks to contribute to supporting and fully motivating productive waqf managers to build digital infrastructure (fintech) in collecting and managing productive waqf funds and becomes a medium for socialization for the public in understanding productive waqf. It is hoped that the Waqf Nadzir Institute will be able to work together with various fintech providers so that the collection of waqf funds can be available in e-commerce.

Literature Review

Fintech

The role of the internet in information technology is currently used to develop a financial industry known as financial technology (fintech). Fintech is a product and financial service through a combination of innovative technology platforms and business models. The development of financial technology makes it easy for the community to carry out economic activities, as well as opening opportunities for the establishment of various platforms that make it easy for people to carry out financial activities. So that in this era of this digitalization, the economy began to be integrated through an online system (Mulyati & Harrieti, 2021).

Fintech offers several services, such as funding, payments (such as electronic wallets), electronic aggregators, electronic trade, electronic insurance, and cryptocurrencies such as Bitcoin. The term fintech is defined by the world bank as an industry of companies that use technology so that the financial system and the delivery of financial services are more efficient. Meanwhile, according to Bank Indonesia Regulation (PBI) No. 19/12/PBI/2017 defines fintech as the use of technology in the financial system, while POJK No. 13/POJK.02/2018 uses the issue of digital financial innovation as financial technology (AFTECH, 2020).

The emergence of fintech provides changes, especially in the lifestyle of people who are becoming more modern. This change is quite significant for people who want to use financial

services without the need to experience difficulties. This is felt by people who generally carry out financial service activities in conventional banking institutions, but after the presence of fintech, direct activities are minimized with the assistance of this financial technology. For example, current funding activities can not only be done directly at the Bank, but can already be done through fintech which provides Peer-2-peer lending services, and other conveniences.

In Indonesia, the presence of Fintech has helped people solve various problems. The following are several types of Fintech that are currently developing and providing financial solutions for the people of Indonesia, Crowdfunding, Microfinancing, Peer-2-peer Lending, Market comparison, Digital payment systems. However, this research will only discuss 2 fintech schemes that are often used, namely:

a. *Peer-2-Peer (P2P) scheme*

The emergence of P2P Lending has an important role because it is an alternative source of funding for MSMEs and banks as the main investors in P2P lending companies (Tambunan et al., 2021). The loan process, interest rates, loan costs, loan amount, and loan flexibility influence MSMEs to obtain loans through P2P lending (Rosavina et al., 2019).

Fintech lenders are more efficient than commercial banks (Hughes et al., 2019). Big data helps the government to review reports and identify problems that occur in P2P lending platforms (Randy et al., 2021). However, in some cases, P2P lending does not become a competitor for banks because the risk burden is higher (Milne & Parboteeah, 2016)

b. *Crowdfunding scheme*

Crowdfunding is a recent phenomenon that attracts public interest. Crowdfunding schemes are generally known as online fundraising systems. Through technological assistance, the community is able to ask for financial assistance which will be collected by people who wish to provide funds. Several forms of Crowdfunding Platforms (CFPs) are Equity-based and royalty-based CFPs, Lending-based CFPs, Reward-based CFPs, Donation-based CFPs (Belleflamme et al., 2015).

Productive Waqf (Cash Waqf)

The currently trending philanthropic instrument is productive waqf. Contemporary innovations in waqf instruments are modified so that they do not only operate in the consumptive sector but become potential instruments for productive people (Fuadi, 2018). This effort is also part of efforts to improve the welfare of the ummah through the ummah's own funds (Ascarya, 2022).

Productive waqf assets can be anything. The main essence of waqf assets is that they tend to be used for a very long period of time and are beneficial to the people. Currently productive waqf assets that are often discussed are money and money equivalents. Money is considered to provide more flexible utilization compared to assets that tend to be passive.

The great potential of cash waqf is also accompanied by several points that need attention. Waqf that depends on its management requires nadzir to utilize waqf money on productive things (Fuadi, 2018). The management of waqf must be accompanied by professional management. However, the essence of cash waqf is to produce things that are productive and can be distributed to those who are entitled to use them. If Islamic financial institutions want to run their operations well and serve their customers, collaboration with technology, especially fintech, is necessary (Aqidah et al., 2016; Berakon et al., 2021; Rabbani et al., 2020).

