

Digital Banking Reflection and Zakat Accountability Sharia Banking in Indonesia

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ABSTRACT

Digital banking and the accountability of good zakat can increase interest in paying zakat on the benchmarking of sharia. On the other hand, technological advances such as the use of artificial intelligence make the role of human resources shifted. Even though human resources (labor) are one of the potential sources of zakat revenue. Zakat literacy and interest in paying zakat are also low in Islamic banking. The researcher did not find zakat data in statistical reports on Islamic banks nationally. It seems that it was only found in the presentation of reports about the sources and uses of private Islamic bank zakat funds. This can lead to the perception that Islamic banks do not optimally manage zakat. Through literature studies, researchers provide a solution to how zakat management can be done to increase interest in paying zakat but can still maintain the use of human resources (work). The conclusion obtained is that interest in paying zakat on Islamic banks cannot be maximally realized if it is not supported by internal efforts. Efforts that can be made are transparency of zakat reports, increased literacy, acceleration and optimization of digital management of Islamic bank zakat.

Keywords: *Digital banking, Accountability zakat, Syariah banking.*

JEL Classification: *A11.*

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Highlights of this paper

- Digital banking and the accountability of good zakat can increase interest in paying zakat on the benchmarking of sharia.
- Zakat literacy and interest in paying zakat are also low in Islamic banking.

1. INTRODUCTION

Digitalization of the economy continues to innovate and develop to face global economic competition, efforts to build halal ecosystems and support economic empowerment of the community (Ansori, 2016).

One of the concerns is the Sharia Banking Industry in Indonesia which is experiencing tremendous challenges facing stiff competition from digital banking-based services (Vives, 2019). In addition, the achievement of the development of Islamic banks to date has not been able to meet the expected targets (Dz, 2018). With the use of technology, it is hoped that banking sharia will make a variety of new innovations, for example developing digital-based bank services to support the performance of Islamic financial institutions. "The level of customer satisfaction in using financial technology can affect their loyalty to banks" (Baabdullah *et al.*, 2019). "The development of digital banking culture now has a very significant role in financial inclusion. This is the reason why banks are increasingly interested in utilizing digital technology as much as possible (Shaikh *et al.*, 2017).

As there is in good corporate governance as a financial institution based on sharia principles, companies or financial institutions are required to fulfill zakat (Choudhury and Alam, 2013). In the Statement of Financial Accounting Standards (PSAK) number 109 concerning accounting for zakat, infaq and sadaqah it contains the standard form of reports on sources and uses of zakat funds. From the report, it can also be seen the potential of zakat in banking and how much zakat has been realized. "The potential for collecting zakat funds originating from Islamic banking in Indonesia is very significant. Based on Sharia Banking Statistics data until April 2018, the labor force for sharia banking as a potential source of zakat receipt by the Amil Zakat Institution is as follows. "(Bank Licensing and Banking Information Department Administrasion and Publikation Deputy Director (IDAP), 2018).

On the one hand, the efforts carried out answer the challenges of the digitalization era in increasing the economic growth of the community but on the other hand it has an impact on the potential of zakat owned by the Islamic banking that needs to be taken into account. Not without reason, the development of digital technology greatly influences the use of human resources (Idrus, 2018). If digital technology shifts the role of human resources, how can the sustainability of the muzaki zakat potential be empowered through internal sources (employees)? From Table 1 it can be seen that there has been a drastic decline in Sharia labor force and Islamic banks from the following year and quite high potential for zakat, infaq and sadaqah (ZIS) originating from sharia banking customers in Indonesia.

In addition to the impact of digital technology on the potential of zakat, researchers also discussed the accountability of reports focusing on the zakat fund report. "Accountability of financial statements is an embodiment of accountability or accountability to stakeholders and Allah SWT" (Saad *et al.*, 2015). The principles of sharia accounting can be seen in Al Quran (2): 282.

As Bank of Indonesia (BI) Regulation No. 14/14 / PBI / 2012 and Sharia Financial Services Authority Regulation No.6 / POJK.03 / 2015 as amended by the Financial Services Authority Regulation No.32 / PJOK.03 / 2016 concerning Transparency and Publication of Reports on Sharia Banks specifically required to deliver report on sources of Zakat, Infaq and Shadaqah Funds and the Financial Services Authority Circular Letter No.10 / SEOJK.03 / 2017 concerning "Transparency and Publication of Reports of Commercial Banks and Sharia Business Units". The bank also provides zakat fitrah services in collaboration with zakat institutions which will later be distributed to people in need.

