

Literature Study on Digital Philanthropy for Waqf Funding: Trends, Challenges, and Future Directions

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Abstract. Waqf is an integral part of Islamic philanthropy that has long contributed to social development and the welfare of the ummah. In the digital era, the practice of waqf has undergone a significant transformation through the use of crowdfunding platforms and sharia-based financial technology. This study aims to explore trends, challenges, and future directions of digital waqf management in Indonesia. The research was conducted through a qualitative approach with a literature study method on secondary data sourced from scientific journals, reports of philanthropic institutions, and official statistical data. The results of the study show that digitalization opens up wide opportunities for cross-generational community participation in waqf activities, especially through efficient, transparent, and inclusive online platforms. However, challenges are still found, such as low digital literacy, regulatory limitations, trust issues, and traditional perceptions of waqf that limit the adoption of digital waqf. This study emphasizes the importance of collaboration between waqf institutions, the government, the technology sector, and civil society to build a sustainable and effective digital waqf ecosystem for the development of the people.

Keywords: Digital Waqf, Cash Waqf, Islamic Philanthropy

1. Introduction

Waqf is one of the instruments of Islamic philanthropy that has great potential in supporting the social and economic development of the people. The tradition of waqf has long contributed to the provision of public services, such as education and health, through sustainable funding. However, in today's digital era, the practice of waqf management and funding faces new challenges and opportunities that have not been fully explored. (Alfiyanti et al., 2022)

Based on the World Giving Index from the Charities Aid Foundation (CAF), Indonesia ranks as the most generous country in the world In 2018-2024: 90% of Indonesians donate money to charitable institutions. 65% become volunteers or help others. The reasons include the culture of mutual cooperation and religious values, such as zakat, infaq, waqf and alms, are considered the main foundation of community generosity. (World Giving Index, 2024)

Estimated potential for money waqf: between IDR 130 trillion 188 trillion per year Productive waqf projects reached a total value of IDR 978 billion in 2021 (average IDR 139 billion/project). Syahbibibi & Hisan said digitalization unlocks great potential expanding the waqf segment, data transparency, and management efficiency. Digital money waqf facilitates waqf participation anytime, anywhere, but faces literacy, human resources, and socialization challenges. (Syahbibibi, R., & Hisan, 2023)

Digitalization has changed the way people interact and transact, including in philanthropic activities. Crowdfunding and financial technology (fintech) platforms allow for the collection of waqf funds more widely and efficiently. In Indonesia, several

platforms such as Kitabisa.com, BWA.ID, Waqf Kita.net, BWI.Go.id have facilitated online waqf fundraising, showing a positive trend in community participation.(Sabilla, 2022)

Data shows that the integration of technology in waqf management can increase transparency and accountability. However, there is still a gap in research on effective and sustainable digital waqf funding models. In addition, adaptation to new technologies such as social media trends that are changing and also requires further studies to understand its implications for waqf practices. (Masrikhan, 2018)

This research is based on the theory of Islamic philanthropy and digital transformation. Islamic philanthropy includes digital waqf practices that aim for the welfare of the ummah. Digital transformation refers to fundamental changes in the way organizations operate and deliver value to stakeholders through the use of digital technologies. The integration of the two results in the concept of digital philanthropy, namely the use of digital technology to support philanthropic activities, including in the collection and management of waqf funds. (Siwi, 2024)

Data shows that digital crowdfunding platforms allow individuals from various economic backgrounds to participate in waqf through joint venture schemes. However, the success of the online waqf campaign is greatly influenced by the way the story is conveyed and the potential sustainability of the program. Meanwhile, Saputri (2024) emphasized the importance of optimizing the management of zakat and waqf through sharia fintech to increase efficiency and transparency.(Garadian, 2020),(Meli Saputri, 2024)

