

ZAKAT 4.0 – TOWARDS EMPOWERING UMMAH WITH TECHNOLOGY

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BAZNAS
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**KEYNOTE SPEECH IN THE 3RD INTERNATIONAL CONFERENCE OF ZAKAT
(3RD ICONZ) 2019, HELD BY BAZNAS CENTER OF STRATEGIC STUDIES
(PUKAS BAZNAS), 3RD OF OCTOBER 2019, IN BANDUNG**

WHY TECHNOLOGY 4.0 FOR ZAKAT?

- ❑ **ZAKAT COLLECTION AND DISTRIBUTION COULD BE MOBILIZED:**
 - **MUCH MORE EFFICIENTLY,**
 - **IN A MORE TRANSPARENT MANNER,**
 - **ON A MUCH LARGER SCALE.**
 - **WITH HIGHLY IMPROVED SECURITY**
 - **AT MUCH LOWER TRANSACTION COSTS**
- ❑ **A BIG TREND IN FINANCIAL INDUSTRY**

WARNING!!! UNCERTAINTY INHERENT IN THE DEVELOPMENT OF DIGITAL FINANCE

- INDUSTRIAL REVOLUTION 4.0 IS MOVING SO FASTLY**
- IT IS CURRENTLY CONDUCTED SO MASSIVELY BY SO MANY PARTIES AT THE SAME TIME WITH NO CENTRAL CONTROLLING BODY.**
- IT BRINGS OUT INHERENT UNCERTAINTY AS TO IT'S DIRECTION AND THE END RESULTS.**
- NO BODY KNOWS.**
- AT MOST WE CAN ONLY ROUGHLY APPROXIMATE THE DIRECTION.**
- THERE ARE INVESTMENT RISKS OF GETTING OBSOLETE FASTLY AND GETTING LOST OR GETTING NO WHERE.**



CONSIDER BUY OR LEASE OPTIONS TO MINIMIZE RISKS

CONDUSIVITY OF SOCIAL CLASS MOBILITY FOR ADOPTION OF DIGITAL FINANCE

SOCIAL CLASSES			2012		PROJECTION 2020		SHIFT		
			MILION PEOPLE	%	MILION PEOPLE	%	MILION PEOPLE	%	
MUZAKI	UPPER	ELITE	2,5	3,67	6,9	8,74	4,4	5,07	23,85
		AFFLUENT	6,6		16,5		9,9		
	MIDDLE	UPPER MIDDLE	23,2	44,00	49,3	62,78	26,1	18,78	
		MID MIDDLE	41,6		68,2		26,6		
LOWER MIDDLE		44,4	50,5		6,1				
MUSTAHIK	LOWER	MISKIN	65,4	52,33	47,9	28,48	-17,6	-23,85	-23,85
		FAKIR	64,5		28,3		-36,2		

SOURCE: MODIFIED FROM BCG

- DURING THE PERIOD OF 2012-2020, 44,1 MILLIONS OF LOWER CLASS (23,85% OF TOTAL CITIZENS) ARE SOCIALLY MOVING UP TO MIDDLE CLASS, AND 14,3 MILION OF MIDDLE CLASS (5,07% OF CITIZENS) ARE MOVING UP TO AFFLUENT CLASS.
- THUS, THE SOCIAL CLASS STRUCTURE IS GETTING MORE CONDUSIVE FOR ZMO ADOPTION OF DIGITAL FINANCE.

PROFILE OF ZAKAT MANAGEMENT ORGANIZATIONS (ZMO)

- IN INDONESIA ZMO ARE BAZNAS AND LAZ
- ZMO ARE **SYARIAH FINANCIAL INSTITUTIONS**
- ALL FINANCIAL INSTITUTIONS ARE **PRONE TO BE HEAVILY AFFECTED** BY DEVELOPMENT IN DIGITAL FINANCE. DIGITAL FINANCE IS **CREEPING SO FASTLY INTO A MUST** FOR ALL FINANCIAL INSTITUTIONS.
- AMONG FINANCIAL INSTITUTIONS, BANKS HAVE BEEN SO FAR THE MOST PRONE TO BE AFFECTED.
- THUS, ZMO CAN LEARN A LOT FROM THE BANKING INDUSTRY EXPERIENCE

LEARNING FROM DIGITAL BANKING

MILAN DANDAWATE (2017) IDENTIFIED *TOP 5 TRENDS* IN DIGITAL BANKING :

- 1. CUSTOMERS WILL BE THE NEW MARKET-MAKERS**
- 2. BANKS WILL DELIVER SEAMLESS AND EFFICIENT CUSTOMER-CENTRIC EXPERIENCES WITH THE HELP OF A CONTINUUM OF ENTERPRISE AUTOMATION TECHNOLOGY**
- 3. BANKS WILL REVISIT BUSINESS PROCESSES TO DIGITALLY INTEGRATE FRONT-END AND BACK-END OPERATION.**
- 4. BANK WILL ADOPT INNOVATIVE YET PROVEN LOW-CODE PLATFORM TECHNOLOGY TO DRIVE OPERATING EFFICIENCY**
- 5. BANK WILL LEVERAGE UNIFIED PLATFORM TECHNOLOGY TO ENABLE HOLISTIC COMPLIANCE**