Table-1. Potential of syariah banking Zakat.

Indicator	2015	2016	2017	April 2018
Sharia Commercial Bank (BUS)				
- Total of Banks	12	13	13	13
- Total of Offices	1.990	1.869	1.825	1.822
- Branch Office (KC)	450	473	471	467
- Branch Office that Helps (KCP)	1.340	1.207	1.1176	1.175
Sharia Business Unit				
- Total conventional commercial banks that have sharia business units (UUS)	22	21	21	21
- Total Office UUS	311	332	344	348
- KC	138	149		150
- KCP	129	135		145
Total Office BUS dan UUS	2.301	2.201	2.169	2.170
Total Workforce BUS dan UUS	55.816	55.597	2.728	2.722
Sharia People's Financing Bank				
- Total of Banks	163	166	167	168
- Total of Offices	446	453	441	458
- Total Workforce	5.102	4.372	4.619	4.865
Thirds-Party Funds BUS dan UUS	14.761.002	18.521.091	21.610.468	22.720.796
- Third-Party Funds BUS				
- Third-Party Funds UUS				
Total Customer Financing Accounts Receivable, and Salam Agreement	3.401.887	3.801.121	4.519.568	4.621.619
- Customer Financing, Accounts Receivable, and Salam Agreement BUS				
- Customer Financing, Accounts Receivable, and Salam Agreement UUS				

Source: Data processed, BLBIDAPDD(IDAP) (2018).

In the April 2018 Sharia Banking Statistics Report released by the FSA (BLBIDAPDD(IDAP), 2018) there will not be found a total of total zakat funds received and realized. Information on zakat management reports can only be found in the annual report, sharia is different from tax. "There is no truly appropriate management of zakat property on the part of the government that affects the management of zakat itself, such as the right to apply zakat to Muslim citizens. Zakat management becomes less effective and efficient and can cause injustice to mustahik (Ali *et al.*, 2017).

Why is the potential of zakat which should have been able to be obtained from the Sharia Budget to date not be optimally realized? "The high governance of corporate zakat must be embedded in Islamic financial institutions to improve performance to be better" (Rashid, 2016). In addition, the disclosure of accountability reports on sources and uses of zakat funds made by the Sharia Commercial Banks and Sharia Business Units is limited to reports on external and internal zakat funds, not in detail. This can lead to public perceptions that the source of zakat is only obtained and managed from a small portion of zakat revenue, while the bank's own employees do not necessarily carry out their zakat income.

The purpose of this study is to answer the issues related to the impact of digital technology on labor or human resources, minimize the emergence of negative perceptions from the public on zakat management sources and funds reports by Islamic banking and provide results of literature studies to increase interest in paying zakah on Islamic banking. in Indonesia.

Research is expected to provide a reference to the science of good governance of amil zakat and strategic management based on sharia law on the performance of Islamic banking in terms of disclosure of reports on sources and management of zakat funds, and digital banking zakat services and empowerment of human resources. As the

basic concept of sharia principles to realize maqasid sharia principles (the purpose of sharia law), namely *maslahahummah* (community welfare).

"Literacy to increase muzaki's trust in the regulation of sharia with accountability and transparency in the management of zakat will have a positive influence on interest in paying zakat" (Istkhomah and Ashori, 2019). "Financial reports are a reflection of good financial management" (Nurhasanah, 2018). It seems that so far the standard of sharia has not fully applied the maqasid of sharia principles, especially the principle of justice in this matter regarding the management of corporate zakat (Birton, 2016).

2. RESEARCH THEORY

The concept of maqasid Islamic principles should not be separated from the scope of the governance of Islamic banking because basically in addition to aiming for the interests of stakeholders, it also has a goal of community welfare goals. "Islamic law has a very broad understanding, including to maintain the preservation of public order, increase public welfare, prevent corruption, enforce justice, maintain economic stability and harmony" (Al-Raisuni, 1992). Maqasid ash sharia is one method of building the purpose of the sharia entity's financial statements (Birton, 2016).

