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Financial Innovation on Zakat Distribution and Economic Growth

Ummu Salma Al Azizah
University of Muhammadiyah Prof DR. Hamka

Muhammad Choirin
Islamic University of Asy-Syafiiyah

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ABSTRACT

This paper provides a discussion some issues related to financial technology as a financial innovation usable in term of zakat disbursement in Indonesia. We find that the technological determinants and Islamic finance encouraging to speed up economic growth and poverty alleviation. We find that countries evidence more digital finance startup formations when latest technology is readily available, zakat institutions are deep well developed. And also people which are touching with internet subscriptions. Furthermore, the available labor force has a positive impact on this new market segment through economic acceleration. Finally, the more usable fintech in collection and distribution zakat, the faster the development of country. Overall, the evidence suggests that fintech set off the formation need not be left to chance, but active policies can affect this new market emerge.

Keywords: Economic Growth, Financial Stability, Zakat Distribution, Financial Technology

INTRODUCTION

From the economic point of view, according to Kahf (1997), zakat may affect the aggregate supply in three ways: supply of labour, supply of capital and resource allocation. Zakat funds can be channeled to health improvement, nutrition and other living conditions of the poor, thus, increasing the availability of labour and improve efficiency of productivity. Subsequently, the supply of goods produced in the economy will also increase.

In second half of 20th century, there has been done with the rapid economic expansion over the world. Every developed countries facing the common challenge in term of how to raise their potential economic growth. Looking into the past, the major growth in economics of 20th century was supported by many companies, such as automobile, steel and petrochemical industries since 1990. It can be seen that while new technologies reach a take-off stage at which they can be used for business, they have the potential to completely and rapidly change the economic landscape for beyond what could have been expected at the infancy stage of innovation.

During the world, the financial sector has witnessed many changes and development. There was increase the number of financial institutions, large capital inflows, financial instruments, regulatory bodies and regulations. Focusing on digital finance, this paper provides a discussion on usable of financial technology in part of acceleration in economic growth. The term of Fintech denotes financial technology and is defined as the delivery of financial and banking services through modern technological innovation led by computer programs and algorithms.

Notwithstanding its benefits, according to G20 Summit, 2013, which suggests an existing gap between the availability of finance, its accessibility and usable. According World Bank to initiative about financial inclusion in every developed countries to help poverty alleviation and boost the economic growth (GPFI, 2010). In today worlds, the relevance of financial technology in order to alleviate economic growth with coordination of Islamic social finance (Zakat) disbursement. In order to simplify the distribution of zakat, fintech provider would qualified to be termed uses technology to provide, to improve, the delivery of zakat funds, and receiving the financial transfer is significantly reduced for users of financial services.

The discussion in this article contribute to the on-going debate about the role of financial technology in term of economic growth acceleration through reinforcement of zakat disbursement. Furthermore, for academics and researchers, the discussion in this article adds to the emerging financial technology and also financial innovation literature that attempt to proffer solutions to achieve sustainable development goals particularly in developing countries. The ideas in this research address for more collaboration within financial technology, poverty alleviation, and economic growth as well as the risks and alternative models and perspectives in this area. Insights from this article can improve our knowledge about the functions of financial technology companies, and also can help regulators to more understand the link between financial technology, poverty alleviation and economic growth.

However, the practice of financial technology has to be adopt technology by some self-identifying fintech providers do not significantly reduces the hurdles that customers must go through between requesting for financial service and receiving financial service. It because some debate about whether to be classify such companies as fintech is still on-going in some countries.

According to relationship between financial technology, distribution of zakat and economic growth, there are positive sigh. As we know, that digital finance can constitute a better access to funding and it is even more important in countries lacking a developed financial system. According to King and Levine (1993), the productivity of a country improves and leads to higher profits with the development of the financial system through a higher quality of zakat distribution.

Consequently, this paper investigate the effect of financial technology useful in zakat disbursement to the acceleration of economic growth. What is the impact of this financial innovation on economic growth in developing countries this last decade?