Method

This study used a type of qualitative research with a phenomenological approach. This study seeks to show social symptoms and re-narrate qualitatively. Mastery of the problem is assessed from the quality of the data and its re-description in scientific work through tracing literature studies, especially from the news of the last 5 years.

The data collected comes from secondary data, namely online media news and literature related to research topics in the last 5 years. The data needed is data related to news regarding fintech and productive waqf phenomena and is strengthened by literature that discusses and examines productive and financial waqf technology. In addition, the data obtained from the interview results are used to answer the practical challenges experienced by the fintech company. The analysis is based on phenomena presented in valid news and research that has been published in reputable journals.

Broadly speaking, this research was conducted according to the flowchart below:

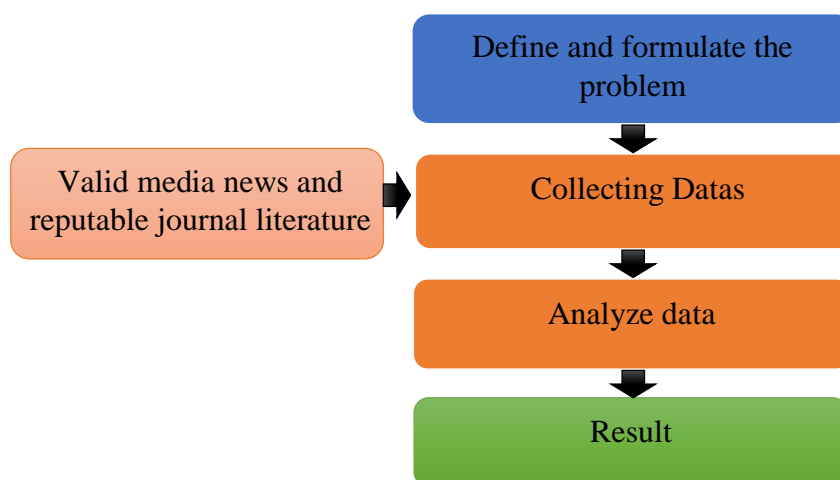


Figure 1. Research Roadmap

Based on the research phases above, several processes will be carried out at the beginning. The initial stage is to determine the problems that need to be reached and answered in the research conducted. Furthermore, collecting supporting literature as a supporting argument for the research that will be carried out and the methods used during the research.

The next stage is the core stage, namely collecting data from data sources needed during research. The collection of data sources is only taken from valid sources that can be accounted for. After the required data has been obtained, it enters the data analysis stage. The last stage is to conclude the results of data analysis and provide some recommendations on the results of the research conducted. After all stages have been passed, the researcher needs to report the results of the research in the form of a systematic article until it is ready for publication.

Result and Discussion

Waqf for all its entities can be integrated with other Islamic financial instruments, to be able to maintain the productive waqf assets themselves. So that with waqf If it is reviewed in more detail, the role of waqf in providing these fiscal benefits can occur through good management of waqf (Sulistiani et al., 2021). Waqf has special power in realizing economic growth.

Currently, the socialization of waqf is still focused on academics and administrators only. In fact, many previous studies have explained that the potential for cash waqf management is

enormous. Especially when cash waqf is collected through the fintech platform, it will make it very easy to do cash waqf. Fintech has also proven to be very suitable for cointegrating with existing Islamic finance instruments (Alshater et al., 2022). This was also proven during the Covid-19 pandemic that fintech can help become a medium for carrying out social financial activities in helping the community (Rabbani et al., 2021).

Indonesia is ranked third as the country with the most installations of financial applications among 15 other countries, according to the 2021 edition of the State of Finance App Marketing Report released by AppsFlyer (Sari, 2021). Data reported by the Indonesian Fintech Association (Aftech) shows as much as 59% of the use of financial technology or Indonesian fintech is middle-low income (Vika Azkiya Dihni, 2022). Moreover, it can be said that fintech users are not only in the upper class. This becomes more opportunities to attain to socialize waqf at any social level.