Removing a portion of the income to be donated through zakat is the obligation of every Muslim. The company zakat (zakat trade / zakat mal) and professional zakat are zakat based on the principle of justice and the results of the *ijtihad* of the *fuqaha*. The zakat of the company (zakat mal) is only aimed at companies that are majority owned by Muslims while the profession of zakat or zakat income is zakat on a portion of income from someone who has a skill or profession / worker / Muslim employee. The legal basis for the obligations zakat is Al Qur'an [2] : 67 and [9] : 103. Regarding the obligation to pay zakat is taken from a portion of the results of Muslim business and its benefits to purify property later it will be used for people in need whose provisions are in the Qur'an Surah At Taubah verse 60 concerning 8 *asnaf* (mustahik) people who are entitled to receive zakat.

"The zakat ratio is worth gold and silver, which is 85 grams of gold, while the volume percentage is 2.5 percent of the obligatory assets of zakat generated during the haul period" (Rahim and Sahrullah, 2017).

Digital banking services aim to improve the efficiency of operational activities and the quality of bank services to customers. The Financial Services Authority (OJK) issued a guide to the implementation of digital branches by Commercial Banks aimed at all Managing Directors of Commercial Banks and was used as a guide to form a digital branch especially for banks that have implemented digital banking services.

Vives's research reveals that there is a connection between competition and stability in modern banking, with particular attention to the impact of digital technology, and reducing the consequences for competition policy and regulation (Vives, 2019).

The study of the mobile banking application shows how attitudes can determine especially the purpose of using the application, removing benefits and risks as factors that directly increase their use. And show the main management implications and identify specific strategies to strengthen this new product in the context of new technological advancements (Munoz-Leiva *et al.*, 2017).

Financial Services Authority Regulation Number 12 / POJK.03 / 2018 concerning the Implementation of Digital Banking Services by Commercial Banks. This guide is also a reference for banks, customers, auditors, supervisors and all parties in utilizing digital technology for digital branch services by commercial banks. "Some digital banking services are as follows:

- i. Internet banking; Customers can conduct banking (financial and non-financial) transactions through computers related to the bank's internet network.

- ii. Phone Banking; Customers can conduct banking transactions via telephone where customers contact the bank's contact center. The Bank has provided specialized staff who will run customer transactions or automated programs that can interact with customers to carry out customer transactions.
- iii. SMS Banking; SMS banking is a banking transaction service that can be carried out by customers through cellular phones in the form of Short Message Service (SMS). Customers can send an SMS to a bank telephone number or use an application that is bank-installed on the customer's cellphone.
- iv. Mobile Banking; Mobile banking is a banking service that can also be accessed directly through cellphones such as SMS banking, but has a higher level of sophistication. The bank cooperates with cellular operators, so that in the SIM Card (cellular chips card) Global for Mobile communication (GSM) has been installed a special program to be able to conduct banking transactions "(Commissioner & Services, 2018).

Financial Accounting Standards (General Accepted Accounting Standard) is a rule about the method of preparing financial statements issued by institutions that have the authority to do so in this case in Indonesia is the Financial Services Authority (OJK).

The results of Birton's study found the 'Conceptualization Theory of the Accounting Framework', which reflects the efforts of members to accept, reject, and adjust the contemporary conceptual framework to be in line with sharia law (Birton *et al.*, 2015).

PSAK is one of the financial accounting standards that regulates the preparation of financial statements of Islamic banks and Islamic business units. This PSAK is mostly adopted from the standards issued by Accounting and Auditing Organizations for Islamic Financial Institutions (AAOIFI).

3. RESEARCH METHODS

The method of collecting documentation data comes from secondary data types obtained from various sources of information that are accurate and reliable. For example, the Central Bureau of Statistics Data and Statistical Data on Sharia Banks. In addition, the method of observation is done to see the extent of information (about what happened) and the context (related things around it). Then the editing method is done to get the alignment of the data that has been collected. Then developed using descriptive qualitative analysis techniques by exploring the disclosure of reports on sources and uses of zakat funds in sharia banking in Indonesia. Sharia banking is chosen as the object of research because it has the obligation to report zakat funds as PSAK 101 so that it makes it easier for researchers to obtain sources of information about the potential of zakat on banking based on these sharia principles. Then draw conclusions from the research results.

