





“Generation Z perceptions in paying Zakat, Infaq, and Sadaqah using Fintech: A comparative study of Indonesia and Malaysia”

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GENERATION Z PERCEPTIONS IN PAYING ZAKAT, INFAQ, AND SADAQAH USING FINTECH: A COMPARATIVE STUDY OF INDONESIA AND MALAYSIA

Abstract

Generation Z is the future generation with technology familiarity and is a trendsetter in financial technology. This study aimed to compare (similarities and differences) perceptions of Generation Z Muslims in Indonesia and Malaysia in paying Zakat, Infaq, and Sadaqah (ZIS). This study uses a qualitative approach with phenomenological methods through focus group discussions. This method was chosen because it allows substantial interaction between participants to compare objects more boldly. Initially, there were 43 Generation Z students from Indonesia and 25 Generation Z students from Malaysia. The total reduction of participants was carried out to find the most relevant and appropriate participants by determining the criteria for having paid ZIS using financial technology (Fintech) at least once. With 10 participants from each country from the final narrowing results, two stages of Focus Group Discussion were carried out. The findings show the similarity of perceptions of awareness of use, including the need and importance of usage benefits. The similarity of perceptions regarding reputation was also found in professionalism and reliability. In contrast, similar perceptions of satisfaction occurred in aspects of multifunction and usability. In addition, differences were found in the perception of data security. There are still suspicions about data security among Indonesian participants. No studies directly compare Generation Z Muslims in the two countries that pay ZIS through Fintech. This study confirms that it is essential to increase the security of personal data when using fintech. Then there is a feeling of security and comfort for Generation Z who donated ZIS.

Keywords

financial technology, Islamic social finance, Islamic philanthropy, Z generation, comparative study, Indonesia, Malaysia, focus group discussion

JEL Classification

D64, O33, O57

INTRODUCTION

Islamic faith forms Muslims to carry out minor aspects of daily life. Islamic principles include the value of justice and shared prosperity so that wealth is not controlled by a certain few people (Farook & Farooq, 2013). *Zakat*, *infaq* and *sadaqah* (ZIS) in a modern economy can provide a role inequitable welfare distribution to reduce social inequality in society (Mustika et al., 2019; Purwanti, 2020). ZIS is one element that can positively affect economic growth and financial literacy, so the mechanism and acceleration of paying ZIS must be improved (Rizal et al., 2020; Wahab & Rahman, 2011). New eras of life, including the financial sector, have emerged as technology advances. Fintech is a word that describes new business models and technologies that can completely digitize the financial services sector (IOSCO, 2017).

Indonesia and Malaysia have the most significant Muslim people in Southeast Asia (Hamayotsu, 2002). In 2017, The World Facebook

Central Intelligence Agency ranked Indonesia top with an 87.2% increase, while Malaysia is third with a 61.3% Muslim population (Christy, 2019). Indonesia and Malaysia are two countries that place a high priority on Fintech growth. Indonesian Fintech is rated 47th globally, with a digital economy of \$40 billion in 2019 (Kharisma, 2021). Fintech is rapidly growing in Indonesia, with at least 385 registered with the Financial Services Authority (Indonesian Fintech Association, 2020). Most Fintech in Indonesia runs on Android, making it easy for users (Abdillah, 2019). On the other hand, the people in Malaysia are very interested in the fintech trend (Hui et al., 2019).

Generation Z dominates Islam in Indonesia and Malaysia. From February through September 2020, the Central Statistics Agency reported that Generation Z accounted for 75.49 million individuals or 27.94 per cent of the overall population. 273.5 million people (Badan Pusat Statistik, 2020). In Malaysia, Generation Z accounts for 26% of the total population of 32.37 million (Worldometers, 2021). Generation Z follows the millennials, who are technologically savvy and have easy access to worldwide knowledge (Tjiptono et al., 2020). Generation Z is born between 1995 and 2010 (Bencsik & Machova, 2016). They grow up at a fast technological and information growth time, making it more straightforward for Generation Z to understand technology and information. Malaysia and Indonesia are both in Southeast Asia and have a Muslim majority. Both nations have a large Generation Z population, which makes them comparable. This equation is apparent in the practice of Islamic religious law, which includes paying ZIS.