This paper organized as follows: section 1, we will explain the reason why this paper should took place about the urgency of financial technology to the empowerment of economic. Followed by section 2, there is literature review about some previous studies related to this topic. Section 3 describe about research methodology has been used. The answer and discussion about this paper are in section 4.

LITERATURE REVIEW

Economic Growth

Economic growth can simply be defined as a rise in GDP or GDP per capital. Economic development is a broad concept encompassing economic growth and other development dimensions. It can be defined as a multidimensional process involving major changes in social structure, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty (Todaro and Smith 2009: 16).

Furthermore, there are some components of economic growth, such as: HDI (Human Development Index) with three goals, such longevity (life expectancy at birth), knowledge (weighted average of adult literacy),and standard of living (measured by real per capita gross domestic product for the differing purchasing power parity (PPP) of each country's currency to reflect cost of living. Income index, life expectancy index, adult literacy index, and final index.

Razmi, Rapetti and Skott (2012) explains that in developing countries there was an impact of exchange rates into the economic growth. Least developed economies typically have larger amounts of hidden unemployment and the development process involves the mobilization of these unemployment resources, unreliable data tends to influence the decision making process in third world countries.

Global macro economy today confront the big challenges as the growth of anti-globalization after financial crises happen globally and oil price decay that reduced the price of gas and primary commodity. There are slowing down of the trend before and after financial crises pertaining to economic growth in Indonesia from 3.4% to 2.8%. This is due to the unfortunate global factors has been declined global demand and impacted Indonesia's macroeconomy.

Since 2010, Indonesia's current account is deficit because of the gap in primary income, on the average above USD 20 billion. Indonesia is a net borrowing country of which foreign acquisition of its asset is higher than her incurrence of liabilities in abroad. Indonesia's net primary income is always deficit due to the foreigner's investment income in Indonesia from the portfolio, and direct investment is still higher than the opposite. In year 2016 there are doubled from USD 781 million in 2010 to USD 1.553 million. Compensating this primary deficit, besides surplus in secondary income, Indonesia relies on the net export of goods.

Theoretically, economic growth generates inflation rate and the opposite. There is a trade-off between high inflation & declining unemployment. On the other hand, low inflation rate is good for consumer's purchasing power, debtor repayment ability and investor expectation. Therefore, economic growth needs low inflation and interest rate (Fisher's Effect). Interest rate is an 'effect', not a cause (Mises, 1912). Both Fischer & Mises proved that inflation rate is vital for interest rate and growth. Ideally, has the inflation rate that lower than her economic growth.

In mid of 2017, Indonesia's consumption as the largest contribution to GDP (around 57%) has been growing below the expectation. There was shifting pattern of consumption from non-leisure (high proportion to consumption) to leisure (low proportion to consumption). The largest proportion in Indonesia's consumption is food & beverage around 39%, followed by communication in 23%. And the last but not least are about equipment and hotel and restaurant for both 13% and10%. This shifting has slowed down the consumption growth. Another interesting fact was an increased consumption growth of health and education that indicates two things, first, the increasing human capital investment and second, the rising basic public services. Both are important but supporting long-run economic growth instead of short run.

According to Kurniawati and Verico in 2017, current account of Indonesia has a long run relationship with the real exchange rate of Rupiah and depends on the surplus of trade balance. They study suggests that to maintain its current account stability, Indonesia needs the stability of real exchange rate and the surplus in trade balance. In addition, Prabowosunu and Verico in 2017 says that manufacturing products are vital for Indonesia's trade balance, and they affect the patterns of derivative investment.

Furthermore, according to the growth side, Indonesia's economic growth is still driven by non-tradable sectors of the service sector in particular transportation and communication. The changing patterns of consumption from product to leisure time are the cause of transportation growth, meanwhile, for communication internet-based communication of information & communication technology (ICT) revolution.

Nowadays, the world has entered the virtual knowledge based economy era and moving towards automation and artificial intelligent age. It needs optimum utilization of the ICT platform and Indonesia has to maximize its creative economy contribution and again, it requires higher quality of human capital. The government has to realize that Indonesia needs manufacture export-led growth and ICT based economy.

