

# Modernizing Zakat and Waqf Management in Indonesia: A Legal And Governance Perspective

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## Abstract

Zakat and waqf are vital tools for poverty alleviation in Islamic countries. However, their management often fails to keep pace with technological advancements, so legality and good governance cannot be seen directly by the muzakki. In Indonesia, the largest Muslim-majority country, the digitalization of zakat and waqf has emerged as a significant reform, supported by regulations to improve transparency, accountability, and efficiency. This study examines the integration of corporate governance principles in digital zakat and waqf management, focusing on the regulatory framework that governs these practices. Employing normative legal research, this study analyzes Indonesia's Zakat Management Law (No. 23 of 2011) and the Waqf Law (No. 31 of 2004), alongside case studies of digital zakat and waqf platforms. The findings highlight that these regulations mandate technology to enhance monitoring, reporting, and fund distribution. Adopting corporate governance frameworks, including digital fundraising, real-time tracking, and performance audits, has substantially increased public trust and participation in zakat and waqf. Nevertheless, challenges remain, such as regulatory gaps in monitoring non-compliance and integrating private sector innovations. This research underscores the importance of strengthening regulatory oversight and adopting global best practices to optimize the socio-economic impact of zakat and waqf in Indonesia.

**Keywords:** Digital Zakat, Waqf Regulation, Corporate Governance, Normative Legal Research

## I. Introduction

Zakat and waqf have long been foundational aspects of Islamic socio-economic frameworks, serving as instruments for wealth redistribution and community development. Across Muslim-majority countries, these mechanisms have been institutionalized to address poverty alleviation, education funding, and infrastructure development.<sup>1</sup> Indonesia, as the largest Muslim-majority country in the world, holds

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<sup>1</sup> Yahya, Imam. "Zakat Management in Indonesia: A Legal Political Perspective." *Al-Abkam* 30, no. 2

significant potential in optimizing zakat and waqf to meet its socio-economic challenges. The latest data from the National Zakat Agency (BAZNAS) shows an increase in zakat contributions in 2025 of 371 trillion rupiahs,<sup>2</sup> but collection is still not optimal; only a small portion of the mandatory zakat has been collected. Similarly, waqf, though historically instrumental in funding public welfare, remains underutilized due to inefficiencies in management and outdated systems.<sup>3</sup> The changing global landscape, characterized by digital transformation and socio-economic challenges such as rising inequality, necessitates a rethinking of zakat and waqf management to align with contemporary demands. In this context, Indonesia stands at the crossroads of preserving its rich tradition of Islamic philanthropy while modernizing its systems to maximize impact and efficiency.

Digitalizing zakat and waqf management is seen as a game-changer, offering the potential to enhance transparency, efficiency, and accessibility. Digital platforms can streamline processes, reduce administrative costs, and expand the reach of zakat and waqf contributions to underserved regions. In Indonesia, digital zakat and waqf platforms, such as Dompot Dhuafa and Kitabisa, have emerged as pioneers in integrating technology into Islamic philanthropy.<sup>4</sup> However, while the digital transition offers vast opportunities, it presents significant challenges. Cybersecurity risks, data privacy concerns, and unequal access to digital infrastructure in rural areas hinder the effective implementation of digital systems.<sup>5</sup> The lack of a uniform digital zakat and waqf management standard has led to inconsistent practices across institutions. As Indonesia embraces the digital age, it must address these challenges to ensure that the benefits of technology are equitably distributed. Zakat and waqf management digitalization, thus, become a critical area for research, particularly in understanding its potential and drawbacks.

The rapid adoption of digital technologies in zakat and waqf management necessitates a comprehensive evaluation of its legal and governance implications.<sup>6</sup> Indonesia has made

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(2020): 195–214, <https://doi.org/10.21580/ahkam.2020.30.2.6420>

<sup>2</sup> “Baznas Targets Zakat Collection of Rp41 Trillion by Year-End - ANTARA News,” accessed May 18, 2025, <https://en.antaranews.com/news/338546/baznas-targets-zakat-collection-of-rp41-trillion-by-year-end>.

<sup>3</sup> Ash-Shiddiqy, Muhammad, Makhrus Makhrus, and Muhammad Ghafur Wibowo. “Cash Waqf Management for Education: Challenges, Solutions and Strategies.” *Shirkah: Journal of Economics and Business* 9, no. 2 (2024): 275–89, <https://doi.org/10.22515/shirkah.v9i2.723>

<sup>4</sup> Widiastuti, Tika, Imron Mawardi, Al-Shami Samer Ali, Nikmatul Atiya, Lina Nugraha Rani, Anidah Binti Robani, and Muhammad Ubaidillah Al Mustofa. “Determinant Factors for Online Cash Waqf Intention among Muslim Millennial Generation.” *Journal of Islamic Marketing*. (2024).

<sup>5</sup> Almomani, Mohammed Abd-Alkarim, Mohyi Aldin AbuAlhou, Mohammad Toma Suleiman Alqudah, and Ibrahim Khalaf Suleiman Al-Khalidi. “Exploring Digital Waqf Management: Opportunities and Challenges.” *International Journal of Religion* 5, no. 12 (2024): 20–30, <https://doi.org/10.61707/ax7vd794>

<sup>6</sup> Muh Nashirudin, Ramadhan, and Almira Keumala Ulfah, “Strengthening Maqāṣid Al-Sharī’ah Values in Halal Traceability: Evidence and Analysis of Block Chain Based on Halal Supply Chain

significant strides in formalizing zakat and waqf systems through regulatory policies, but these frameworks must evolve to accommodate digital practices.<sup>7</sup> The absence of robust governance mechanisms and clear regulatory guidelines could lead to inefficiencies, misuse of funds, and erosion of public trust.<sup>8</sup> From a legal perspective, questions arise regarding the adequacy of current zakat and waqf laws in addressing issues like accountability, transparency, and compliance in a digital environment. Meanwhile, literature reviews show that the challenges of governance and legality, such as ensuring that institutions comply with corporate governance principles and ensuring the legality of management, are still unexplored in the existing literature. Therefore, this article considers research that examines digital zakat and waqf management through two perspectives of the legal framework and governance standards aimed at offering actionable policy and practice recommendations.<sup>9</sup>

Corporate governance plays a pivotal role in enhancing organizations' credibility, accountability, and efficiency, and its relevance extends to digital zakat and waqf management. Transparency, accountability, responsibility, fairness, and sustainability are essential for fostering trust among stakeholders, particularly in faith-based initiatives where public confidence is critical.<sup>10</sup> In the digital zakat and waqf context, corporate governance ensures that technology adoption is effective and aligned with ethical and legal standards.<sup>11</sup> This includes mechanisms for real-time monitoring of funds, periodic performance audits, and robust cybersecurity measures to protect donor data. Although corporate governance has been widely studied in private and public sectors, its application to Islamic philanthropic institutions, particularly the combination of corporate governance and legality, remains largely unexplored.