The development of digital technology has revolutionized various aspects of life, including in Islamic philanthropic practices such as waqf. The emergence of sharia crowdfunding and fintech platforms has opened up new opportunities in collecting waqf funds online. However, the integration of this technology also presents challenges related to trust, transparency, and regulation. Several studies have addressed these aspects, but there has been no systematic literature review that comprehensively compiles and analyzes these findings. Therefore, the researcher is interested in discussing more deeply about "Literature Study on Digital Philanthropy for Waqf Funding: Trends, Challenges, and Future Directions"

2. Methods

This study uses a qualitative approach with a literature study method. The data analyzed is secondary data obtained from scientific journals, academic articles, reports from philanthropic institutions such as BWI and Dompot Dhuafa, as well as other official sources relevant to the management of digital waqf. The analysis was carried out in a descriptive-critical manner to identify patterns, trends, challenges, and future directions of digital philanthropic practices in the context of waqf in Indonesia. This approach allows researchers to comprehensively understand the phenomenon based on previously published data.

3. Result and Discussion

3.1. Trend

Digital philanthropy in waqf funding has experienced significant growth with the adoption of crowdfunding platforms and sharia fintech. Digital platforms have facilitated public participation in online waqf, allowing donations from various circles. However, the main challenges identified include the lack of digital literacy among the public, the issue of trust in digital platforms, and the need for clear regulations to

regulate digital waqf practices. Highlighting the effectiveness of waqf through websites as a form of digital philanthropy, but also noting the need for continuous innovation to increase waqf trust and participation. (Kurnia Anisa & Kurniawan, 2023)

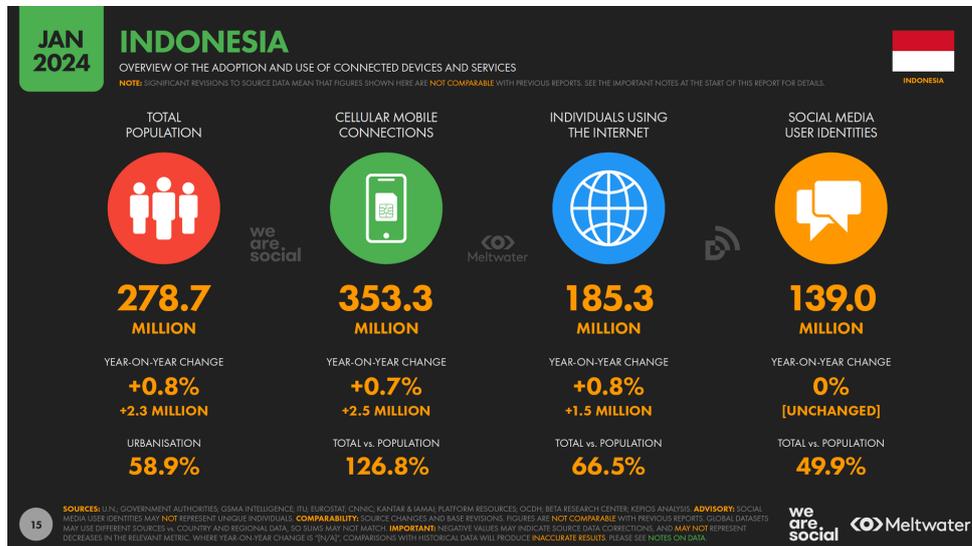


Figure 1

When looking at Indonesia's general social media statistics for 2024, the figures show that internet usage remains relatively constant. The number of internet users has increased slightly by 0.8%, or about 1.5 million more than the previous year, bringing it to 185.3 million. Similarly, the number of mobile mobile connections has increased by 0.7%, reaching 353.3 million, with 2.5 million more connections added since last year. Since some people may have more than one mobile phone subscription for other purposes, such as work, the ratio of mobile connections to the total population is 126.8%