With around 180 million potential taxpayer in Indonesia, only 20 million who are registered with just 10 million who comply to pay tax regularly. Furthermore, Indonesia's proportion tax revenue per GDP is less than 12.75% and remains the lowest in Southeast Asia. By 2010, Indonesia aims to achieve tax ratio of 15% of GDP, therefore, Indonesia started to implement more strategic and comprehensive tax system reform on tax base & compliance. The next future challenges, Indonesia will faces the digital economy. It has increased number of non-formal workers due to the disincentive to start the real-life business and more incentive to run virtual business utilizing social media. The latter support 'peer to peer' transaction which beyond government ability to detect and collect the taxes. Government needs to enlarge tax base and potential tax revenue from this digital era.

Poverty And Economic Growth

Based on alternative approach to poverty analysis, it can be divided into four categories. Firstly is limited capability of individuals, families and communities to possess endowments and assets because of lack of social opportunities. Followed by category of some people from economic activities, which can hamper their ability to generate income and exercise their economic rights. For the third part, the poverty category is caused by the prohibition of obtaining social security and satisfying basic needs such as food, housing, education, or health. Last category is when individuals, families and communities have been denied equity and justice, which have prevented them from exercising their political rights (United Nations, 2009).

According to Schubert (1994), there is different poverty features established and can be identified. Poverty is less extensive in urban than in rural areas, as chances of employment and income growth in urban areas are higher. The urban poor are usually involved in low skilled and low payment jobs are likely, laborer, mason and cleaner, etc. There is a cause and effect relationship between family size and poverty. Larger families are more likely to suffer from severe poverty than smaller ones. Lack of education and poverty also has a relationship as lack of education leads to a low level of human capital and capacity. Generally, poverty density is relatively higher in localities that lack infrastructure and facilities.

There are some programs that has been run to alleviate property, such as: indirect strategies: formulate a macro-economic policy framework to ensure sustainable growth, higher employment, higher per capita income, and eventually reduce poverty. Another one is direct strategies: that is the underprivileged population and provide them necessary assistance to ensure credit access, improve health conditions, increase literacy rate and ultimate eradicate poverty (Pramanik, 1994).

Transformation of economic growth in order to reducing poverty requires monitoring and re-examination of methodology of poverty measurement (Kakwani 2010, Skare, Prziklas Druzeta 2014) and deeper analysis of natural poverty and pattern of economic growth. It is very important in what is invested in growth and whether it was effective. So, the elasticity of poverty and economic growth depends largely upon the quality and the very pattern of economic growth and the implementation of economic and social policy.

Furthermore, the most important is to understand how the economic systems truly work. There are need to have more knowledge on the nature and quantitative dynamic relation between employment, inflation and growth (triangle law). If there is nothing, stability of economic activity cannot be maintained (Skare 2014). However, according to Ravallion (2007) more rapid poverty reduction requires more growth, a more pro-poor pattern of growth, and success in reducing the antecedent inequalities that limit poor people's economic opportunities.

In Indonesia, the poverty performance reveals a different scenario than other countries. in this case, poverty and inequality still exist on a large scale, and are pronounced in rural areas and in the eastern part of Indonesia. In 2018, according to BPS (Central Bureau of Statistics) with a population of 220 million, the poverty rate in Indonesia was 9.82%. There was a huge decrease from the year before. To assist authorities combat poverty, Indonesia joined and agreed to accomplish MDGs targets.

Economic Potential of Zakat

Zakah is a monetary form of ibadat (worship) in Islam which has been made obligatory upon muslims. This is the corner stone of the Islamic economic system and is one of the five pillars of Islam. The establishment of a system of zakat is one of the basic responsibilities of an Islamic state. "These are the people who, if we give them power in the land, will establish the Salah, pay the zakat, enjoin what is right and forbid what is evil" (Al-Hajj: 41). Every muslim who owns a certain amount of wealth should give away an amount of his wealth as prescribed by shariah to those who, in the eyes of the shariah, are entitled to received zakat. Furthermore, there are different kinds of wealth on which zakat is levied.