The seriousness of studying ZIS is one of the similarities between Indonesia and Malaysia. They are primarily from Malaysia and Indonesia (Rusydia & As-salafiyah, 2021). Malaysia had the most papers published in ZIS last year, with 125, followed by Indonesia with 49 (Alshater et al., 2021). In addition, Malaysia has 209 articles categorized by region, followed by Indonesia with 119 papers (Nor Paizin et al., 2021). These figures demonstrate that Indonesia and Malaysia are serious ZIS managers.

The parallels between Indonesia and Malaysia include geographical location, the majority Muslim population in Southeast Asia, the rise of fintech, and the seriousness of ZIS management. However, the problems in fintech implementation for ZIS payments in both countries are not necessarily the same. Therefore, comparative research also aims to find similarities, differences, and gaps in Generation Z's perceptions of fintech use in ZIS payments. Based on the best author's knowledge, minimal research publications have explored a direct comparison between Indonesia and Malaysia regarding the perception of using fintech to pay ZIS among Generation Z Muslims. This comparative study can enrich the treasures of knowledge about Generation Z's perceptions of using fintech for Islamic philanthropy and become the subject of improvement studies at the coordinating and regulatory institutions of zakat institutions.

1. LITERATURE REVIEW

Nor et al. (2021) and Alaeddin et al. (2021) studied using blockchain to pay for ZIS in Malaysia. Alaeddin et al. (2021) found that Fintech (Blockchain) is solvency for the existence of ISF (Islamic Social Finance), including *waqf*, *zakat*, and *sukuk*. This study's results align with a survey by Nor et al. (2021) that Blockchain in ISF payments during the COVID-19 pandemic is the right choice because it allows no contact between the parties involved to minimize the spread of the virus. During the COVID-19 epidemic, Bin-Nashwan (2021) and Syed et al. (2020) explored the

application of Fintech in ZIS payments to speed up the economy. Furthermore, Syed et al. (2020) revealed that fintech could recover from economic problems due to the COVID-19 pandemic through ZIS funds for individuals and groups. Bin-Nashwan (2021) stated that fintech minimizes left behind ZIS recipients because fintech can reach all equity levels. Baber (2020) and Tajudin et al. (2020) studied the future inclusiveness and integrity of Fintech in ZIS payment services.

Che et al. (2020) and Tajudin et al. (2020) showed that ZIS payments using fintech could provide a sense of inclusion in the future. It was also re-

vealed by Baber and Hasnan (2020) that fintech integrated with banks would be able to increase ZIS payments globally. Referring to Ascarya (2021), ZIS payments using fintech can accelerate economic recovery due to the COVID-19 pandemic. A similar study by Hudaefi (2020) stated that the distribution of ZIS using fintech also supports SDG acceleration, especially economic equity. In addition, fintech offers time and location efficiency for Millennial zakat payers since it regulates ZIS payments (Friantoro & Zaki, 2019). The use of fintech has also begun to be adopted by many zakat institutions, including those affiliated with the government (Hudaefi et al., 2020).

The perceptions of convenience, social environment, and reputation of *amil* institutions influence interest in paying ZIS through internal and external platforms via Fintech (Adyani, 2021; Agustiningih et al., 2021; Kurniaputri et al., 2020; Usman et al., 2020). A similar study by Niswah et al. (2019) showed that perceived usefulness, subjective norms, and behavioral control positively influence financing interest using fintech. Syafira et al. (2020) and Khairunnisa et al. (2020) proved that the awareness and perception of trust positively correlate to paying ZIS and *waqf* digitally. The same study by Usman et al. (2020) showed that the perception of faith had a positive influence, while religiosity did not affect technology acceptance about paying ZIS. Familiarity with fintech utilization also affects Millennial zakat payer behavior using fintech (Houston, 2020; Niswah et al., 2019).