By investigating how corporate governance can be integrated into digital zakat and waqf management, this study aims to bridge this gap and provide insights into best practices that can enhance the efficiency and impact of these vital socio-economic

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Applications,” *Al-Manabij: Jurnal Kajian Hukum Islam* 18, no. 1 (May 14, 2024): 95–108, <https://doi.org/10.24090/MNH.V18I1.9883>.

<sup>7</sup> Yunita, Patria. “Developing a Modern Zakat Management Model Digital Technology 4.0 Version.” *AZKA International Journal of Zakat & Social Finance* (2021): 139–56, <https://doi.org/10.51377/azjaf.vol2no1.47>

<sup>8</sup> As-Salafiyah, Aisyah, and Ahlis Fatoni. “Zakat Policy and Regulation: A Review.” *Islamic Social Finance* 1, no. 1 (2021), <https://doi.org/10.58968/ria.v1i1.69>

<sup>9</sup> “BAZNAS RI Ungkap Potensi Zakat Fitrah 2025 Capai Rp8 Triliun, Masyarakat Diimbau Bayar Lewat Lembaga Resmi - BAZNAS,” accessed May 17, 2025, [https://baznas.go.id/news-show/BAZNAS\\_RI\\_Ungkap\\_Potensi\\_Zakat\\_Fitrah\\_2025\\_Capai\\_Rp8\\_Triliun,\\_Masyarakat\\_Diimbau\\_Bayar\\_Lewat\\_Lembaga\\_Resmi/2990](https://baznas.go.id/news-show/BAZNAS_RI_Ungkap_Potensi_Zakat_Fitrah_2025_Capai_Rp8_Triliun,_Masyarakat_Diimbau_Bayar_Lewat_Lembaga_Resmi/2990).

<sup>10</sup> Awais, Muhammad, Ali Osman Öztürk, Omar Khalid Bhatti, and Nazima Ellahi. “Islamic Social Finance with Incorporation of Islamic Fintech and Islamic Corporate Governance.” In *The Islamic Economic System* (Routledge, 2024): 70–87.

<sup>11</sup> Widiastuti, Tika, Imron Mawardi, and Razali Haron. 2024. “Zakat Governance Towards Sustainable Finance.” In *Islamic Finance and Sustainable Development*, 97–108. Routledge.

instruments. Indonesia's regulatory framework for zakat and waqf management is rooted in Zakat Management Law (No. 23 of 2011) and Waqf Law (No. 41 of 2004). These laws aim to institutionalize zakat and waqf management, ensuring transparency, accountability, and effectiveness.<sup>12</sup> The Zakat Management Law mandates the establishment of formal zakat management bodies, such as BAZNAS and LAZ, to oversee collection and distribution processes. Similarly, the Waqf Law provides a legal basis for administering waqf assets, emphasizing their productive utilization for community welfare. However, these regulations are designed for conventional systems and do not fully address the complexities of digitalization. Key issues, such as the legal status of digital platforms, governance of digital transactions, and data protection, remain unclear. This study seeks to critically examine the regulatory and legal framework regarding the extent of governance, explore its adequacy, and propose reforms to ensure it aligns with the digital era.

Recent studies have explored various aspects of zakat and waqf management in the digital age. Ninglasari et al. analyzed the impact of digital platforms on zakat collection, finding that they significantly improve efficiency and donor participation.<sup>13</sup> Latif et al. examined the role of corporate governance in waqf institutions, highlighting the importance of accountability and transparency in enhancing trust.<sup>14</sup> Meanwhile, a study by Daud and Dalila focused on Indonesia, identifying gaps in the regulatory framework for digital zakat and waqf management.<sup>15</sup> Other studies, such as those by Asni et al., emphasized the challenges of cybersecurity and data privacy in digital philanthropy.<sup>16</sup> A comprehensive review by Almomani pointed out the need for standardized practices across digital platforms.<sup>17</sup> While these studies provide valuable insights, few have analyzed the intersection of digitalization, governance, and regulatory frameworks in the Indonesian context. This highlights the need for further research integrating these perspectives to offer a holistic understanding of digital zakat and waqf management.

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<sup>12</sup> Mustofa, Imam, Dri Santoso, and Upia Rosmalinda. "The implementation of the regulation of cash waqf management in higher educational institution in Indonesia and Malaysia (a study of legal system theory)." *Humanities & Social Sciences Reviews* 8, no. 4 (2020): 69-77.

<sup>13</sup> Ninglasari, Sri Yuyu, and Mumuh Muhammad. "Zakat Digitalization: Effectiveness of Zakat Management During Covid-19 Pandemic." *Journal of Islamic Economic Laws* 4, no. 1 (2021): 26-44.

<sup>14</sup> Latif, Saripah Abdul, Nik Muniyati Nik Din, and Zaiton Mustapha. "The role of good waqf governance in achieving sustainable development." *Environment-Behaviour Proceedings Journal* 3, no. 7 (2018): 113-118.

<sup>15</sup> Daud, Dalila. "The role of Islamic governance in the reinforcement waqf reporting: SIRC Malaysia case." *Journal of Islamic Accounting and Business Research* 10, no. 3 (2019): 392-406.

<sup>16</sup> Asni, Fathullah, Khalilullah Amin Ahmad, Muhamad Husni Hasbulah, Syahraini Tambak, Hanis Hazwani Ahmad, and Wan Azani Mustafa. "A Recent Systematic Review of Zakat Digitalization: Efficiency and Challenges." *Journal of Advanced Research in Applied Sciences and Engineering Technology* (2024): 130-146.

<sup>17</sup> Almomani, Mohammed Abd-Alkarim, Mohyi Aldin AbuAlhoul, Mohammad Toma Suleiman Alqudah, and Ibrahim Khalaf Suleiman Al-Khalidi. "Exploring Digital Waqf Management: Opportunities and Challenges." *International Journal of Religion* 5, no. 12 (2024): 20-30.

Significant gaps remain despite the growing literature on digital zakat and waqf management. Most studies focus on either technological aspects or governance issues in isolation, without addressing the interplay between the two. Moreover, few studies have critically analyzed the adequacy of existing regulatory frameworks in governing digital practices. This research seeks to fill these gaps by adopting a holistic approach that examines digital zakat and waqf management through the lenses of corporate governance and legal frameworks. By focusing on Indonesia, the study offers a unique perspective on the challenges and opportunities in modernizing zakat and waqf systems in the world's largest Muslim-majority country. The novelty of this research lies in its integrated approach, which combines insights from legal studies, governance principles, and digital technologies to propose actionable recommendations for policymakers and practitioners.

This study uses a normative legal approach with doctrinal analysis to examine governance and regulatory policies in managing digital zakat and waqf in Indonesia. Primary legal materials come from the Zakat Management Law No. 23 of 2011, the Waqf Law No. 41 of 2004, and the Ministry of Religious Affairs and BAZNAS regulations. Secondary materials include scientific articles, policy reports, and case studies related to the digitalization of zakat and waqf. The analysis was conducted through a systematic analytical approach,<sup>18</sup> which includes collecting key legal principles, comparing them with global practices, and thematic coding based on issues such as accountability, transparency, cybersecurity, and inclusivity.