The purpose of zakat is not only to support the poor and the destitute and to bring the wealth in circulation, but as an obligatory act of worship it also purifies heart and soul and transforms man into a sincere and obedient servant of Allah. The institution of zakat eliminates niggardliness, miserliness, selfishness, spite, envy, callousness and exploitation from the society and inculcates in it the spirit of love, selflessness, benevolence, sincerity, considerateness, c0-operation, brotherhood and companionship.

The ultimate goals of zakat are to reduce inequality and to establish human rights, social justice, and empowerment the poor by poverty reduction in Muslim communities. This sense of collective responsibility is further to support by how Muslims view their place within society. However, Islam, should emphasize, not just to concern with the welfare of the individual purposes; it seeks to achieve a wider societal well-being. The individual achieves balance between thought and action (internal), while caring for the collective welfare of society (external) (Azmi, 1991).

"Religious forms of charity or "financial worship" have historically played a key role in funding charity and philanthropy at the individual and institutional levels in South Asia, with zakat being the largest source of such funding in Muslim communities (Kirmani, 2012). The religious values and beliefs could play an important role in motivating social workers, individuals and organizations to respond to people's immediate needs and partially filling social services that have been left by the state (Kirmani, 2012).

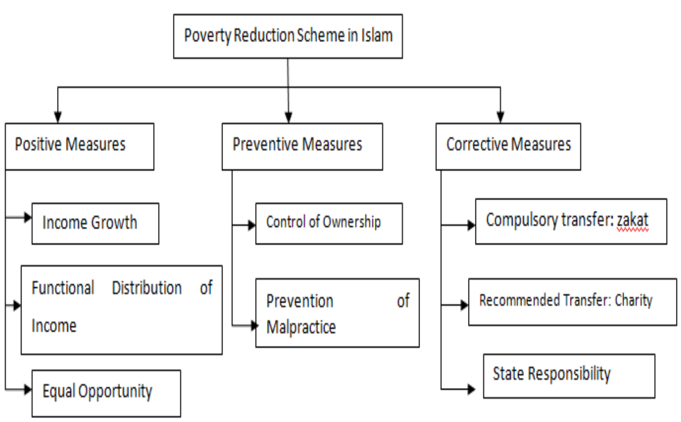

Figure 1. Poverty reduction scheme in Islam. Source: Hassan, 2010

The methodology of poverty alleviation begin with the concept of trickle down growth, then move to the basic needs approach, and finally adopted a target group approach. Zakat concept originated more than 1.400 years ago through a divine mandate as a means of support and relief for the poor. Therefore, income equalization for the whole member of society can be achieved. In Islamic faith, economic right for the poor and needy should be fulfilled. However, not only zakat institution which has the purpose of poverty alleviation. There are like infaq, shadaqah and waqf also has the role important to do this.

Zakat Institution and Management in Indonesia

Zakat management in Indonesia began to be modern in the early 20th century. This national zakat institution founded by Muhammadiyah, which the second largest socio-religious organization. After independence day of Indonesia in 1945, The Provincial of Aceh officially opened a zakat institution, however, the zakat management only on a local community basis. "there were no mutual programs established to link one province to another for zakat collection and distribution" (Ali, 1998).

Based on the Law of Zakat Number 38 year 1999, there are two zakat institutions in Indonesia, there are BAZ (Zakat Collecting Board) and the privately run institution of National Zakat Collectors (LAZ). Between BAZ and LAZ there are the similar functions: collection, distribution and utilization of zakat funds.

Law of Zakat Management No. 38/ 1999 required balance in order to do annual reports and auditing to the government, and encourage public disclosure. According to Zakat Act No. 38/ 1999 generally regulates the institutions zakat management, but does not make zakat payments obligatory. However, the Indonesian government in neutral position regarding the obligatory of zakat.