4. RESULTS AND DISCUSSION

Digital Banking services for zakat and Accountability for Zakat Management are part of efforts to increase interest in paying zakat in sharia financial institutions. In addition to the company's main objectives as agency theory (emphasizing stakeholder interests), the regulation of sharia cannot be separated from the purpose of the benefit of the people (community welfare). This means that maqasid ash sharia is a very important aspect in the management of zakat on the regulation of sharia itself. Based on previous research conducted by previous researchers, researchers reformulated in the form of a model of development efforts that can be done to increase the interest of muzaki to pay zakat through Islamic financial institutions, especially in this case as an alternative to overcome the problems that arise as previously described. As for the following:

4.1. Zakat Literacy

Zakat literacy is very much needed considering that potential muzaki also comes from internal companies, namely employees of the bank itself, especially as a source of professional zakat. Muzaki must be given an understanding of the importance of the obligation to pay zakat and its benefits so that interest arises and pay zakat through banking sharia. The following is regulating the instruments of zakat literacy.

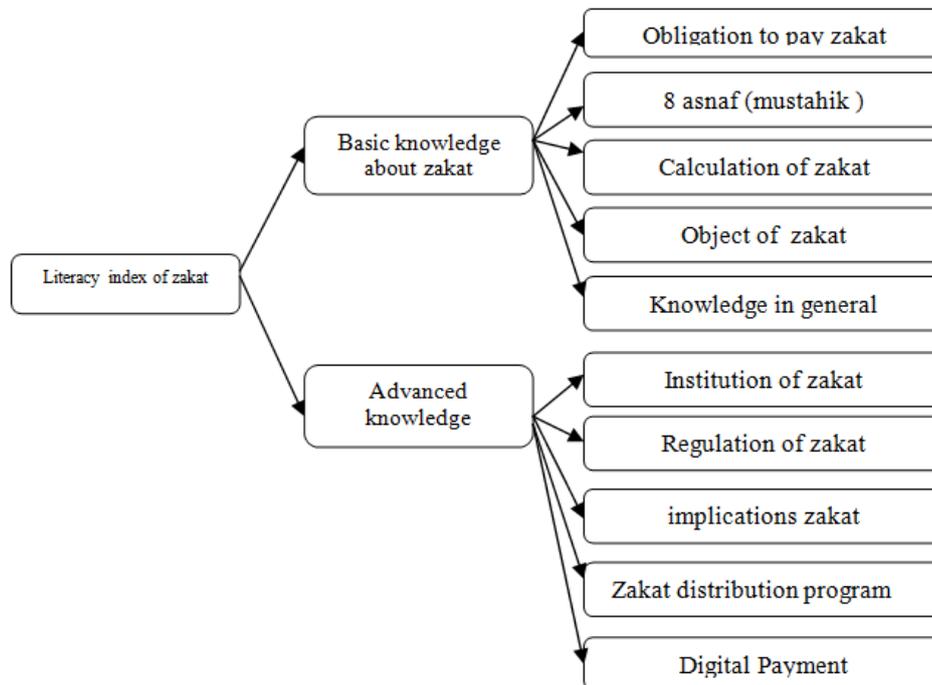


Figure-1. The instruments of Zakat literacy.

Source: Baznas (2019).

The results of the Zakat Literacy Index study above can be used as a standard measurement tool to determine the level of zakat literacy on Islamic banking so that it can be followed up and evaluate the performance of zakat resources and fund management to be even better.

4.2. Transparency of Accountability in Information Presentation of Sources and Zakat Management Reports

Transparency according to sharia principles is found in the Qur'an [14]: 4. "Allah sent each messenger to his people by using the language of his people, in order to explain their instructions and teachings. So that they understand and understand the point. Transparency in this case concerns the language delivered, so that all information can be easily understood and there is no mistake in its delivery" (Husein, 2008).

"To realize transparency in the management of zakat, it must be adjusted to the principles of accountability as follows:

- i. There is commitment from the leadership and all agency staff to make management and implementation accountable.
- ii. Guaranteed use of resources consistent with government laws and regulations.
- iii. Shows the level of achievement of the objectives and targets set.
- iv. Oriented to the vision and mission of banking sharia in accordance with sharia principles and the results and benefits obtained.

- v. honesty, being objective, transparent, and innovative as a facilitator of changes in management of government agencies in the form of updating performance measurement methods and techniques and preparing accountability reports "(L State Administration LAN and the Financial and Development Supervisory Agency BPK, 2000).

