



Transformation of Zakat Management via Financial Technology: A Review of Fintech Implementation in Indonesian Zakat Institutions

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Abstract: The study examines a number of fintech integrity-related issues to propose a Guidance Framework for Fintech Implementation in Indonesian Zakat Institutions. A multiple case study approach is combined with a qualitative method in this research. A semi-structured interview protocol, organizational archival data, and reflective field notes were the three main sources from which the data were gathered. We spoke with twenty-five zakat institution leaders through interviews. The study's findings were tested using cross-case descriptive analysis. According to this study, fintech adoption by Indonesian zakat institutions significantly improves operational effectiveness, transparency, and beneficiary and giver satisfaction. However, zakat institutions need to be mindful of a number of crucial factors, including availability, confidentiality, integrity, and compliance with Sharia law, in order to uphold integrity in the fintech space. Contribute to the development of zakat institutions, government, and industry players' policies, practices, and strategies to enhance zakat management in Indonesia through the use of fintech. This research has the potential to significantly advance knowledge about and practice of implementing fintech with high quality and integrity in Indonesian zakat institutions through the combination of various related elements.

IndexTerms - Integrity, fintech, zakat institutions, good governance

I. INTRODUCTION

As one of the primary tenets of the Islamic economic system, zakat plays a significant role in mitigating social inequality and enhancing societal welfare (Widiastuti et al., 2016).. Zakat institutions in Indonesia now have the chance to take advantage of these advancements in financial technology (Fintech) to manage and distribute zakat in a more effective and efficient manner efektif (Rini, 2016; Fadilah et al., 2023). Fintech's application in zakat management has substantial transformation potential in a number of areas, including reporting and accountability, zakat recipient identification, fund-raising, and reporting (Salma Al Azizah & Choirin, 2018), (Rahmatika & Hariono, 2019). The availability of this technology creates possibilities for streamlining administrative expenses, enhancing accessibility, and increasing transparency in the administration of mortgage money (Pati et al., 2021; Hudaefi et al., 2019)

However, there may be a number of difficulties along with these changes in the setting of Indonesian zakat institutions. The issues facing us include the availability of regulations, human resources, and technological expertise in society (Hiyanti et al., 2020); the advent of illegal fintech; the exploitation of fintech for terrorist financing; and consumer conflicts in the fintech sector (Muryanto et al., 2022). Adopting Fintech necessitates a thorough comprehension of the many facets of financial technology, particularly as they pertain to upholding Fintech's integrity. According to a Khuzaidah, (2019) study, the integrity factors in fintech include secrecy, trust, accountability, oversight, and trust. Meanwhile, Mohd, (2019) revealed that there are six elements related to fintech integrity namely confidency, trustworthiness, surveillance, trustfulness, accountability and transparency. (transparency).

Therefore, in order to evaluate its effects, spot potential roadblocks, and develop plans that can raise the effectiveness and integrity of asset management, comprehensive research into the application of Fintech in Indonesian asset management is needed. The study intends to conduct a comprehensive analysis of Fintech implementation in Indonesian institutions within this context. This study aims to investigate how much Fintech has contributed to the transformation of weight management by examining the changes that are occurring in terms of technology and wealth management procedures. concentrating on how Zakat institutions adhere to legal compliance, shariah compliance, confidentiality, availability, and integrity while maintaining the integrity of fintech.

With a better understanding of these dynamics, it is anticipated that the research's findings will help governments, organizations, and other relevant stakeholders create more flexible laws and efficient Fintech implementation plans, all with the aim of maximizing talent's beneficial effects on Indonesia's social and economic development.

2. Theoretical Framework:

2.1 The Concept of Zakat

Zakat is the third pillar of Islam after the obligation to perform prayers. In Islam, zakat comes from the basic word zakat, which means: growing, clean and good (Hafidhuddin & Hasanudin, 1999). In the Qur'an, the meaning of growing and developing can be found in QS Al-Kahf: 81. The meaning of clean and good is found in QS. Maryam: 13. The meaning of being holy or clean from evil is found in the QS. An-Nur: 2, and the meaning of purifying is found in QS At-Taubah: 103 (Qardawi, 1999:33-35). It has the meaning of cleaning, whereas if it is viewed in a syara' way, it means that it is a property issued on the property or body of the person concerned in certain ways (Zakaria et al., 2019). The Maliki school defines zakat as a special expenditure on special assets that have met the conditions required to be given to those who are entitled to receive it (Bashori, 2016). While the Hanafi school defines zakat, as making some special assets from special assets to be owned by special people. Meanwhile, the Shafi'i School defines zakat as an expression for the release of property or body in a special way. Meanwhile, the Hambali school defines zakat as a right that must be issued from special assets for special groups (Bashori, 2016). From the several definitions described above, it can be concluded that zakat is an expenditure that is required by Islamic sharia on certain assets owned by certain parties to be given to certain parties and in certain procedures.