Referring to Mahardika's (2020) study, it is claimed that performance expectations have a favorable but little impact on interest in donating to charity via fintech. The same thing was said by Yahaya and Ahmad (2018) that performance expectations, social influences, and facilitating conditions support the acceptance of technology for the distribution of *zakat*. At the same time, business expectations have no impact in this regard.

The perception of easiness effectiveness in utilizing fintech to pay ZIS influences interest in transacting through fintech positively and significantly (Chuang et al., 2016; Hakimi et al., 2021; Wildan, 2019). On the other hand, risk negatively and significantly affects an interest in transacting using Fintech (Batunanggar, 2019). The ad-

verse risk of using fintech is the misuse of personal data (Budiwati et al., 2020). Weak personal data security protections can lead to declining confidence in fintech innovations (Stewart & Jürjens, 2018; Yousafzai et al., 2005). Meanwhile, Rohmah et al. (2020) showed that the perception of the convenience provided by fintech had not been fully felt. However, the benefits of using fintech to help daily needs can shape the satisfaction of users (Ninglasari & Muhammad, 2021; Zhang & Kim, 2020).

In general, the use of fintech in ZIS payments has a positive impact on zakat payers, including many conveniences and benefits. This study enriches knowledge that has not been discussed in previous studies by comparing the perceptions of Generation Z in Indonesia and Malaysia in using fintech to pay for ZIS. Therefore, this study is expected to add to the literature on the perception of generation Z Muslims in paying ZIS using fintech and become a scientific contribution to learning between the two countries. This study is expected to provide meaningful input for the development of fintech zakat, especially for the younger generation. The perceptions studied have been determined based on the literature review. Furthermore, the perception of the Z generation of Malaysia and Indonesia about awareness, reputation importance, satisfaction, and data safety risk were explored in this study.

2. METHOD

This study process used a phenomenological approach, focusing on individual experiences and interpretations of phenomena in society (Anggito & Setiawan, 2018). The phenomenon studied is perceptions of using fintech to pay ZIS by Generation Z in Indonesia and Malaysia. The participants of this study were determined by purposive sampling with specific criteria. These criteria provided unique and value-rich information from the participant (Etikan, 2016). The criteria that have been determined, are: (1) Muslims, (2) those born in 1995–2010, (3) have paid ZIS using Fintech (payment, e-wallet, and crowdfunding) for at least the last three years, and (4) Indonesian or Malaysian citizens for selected participants.

Table 1. Data of Indonesian participants

Source: Data owned and processed by the authors.

No.	Initial	Age (year)	Zakat *	Infaq and sadaqah *	Platform preference	City Address
1	APB	20	0	25	Digital Wallet	Laser
2	AR	26	0	5	Payment	Sragen
3	CPS	20	1	4	Crowdfunding	Madiun
4	DGK	21	0	6	Crowdfunding	Boyolali
5	FKH	13	0	3	Digital Wallet	Surakarta
6	LAAH	20	2	33	Digital Wallet	Jakarta
7	NW	21	0	25	Digital Wallet	Surabaya
8	WAW	22	1	3	Crowdfunding	Yogyakarta
9	YAF	22	0	10	Crowdfunding	Sukoharjo
10	YH	19	3	13	Payment	Palembang

Note: * for the last three years (2018–2021).

Table 2. Data of Malaysian participants

Source: Data owned and processed by the authors.

No.	Initial	Age (year)	Zakat *	Infaq and sadaqah *	Platform preference	City Address
1	A	23	1	12	Payment	Selangor
2	A1	23	1	3	Digital Wallet	Sabah
3	AZ	24	1	8	Digital Wallet	Kinabalu
4	MF	23	1	11	Digital Wallet	Kuala Lumpur
5	N	23	1	27	Payment	Tawau
6	N1	23	1	10	Payment	Sandakan
7	NA	22	1	8	Digital Wallet	Negeri Sembilan
8	NDI	23	1	5	Payment	Sabah
9	SA	23	1	10	Payment	Sandakan
10	SZ	23	3	36	Payment	Sabah

Note: * for the last three years (2018–2021).