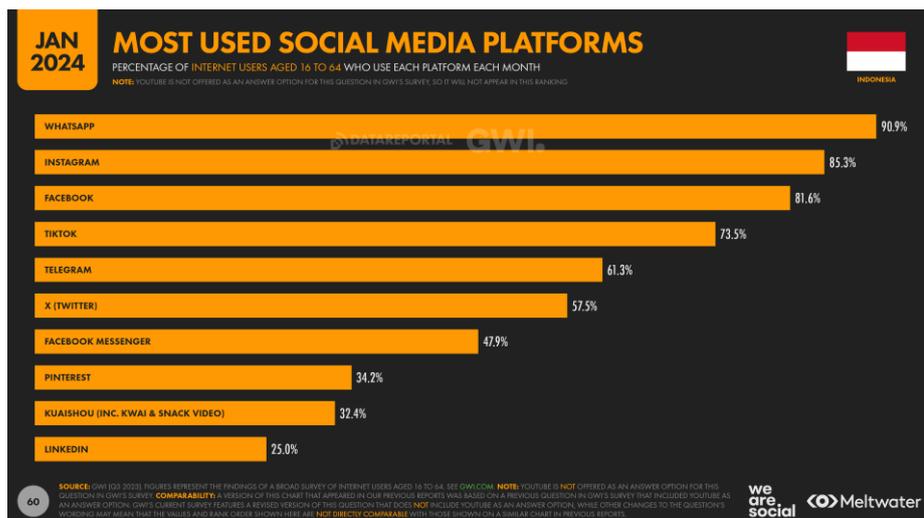


Figure 2

As the most widely used social media platform and messaging app in Indonesia, WhatsApp is used by 90.9% of countries, with Instagram second at 85.3% of monthly

usage. Although not as popular as in Indonesia, the percentage of individuals who use Facebook remains relatively high at 81.6%, while the percentage of people who use TikTok is 73.5%. These social media platforms cater to the needs of Indonesian users in terms of communication, information, and entertainment, the three main reasons discussed earlier. Note that WhatsApp is more than just a chat app; small businesses can reach large audiences and promote their products and services through WhatsApp's business, taking advantage of the widespread adoption of messaging apps (Akhyar et al., 2024).

The trend of fundraising by Islamic philanthropic institutions in collecting waqf funds in the current digital era shows rapid and dynamic development. Digitalization has opened up wider access and made it easier for people to participate in waqf through online platforms such as crowdfunding and sharia fintech applications. These platforms allow for instant, transparent, and accessible donations to various levels of society, especially millennials and Gen Z who are more familiar with digital technology. The use of digital technology expands the donor base and accelerates the collection of waqf funds, including for waqf distribution needs in various regions.

The fundraising trend for waqf philanthropy in the digital age shows significant growth, driven by technological advances and changes in people's behavior, especially among the younger generation. Millennials and Gen Z are playing a crucial role in this transformation. According to the Productive Waqf Forum (FWP), around 48% of waqifs are millennials aged 24–35 years, showing that this age group is very responsive to the digital approach in waqf. They tend to choose platforms that offer high convenience, transparency, and accessibility. (Kasdi, 2016)

Overall, the fundraising trend for waqf philanthropy in the digital age shows great potential to increase community participation and fund management efficiency. However, to maximize this potential, a comprehensive and inclusive strategy is needed that considers various technological, social, and regulatory aspects.

3.2. Challenge

However, digital waqf fundraising is not free from challenges. The aspect of trust and transparency is the main issue because donors need assurance that the funds distributed are really used according to the purpose of waqf. In addition, digital literacy is still low in some communities as an obstacle to maximum participation. Technical challenges such as data security and uneven technological infrastructure also hinder the optimization of the waqf digital platform. Socially, the traditional perception that waqf must be in physical form (land or buildings) also limits the acceptance of digital waqf such as Al-Quran waqf, Quranic waqf, mini market productive waqf, clean water waqf, agricultural waqf, waqf scholarships, hospital waqf and others.