Disclosure of reports on sources and funds of zakat management in addition to being open and easily accessible must also be easily understood by the intent and purpose. With clear disclosures such as the disclosure of the amount of internal and external muzaki both zakat fitrah, zakat maal and professional zakat received to prevent negative perceptions and increase public trust in the management of Islamic zakat, so that interest in paying zakat is expected to increase. As explained in the form of the following scheme:

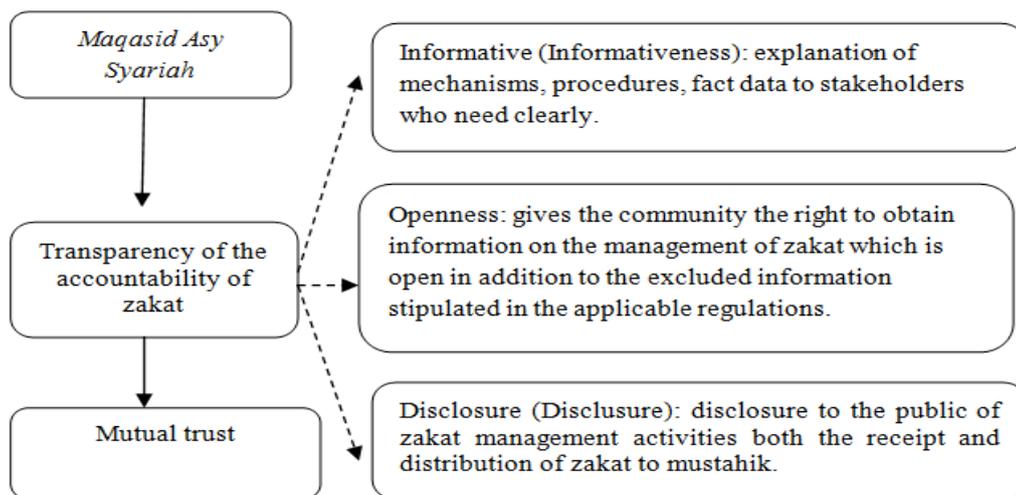


Figure-2. Transparency of the accountability of Zakat.

Source: Mardiasmo (2004).

As indicators for measuring accountability can be developed for the accountability of zakat. Following is the development model and a brief explanation:

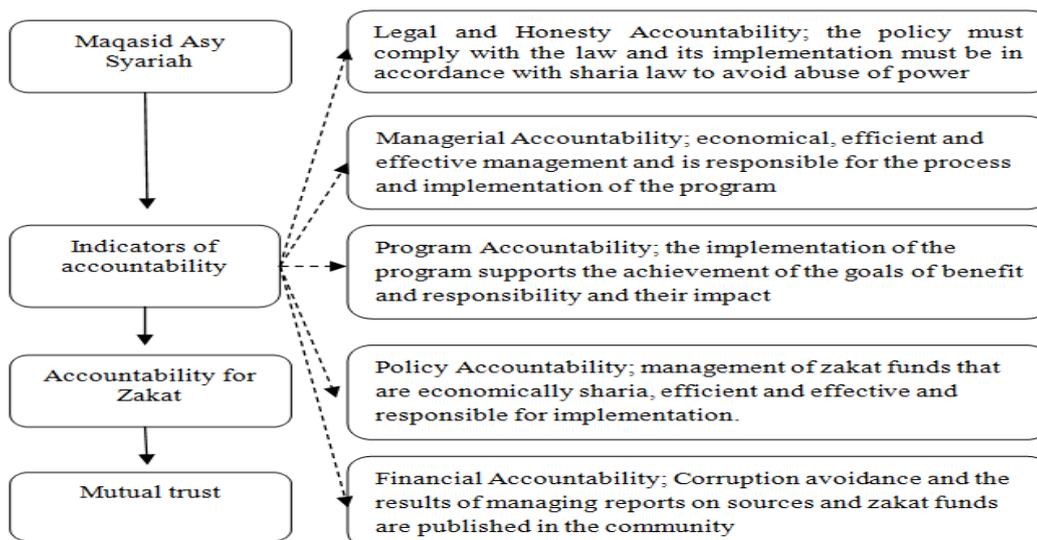


Figure-3. Indicators of Zakat accountability.

Source: Hopwood and Tomkons (1984); Elwood (1993).