Within a certain age range, fintech users are also dominated by the younger generation whose economic activities often use e-commerce which including on fintech. Activities that tend to be often carried out using fintech are using of digital payment tools, bill payments, communication needs, transportation, and donating using the services contained in the e-commerce.

The number of e-commerce users in Indonesia is very large. The level of financial inclusion has also increased. Currently, activities to collect waqf have been carried out through digital platforms, namely fintech owned by several Islamic financial institutions. In addition, there have been reports that the younger generation is very interested in the donation model via fintech (Burhan, 2020). Digital donation is one of the favorite features because it is easy to use for users to donate without having to go to a philanthropic institution and can donate a minimum of Rp. 1,000 with only by clicking on the smartphone (KNEKS, 2020). Thus, waqf institutions can turn together with fintech provider institutions so that waqf collection can comply with the expected potential so far.

The integration carried out by the money waqf nadzir (BWI) as yet with the Islamic Money Waqf Management Institution (LKSPWU) has been quite good. Based on data obtained by the second source, sharia fintech institutions are ranked first globally.

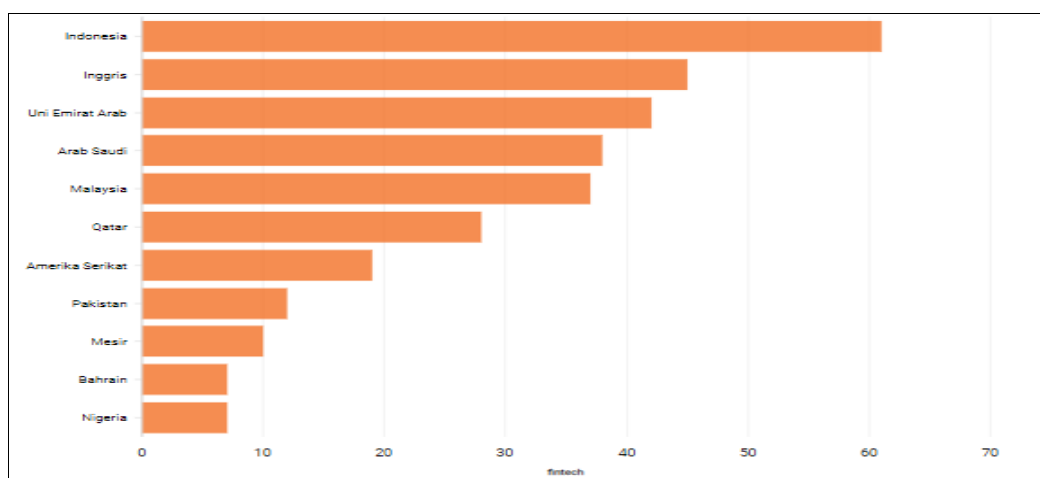


Figure 2. Global Fintech Rank

Source: (Databoks, 2022)

If cash waqf services are available in all sharia fintech, public awareness to make donations through waqf schemes will increase. This increase will increase the inclusion of Islamic social finance, particularly in the waqf sector. As there is an increase in household consumption

when shopping services are available on the fintech platform (Medias et al., 2019; Yang & Zhang, 2022), so too the existence of waqf services available at fintech will increase public knowledge about productive waqf. Furthermore, people will start to get used to seeing these services so that they show a positive response by participating in donating to waqf services to fintech because of their convenience and practicality.

In other cases, fintech generally does not only show service accounts, but there are advertisements in it as part of the explanation of each service in it. So, the socialization of waqf can be shown in this way. This has been proven by fintech which has been able to socialize economic growth through the services available at the fintech.

Conclusion

The implementation of fintech as a medium for carrying out waqf activities to raise productive funds has a positive effect on waqf socialization in society, especially for the younger generation who are considered active in using fintech platforms in their daily economic life. For the younger generation, integration between waqf services and fintech platforms can provide an opportunity for them to better understand the concept of productive waqf and generate interest in applying it. This way can support and increase waqf inclusion in society. Moreover, fintech was even capable to demonstrate the best benefits in waqf for economic development through advertisements contained on the fintech platform.

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