## II. Digitalization on Zakat and Waqf Management in Indonesia

Zakat and waqf have been integral to Indonesia's socio-religious fabric for centuries. Historically, the practice of zakat was managed informally by individuals or religious leaders, while waqf management was centered around local mosques and religious institutions.<sup>19</sup> During Indonesia's colonial period, the waqf administration was formalized under Dutch law, yet zakat continued to be privately managed.<sup>20</sup> Following independence, the government acknowledged the importance of zakat and waqf in addressing poverty and inequality. Establishing formal institutions such as BAZNAS (National Zakat Agency) and regional waqf boards marked a significant step in institutionalizing these practices.

The advent of the Fourth Industrial Revolution brought technological innovations that revolutionized zakat and waqf management. Digital platforms emerged as a response to inefficiencies in traditional practices, such as a lack of transparency and accountability.

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<sup>18</sup> "Content Analysis – School of Information Systems," accessed May 8, 2025, <https://sis.binus.ac.id/2024/11/08/content-analysis/>.

<sup>19</sup> Zul Anwar Ajim Harahap et al., "Hilirisation Agricultural Zakat as a Basis for Increasing Community Income," *Management of Zakat and Waqf Journal (MAZAWA)* 6, no. 1 (December 20, 2024): 1–18, <https://doi.org/10.15642/MZW.2024.6.1.1-18>.

<sup>20</sup> Amelia. Fauzia, *Faith and the State : A History of Islamic Philanthropy in Indonesia* (Brill, 2013).

Technology integration began with online payment systems, mobile applications, and digital fundraising platforms, making zakat and waqf contributions more accessible to a broader audience.<sup>21</sup> Institutions like BAZNAS and Dompot Dhuafa have pioneered digital solutions, ranging from blockchain-based waqf tracking to artificial intelligence (AI)-enabled platforms for zakat distribution, such as i-zakat. This transition illustrates Indonesia's commitment to modernizing Islamic philanthropic practices to align with global trends.<sup>22</sup>

Digitalizing zakat and waqf presents significant opportunities for enhancing efficiency, accountability, and inclusivity in Islamic philanthropy. Digital platforms enable real-time monitoring of zakat funds and waqf assets, minimizing risks of mismanagement. Moreover, technological tools facilitate greater transparency, increasing public trust and encouraging more contributions. For instance, blockchain technology allows donors to track the allocation and impact of their funds, fostering a sense of accountability among management institutions.

However, digitalization is not without its challenges. One critical issue is the digital divide, which excludes specific population segments, particularly in rural and underserved areas, from participating in digital zakat and waqf platforms. Moreover, cybersecurity threats, such as hacking and data breaches, pose risks to the confidentiality and integrity of donor information. Another challenge is the lack of standard regulations governing digital zakat and waqf platforms, which causes inconsistencies in their implementation, such as a lack of security in applications that make them vulnerable to hacking. Institutions such as BAZNAS and other institutions that use Internet of Things based applications must address this challenge by investing in cybersecurity, digital literacy programs, and regulatory frameworks to ensure equitable access and secure operations.

Public trust plays a pivotal role in the success of digital zakat and waqf initiatives. In Indonesia, the perception of digitalization varies across demographics.<sup>23</sup> Urban communities, characterized by higher levels of digital literacy, are generally more receptive to digital platforms. They appreciate the convenience and transparency of digital tools, particularly mobile applications that simplify zakat payments and provide

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<sup>21</sup> Mahfud, Choirul, Rochim Fajri Tsalatin, Lusi Amelia, Nurul Sofia Dewi, Moh Iqbal Fatchurozi, Muhammad Risyad Ibenzani, and Fathurahman Agung. "Digitalization of Islamic Philanthropy: Effectiveness of Management of Zakat and Waqf in Contemporary Indonesia." *Studia Religia Jurnal Pemikiran Dan Pendidikan Islam* 4, no. 2 (2020): 203-214.

<sup>22</sup> Eli Sumarliah et al., "Blockchain-Empowered Halal Fashion Traceability System in Indonesia," *Int. J. Inf. Syst. Supply Chain Manag.* 15, no. 2 (April 1, 2022), <https://doi.org/10.4018/IJISSCM.287628>.

<sup>23</sup> Reza Ronaldo et al., "The Role of Zakat and Waqf in the Economic Empowerment of the People in the Digital Era," n.d., <https://doi.org/10.62872/1m4yqr95>.

detailed reports on fund utilization. Younger generations, being more tech-savvy, are also inclined to support digital zakat and waqf initiatives.<sup>24</sup>

Conversely, some individuals, particularly older generations and those in rural areas, express skepticism. Concerns often revolve around data security, lack of familiarity with digital platforms, and fear of fraud. Addressing these concerns requires a multifaceted approach, including public awareness campaigns, collaborations with religious leaders, and robust cybersecurity measures. Institutions must prioritize building trust by demonstrating accountability and showcasing the tangible impacts of digital zakat and waqf initiatives on beneficiaries.<sup>25</sup>

Recent studies have examined the digitalization of zakat and waqf, offering insights into global and local practices. Arshad et al. highlighted blockchain technology's transformative potential in improving waqf's transparency and accountability globally.<sup>26</sup> To support this, Rizal and Pakkana's study showed that digital platforms such as i-zakat in Indonesia increased zakat collection by 30% between 2019 and 2022 due to their accessibility and efficiency.<sup>27</sup>

However, challenges remain. A study by Maulidia et al. emphasized the digital divide as a persistent issue in countries like Indonesia, where rural communities face limited internet access and digital literacy.<sup>28</sup> Similarly, research by Abdullah underscored cybersecurity concerns as a barrier to the broader adoption of digital zakat platforms. Comparing these studies reveals a shared emphasis on the need for comprehensive regulatory frameworks to address the challenges of digitalization.

The digitalization of zakat and waqf in Indonesia, marked by the emergence of IoT-based applications from various institutions such as BAZNAS, etc., marks an important milestone in modernizing Islamic philanthropic practices. While technological advancements offer great potential to improve transparency, efficiency, and inclusiveness, addressing challenges such as the digital divide, cybersecurity, and public skepticism is critical. By implementing comprehensive governance principles and

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<sup>24</sup> Akbar Sarif and Rini Ariyanti, "Digital Innovation in Zakat and Waqf Management: Case Study on Sharia Crowdfunding Platforms," *International Journal of Health, Economics, and Social Sciences (IJHESS)* 7, no. 1 (2025): 410–17, <https://doi.org/10.56338/ijhess.v7i1.6942>.

<sup>25</sup> Muna Ahmead, Nuha El Sharif, and Issa Abuiram, "Risky Online Behaviors and Cybercrime Awareness among Undergraduate Students at Al Quds University: A Cross Sectional Study," *Crime Science* 13, no. 1 (December 1, 2024): 1–19, <https://doi.org/10.1186/S40163-024-00230-W/TABLES/4>.

<sup>26</sup> Arshad, Roshayani, Ruhaini Muda, and Ramesh Nair. "Towards a digitalized collaborative zakat management system for accelerating good governance practices in the new normal." *The Journal of Muamalat and Islamic Finance Research* (2021): 30-39.