2.2 The concept of Zakat in the Koran

As per Surat Al-Baqarah verse 43 of the Al-Quran, a Muslim is obligated by religion to pay zakat, meaning "establish prayer and pay zakat and bow with those who bow". The Qur'an's surat At-Taubah verse 103, which reads, "Take zakat from some of their wealth, with that zakat you cleanse and purify them and pray for them because your prayers can truly give them peace," then reiterates God's point. And Allah possesses both hearing and knowledge. Qardhawi (2000) states in Wahab & Rahim Abdul Rahman, (2011) that the word "zakat" means "to grow and develop" (to grow and to increase). concerned in a specific way. Zakat is regarded as ma'luum minaddiin bidh-dharuurah, or an essential component of a person's faith, according to Hafidhuddin, (2005). In the meanwhile, surah al-Taubah is given two interpretations in the study by Al-Faizin et al., (2018): 103. First of all, the concept of zakat has social connotations that include harmony, peace, and security. The meanings of zakat are blessing, praise, blooming, and sacred. This meaning affects both the macro and micro levels of the economy. The macro level is affected by increased investment and the reduction of unemployment and poverty. The micro level is affected by increased economic productivity. The Prophet Muhammad SAW also mentioned the duty to pay zakat in a hadith that Ath-Thabrani related from Ali Ra: Meaning: "The poor will not lack when they are hungry or without clothes except because of the actions of the rich among them. In fact, Allah makes it obligatory (zakat) on the rich people of the Muslim community on their wealth with a limit according to the sufficiency of the fuqoro among them. Keep in mind that Allah will punish them cruelly and severely.

2.3 Literature Study of Zakat Governance

Researcher emphasis is focused on accountability in Malaysia, Indonesia, the United Kingdom, Saudi Arabia, and Tunisia, according to a study by Wahyudi et al.,(2022)on the management of Zakat institutions. As reported by (Mustaffha et al. 2020; Hasan et al., 2019; Qurratu'ain et al., 2020; Adnan et al., 2013; Naz'aina, 2015; Astuti & Themba, 2020), human resource management is the primary topic of discussion in Malaysia. The study contends that one of the key factors influencing how well an institution manages its affairs is its human resource base. According to (Susilowati dan Setyorini, 2018; Rusdiyana & Widiastuti, 2018; Ryandono dan Wijayanti, 2019), the Zakat administration in Indonesia continues to emphasize efficiency and openness in its statements. According to researchers in Malaysia and Indonesia, risk management and the use of information technology—including artificial intelligence (AI) in the form of blockchain technology—are important topics of discussion (Mustaffha et al. 2020;Hudaefi et al., 2019; Friantoro dan Zaki, 2019; Soleh,2013; Farooq, Khan, dan Abid, 2020; Mohammad et al., 2020). To increase the openness, effectiveness, security, and accountability of their institutions, the researchers advise institutions to use blockchain technologies such as artificial intelligence (AI) and fintech (financial technology).

In the meanwhile, research on the Islamic banking sector continues to be dominated by studies done in nations like Saudi Arabia, Tunisia, and the United Kingdom. subjects like Hashem (2007), Hafeez (2013), Hasan (2002), Hasan (2010), Hameed et al. (2004), Bevir & Alkadry (2012), Istrefi (2020). Hashem (2007), and Aminu et al.(2020) that are more extensively studied in the construction of Islamic economics. Islamic good governance was defined by Hashem (2007), used by Aminu et al.(2020). A form of government that is founded on the ontological framework of faith and upholds the moral principles of humility, discretion, participation, representation, accountability, transparency, and deference to the law and social order is known as Islamic good governance.

Meanwhile, studies conducted in countries such as the United Kingdom, Saudi Arabia, and Tunisia still dominate the discussion on the Islamic financial sector. Topics discussed more to construct Islamic economics, such as Hashem (2007), Hafeez (2013), Hasan (2002), Hasan (2010), Hameed et al. (2004), Bevir & Alkadry (2012), Istrefi (2020). Hashem (2007), as quoted by Aminu et al.(2020), constructed the definition of Islamic Good Governance. Islamic good governance is characterised by a strong adherence to the principles of morality, humility, prudence, participation, representation, accountability, transparency, and respect to the law and social order. It is founded on the ontological framework of faith. Islamic good governance is described by Hafeez (2013) as an organizational governance framework that upholds moral standards of integrity and openness in all commercial dealings. Islamic good governance, according to Nature Alam Choudhury and Nurul Alam, 2013), is a system that guides and controls businesses toward their objectives. They make reference to a more comprehensive philosophy of decision-making that is predicated on the ideas of Islamic socio-scientific epistemology, which draws its foundation from Tauhid.

2.4 Islamic Crowdfunding dan Financial Technology

An attempt to raise public funds online for charitable purposes (donations) or for the aim of turning a profit is known as crowdfunding, according to Biancone et al., (2019). The four types of crowdfunding are reward-based crowdfunding, lending, donation-based crowdfunding, and equity crowdfunding. Hemer, (2011) claims that, in the meantime, crowdfunding is the process of publicly soliciting donations from the public online, either in the form of gifts or with the intention of receiving rewards or for specific purposes.

Zakat organizations are among the entities that are currently using crowdfunding as a means of implementing the concept of crowdsourcing (Manara & Permata, 2018). Fintech is a term that describes the advancement of financial services by utilizing information technology. Fintech can be defined as a business or business unit that integrates financial services with innovative and

modern internet-based technology, with user-friendly, efficient, automated, and less complicated characteristics (Salma Al Azizah & Choirin, 2018).

The digital age has given rise to a new perspective in Indonesia's zakat system. Digital technology advancements can be leveraged to carry out collaborative work, enhance organizational accessibility, transform technology, and distribute funds (Soleh, 2020; Santoso, 2019). According to Hudaefi et al., (2019), the utilization of fintech technology by LAZ has become the primary strategy for zakat organizations to improve organizational productivity. Regarding the use of blockchain technology, Farooq et al., (2020) stated that the strategy of using this technology can increase the zakat organization's acceptability. For this reason, I would strongly advise LAZ to use a blockchain-based platform. By using this technology, organizational management systems will become more transparent, safe, auditable, and effective. Furthermore, the use of this technology creates new opportunities for the market through economic acceleration (Salma Al Azizah & Choirin, 2018).