This study utilized focus group discussion to reach its purpose. When the study aims to elicit the participants' ideas, opinions, and attitudes or to evaluate how they grow in a social setting, focus groups are an excellent strategy to use (Wilkinson, 1998). This method is used to get the interaction of the participants who give each other answers, opinions, and contributions during the discussion and the moderator's role in sparking the discussion (Moretti et al., 2011; Saunders et al., 2019). The Focus Group Discussion technique was chosen because the results effectively provide information about how people think, feel, or act about specific topics and compare objects more boldly.

The first step in this study was to create a questionnaire that assessed the participants' ability to engage in FGDs. The study uses Google Forms to compile the survey and then shares it on WhatsApp, Twitter, and Instagram to spread the survey. Participation is entirely voluntary. There is no coercion from any party. The initial distribution of the questionnaire lasted for seven days and

gathered 43 Indonesian Generation Z citizens and 25 Malaysian Generation Z residents. The selection stage for FGD participants was conducted to get the most relevant and appropriate participants by setting specific criteria. All FGD participants met the requirements. This study only selects the best in their field, with charities or NGOs (Non-Governmental Organizations) using fintech as an indication. Ten participants from Indonesia and ten from Malaysia from Generation Z were finally selected as samples. Participants who are selected as participants must provide proof of ZIS payment through fintech to the FGD committee. This number of participants follows what was formulated by Wilkinson (1998) in the process of the focus group discussion.

The FGD was conducted in two parts to ensure maximum participation from all participants. First, they obtained accurate and factual data to verify the data supplied in phases 1 and 2. Second, FGDs were conducted online through Zoom Meeting. Phase 1 FGD had five participants from

Indonesia and five from Malaysia on September 19, 2021. On September 26, 2021, five candidates from Indonesia and five from Malaysia attended Phase 2. During the FGD, the writers functioned as moderators and were not allowed to speak.

This study used an interactive data analysis method consisting of three critical pathways to conclusions, including data collection, data reduction, and data presentation (Miles & Huberman, 2002). Furthermore, the study used thematic analysis to map the focus group discussion findings (Wiggins, 2004). In addition, this study also compared the results of focus group discussions with prior research to get a complete understanding (Yin, 2003).

3. RESULTS AND DISCUSSION

Participants have mixed perceptions regarding the use of fintech to pay ZIS. Indonesian and Malaysian participants use fintech to donate (*infaq* and *sadaqah*), while paying *zakat* is still not optimal. *Zakat* payments to participants only fulfil one type of *zakat*, namely *zakat fitrah*, which is paid annually. Based on three years of experience using fintech to pay ZIS, the perceptions felt by participants in Indonesia and Malaysia are handled.

Participants accept the presence of fintech very well and can adapt quickly to use it in paying ZIS. Participants in Indonesia and Malaysia have excellent attention to awareness of the use of fintech to pay ZIS, and it can be seen in Table 3.

For participants in Indonesia and Malaysia, Fintech was wholly understood. It is no longer necessary to queue at an *amil* institution, as a smartphone may be used anywhere and whenever. "I can use Fintech, including paying for ZIS using my phone (AR)." BAZNAS, Indonesia's national zakat administration organization, has embraced the digital trend. BAZNAS has also embraced digitalization, creating official websites and mobile

applications that integrate Fintech (Hudaefi et al., 2020). This digitization should maximize the efficiency of ZIS funding collection and distribution. Participants who cannot be removed from their everyday demands require fintech to be present in ZIS. "Fintech saves time and does not have to be organized at the counter to pay *zakat fitrah* or pay *zakat infaq* and *alms* (SA)." Fintech provides participants convenience, including time and location efficiency. Fintech is vital, since it regulates a critical demand, notably ZIS payment. Fintech is improving the quality and quantity of services. These services include *zakat* calculators, real-time payments, reporting, and program coordination with relevant parties (Friantoro & Zaki, 2019).