<sup>27</sup> Rizal, Syamsu, and Mukhaer Pakkana. "Digitalization of Zakat in Stimulating Community Socio-Economic Development in the Middle of the Covid-19 Pandemic (Maqashid Syariah Perspective)." *European Journal of Humanities and Social Sciences* 3, no. 1 (2023): 23-33.

<sup>28</sup> Maulida, Sri, Fahmi Al Amruzi, and Budi Rahmat Hakim. "Problems and Solutions in Digitalization Zakat." In *Indonesian Conference of Zakat-Proceedings*, pp. 163-188. 2021.

regulatory policies, Indonesia can position itself as a global leader in innovative zakat and waqf management. Future research should explore new technologies and their integration with Islamic philanthropic practices to advance this important field further.

### **III. Corporate Governance Principles in Zakat and Waqf in Indonesia**

Corporate governance is essential to ensure transparency, accountability, and efficiency in managing zakat and waqf in Indonesia. With the increasing number of zakat and waqf institutions adopting digital platforms, corporate governance principles play an important role in maintaining stakeholder trust and improving institutional performance. In the Indonesian context, zakat and waqf governance are shaped by the regulatory framework, institutional mandate, and the application of modern management practices.

#### **1. Transparency in Zakat and Waqf Management**

Transparency is a cornerstone of corporate governance and is critical in fostering trust and accountability within zakat and waqf institutions. As essential pillars of Islamic philanthropy, zakat and waqf significantly impact social welfare, poverty alleviation, and community development. In Indonesia, where zakat and waqf are integral to social and economic systems, institutions like BAZNAS (National Zakat Agency) and LAZ (Amil Zakat Institutions) manage and distribute these funds. As with any financial institution, these organizations must demonstrate transparency in their operations to ensure their managed funds are used efficiently and effectively.<sup>29</sup>

One of the primary requirements for zakat and waqf institutions is to provide clear and accessible reports on fund collection, allocation, and utilization. Transparency in these processes allows donors, beneficiaries, and the general public to track the flow of funds, ensuring that donations are used for their intended purposes.<sup>30</sup> In Indonesia, such institutions are mandated by law to present regular financial reports that detail the sources of zakat funds, how they are distributed, and the impact of these distributions on the community. These reports are vital to building trust with donors and ensuring their contributions are used for the intended causes. In addition, transparency helps avoid corruption or mismanagement, which can damage the reputation of zakat and waqf institutions. Although the values of transparency are not regulated in Law Number 23 of 2011 concerning the management of zakat management, transparency is very much needed to meet the principles of good governance.

The advent of digital platforms has significantly improved transparency in zakat and waqf management. With the increasing use of technology, donors can now access real-

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<sup>29</sup> "The Role of Transparency in Disaster Relief and Emergency Funding - FundsforNGOs," accessed May 11, 2025, <https://www2.fundsforngos.org/articles-searching-grants-and-donors/the-role-of-transparency-in-disaster-relief-and-emergency-funding/>.

<sup>30</sup> Mohaiyadin, Norlaila Mazura Hj, Aini Aman, Mohd Rizal Palil, and Suzana Muhamad Said. "Addressing accountability and transparency challenges in waqf management using blockchain technology." *Journal of Islamic Monetary Economics and Finance* 8 (2022): 53-80.

time information about how their donations are being used. Digital platforms allow for up-to-date reporting on the collection and distribution of zakat and waqf funds, making the process more visible and accessible.<sup>31</sup> For instance, some institutions have adopted blockchain technology to ensure transparency. Blockchain technology enables secure and immutable record-keeping, allowing donors to track how funds are allocated, distributed, and spent, such as the i-zakat application at the BAZNAS institution.<sup>32</sup> By allowing donors to verify the utilization of funds, blockchain ensures that zakat and waqf institutions remain accountable for their financial stewardship. This technology also helps institutions to streamline their operations and reduce the chances of fraud or misappropriation of funds.

Despite this progress, there are still challenges to achieving comprehensive transparency, such as the lack of information on who receives zakat distribution. While digital platforms have improved reporting, some local zakat institutions still struggle to provide detailed and comprehensive financial reports.<sup>33</sup> The authors found that reports may not contain in-depth information on administrative costs or the criteria used for fund allocation. This lack of detailed information can raise doubts about the efficiency and effectiveness of the institution's operations, leading to perceptions of inefficiency or misuse of funds. If these issues are not addressed, they can erode donor trust and damage the credibility of zakat and waqf institutions.

To address these challenges, zakat, and waqf institutions should adopt PSAK 109 on Accounting for Zakat, Infak, and Sedekah. By adhering to the established financial reporting framework, these institutions can ensure that their reports are comprehensive, transparent, and credible. Furthermore, adopting the standard can enhance the institution's ability to benchmark its performance against global best practices in financial management. In addition, leveraging technology to improve the accessibility and visibility of financial data is essential. Institutions should invest in easy-to-use digital platforms

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<sup>31</sup> Beik, Irfan Syauqi, Muhammad Hasbi Zaenal, and Abdul Aziz Yahya Saoqi. "The optimization of blockchain for greater transparency in zakat management." *Islamic FinTech: Insights and Solutions* (2021): 281-297.

<sup>32</sup> Amos Wei Lun Lee et al., "Blockchain-Enabled Carbon Emission Management System in a Multi-Tier Supply Chain," *Procedia CIRP* 116 (January 1, 2023): 233–38, <https://doi.org/10.1016/J.PROCIR.2023.02.040>; A.E Matenga and K Mpofu, "Blockchain-Based Product Lifecycle Management Using Supply Chain Management for Railcar Remanufacturing," *Procedia CIRP* 116 (January 1, 2023): 486–91, <https://doi.org/10.1016/J.PROCIR.2023.02.082>; Fuadi Fuadi et al., "IMPLEMENTATION OF HALAL VALUE CHAIN IN BLOCKCHAIN-BASED HALAL INDUSTRY IN ACEH PROVINCE," *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAAS)* 2, no. 5 (October 20, 2022): 793–802, <https://doi.org/10.54443/IJEBAAS.V2I5.413>.

<sup>33</sup> Hadi, Rahmini, Y. Shafrani, D. Hilyatin, Sugeng Riyadi, and Basrowi Basrowi. "Digital zakat management, transparency in zakat reporting, and the zakat payroll system toward zakat management accountability and its implications on zakat growth acceleration." *International Journal of Data and Network Science* 8, no. 1 (2024): 597-608.

that provide stakeholders with easy access to detailed financial information, allowing them to monitor the flow of funds and evaluate the impact of their donations.

Transparency in zakat and waqf management is essential for ensuring these funds' practical and ethical use. While advancements in digital reporting systems have improved transparency, efforts are needed to ensure that all institutions adhere to global financial reporting standards and provide detailed information to stakeholders. Only through a commitment to transparency and accountability can zakat and waqf institutions build trust with donors, reduce perceptions of inefficiency, and ultimately improve their impact on society.