Beberapa LAZ di Indonesia:

No	Skala Nasional	Skala Provinsi	Skala Kabupaten/ Kota
1	Rumah Zakat Indonesia	Baitul Maal	Yayasan Kesejahteraan

		FKAM	Madani
2	Daarut Tauhid	Semai Sinergi Umat	Swadaya Ummah
3	Baitul Maal Hidayatullah	Dompet Amal Sejahtera Ibnu Abbas (DASI) NTB	Ibadurrahman
4	Dompet Dhuafa Republika	Dompet Sosial Madani (DSM) Bali	Abdurrahman Bin Auf
5	Nurul Hayat	Harapan Dhuafa Banten	Komunitas Mata Air Jakarta
6	Inisiatif Zakat Indonesia	Solo Peduli Ummat	Bina Insan Madani Dumai
7	Yatim Mandiri Surabaya	Dana Peduli Umat Kalimantan Timur	DSNI Amanah Batam
8	Lembaga Manajemen Infak Ukhuwah Islamiyah		Rumah Peduli Umat Bandung Barat
9	Dana Sosial Al Falah Surabaya		Ummul Quro' Jombang
10	Pesantren Islam Al Azhar		Lembaga Amil ZakatNasional Baitul Mal Madinatul Iman
11	Baitulmaal Muamalat		Dompet Amanah Umat Sedati Sidoarjo
12	Lembaga Amil Zakat Infak dan Shadaqah Nahdatul Ulama (Lazis NU)		
13	Global Zakat		
14	Muhammadiyah		
15	Dewan Da'wah Islamiyah Indonesia		
16	Perkumpulan Persatuan Islam		
17	Rumah Yatim Arrohman Indonesia		

The practice of collecting and disbursing zakat among Indonesian Muslims in the 17th century was dominated by direct giving methods. People gave their charity directly to the individuals who were poor and destitute or to members of the other six recipient categories. Some people were as intermediaries in this practice, such as mosque care taker (ta'mir), Quranic study teacher and religious leaders. Moreover, in the early 20th centuries, Indonesia zakat management under BAZIS, but the distribution of zakat not even better than before. However, in the era of President B.J. Habibie, Indonesia has the first Zakat Act, No. 38 (1999), which stated that solvent Muslims and corporate bodies should pay zakat maal to the poor or charity foundations. In response to these Acts, community organization have established LAZIS institutions to facilitate zakat payers to claim a tax deduction.

According to the Decision General of Taxation No. 542 (2001), zakat can be considered a tax deduction from one's net income (Tax Directorate General, 2001). Hence, the Indonesian government provided a structure so that Muslims who paid zakat could deduct it from their taxes, e.g., Act No. 25 (2010) stipulated zakat payments to be tax deductible (Susamto, 2003). However, tax officials have been concerned that making zakat tax deductible will drastically reduce tax revenue (Yani, 2010).

Regarding the monetary method of distributing the zakat, there are three ways, such as cash, cheque and Internet Banking. Nowadays, 80% and more asnaf have bank accounts, so mostly the popular method is through internet banking. However, there are instances when cash and cheque are needed.

Financial Technology

Financial technology or "Fintech" denotes companies or companies representatives that combine financial services with modern, innovative technologies. Generally, new participants in the market offer Internet-based and application-oriented products. Fintechs mostly aim to attract suctomers with products and services that are more user-friendly, efficient, transparent, and automated than those currently available. Traditional banks have not yet exhausted the possibilities for improvements along these lines (EBF 2015; Mackenzie 2015).

It is not possible to define the term "Fintech" on the basis of its use in legislation or legal documents. Financial technology companies are subject to differing kinds of legal and regulatory obligations leads to their differing business models and the extremely diverse products and services they offer. In addition, fintech companies have an important role in the digital finance economy. The providers are emerge in the financial services sector to either compete with financial institution or to complement the function of financial institution to their customers. In a generous sense of the term, financial technology encompasses companies that simply provide the technology (such as software solutions) to financial service providers. Nevertheless, such companies are not dealt with in detail in this study.