Rahman & Ahmad, (2011) state that a strategy for fostering teamwork is necessary when implementing fintech. The most important step in ensuring shariah compliance is the establishment of a zakat committee, which should ensure that information technology users are not in conflict with shari'ah principles. Legal compliance refers to the use of information technology that has complied with the law. Transparency and Three Accountability. Thus, the principles of accountability and transparency must be upheld when using information technology. The third is security, which means that information technology users need to ensure the safety and well-being of all those they encounter. There are several challenges that arise when an organization decides to use fintech technology, according to Lee & Shin, (2018). The first challenge is investment management (fintech); the second is customer management; the third is regulatory; the fourth is technology integration; the fifth is security and privacy; and the sixth is regulatory administration.

3. Research Methodology:

3.1 Population and Sample

In Central Java Province, one of Indonesia's largest provinces, zakat institutions hosted the research. Five criteria were used to determine the research sample: legality, operational age, institutional scale, collection performance, having a digital platform, and already using fintech. Purposive sampling is a technique that has been used successfully in the past (Patton, 2002; Creswell, 2015). Five LAZs, LAZ Solo Peduli Surakarta, LAZ Al-Ihsan Foundation, Central Java (LAZIS Jateng) in Semarang City, LAZ Foundation for the Humanitarian Fund for the Dhuafa of Magelang City (DKD), LAZ Yayasan Dompot Sejuta Harapan (DSH) Klaten, and LAZ Cilacap Foundation, Cilacap Regency, were included in the research sample. These five LAZs satisfied the specified criteria. Twelve individuals who satisfied Polkinghorne and Creswell's recommendations for a multiple case study participated in the research (Creswell (2015: 112). Participants have worked for more than ten years as directors or managers of zakat institutions.

3.2 Data and Sources of Data

A semi-structured interview protocol was used in conjunction with reflective field notes (Merriam & Tisdell, 2015), organizational documents (Yin, 2018), and archive data (Merriam & Tisdell, (2015) to collect the research data. Semi-structured sessions, lasting sixty to ninety minutes each, were conducted with twelve participants for interviews. Using in-depth interviewing methods, participants were questioned (Creswell, 2015). Triangulation techniques, such as theoretical, source, and method triangulation, were employed to guarantee the validity of the data. Source triangulation was achieved by comparing information from observations with information from interviews and the outcomes of interviews with information from a linked document. While theoretical triangulation compares the findings of data analysis by seeking for comparable explanations based on related theories, method triangulation involved verifying research findings using multiple data collection techniques and multiple data sources using the same method (Patton, 2002).

3.3 Data Analysis

The data was analyzed using the five steps of the suggested descriptive method (Yin, 2011), which comprised assembling a set of tasks for obtaining and classifying various field notes. Disassembly, segmenting the data collection into digestible pieces, and labeling or coding data to facilitate identification). gathering descriptions and narratives and adding extra data in the form of pictures, graphs, or tables interpreting research findings through cross-case analysis, which entails contrasting and comparing the cases under study in order to create naturalistic generalizations, and rearranging various little notes that have been coded or labeled in order to complete tasks

3.4 Theoretical framework

This study has made use of several case studies (Stake, 2005; Yin, 2003; and Merriam & Tisdell, 2015). The rationale behind using this design is that it can improve the results' external validity and provide insight into the compact case's conclusions by illuminating the how, where, and, if possible, why the case occurs (Miles & Huberman, 1994). The purpose of using case studies is to enable researchers to identify an issue from multiple angles and thereby gather comprehensive data for problem solving (Creswell, 2015). Developing a framework for zakat institutions to uphold sharia integrity in the areas of legal compliance, sharia compliance, confidentiality, availability, and research integrity covered in this research methodology.

5. Findings & Conclusions:

One of the factors that hinders the use of fintech in LAZ in the Province of Jawa Tengah is the COVID-19 pandemic. Fintech utilization has a very important role in the process of digitizing zakat in order to maximize zakat collection. However, the use of fintech technology by zakat organizations must take into account the various malpractices that occur. Given that the Zakat Committee is an Islamic organization, Islamic law must be a principle that cannot be violated. When using fintech, zakat organizations need to be mindful of the fintech's integrity. Integrity in finance is reflected in the adherence to ethical and legal principles as well as Islamic teachings in every aspect of fintech operations. One important factor in building donor trust with the zakat organization is fintech integrity.

The study's findings indicate three main areas of study. The initial study aimed to reveal the conditions behind the zakat committee in Jawa Tengah Province and encouraged the use of fintech. There are two ways that the Zakat committee works to uphold the integrity of fintech in terms of shari'ah compliance, legal compliance, confidentiality, availability, and integrity. Fourth is developing a fintech integration model for the Indonesian Ami Zakat Association. The three topics of study are discussed in the following order:

5.1 Initial Fintech Use in LAZ in Jawa Tengah Province

With the arrival of the COVID-19 pandemic in Indonesia in the early months of 2019, many issues regarding various business processes worldwide have been resolved. Laws and various other regulations that impair human interaction have led to business owners formulating strategies for the continued operation of their enterprises. It is not affiliated with Islamic social organizations, such as zakat committees. As is well known, the Zakat League is a social organization whose primary function is to act as a middleman in the transfer of zakat proceeds, infak, and sedekah from women to Muslims. Following the COVID-19 pandemic, various social programs run by zakat organizations experienced financial difficulties. This was caused by a decline in the amount of money donated by donors, or muzaki. As stated, at this point in time, the majority of the benefits received by the zakat organization come from the community of donors who come in quietly. Although some have already adopted modern methods such as transfers or digital payments, the quantity is quite small. Entering the zakat organization silently is preferred by the donors since they experience a higher level of satisfaction than when using other transfer methods or other means.