## 2. Accountability to Stakeholders

Accountability is one of the basic principles of corporate governance and plays an important role in the practical and ethical management of zakat and waqf institutions. In the context of zakat and waqf, accountability involves the obligation of these institutions to justify their decisions and actions to various stakeholders, including donors, beneficiaries, regulatory authorities, and the wider community. Given the large amount of funds collected through zakat and waqf, which are intended for charitable purposes such as poverty alleviation and community development, institutions must ensure that they manage these resources responsibly and transparently. Therefore, accountability is important to ensure these funds are used ethically and following their intended purpose.<sup>34</sup> Along with accountability in the zakat application, it shows that Law Number 23 of 2011 has been appropriately implemented. The planning and distribution carried out by BAZNAS followed the principles of good governance.

In Indonesia, the legal framework is essential in enforcing accountability within zakat and waqf management. The Zakat Management Law No. 23 of 2011 is one example, mandating zakat institutions to comply with strict regulations regarding fund collection, allocation, and utilization. This law outlines the need for regular audits and public reporting to ensure that zakat and waqf funds are used effectively. The law holds institutions accountable to their stakeholders and ensures compliance with Islamic principles, as these funds must be spent in ways consistent with the values of fairness, justice, and social welfare in Islam. Regular audits, which independent auditors conduct, help verify the financial integrity of the institutions, assess their performance, and ensure that they adhere to legal and ethical standards.<sup>35</sup>

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<sup>34</sup> Wisnu Prasetyo Adi Utomo and Fatchan Achyani, "The Effect of Islamic Social Reporting, and Good Corporate Governance on Firm Value Using the Maqashid Syariah Index as a Moderating Variable (Empirical Study on Islamic Commercial Banks in Indonesia in 2017-2019)," in *Proceedings of The International Conference on Economics and Business Studies*, 2022, 358–70, [www.idx.co.id](http://www.idx.co.id).

<sup>35</sup> Almira Keumala Ulfah, Ramadhan Razali, and Sherif Mohamed A. Ismail, "Unveiling the Power of Good Corporate Governance: The Key to Effective Zakat Administration," *Filantropi: Jurnal Manajemen Zakat Dan Wakaf* 6, no. 1 (April 21, 2025): 1–9, <https://doi.org/10.22515/FINALMAZAWA.V6I1.10104>.

Digital platforms have significantly enhanced accountability by improving the tracking and monitoring of zakat and waqf funds. With the advent of digital technologies, institutions can now create detailed audit trails that document every transaction and movement of funds.<sup>36</sup> These audit trails enable stakeholders to track how funds are utilized and ensure they are spent according to established guidelines. Furthermore, digital platforms allow for automated compliance checks, which help streamline the auditing process, minimize errors, and reduce the potential for fraud. For instance, automated systems can ensure that zakat funds are allocated to eligible beneficiaries following predefined criteria, and any discrepancies can be quickly flagged for review. These advancements help strengthen the accountability mechanisms within zakat and waqf institutions, providing transparency and reassurance to donors and regulatory authorities.

However, despite the advancements in digital tools, many institutions, particularly at the regional level, face significant challenges in implementing robust accountability mechanisms. One of the primary issues is the inconsistent enforcement of audit requirements. While the law mandates regular audits, the quality and frequency of these audits can vary significantly between institutions, with some regional zakat institutions lacking the necessary resources or expertise to carry out effective audits.<sup>37</sup> This inconsistency in audit enforcement can lead to discrepancies in how funds are managed, creating the potential for mismanagement, inefficiency, or misuse of funds. Moreover, some institutions may face limitations in terms of financial resources, making it difficult for them to invest in the technology or human capital required to ensure rigorous oversight.

Accountability to stakeholders is crucial in the governance of zakat and waqf institutions. While digital platforms and legal frameworks have made significant strides in enhancing accountability, challenges still need to be addressed, particularly in ensuring consistent enforcement and improving the capacity of local institutions. Strengthening regulatory oversight and institutional capacity will be key to addressing these challenges and ensuring that zakat and waqf funds are managed ethically, transparently, and effectively. Through these efforts, zakat and waqf institutions can maintain the trust of their stakeholders and fulfill their mission of promoting social welfare and justice.

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<sup>36</sup> Gultom, Selfi Afriani, and Andri Soemitra. "Accountability and transparency of waqf managers in increasing trust in endowments for development: literature study." *Jurnal Akuntansi dan Pajak* 23, no. 1 (2022): 89-103.

<sup>37</sup> Mark DeFond and Jieying Zhang, "A Review of Archival Auditing Research," *Journal of Accounting and Economics* 58, no. 2-3 (November 1, 2014): 275-326, <https://doi.org/10.1016/J.JACCECO.2014.09.002>.

### 3. Efficiency in Resource Management

Efficiency is a fundamental principle of corporate governance, particularly in the context of zakat and waqf institutions. In any organization, managing resources effectively ensures that operations are cost-effective and that the maximum benefit is derived from available resources. In zakat and waqf institutions, the primary objective is to maximize the impact of funds allocated for charitable purposes, such as poverty alleviation, community development, and social welfare. Efficient resource management ensures that administrative costs are minimized and that a larger portion of the collected funds reaches the intended beneficiaries. This enhances the effectiveness of these institutions and builds trust with donors, who want to see that their contributions are used effectively and not consumed by unnecessary overheads.<sup>38</sup>

In the modern era, introducing digital platforms has significantly improved resource management efficiency within zakat and waqf institutions. Technology has automated many processes that were traditionally manual and labor-intensive. For instance, zakat calculation, collection, and disbursement processes have been streamlined through mobile applications and online platforms. These digital tools allow donors to calculate and pay their zakat with minimal administrative intervention. Using these platforms reduces human error, cuts administrative costs, and accelerates the disbursement of funds to beneficiaries. The increased automation also helps ensure that funds are distributed efficiently, reducing delays that may have previously occurred with manual processes. Furthermore, digital platforms often include built-in features for real-time reporting and tracking, which improves transparency and accountability, another key component of good governance.<sup>39</sup>

One notable example of efficiency improvements through digitalization is the ability of mobile applications to calculate zakat accurately based on the user's income or assets. These applications typically integrate with financial databases and Islamic principles, automatically calculating the zakat due and providing payment options, thus minimizing errors and reducing donors' need to seek external assistance. By making it easier for donors to fulfill their religious obligations, these platforms help increase the volume of zakat collected and minimize administrative burdens. Additionally, using digital tools enables zakat institutions to manage better and allocate resources, allowing them to focus more on delivering services to beneficiaries rather than managing operational tasks.<sup>40</sup>

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<sup>38</sup> Ulfah, Razali, and Ismail, "Unveiling the Power of Good Corporate Governance: The Key to Effective Zakat Administration."

<sup>39</sup> Fuadi et al., "IMPLEMENTATION OF HALAL VALUE CHAIN IN BLOCKCHAIN-BASED HALAL INDUSTRY IN ACEH PROVINCE."