Digital finance encompasses a magnitude of new financial product, financial business, finance-related software, and novel forms of customer communication and interaction – delivered by financial technology companies and innovative financial service providers (Gombel et al, 2017). In this new era of economy, financial markets should have continued to produce a multitude alternative products, including many new forms of derivatives, alternative risk transfers products, exchange traded funds, and variants of tax deductible equity. Financial innovation is like innovation in business area which are need to some experiment to try to differentiate their product and services, responding to both sudden and gradual changes in the economy. (Miller, 1986). "Financial innovation is viewed as the "engine" driving the financial system pertaining to reach goal of improving the performance of what economists named the "real economy". In a broad sense, financial innovation is the creation of new approaches for the financial industry. It can be in the form of new types of security or financial management process. The new instruments that are designed for investor in financial innovation should be different from the offered before. Financial innovation includes: new financial instruments, new decision processes and criteria, cultivation of new markets for financial instruments, new organizational and managerial practices and new institutions. (Bhatt, 1995: 9). According to Frame and White (2004) defined that financial innovation as "representing something new that reduces costs, risks, or provides an improved product/instrument that better satisfies participants' demands" (Frame and White, 2004:118).

Financial technology industry can be divided into four major segment in term of distinctive business models. With the analogical with traditional value-added areas of universal bank, fintech can be distinguished on the basis of their involvement in financing, asset management, payments, and another fintech, can be used in other category of function performance. Financial sector includes financial technology segment that makes financing available for both private and for business.

According to the goal of financial services being available through digital platforms is to contribute in eradication of poverty and to accelerate economic growth in developing countries (United Nations, 2016). There are the impact of financial technology:

No	Positive	Negative
1	Expansion of financial services to non-financial sectors	Digital finance do not serve individuals that do not have mobile phone or digital devices
2	Convenient and secure banking services to poor individuals	It relies excessively on internet connectivity, which excludes individuals that do not have internet connectivity.
3	Boost the GDP of digitalized economies by increasing aggregate expenditure	The way digital finance is introduces in a country (voluntarily or forced) can lead to voluntary financial exclusion if the population is not ready for it
4	Reduce the circulation of bad/ fake money	Digital data security breaches are common and can lower customers' trust in digital finance platforms
5	Greater control of customers' personal finance	Systemic black-swan risks, when they occur, can be fatal for digital financial services around the world
6	Quick financial decision-making	Fee-based digital finance platforms will benefit high and medium income individuals at the expense of poor and low income individuals who cannot afford the associated transaction costs.
7	Ability to make and receive payments within seconds	Many policy and regulatory environments are not enabling full-scale digital finance
8	Generates revenue to digital finance providers	

METHODOLOGY

This paper used the theoretical analysis, and divided in two phases of methodology. Phase one is based on the review of the literature; while the second one is through some preliminary interviews of the officers who are dedicated in zakat management and distribution in Indonesia, as namely BAZNAS (Badan Amil Zakat Nasional). In order to achieve the purpose of phase one of this study, there are various literatures was collected and comprehensively reviewed.

Interview sessions conducted with Badan Amil Zakat National in term of zakat distribution, to acquire some pertinent issues on zakat distribution. There are between 30 to 45 minutes the duration needed for interview. The interview divided into three areas of the study. Firstly, to identify what are the current issues in zakat distribution in term of management, technology structure and system. Secondly, to assess whether the zakat officer have been familiar with the name of ‘fintech’, the give a little information about fintech and its useful for distribution of zakat. Another last field is assessing the opinion of zakat officers on using technology such as mobile banking as the new line for zakat disbursement in Indonesia.

RESULTS AND DISCUSSION

We can say that, the rapid innovation of information technology will have a significant impact notably in financial services. In our point of view, there are several reasons beside the linkages between financial technology and financial services. First, financial technology has to be potential in globalize the financial services through economic growth.

It seem to be some implied confusion between greater ‘financial technology and financial access’ and financial technology related to economic growth. To address this, we need to understand deeply about digital finance is accessible to all and without bias, financial technology would improve the welfare of individuals that have formal bank accounts who wish to carry out basic financial services on their accounts via personal digital devices. Actually, in some case, individuals find it cheaper to walk in the financial institutions rather than to use online digital finance platforms.