“As it happens, the Solo Peduli Amil Zakat Association is already familiar with fintech, particularly in the context of crowdfunding. As we can see, the single-parent exercise program currently in place has started to focus on finding a way to incorporate exercise that can be done anywhere, even with a muzakki” (Tamimi, 2023)

The social distancing policies implemented during the COVID-19 pandemic have contributed to a decline in zakat collection organizations' revenue. People can still easily give zakat, infak, and sedekah without any assistance. This makes the social program that the Zakat League has been attempting to implement ineffective. The current state of affairs calls for the zakat management body to increase zakat services through the implementation of digitalization.

“The people in Central Java in particular, and in Indonesia generally, who are willing to pay zakat, including funds in the management of zakat when it was also defensed, were like defensed when the COVID pandemic became a deterrent or started it at that time. It was then that management began to sort through the regular donations that were received; ultimately, we opened the donation channel via electronic payments. "From there, we in management began to sift through the normal donations that were picked up; eventually, we opened the channel of donation through electronic payment" (Nugroho, 2023)

The COVID-19 pandemic is not the only factor taken into account when implementing the digitization policy. The zakat institution's goal of making donations easier for contributors is reflected in the digitization of zakat. Additionally, it is a reaction to the zakat institutions in line with the way society has evolved and how information technology has become an indispensable part of daily life. Transactions without cash, or with minimal cash, are now commonplace. The management of zakat institutions recognized this phenomenon and made the decision to innovate zakat services by digitizing zakat. Various innovations in zakat services that leverage information technology and the Internet have given ease and speed to anyone who wants to donate. Using crowdfunding sites such as We Can, Amal Sholeh, or E Wallet Fund, LinkAja, and GoPay, as well as online shopping applications such as Shopee, Tokopedia, etc., has successfully restored the performance of institutions in running humanitarian social programs.

Services for Zakat Innovation are currently being digitalized. Zakat's reach is growing, and this isn't just because of how it collects zakat, infak, and sedekah. However, it has spurred creativity in the area of organizational accountability. Institutions that offer zakat have used IT to raise the standard of governance. Zakat management is well aware that information technology support can enhance organizational governance, which can boost public trust.

“The Fintech system is already being utilized by the LAZ Al Ihsan Foundation in Semarang City, not just for donation collection but also for its recording system." As a result, the system will immediately notify the public when someone donates to LAZIS Jateng." (Nugroho, 2023)

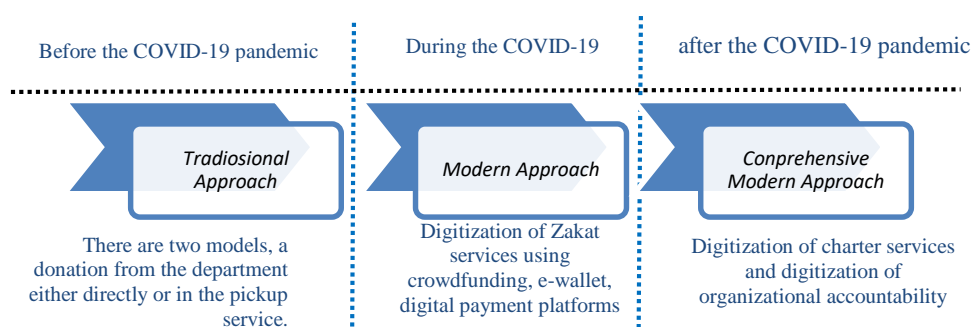


Figure 1 Transformation of Zakat Services

5.2 Empirical Review of Fintech Integrity on LAZ in Central Java Province

Fintech is becoming an unavoidable requirement for commercial and social financial institutions, including nonprofit organizations. Fintech's presence significantly enhances Zakat institutions' ability to assist donors in meeting their commitments. However, the application of fintech needs to adhere to proper integrity standards. The public's trust in the institutions is contingent upon the integrity of the fintech. In the context of fintech, integrity in Zakat institutions is essential to establishing the primary trust of the Zakaters; this is to guarantee the institutions' long-term viability. Data security and privacy are two important concepts and practices that are part of fintech integrity. (Guardianship). The security and privacy of donor data should be the top priorities for the zakat institutions. To protect user data information, put strong data protection, encryption, and secure storage measures in place. Respecting the Law: Fintech-using zakat institutions are required to abide by data protection laws and financial regulations, including those pertaining to anti-money laundering. Recognize the traits of fintech companies and become knowledgeable about privacy regulations. Maintaining legal compliance contributes to avoiding legal issues and maintaining trust.

A component of the endeavor to uphold fintech's integrity is accountability or transparency. Donors should have access to information about the collection, use, and sharing of their data. Establishing trust requires lucid and comprehensible terms and conditions. Fraud Avoidance: Put fraud prevention measures in place to safeguard fintech platforms and customers. This covers identity verification procedures, transaction monitoring, and fraud detection algorithms. Based on the research findings, zakat institutions in the province of Central Java have been attempting to address the integrity requirements of fintech, including legal compliance, shariah compliance, confidentiality, availability, and integrity. The following describes the purification of the funding institution's compliance with the fintech integrity aspect:

Using fintech while implementing aspects of Shariah compliance.