<sup>40</sup> Rahmini Hadi et al., "Digital Zakat Management, Transparency in Zakat Reporting, and the Zakat Payroll System toward Zakat Management Accountability and Its Implications on Zakat Growth

Despite these advancements in digital efficiency, inefficiencies persist in some areas, particularly in managing waqf assets. Waqf typically involves long-term assets such as land, property, and other resources donated for philanthropic purposes. If managed properly, these assets can generate sustainable income for various community development projects. However, in many cases, waqf assets are underutilized due to bureaucratic hurdles, outdated management practices, and a lack of strategic planning. Waqf assets are often managed inefficiently because they are not subjected to the same scrutiny or performance monitoring as other assets in a corporate setting. These inefficiencies can prevent waqf institutions from fully realizing the potential of their assets and generating the revenue needed to fund social programs.

To address these challenges, the application of corporate governance principles is essential. For instance, strategic asset management practices, which involve evaluating and optimizing the use of assets, can significantly enhance the efficiency of waqf institutions. By adopting performance monitoring systems, waqf institutions can ensure that their assets generate returns and contribute to their philanthropic objectives. Corporate governance also encourages transparency and accountability in asset management, which can help ensure that waqf assets are used most effectively. This includes regular audits, reporting on asset performance, and ensuring that the management of waqf properties aligns with the broader goals of social welfare.

Another aspect of improving efficiency is the introduction of professional management practices within zakat and waqf institutions. Just as corporations benefit from skilled executives and managers who oversee operations, zakat and waqf institutions can benefit from leadership that understands the complexities of resource management, strategic planning, and performance evaluation. This could involve investing in training for staff and board members to improve their understanding of asset management, financial planning, and project management.

Efficiency in resource management is crucial for zakat and waqf institutions to fulfill their philanthropic missions effectively. While digital platforms have significantly improved zakat collection and distribution, inefficiencies remain, particularly in managing waqf assets. By applying corporate governance principles, such as strategic asset management and performance monitoring, these institutions can optimize their resources and generate sustainable income to support their charitable activities. With improved efficiency, zakat and waqf institutions can maximize their impact and contribute more effectively to social welfare.

#### IV. The Regulatory Policies of Indonesia's Zakat and Waqf Management

As the largest Muslim-majority country, Indonesia has established legal frameworks to institutionalize zakat and waqf management. The Zakat Management Law No. 23 of 2011 and the Waqf Law No. 41 of 2004 are central to these efforts, providing comprehensive guidelines for the collection, management, and distribution of zakat and waqf.<sup>41</sup> While these laws represent significant strides in formalizing Islamic philanthropy, they also present challenges and elicit mixed public perceptions. This section critically discusses these laws' conceptual foundations, implementation, benefits, limitations, public perceptions, and insights from previous studies.

##### 1. Conceptual Foundations of the Laws

Zakat Management Law No. 23 of 2011 aims to modernize and institutionalize zakat collection and distribution. It establishes the National Board of Zakat (Badan Amil Zakat Nasional, BAZNAS) as the central authority to oversee zakat management, with Local BAZNAS offices operating at the provincial and regency levels. The law integrates zakat into the national financial system, encouraging professionalism and accountability while defining eligible beneficiaries (*mustahiq*) and contributors (*muzakki*).

Waqf Law No. 41 of 2004 focuses on optimizing waqf assets for socio-economic development. It mandates the registration of waqf property through the Indonesian Waqf Board (Badan Wakaf Indonesia, BWI) and introduces the concept of cash waqf, expanding waqf's scope beyond physical assets.<sup>42</sup> This innovation aligns with modern financial systems and aims to attract broader participation.

Both laws embody principles of Shariah compliance, accountability, and inclusivity, yet their conceptual frameworks are not without critique. Critics argue that the laws adopt a top-down approach, potentially alienating grassroots actors, particularly local mosques and traditional Islamic organizations, which have historically played a pivotal role in the zakat and waqf administration.<sup>43</sup>

##### 2. Implementation of Zakat and Waqf Management Laws

Implementing these laws has achieved notable successes but remains fraught with challenges. Zakat Management Law No. 23 of 2011 has formalized zakat collection through licensed institutions such as BAZNAS and Amil Zakat Institutions (LAZ). As the law mandates, digitalization has facilitated more transparent collection and

<sup>41</sup> Efendi, Mansur. "Pelaksanaan Pasal 43 Undang-Undang Nomor 41 Tahun 2004 Mengenai Pengelolaan dan Pengembangan Harta Wakaf di Pondok Modern Darussalam Gontor." (2019).

<sup>42</sup> Efendi, Mansur. "Menakar Progresivitas Hukum Wakaf dalam Pengembangan Wakaf Uang di Indonesia." *Al-Abkam: Jurnal Ilmu Syariah dan Hukum* 3, no. 2 (2018): 191-204.

<sup>43</sup> Sani Adamu Muhammad and Ram Al-Jaffri Saad, "Moderating Effect of Attitude toward Zakat Payment on the Relationship between Moral Reasoning and Intention to Pay Zakat," *Procedia - Social and Behavioral Sciences* 219 (May 31, 2016): 520–27, <https://doi.org/10.1016/J.SBSPRO.2016.05.029>.

disbursement processes. Mobile applications and online platforms allow *muzakki* to calculate and pay zakat easily, improving accessibility and efficiency.

However, the implementation faces significant gaps. First, informal zakat channels persist, such as direct donations to mosques or individuals. These channels are deeply rooted in Indonesian culture and remain outside the formal system. Second, the centralization of zakat management in BAZNAS has created bureaucratic bottlenecks, particularly in rural areas where LAZ institutions struggle with resource constraints. Lastly, enforcement of zakat compliance remains voluntary, limiting the law's impact on maximizing zakat potential.<sup>44</sup>

Under Waqf Law No. 41 of 2004, cash waqf has diversified waqf assets, allowing for investments in productive ventures such as schools, hospitals, and microfinance institutions. Establishing Shariah-compliant waqf banks and waqf-linked sukuk (Islamic bonds) has further enhanced the economic utility of waqf.<sup>45</sup> Despite these advances, the management of waqf assets faces structural challenges, including underutilization of registered waqf property and disputes over waqf land ownership. These issues stem from weak coordination between BWI and local governments, insufficient public awareness, and outdated waqf asset databases.

### 3. Benefits of the Legal Framework

Both laws have generated significant benefits by modernizing Islamic philanthropic practices. Zakat Management Law No. 23 of 2011 has contributed to poverty alleviation, education, and disaster relief. Centralized management ensures targeted distribution of zakat funds to *mustahiq*, reducing leakages and inefficiencies. Digital platforms introduced under the law have increased zakat contributions from urban populations, demonstrating the law's adaptability to contemporary financial ecosystems.

The Waqf Law No. 41 of 2004 has unlocked the waqf's potential as a tool for sustainable development. Productive waqf models have generated recurring income to fund public services, showcasing waqf's relevance in addressing modern socio-economic challenges. Cash waqf has broadened participation, allowing even low-income individuals to contribute. Furthermore, waqf asset management has gained international recognition, with Indonesian waqf models serving as benchmarks for other Muslim-majority countries.<sup>46</sup>

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<sup>44</sup> Nurul Nurhidayatie Muhamad Ali et al., "Developing a Multidimensional Performance of Zakat Collection System in East Coast Region," *Procedia - Social and Behavioral Sciences* 164 (December 31, 2014): 84–90, <https://doi.org/10.1016/J.SBSPRO.2014.11.054>.