4.3. Acceleration and Optimization of Zakat Management

Acceleration efforts are one of the strategic management steps that are often carried out by banking sharia in Indonesia. While optimization cannot be done without internal cooperation, zakat institutions and the role of the government. All three must work together in order to realize public welfare. Through the right indicators, acceleration and optimization can be done effectively. There are 4 steps of acceleration and optimization that can be done to overcome the problem of negative influences from the development of digital technology today, along with the explanation:

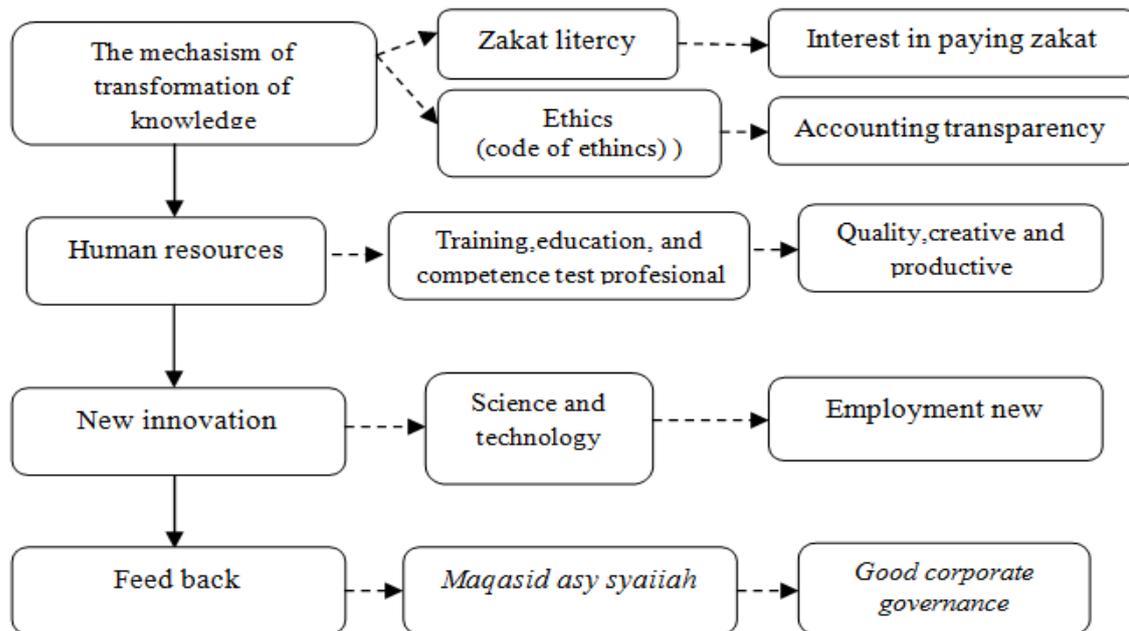


Figure-4. Acceleration and optimization of Zakat management.

Source: Utami (2019a); Utami (2019b).

1. Knowledge Information Mechanism

The process of transforming knowledge can be done by increasing zakat literacy and understanding and application of ethical / ethical codes that are in accordance with the principles of sharia law and government regulations.

2. Acceleration and optimization of human resources

Empowerment of human resources is an absolute requirement, with proper training, competency testing and education human resources create quality, creative and productive human resources so that technology can be used more wisely without having to shift the role of HR.

3. Acceleration of new innovations and product quality optimization

The acceleration of new innovations aims at the development of Science and Technology needed to improve the performance of Islamic finance, including in terms of optimizing the use of digital technology in zakat service products. It is expected that the mechanism carried out can create new jobs so that the potential of muzaki will continue to increase.

4. Feedback acceleration

To produce achievement of measurable potential, comprehensive feedback management is needed. Evaluation media by collaborating professionally will be able to realize good corporate governance.

5. CONCLUSION

Disclosure of reports on sources and management of zakat funds that are truly transparent and understandable to the public can reduce negative perceptions in the community. Zakat which is essentially a manifestation of the worship of the Almighty God should have been arranged as well as possible in accordance with maqasidasy sharia. Technology development must be wisely applied in the performance of Islamic financial institutions. So that it does not shift the role of human resources which should be prioritized. By way of empowering the quality of human resources through zakat literacy, acceleration and optimization that is effectively and efficiently expected to increase interest in paying zakat on sharia banking in Indonesia.

6. SUGGESTION

As the researcher have revealed, the main problem of this study is the impact of digital banking on the economic sustainability of labor or human resources and the transparency of disclosure of accountability for zakat in sharia in Indonesia. Therefore, the advice that researchers can convey is related to the importance of zakat literacy in the company's internal. Sharia financial institutions must further increase zakat literacy so that good corporate governance in accordance with sharia law can be realized. So the potential that can cause negative issues in the community will disappear by itself. The role of government regulation is highly expected in terms of making policies that support efforts to increase the potential of zakat in sharia banking in Indonesia.

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