Shariah obedience is the act of adhering to financial and commercial procedures in accordance with the tenets and regulations of Islamic law, or shariah. Regarding Zakat institutions' use of fintech, the study concentrated on two areas: (1) If the shariah council's fatwa served as the foundation for the zakat institution's decision to use fintech, (2) How does the Zakat organization make sure that the use of fintech has not been used for prohibited purposes like interest or non-halal funds, among other things? The sharia council's fatwa opposing the use of fintech has to do with how the first point is fulfilled. According to the study's findings, Java Province's zakat institutions have been using fintech because of the presence of a shariah supervisory board within the company. The social distancing measures implemented during the COVID-19 pandemic last year also created an urgent need for the use of fintech.

Regarding the use of fintech by zakat institutions, the study concentrated on two areas: (1) Did zakat agencies base their decision to use fintech on the sharia council's fatwa? (2) How does the charter agency guarantee that the use of fintech has not resulted in the acquisition of illicit funds, interest, or other prohibited items? The sharia council's fatwa opposing the use of fintech has to do with how the first point is fulfilled. According to the study's findings, Java Province's zakat institutions have been using fintech because of the presence of a shariah supervisory board within the company. Because of the social distancing measures implemented during the COVID-19 pandemic last year, fintech use is also driven by an urgent need.

"Directly related to these fintech rules, we have not specifically existed, but generally speaking, the use of this fintech we have Crowdfunding, the system that we build, or the outcome of cooperation must be in accordance with his practice by referring to the fatwa of the Shariah council." (Tamini, 2023)

Related to the efforts of the Zakat institution to avoid the existence of unlawful receipt of funds, the presence of elements of interest, and so on, that are felt from the use of fintech. The research finds that the elements of caution are the key elements to anticipate the occurrence of such a thing. The Zakat Foundation has already confirmed to the public that they are processing donations that come from unlawful funds or unauthorized sources.

"First, we have already communicated on the website that we do not accept funds from unlawful sources, although it is only the nature of charity, but at least we are trying to give knowledge to donors related to it. In addition to anticipating the arrival of unlawful funds, there is one post, which is the non-halal receipt, to which we direct its use for the construction of social facilities and goods such as bridges, roads, etc." (Tamini, 2023)

The other anticipated attempt by the Zakat institution is to establish a special account to cover non-halal funds generally sourced from bank interest as savings interest. The funds entered into this account are not treated as zakat, infak, or sedekah funds, but these funds will be treated like non-halal funds used for social interests of a general nature.

"First, we have already communicated on the website that we do not accept funds from unlawful sources, although it is only the nature of charity, but at least we are trying to give knowledge to donors related to it. In addition to anticipating the arrival of unlawful funds, there is one post, which is the non-halal receipt, to which we direct its use for the construction of social facilities and goods such as bridges, roads, etc." (Tamini, 2023)

The use of the kind of fintech that has been recommended by the Ministry of Religion, BAZNAS, or the Social Services by the Zakat institutions is also a consideration in the use of fintech in order to build the trust of the donors. Fintech is basically only a means or tool used to facilitate the fulfillment of obligations of zakat, infak, or sedekah.

"In ensuring that, using partners that milk with the permission of good recommendations from BAZNAS, Dinsos, and KEMENAG in particular, crowdfunding If you have already used the Shariah Bank of Indonesia and the Bank of Muamalat, there are provisions from the Sharial Supervisory Council. And we don't use anything other than Shariah. And for the ransom of some kind of Shopee application, there's no detail of the fatwa from the Shariah Supervisory Council; I can't even answer." (Muslih, 2023)

Compliance with legal compliance aspects of the use of fintech

Compliance with legal compliance in the use of fintech by the Zakat agency is crucial to maintaining security and compliance with applicable law. Fintech use involves financial transactions and the use of personal data; therefore, the company must comply with the applicable regulations. Compliant with legal conformity in the usage of FinTech is a serious responsibility of the zikat agency that will safeguard public confidence and avoid zakat institutions from sanctions, fines, or legal issues that may arise if you do not comply. It is important to understand that compliance with the law in the use of fintech by a credit institution may vary depending on the jurisdiction and regulations applicable in a particular country or territory. Therefore, it is important that you always understand and comply with the regulations of the environment in which your credit institution operates. Some important steps to comply with legal compliance in the use of fintech are understanding applicable financial regulations, having the necessary permits and licenses, complying with applicable Sharia rules, personal data protection, transparency and reporting, internal monitoring and control, and the availability of Sharia councils.

The results of the study found that the institute's efforts to comply with legal requirements have gone well. Based on the results of research, the use of fintech in zakat institutions in Central Java Province, although not supported by the special fatwa of the sharia council that exists in the zakat institution, has been empowered by agreements or contracts with service providers. The use of fintech by the Zakat agency has also been reported to the relevant authority agency, BAZNAS.