<sup>45</sup> Usman, Nurodin. "Varian Mauquf Alaih Am Sebagai Alternatif Dalam Pengembangan Wakaf Produktif." *Al-Ahkam: Jurnal Ilmu Syari'ah dan Hukum* 2, no. 1 (2017).

<sup>46</sup> Ram Al Jaffri Saad, Norazita Marina Abdul Aziz, and Norfaiezah Sawandi, "Islamic Accountability Framework in the Zakat Funds Management," *Procedia - Social and Behavioral Sciences* 164 (December 31, 2014): 508–15, <https://doi.org/10.1016/J.SBSPRO.2014.11.139>.

#### 4. Challenges and Limitations

Despite these benefits, the regulatory frameworks face significant challenges. One major challenge for Zakat Management Law No. 23 of 2011 is the dualism between formal and informal zakat channels. While stringent governance standards bind formal institutions, informal channels lack accountability, creating inefficiencies in zakat distribution. Additionally, the voluntary nature of zakat compliance limits its full potential, as zakat payers can bypass formal systems without legal repercussions.<sup>47</sup>

The Waqf Law No. 41 of 2004 faces limitations in its operationalization. Many waqf assets remain idle or are mismanaged due to insufficient expertise and oversight. Furthermore, the law's reliance on BWI to oversee waqf nationwide creates an overburdened bureaucracy, especially in managing disputes over waqf land ownership. Finally, public awareness of cash waqf and its mechanisms remains low, hindering broader participation.

#### 5. Public Perceptions of the Laws

Public perceptions of these laws vary widely. While the formalization of zakat and waqf management has been praised for enhancing transparency and professionalism, some view it as overly bureaucratic and disconnected from traditional practices. Surveys indicate that many Indonesians prefer direct, informal giving due to cultural and religious sentiments.<sup>48</sup>

Digitalization, though a significant advancement, has also received mixed reactions. Urban populations, particularly younger generations, appreciate the convenience of online zakat and waqf platforms. However, rural communities often lack the digital literacy or infrastructure to benefit fully from these innovations. Concerns about data security and potential misuse of funds also contribute to public hesitancy toward digital zakat and waqf systems.<sup>49</sup>

#### 6. Insights from Previous Studies

Recent studies have examined various aspects of these laws. For instance, a study by Firdaus et al. highlights the role of digital platforms in increasing zakat contributions,

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<sup>47</sup> Mohammad Nizarul Alim, "Utilization and Accounting of Zakat for Productive Purposes in Indonesia: A Review," *Procedia - Social and Behavioral Sciences* 211 (November 25, 2015): 232–36, <https://doi.org/10.1016/J.SBSPRO.2015.11.028>.

<sup>48</sup> Andy Hadiyanto, Kinkin Yuliaty Subarsa Putri, and Luthfi Fazli, "Religious Moderation in Instagram: An Islamic Interpretation Perspective," *Helijon* 11, no. 4 (February 28, 2025): e42816, <https://doi.org/10.1016/J.HELIYON.2025.E42816>.

<sup>49</sup> Raja Adzrin Raja Ahmad, Ahmad Marzuki Amiruddin Othman, and Muhammad Sufiyudin Salleh, "Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management," *Procedia Economics and Finance* 31 (January 1, 2015): 140–51, [https://doi.org/10.1016/S2212-5671\(15\)01141-7](https://doi.org/10.1016/S2212-5671(15)01141-7).

emphasizing the need for stronger cybersecurity measures to build public trust.<sup>50</sup> Similarly, research by Razzak et al. underscores the economic potential of productive waqf but identifies gaps in regulatory enforcement and public awareness.<sup>51</sup>

Other studies, such as those by Ramadhan et al., critique the centralization of zakat management, arguing that it stifles innovation at the local level.<sup>52</sup> Meanwhile, Fanani focuses on cash waqf, illustrating its potential for microfinance but noting challenges in integrating it with broader financial systems.<sup>53</sup> These studies highlight the strengths and weaknesses of Indonesia's regulatory frameworks for zakat and waqf.

While the Zakat Management Law and Waqf Law provide robust foundations for modern Islamic philanthropy, their effectiveness depends on addressing several critical issues. First, the dualism between formal and informal channels must be reconciled. Policymakers should explore hybrid models that integrate traditional practices with modern governance standards, ensuring inclusivity without compromising accountability.

Second, the voluntary nature of zakat compliance raises questions about the law's ability to maximize zakat potential. Tax incentives or mandatory zakat schemes for certain income groups could enhance compliance while respecting religious principles. Third, waqf management requires a paradigm shift from static to dynamic governance. This involves updating asset databases, investing in capacity-building for waqf managers and strengthening coordination between BWI and local governments. Public-private partnerships could also play a pivotal role in unlocking the economic potential of waqf assets.

Lastly, public awareness and trust are paramount. Educational campaigns and community outreach programs should be prioritized to promote understanding of zakat and waqf mechanisms, particularly in rural areas. To gain public confidence, digital platforms must ensure user-friendly interfaces, data security, and transparency.

Indonesia's Zakat Management Law No. 23 of 2011 and Waqf Law No. 41 of 2004 are commendable efforts to modernize Islamic philanthropy. While they have enhanced transparency, accountability, and efficiency, challenges remain in addressing informal

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<sup>50</sup> Firdaus, Farah Arum, Irham Zaki, and Sri Herianingrum. "The Role Of Generation Z Through Online Platform in Optimizing of Zakat Literacy and Fundraising." *AZKA International Journal of Zakat & Social Finance* (2023): 13-22.

<sup>51</sup> Razzak, Abdul, Murad Ali Ahmad, Ghaleb Awad, and Nader Mohammad. "The effect of digital zakat and accounting on corporate sustainability through financial transparency." *Asian Economic and Financial Review* 14, no. 3 (2024): 228-249.

<sup>52</sup> Ramadhan, Abdul Rahman, Syahfidz Rosyalqin Azri, and Muhammad Rasyid Ridha. "Strategies and Innovations in the Management of ZISWAF Funds through Digital Platforms for Sustainable Community Development." In *Proceeding of International Conference on Islamic Philanthropy*, vol. 1, pp. 81-91. 2023.

<sup>53</sup> Fanani, Ahmad, Ardhika Wahyu Kuncoro, Ahmad bin Muhammad Husni, and Elina Adi Wijayanti. "The contribution of waqf on poverty alleviation through digital platforms: A case of Indonesia." *Shirkab: Journal of Economics and Business* 6, no. 2 (2021): 246-261.

practices, regulatory enforcement, and public trust. By adopting a more inclusive and dynamic governance approach, Indonesia can fully realize the transformative potential of zakat and waqf in fostering socio-economic development.