- 1. CUSTOMERS OF ZMO, MUZAKIES AND MUSTAHIKS, WILL BE THE NEW MARKET-MAKERS**
- 2. ZMO WILL DELIVER SEAMLESS AND EFFICIENT MUZAKI AND MUSTAHIK-CENTRIC EXPERIENCES WITH THE HELP OF A CONTINUUM OF ENTERPRISE AUTOMATION TECHNOLOGY**
- 3. ZMO WILL REVISIT BUSINESS PROCESSES TO DIGITALLY INTEGRATE FRONT-END AND BACK-END OPERATION.**
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VERIDAY (2018): 5 MOST IMPACTFUL DIGITAL TRANSFORMATION

1. BLOCKCHAIN:

- **DIGITAL LEDGER IN WHICH TRANSACTIONS ARE RECORDED CHRONOLOGICALLY AND PUBLICLY**
- **TECHNOLOGY BEHIND DIGITAL CURRENCIES LIKE BITCOIN**
- **SO ATTRACTIVE TO BANKS BECAUSE BLOCKCHAIN OFFERS TRANSPARENCY, SECURITY, AND LOWER TRANSACTION COSTS**

2. BRANCH LESS BANKING

3. NEW FEATURES: CONTINUALLY INNOVATE AND IMPROVE CUSTOMER EXPERIENCE USING TECHNOLOGY SOLUTIONS.

4. CASHLESS TRANSACTIONS

5. ENHANCED SECURITY



CHALLENGE FOR THIS SEMINAR: “HOW SHOULD ZMO GO THROUGH THE DIGITAL TRANSFORMATION?”

NATHAN SYKES (2018): SIX TECH TRENDS IN FINANCIAL INDUSTRY

- 1. SAY GOODBYE TO GOOD OLD BANKS**
- 2. SECURITY**
- 3. INCREASE IN BLOCKCHAIN TECHNOLOGY**
- 4. USE OF FINTECH FIRMS**
- 5. EVEN LESS PHYSICAL CURRENCY**
- 6. CONSTANT INNOVATION**



**CHALLENGE FOR THIS SEMINAR: “HOW SHOULD
ZMO RESPOND TO THESE TRENDS?”**

AMBER SULLIVAN (2018): 10 BIG FINANCIAL TECHNOLOGY TRENDS

1. MASSIVE INVESTMENT IN DIGITAL TRANSFORMATION
2. BLOCKCHAIN AND AI WILL CONTINUE TO DISRUPT THE FINANCIAL SERVICES INDUSTRY
3. DIGITAL-ONLY BANKS BECOME A REAL THREAT
4. DESIGN THINKING
5. REAL-TIME RISK DECISIONS
6. ALTERNATIVE LENDERS LEVERAGE ALTERNATIVE DATA
7. REGTECH
8. BIG DATA GETS EVEN BIGGER
9. CONNECTING WITH THIRD-PARTY PROVIDERS TO DRIVE CUSTOMER-CENTRICITY
10. THE CLOUD: CREEPING INTO EVERY CORNER



**CHALLENGE FOR THIS SEMINAR: “HOW SHOULD
ZMO RESPOND TO THESE TRENDS?”**

RISKS MANAGEMENT IN DIGITAL FUND RAISING

- ❑ **ZIS AND DSKL COMPREHENSIVE DIGITAL FUNDRAISING AT ALL LEVELS:**
 - **CAMPAIGN**
 - **KIND OF DONATION CHANNELS**
 - **POST DONATION SERVICES**
- ❑ **THEREFORE MITIGATION AND CONTROL OF RISKS SHOULD BE DONE AT ALL OF THESE LEVELS**

5 PLATFORMS OF BAZNAS DIGITAL FUNDRAISING



COMPREHENSIVE RISKS MANAGEMENT IN DIGITAL FUNDRAISING

• MITIGATION AND CONTROL OF COLLECTION RISKS

• MITIGATION AND CONTROL OF FINANCIAL AND IT RISKS

- PARTNER REPUTATION
- COOPERATION SCHEME
- BRANDING AND COBRANDING
- FAILURE IN FUNDRAISING
- LEGAL RISKS
- FAILURE IN SYARIAH COMPLIANCE
- RISKS OF MONEY LOUNDRING

- RECONCILIATION OF FUND COLLECTED
- FAILURE IN FUND TRANSFER
- IT RISKS
- FAILURE IN SYARIAH COMPLIANCE

- CONTROL OF FUND DISTRIBUTION
- BRANDING IN DISTRIBUTION
- FAILURE IN DIGITAL REPORTING
- RISKS OF MONEY LOUNDRING
- RISKS OF FUNDING OF ILLEGAL ACTIVITIES



SALAM