"Bindings with partners, cooperation is a prerequisite. Including assuming we cooperate with bookisa.com and some similar agencies, we have a promise because there are certain terms and conditions that we have to upload to them." (Tamimi, 2023)

"Specific terms that require using LAZ DKD using Fintech or Direct do not exist. For external fatwa, enough with the law of zakat." (Muslih, 2023) "We, as the institution of amil zakat, must report to the BAZNAS and also the Ministry of Religion. The legal basis we use is the decisions or laws of the Bank of Indonesia that provide guarantees for the provision of financial services." (Kasihana, 2023)

The Zakat agency will gain a lot from adhering to legal compliance requirements when using fintech, including increased operational effectiveness, transparency, and the capacity to raise and disburse funds more quickly. But it's crucial to recognize and deal with possible obstacles, like data security and the technical difficulties of having enough technological infrastructure and human resources.

Availability and integrity requirements are met when using fintech.

To guarantee that fintech systems and services can function properly and that data and funds can be stored in a safe and dependable state, fundraising agencies must meet availability and integrity requirements when using fintech. In addition to the Zakat agency's availability, it must guarantee that its fintech infrastructure has a redundancy system in place that enables the service to continue even in the event of a malfunction in one of its components. This can include having backup servers, a data center backup, or disaster recovery planned; it can also include regular maintenance and monitoring; having an emergency plan in place in case of an unplanned system failure or interruption; and having enough capacity.

One of the things the zakat institution should consider when it comes to integrity issues is (1) the presence of a data encryption system. The Zakat institution is required to make sure that all data is securely encrypted both during transmission and storage within the fintech system. It keeps data intact and aids in preventing unwanted access. (2) Strict identity verification protocols are put in place to guarantee that only individuals with permission can access vital systems or data. (3) Regular security audits and observations are conducted. To identify potential threats or suspicious activity, security audits are carried out and security activities are monitored. (4) In the event that data is lost or corrupted, a data recovery plan is in place to guarantee that the data can be retrieved. (5) A policy limiting authorized staff's access to systems and data provides access management. (6) Transaction activity is monitored to look for unusual or suspicious activity in the fintech system of nonprofit organizations, particularly when it comes to donations.

The institute's attempts to satisfy the availability and integrity requirements have not been deemed to be at their best, according to study findings. This is because the majority of fintechs that fundraising agencies use are the result of collaboration between fintech providers. There isn't currently a nonprofit that leverages fintechs on its own. The institution can face challenges in meeting the requirements for availability and integrity due to its limited human resource pool.

"What sort of fintech does the company employ, then? It employs fintech service providers Kitabisa, Amalsholeh, Zakatin, Digizakat, Wecare.id, Benihbaik, Pedulisehat, Zakatinaja.com, Sharinghappiness.org, and Galang.co, an external crowdfunding platform. Gopay, Link Aja, OVO, and Dana are e-wallets; internal platforms include LAZISjateng.org; e-commerce & application partners are Tokopedia, Shopee, and Tokoko. Digital marketing integration is what LAZIS Jateng refers to this as. In terms of social media, LAZIS Jateng is also active on Facebook, WhatsApp, YouTube, Instagram, and Tiktok. (Nugroho, 2023)

However, the Zakat agency is still dedicated to offering the best possible service. For them, accountability and transparency are the most crucial factors.

"One of the ways we serve the donors is by using the crowdfunding system; we don't have an application that we created ourselves; instead, we have a developer working with us." The Muslih (2023): The two most crucial aspects of adopting fintech, in our opinion, are accountability and transparency. These two items represent our obligation to the donor. We will report well and have been well-received by this trust." (Tamini, 2023)

Finalizing the aspects of confidentiality when using fintech

Since credit agencies oversee the money and private data of creditors and beneficiaries, maintaining confidentiality in their use of fintech is also crucial. Maintaining the integrity of the credit institution and earning the trust of creditors are largely dependent on maintaining confidentiality. In order to protect the privacy of the data and information they handle, charter agencies must take the necessary precautions. All data must be securely encrypted during transmission and storage, according to the Zakat institution. Personal and financial information needs to be kept safe. Limit the number of people who have permission and the necessary need to access sensitive information. Thus, stringent access controls that take into account each user's roles and responsibilities have been implemented. By enabling a robust layer of protection, including defense against cyberthreats like malware and hacking attacks, the institutions must also guarantee the security of the software used.

It is important to properly train volunteers and employees on data security procedures, the value of maintaining the privacy of personal information, and how to avoid potential threats like phishing. To guarantee data security, it's critical to conduct regular audits and monitoring. In order to address potential security breaches, monitoring tools and incident reporting systems should be installed. It is still regarded as weak in light of the findings of the investigation into the different attempts made by the Zakat institution to satisfy the confidentiality requirements. The charter agency's continued reliance on outside parties as the fintech service provider makes it difficult to draw a clear line. An agreement for cooperation with a third party that brings matters pertaining to data confidentiality under one single handle.

"We've made every effort, but according to the MOU, third parties are not permitted to use our database and can only view and access the data on our behalf. We are growing because of this, and there are already web standards, certificates of equality, and web code for data security in a digital environment." The Muslih (2023)

In an attempt to manage the organization's information systems, a number of institutions have formed IT teams; however, based on the team's analysis, they have not received enough support to foresee potential threats.

"Since the data is easily accessible through the system we built ourselves, we already have an IT team dedicated to finding and securing data. Confidentiality is maintained. However, we work with bookisa.com for fintech crowdfunding, which is our specialty, followed by charities, and so forth. Usually, the database that houses the donor has it." As of 2023, Tamini.