## V. Enhancing the Effectiveness and Credibility of Digital Zakat and Waqf System in Indonesia: Do We Need More Policies and Regulations?

Indonesia's existing legal framework for zakat and waqf management—comprising the Zakat Management Law (No. 23 of 2011) and the Waqf Law (No. 41 of 2004)—has laid a foundation for institutionalizing these instruments of Islamic philanthropy. These regulations have catalyzed zakat and waqf management modernization, particularly through digital platforms, making them more accessible and efficient. However, despite their successes, gaps in implementation and oversight hinder the system's full potential. This subsection critically examines whether the current policies sufficiently address the complexities of digital zakat and waqf management or if additional regulations are necessary to enhance effectiveness, transparency, and credibility.

### 1. Efficiency of the Existing Laws

The Zakat Management Law (No. 23 of 2011) introduced centralized governance by empowering the National Board of Zakat (BAZNAS) as the primary authority. This law also mandates the registration of zakat management organizations (LAZs), establishing minimum standards for transparency and accountability. Similarly, the Waqf Law (No. 41 of 2004) defines waqf's governance structure and introduces institutions like the Indonesian Waqf Board (BWI) to oversee waqf assets. These laws have incentivized professionalization and technological adoption within these sectors.

Digital platforms have emerged as a transformative tool, enabling online zakat payments and waqf contributions. Platforms such as BAZNAS's integrated payment systems and third-party apps like Kitabisa.com have increased efficiency, reducing administrative costs and making philanthropy accessible to younger, tech-savvy donors. Additionally, introducing digital payment gateways aligns with Indonesia's broader push for financial inclusion under its National Digital Economy framework.<sup>54</sup>

However, implementation challenges persist. The lack of uniform digital standards for zakat and waqf management organizations has created inefficiencies, with different platforms offering varying service quality and transparency levels. Moreover, fraud risks and the mismanagement of digital funds threaten public trust.

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<sup>54</sup> Muhammad Lutfi Hakim, "Islamic Law and Society in Indonesia: Corporate Zakat Norms and Practices in Islamic Banks", by Alfitri, *Bijdragen Tot de Taal-, Land- En Volkenkunde / Journal of the Humanities and Social Sciences of Southeast Asia* 179, no. 1 (January 1, 2023): 115–18, <https://doi.org/10.1163/22134379-17901001>.

## 2. Need for New Policies: Addressing Emerging Challenges

While the existing regulations have made significant strides, they were not originally designed to address the intricacies of digital systems. Key areas requiring regulatory updates include:<sup>55</sup>

### 1) Cybersecurity and Fraud Prevention

Digital platforms are susceptible to cybersecurity threats, from data breaches to payment fraud. Indonesia's current laws lack provisions for robust cybersecurity protocols explicitly tailored to zakat and waqf platforms. Establishing regulatory standards for encryption, data privacy, and fraud detection mechanisms is imperative to safeguard donor trust.

### 2) Standardization of Digital Platforms

The absence of unified standards for digital zakat and waqf platforms creates disparities in service quality. Regulations should mandate platform interoperability and set transparency benchmarks, such as publishing real-time donation tracking and periodic financial audits.

### 3) Monitoring and Enforcement

Despite the establishment of BAZNAS and BWI, their capacity to monitor and enforce compliance is limited, particularly for digital transactions. A regulatory framework that leverages blockchain technology for immutable transaction records could enhance oversight and deter fraudulent practices.

### 4) Public Awareness and Education

Many Indonesians remain unfamiliar with the legal frameworks governing zakat and waqf, particularly in rural areas. Mandating awareness campaigns through digital and traditional media could increase participation and compliance.

Indonesia can draw lessons from other Muslim-majority countries that have successfully integrated technology into zakat and waqf management. For example, Malaysia's Zakat Digitalization Program employs standardized digital systems monitored by state religious councils, ensuring accountability. Similarly, Turkey's General Directorate of Foundations uses blockchain technology to manage waqf assets, enhancing transparency. Adopting similar practices could address Indonesia's regulatory gaps. The Indonesian government can address some recommendations for future regulations:

### 1) Strengthening Institutional Capacity

Allocating more resources to BAZNAS and BWI for training, technology acquisition, and staff expansion can improve their ability to monitor and enforce compliance.

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<sup>55</sup> Hassan Belkacem Ghassan and Essam Hashim Al-Jeefri, "Islamic Theoretical Intertemporal Model of the Current Account," *Arab Economic and Business Journal* 11, no. 1 (June 1, 2016): 86–92, <https://doi.org/10.1016/J.AEBJ.2016.03.002>.

- 2) Legislative Amendments  
Updating the Zakat Management Law and Waqf Law to incorporate specific provisions for digital platforms, such as mandatory cybersecurity standards and transparency requirements, is essential.
- 3) Incentivizing Compliance  
Offering tax benefits or subsidies to organizations that meet digital compliance standards could encourage broader adoption of best practices.
- 4) Public-Private Partnerships  
Encouraging collaboration between government bodies and private tech companies can foster innovation and reduce implementation costs.

While Indonesia's existing legal framework has facilitated significant advancements in zakat and waqf management, it falls short of addressing the complexities of digitalization. Emerging challenges, including cybersecurity threats, lack of standardization, and limited public trust, necessitate regulatory reforms. By learning from international best practices and leveraging technology, Indonesia can enhance the effectiveness and credibility of its digital zakat and waqf systems. Ultimately, such reforms will strengthen public confidence and ensure these Islamic philanthropic instruments achieve their full potential in reducing poverty and fostering social welfare.

## **VI. Conclusion**

The present study highlights the pivotal role of modernization and digitalization in enhancing the effectiveness and transparency of zakat and waqf management in Indonesia. The study finds that existing legal frameworks, such as the Zakat Management Law (No. 23 of 2011) and the Waqf Law (No. 41 of 2004), provide a solid foundation for institutional governance while promoting the professionalization of zakat and waqf systems. However, these laws were not originally designed to accommodate the complexities of digital platforms. Challenges such as cybersecurity threats, lack of uniform digital standards, and limited public trust in digital systems underscore the need for targeted regulatory reforms. By adopting advanced technologies, strengthening corporate governance principles, and drawing from international best practices, Indonesia can transform its zakat and waqf systems into models of efficiency and credibility. These advancements will foster greater public trust and maximize zakat and waqf's social and economic benefits, thereby contributing to poverty alleviation and community development.

This research has limitations that should be addressed in future studies. First, the study focuses on Indonesia, and while its findings apply to other Muslim-majority countries with similar regulatory frameworks, broader comparative studies are necessary to validate the generalizability of these conclusions. Second, the research primarily relies on qualitative data, which, while rich in insights, may benefit from complementary quantitative analysis to assess the practical impacts of digital zakat and waqf systems.

Future studies should explore the specific technological innovations that can be integrated into zakat and waqf platforms, such as blockchain or artificial intelligence, and assess their feasibility within Indonesia's regulatory context. Furthermore, longitudinal studies examining the long-term impacts of regulatory changes on public trust and zakat and waqf distributions could provide deeper insights into policy effectiveness.

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