The Qur'an emphasizes the importance of alms and waqf as charities whose rewards continue to flow. Waqf is included in the category of charity because it provides continuous benefits to Muslims by providing access to the holy book to be read and studied. In Surah Al-Baqarah verse 261, Allah SWT said: "The parable of the one who spends his wealth in the way of Allah is similar to a seed that grows seven grains, in each grain a hundred seeds. Allah multiplies (rewards) for whomever He wills." (QS. Al-Baqarah: 261) The hadith of the Prophet Muhammad PBUH also advocates waqf as a form of charity whose rewards are sustainable. In a hadith narrated by Muslim, the Prophet said: "When a man dies, then his deeds are cut off except for three things: charity, useful knowledge, and pious children who pray for him." (HR. Muslim) The

scholars agree that waqf can be in the form of movable or immovable objects as long as it provides long-term benefits. According to Sheikh Yusuf al-Qaradawi, waqf in Islam can be developed according to the needs of the times and can be in the form of money, goods, or digital, as long as the purpose of waqf remains sacred and the benefits are clear.

In the context of waqf fundraising with digital technology, the majority of scholars consider this method to be valid and in accordance with sharia if they meet the requirements of waqf: the existence of a wakif (waqf giver), nazhir (waqf manager), and a clear waqf object and benefits that continue to flow. Digital technology is an innovative medium in expanding waqf participation. Waqf fundraising through digital platforms such as crowdfunding websites or sharia fintech applications allows for ease of donation, transparency, and accountability. However, in contemporary fiqh studies, the use of digital technology must comply with sharia principles, such as ensuring data security, clarity of the use of funds, and transparency of reporting.

Some important ethics that must be maintained include: **Transparency and Accountability:** All transactions and use of funds must be clearly accountable to the waqfs. Protect personal data and donor information from misuse. Waqf funds must be distributed fairly to beneficiaries, in accordance with the purpose of waqf. Waqf managers must maintain integrity and avoid corrupt practices or nepotism. The entire process must be in accordance with sharia principles, including waqf contracts and the use of funds.

Blockchain technology has also begun to be applied in the management of waqf to increase transparency and accountability. With this system, every waqf transaction can be tracked in real-time, giving more confidence to donors. However, the implementation of this technology still faces challenges, such as the need for adequate digital infrastructure and technology literacy among the community. (Winarno, 2019)

While digitalization brings many benefits, there are still barriers to the widespread adoption of this technology. Some of the inhibiting factors include limited internet access in remote areas, low digital literacy, and concerns about the security of personal data. Waqf fundraising in the context of Islamic philanthropy in the digital era faces a variety of complex challenges, covering economic, social, technological, and regulatory aspects.

3.2.1. Economic Challenges

Although digitalization opens up new opportunities in the collection of waqf funds, there are significant economic barriers. The cost of developing and maintaining a reliable digital platform requires a significant investment. Many waqf management institutions (nazhir) face limited funds to adopt advanced technologies, such as blockchain systems or secure mobile applications. In addition, the lack of economic incentives for nazhir to develop a digital-based productive waqf business model is also an obstacle. This is exacerbated by the lack of financial support from the government or the private sector for innovation in the management of digital waqf.

3.2.2. Social Challenges

From the social side, the low waqf literacy among the community, especially the younger generation, is the main challenge. Many individuals do not understand the concept of waqf, its benefits, and how to contribute through digital platforms. Generation Z has great potential as agents of change in Islamic philanthropy, they still face information gaps and access to digital waqf programs. In addition, the perception

that waqf is only for wealthy individuals also hinders the participation of the wider community. (Thamrin et al., 2021)

3.2.3. Technological Challenges

The adoption of technology in waqf management faces various obstacles. Some digital platforms have not fully leveraged the latest technology to improve efficiency and transparency. In addition, data security is a crucial issue; The risk of leakage of Watif's personal information can reduce public trust in the digital waqf platform. The lack of cybersecurity standards and strong encryption protocols on some platforms also magnifies this risk. (Thamrin et al., 2021)

3.2.4. Regulatory and Governance Challenges

The legal and regulatory framework that regulates digital waqf is still inadequate. Many countries, including Indonesia, do not yet have regulations that specifically regulate the management of waqf through digital platforms. This creates legal uncertainty for nazhir and waqf, and opens up opportunities for misuse of waqf funds. In addition, the lack of transparent supervision and audit mechanisms exacerbates accountability issues in the management of digital waqf.