The Zakat agency has done a good job of putting the policy restricting access to sensitive information into practice. Only to those who are authorized and in need of access. The extent of phishing or data theft threats is still present, though, due to a lack of training, awareness of data security procedures, and the significance of staff confidentiality. Additionally, there isn't a regular audit and monitoring of data security, which might be a vulnerability.

"LAZIS Jateng has not independently made decisions regarding data security on its own. LAZI JatENG has no authority to keep information confidential; instead, the person who has a platform and serves as the service provider for Lazis Jateng is the one who is responsible for maintaining confidentiality. There are administrative or user restrictions on the independent platform that is currently available on the website LAZIs Jatengu. These restrictions relate to one aspect of data retention or confidentiality. (Nugroho, 2023)

This is a picture of the fintech integrity fulfillment model at the LAZ in Central Java Province, based on the analysis results of the research findings that have been outlined.

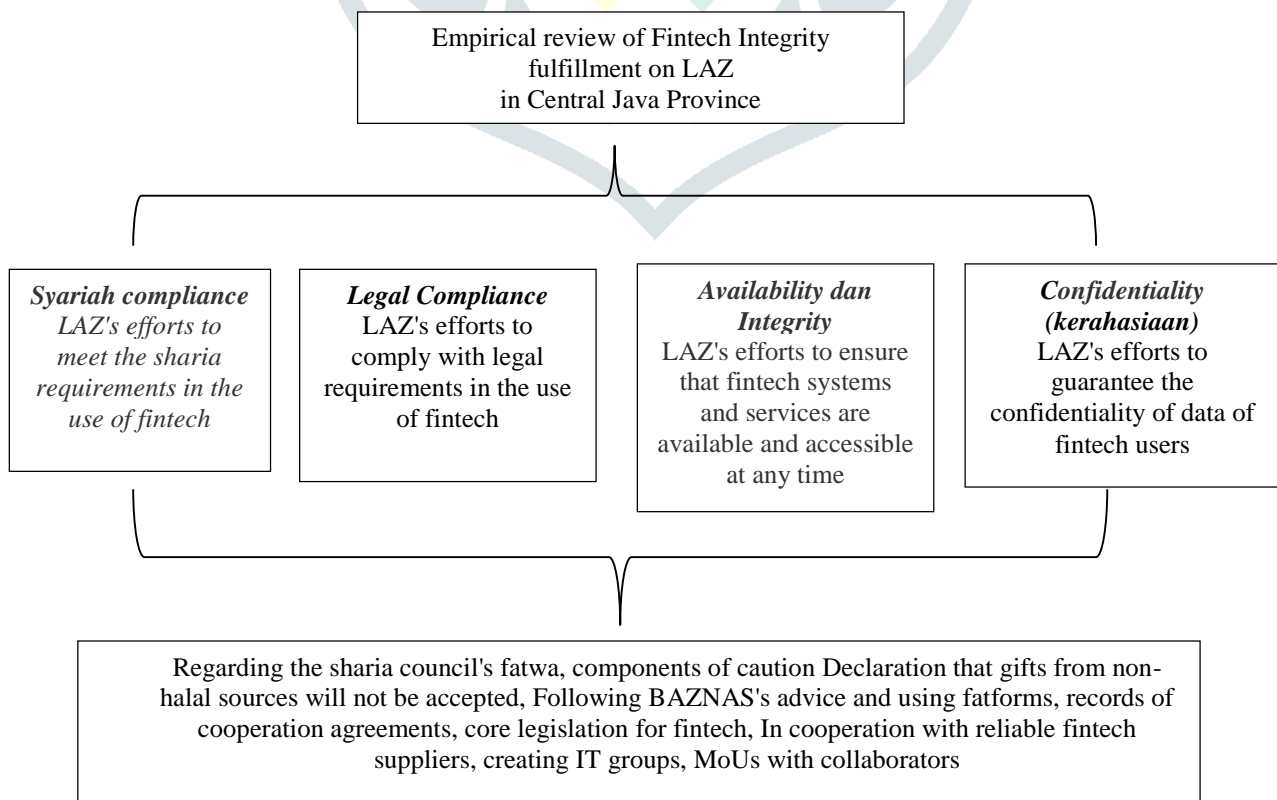


Figure 2 Empirical Review of Fintech Integrity Implementation on LAZs in Central Java Province

Source: research data processed, (2023)

LAZ in Indonesia's Fintech Integrity Implementation Model

To make sure that the zakat agency operates in line with the real principles of shariah, integrity in all facets of compliance is crucial. It also helps to foster trust between zakat institutions and zakat donors who want proof that their money is being spent in line with Shariah's legal precepts. In order to guarantee the integrity of fintech companies in the context of zakat and shariah compliance, the following actions should be taken: (1) Shari'ah reporting and compliance; (2) Shari'ah data validation; (3) competent Shari'ah member support; (4) Shari'ah audits; (5) Shari'ah reporting presentation; (6) Verify that the investment, if one is being made by the zakat institution, complies with Shari'ah principles; (7) supervise operations and transactions; (8) train staff and volunteers on Shari'ah; and (9) manage Shari'ah risk.

To guarantee that the zakat agency functions in compliance with relevant laws and regulations, the zakat institution must uphold the integrity of fintech in legal compliance aspects. Institutions that offer zakat must make sure they follow the relevant laws and regulations in order to avoid negative legal repercussions and maintain an honest business model. Ten factors need to be considered by the legal institution in order to guarantee compliance with the integrity of fintech in terms of legal compliance: Comprehending all relevant regulations, (2) adhering to registration and licensing requirements, (3) safeguarding personal data, (4) preventing money laundering and terrorism financing, (5) reporting and monitoring, (6) disclosing information, (7) adhering to tax compliance policies, (8) complying with Sharia law, (9) knowledge and consciousness, and (10) External Audit implementation.