The availability of digital finance to the poor and low-income individuals does not mean that poor and low-income individuals have convenient access to it. Additionally, instead of financial technology access is guaranteed to all, such access can only be convenient to low income individuals if it is cheaper to access digital finance products than to walking into an institution hall. However, the high cost for financial technology will be charged also to the poor those are used financial technology. Therefore, the point is the efficiency in the provision and use of digital financial services should be suited to customers’ needs and delivered responsibly at a cost that is affordable to digital finance customers and sustainable for financial technology providers.

Financial technology services offer some potential benefits to consumers, such as cost reduction, improvements in efficiency, greater transparency and a contribution to the goal of financial inclusion. Fintech has become revolutionize in the way to provide services and to be interacted with their customer. Fintech providers include three types of stakeholders, such as: newcomers to the sector (start-ups offering new services sector), traditional financial services providers, or incumbents, and technological companies that develop tools, services and products in the field.

Zakat, infak, sodaqoh and other Islamic social funds collected through BAZNAS, will distribute to people who need it (mustahik). According to surah At-Taubah verse 60, there are eight (8) asnaf will receive zakah, such as, needy (miskeen), poor (faqir/ fuqara), amilin (the administrators of zakah, muallaf (the sympathizers), who are in debt (gharimin), riqab (to free slaves), fisabilillah (the cause of Allah) and ibnu sabil (who are stranded during a journey). The disbursement of funds by BAZNAS in distribution and utilization. In other way, BAZNAS also give the opportunity to the pro-poor sciety to be independent and capable.

Seven (7) principles that use by BAZNAS in term of distribution and utilization, like trust, mutual cooperation, beneficiaries, sustainable, participants, integration and measured. Distribution and utilization zakat funds by BAZNAS carried out based on idea of solving the main problems facing the Indonesian nation. First, access meaning, society never have the good access to social services for education, health and others. Second is about growth, society do not have any opportunity to go out from the darkness, such do not have capital for running business, do not know how to produce, or even the place to sale. The third is about social injustice, therefore, people cannot do self-development, like social networking and capacity building.

BAZNAS zakat distribution differentiated based on mustahik needs. Zakat funds distribution about emergency services which includes education, health, social, and the field of da'wah. However, productive zakat funds distribution called utilization which are covers economics, educations, and health.

In the field of economics, the utilization of zakat, infak and sodaqo, are covering venture capital for mustahik, creative economy, empowerment of farming, revitalization market village, and fishery business. Business program of BAZNAS leads to increasing income and alleviation of poverty in term of mustahik utilization.

Financial technology has the most important in term of disbursement of zakat funds. Especially, Indonesia, with the large country in the world, with hundreds of island in the different places. Therefore, it will be important to BAZNAS has the best support technology to simplify the distribution of funds. With the opportunity to achieve of distribution and utilization of zakat funds. It can be speed up to distribute zakat funds and will fast the alleviation of wealth.

CONCLUSION

Zakat in Islamic perspective could only play an important role to alleviate poverty if zakat integrated with the whole development strategy and programs of individual countries. This program should focus on broader concept of social and economic development as part of a holistic approach to human development. In addition, this modern era of technology, financial technology the most important and concern by academician and practitioner to boost the growth of economy in Indonesia.

As mention before, how fintech and technology innovation in the financial industry has changed our daily routine of activities that can be simplified. It can be seen from the impact of fintech in zakat collection and distribution, there was an improvement of zakah funds due to the technology factor. The collection methods of zakah funds isalready transforming rapidly from year to year. However, technology innovation for the disbursement of zakah is not on the same level as the collection process. Therefore, we can suggest that the financial technology can be useful to fastest disbursement of zakah funds. The fast the asnaf get the zakah funds, the fast the money can be use in term of economic activity. Then, poor society can be more productive and also have work. Therefore, the economic growth can be move faster and poverty reduce quckly.

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Ummu Salma Al Azizah
University of Muhammadiyah Prof DR. Hamka
Indonesia
ruzayna_ririn@yahoo.com

Muhammad Choirin
Islamic University of Asy-Syafiiyah
Indonesia