3.2.5. The Challenge of Trust and Transparency

Public trust in digital waqf platforms is greatly influenced by transparency in fund management. The lack of clear and real-time financial statements can raise doubts among the waqfs. Studies show that transparency and accountability are key factors in increasing public participation in digital waqf.

3.2.6. Cultural Challenges and Perceptions

The traditional perception of waqf as a physical asset, such as land or buildings, is still dominant in society. This hinders the adoption of the concept of money waqf or digital waqf. In addition, the assumption that waqf can only be done by wealthy individuals also reduces the participation of the lower middle class. This change in perception requires intensive education and effective campaigns to change people's mindsets. (Winarno, 2019)

3.2.7. Innovation and Collaboration Challenges

The lack of innovation in the development of digital waqf products is an obstacle in attracting public interest. In addition, the lack of collaboration between waqf institutions, the government, the private sector, and the technology community hinders the growth of a healthy digital waqf ecosystem. Synergy between stakeholders is needed to create innovative solutions that suit the needs of society and technological developments.

Overcoming these challenges requires a holistic approach that includes increasing waqf literacy, developing secure and user-friendly technology, regulatory reform, and increasing transparency and accountability in the management of waqf funds. Collaboration between the government, waqf institutions, the private sector, and the community is the key to realizing a sustainable digital waqf ecosystem that has a positive impact on the social and economic development of the people.

3.3. Future direction

The future direction of digital waqf fundraising in this era of technology is very promising with great potential to increase inclusivity, efficiency, and transparency in waqf management. Digitalization opens up wider access for people from all walks of life to participate in waqf without geographical and time restrictions. Technologies such as blockchain, artificial intelligence (AI), and big data are expected to be increasingly

integrated to ensure transaction security, transparency in the use of funds, and optimize waqf distribution to have a greater socio economic impact.

Steps that need to be taken to face and optimize the future direction of digital waqf include: Development of Reliable and Secure Digital Infrastructure: Improving the quality and security of waqf digital platforms by utilizing cutting-edge technologies such as blockchain for transparency and AI for donor data analysis and waqf programs. Improving Digital Literacy and Waqf Education: Conducting massive education and socialization programs to the community, especially the younger generation, so that they understand the benefits of waqf and how to participate digitally. This is important to answer the challenge of literacy that is still low. Supporting Regulations and Policies: The government needs to develop regulations that are clear, transparent, and adaptive to technological developments so that the management of digital waqf has a strong legal umbrella and can ensure security and accountability. Multistakeholder Collaboration: Encouraging synergistic cooperation between waqf management institutions, the government, the private sector (including sharia fintech startups), and the technology community for digital waqf product innovations that suit the needs of the community. Development of a Digital-Based Productive Waqf Model: Integrating waqf with the digital economy through a sustainable productive waqf model, such as technology-based social investment, which not only collects funds, but also generates economic added value. Transparency and Accountability: Build a real-time and publicly accessible digital reporting and auditing system to increase donor trust and ensure waqf funds are used effectively.

With these steps, digital waqf fundraising will not only be able to survive but also grow significantly, provide a broad social impact, and support the economic development of the people in an inclusive and sustainable manner in the digital era.

4. Conclusion

Waqf digital philanthropy in Indonesia shows a positive trend with increasing public participation, especially millennials and Gen Z, through crowdfunding platforms and sharia fintech. Digitalization allows the waqf process to be easier, faster, and more transparent. However, the challenges faced include low digital literacy and waqf, lack of special regulations, issues of trust in digital platforms, and limited technology infrastructure. For the future, digital waqf philanthropy needs to be directed through strengthening public education, the application of technologies such as blockchain and AI, and cross-sector collaboration in order to create an inclusive, safe, and sustainable digital waqf ecosystem.

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