Maintaining secure and integrated operations and satisfying the guarantor's expectations depend on fintech's availability and integrity being met. Zakat institutions can guarantee that their data is always available, accurate, and secure by following these procedures. The zakat institution should consider the following five factors when it comes to availability and integrity: (1) Disaster recovery and redundancy to guarantee data and service accessibility even in dire circumstances. (2) Active observation, to identify issues as soon as feasible. (3) Scalability is an issue in order to guarantee service accessibility as zakat expands. (4) Regular maintenance, to guarantee that they continue to function properly and prevent vulnerabilities. (5) Capacity management, to prevent potential overloads.

Maintaining the confidentiality of sensitive information about creditors and beneficiaries requires the credit institution to meet the requirements of fintech integrity of confidentiality. Data security and confidentiality must thus be given first priority in the operations of zakat agencies. The zakat agency needs to consider seven factors in relation to the fulfillment of the fintech's integrity in the area of confidentiality: (1) Data encryption: All data that is transmitted or stored must be strongly encrypted, according to the zakat agency. (2) Access authorization: Strict access control procedures are in place at the Zakat agencies, and they take into account each user's roles and responsibilities. (3) Device security: Zakat organizations should make sure that a robust layer of protection has been applied to the hardware and software they use, including defense against online dangers like malware and hacking attempts. (4) With the assistance of security specialists, the zakat agency must include qualified cybersecurity specialists in the creation, execution, and oversight of the fintech system's security. (5) To guarantee data security, carry out audits and surveillance. (6) Assure adherence to legal requirements, including those pertaining to data privacy and money laundering prevention. (7) Make sure that cybersecurity is protected from online dangers like malware, phishing, and hacking attempts. The following is an explanation of the fintech funding agency model of integrity based on the description of the different factors that funding institutions using fintech should consider:

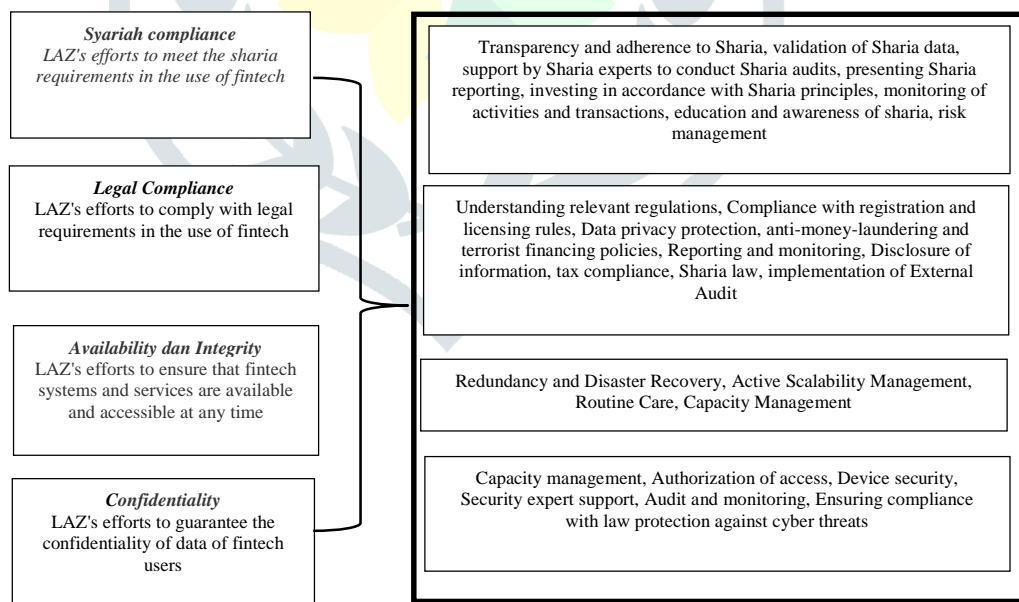


Figure 3 Fintech Integrity Implementation Model Proposal on LAZ in Indonesia

According to the research, fintech adoption by Indonesian law enforcement agencies significantly improves the effectiveness, transparency, and caliber of services provided to beneficiaries and law-givers. However, law enforcement organizations need to be mindful of a few crucial factors in order to preserve integrity in the fintech context: 1. Confidentiality: It's critical to make sure that the beneficiary and lawmaker's financial and personal information is appropriately safeguarded. Important actions include employing data encryption, managing access appropriately, and educating staff members about data security procedures. 2. Integrity: It's important to protect the integrity of data and transactions. The implementation of efficient anti-fraud mechanisms, transaction and activity monitoring, and data validation are essential elements in guaranteeing data integrity. 3. Availability: Service availability must always be maintained by fintech systems. Good availability is influenced by a number of factors, including capacity management, regular maintenance, active monitoring, and disaster recovery plans. 4. Compliance with

the Law and Shariah: If amil zakat institutions function on the basis of Islamic principles, they must adhere to both the laws and regulations currently in effect as well as the shariah's tenets. 5. Education and Awareness: To make sure that everyone involved understands the significance of maintaining integrity in the use of fintech, training on security procedures, legal compliance, and Shariah principles is required for employees and other stakeholders. 6. Regular audits and monitoring: To ensure compliance, regular audits and monitoring of the fintech system and its operational procedures are required.

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