Participants are very familiar with using Fintech in ZIS payments (Houston, 2020). A good understanding of technology makes it easy to accept and adapt to fintech, making *amil* institutions also get this new style of collecting and distributing ZIS funds (Che et al., 2020). Good work performance convenience makes users have a great intention to continue using Fintech (Chuang et al., 2016; Hakimi et al., 2021). Indonesian and Malaysian participants are familiar with utilizing fintech to pay for ZIS. Fintech is viewed as obligatory. It is used in daily tasks such as paying ZIS. The significant reasons for migrating from manual to digital methods are the critical reasons for Generation Z to continue utilizing fintech to pay for ZIS (Niswah et al., 2019).

Reputation is an inseparable part of fintech. Many indicators make a Fintech get an excellent or lousy predicate, but what is certain is that it must have credibility in management and service to satisfy users. Following are the findings of the importance of checking the reputation of fintech according to participants in Indonesia and Malaysia to pay ZIS (see Table 4).

Fintech users hope that the funds paid for ZIS can be appropriately channelled and received by the entitled parties. Fintech's reputation is one of the

Table 3. Awareness of using Fintech

Source: Data owned and processed by the authors.

Category	Participants in Indonesia	Participants in Malaysia
	Necessity	Important
Awareness	The demands changing times to all digital (NW, YH, YAF, DGK)	Shorten time (SA, NA, A, N1, A1, SZ)
	Easier (AR, FKH, APB, WAW, CPS, LAAH)	No need to queue (MF, AZ, N, NDI)

Table 4. The importance of Fintech reputation

Source: Data owned and processed by the authors.

Category	Indonesian Participants	Malaysian Participants	
Importance of credibility	Professional	Reliable	
	Trust (YAF, NW, FKH, WAW)		No bad news (N, NA)
	Financial Authority Permission (CPS, APB)		Report on the distribution of funds (AZ, MF)
	A high rating and many users (DGK, AR, LAAH)		
Not importance of credibility	Ordinary	Not the main goal	
	There are always disadvantages and advantages (YH)		The funds have been adequately disbursed (SA, A, N1)
			Very convenient (SZ, A1, NDI)

parameters of participants to entrust it as an intermediary in paying ZIS. A good Fintech reputation makes users want to be loyal, so they are interested in using the Fintech platform (Usman et al., 2020).

The parameters used in assessing a Fintech have an excellent reputation, including professional performance. Participants in Indonesia judge the professionalism of a Fintech from its legal status, which is always to check first whether the platform used already has permission from the OJK (Indonesian Financial Services Authority). Another thing that must be considered is a high rating widely used by users, thus increasing the credibility of Fintech. Of course, an element that is no less important is maintaining the mandate to distribute to the rightful recipients, as users can know from the reports provided. A good Fintech reputation will add to the sense of trust and security of funds given from users to be managed.

Similar to Indonesia, participants in Malaysia also determine the reputation and credibility of Fintech companies. Participants in Malaysia have a benchmark for assessing credibility judged from reliable elements. Reliable has excellent control in determining user transaction decisions, including not having bad news or inappropriate reporting. Fintech must also be reliable in reporting the results of the distribution of ZIS funds to users in an authentic and easily accessible way.

The reputation of fintech is not always a vital consideration for participants in Indonesia and Malaysia to pay for ZIS. This perception is that reputation is not the main point in choosing Fintech; the important thing is that the funds can be distributed. Moreover, fintech has brought many conveniences that can be felt in absolute terms; these shortcomings will always accompany advantages, so a reputation measured by credibility is not that important.

Participants in Indonesia and Malaysia tend to respond to fintech's reputation for paying ZIS. Some consider that reputation is essential for choosing the platform as an intermediary in paying ZIS. This perception is the same as the study by Khairunnisa et al. (2020) and Adyani (2021) that the reputation of fintech significantly influences the decision to donate. On the other hand, according to participants in Indonesia and Malaysia, reputation is not so important because it does not play a significant role in the decision to pay ZIS. The same thing was also stated by Agustiningsih et al. (2021) that reputation does not positively correlate with the desire to donate.

Good services and processes will increase user loyalty so that they try to become loyal users from the beginning. Participants have perceptions about their satisfaction while using fintech to pay ZIS (see Table 5).

For fintech to continue growing and meeting all users' needs, user satisfaction is a priority. Many

Table 5. Satisfaction of Fintech users

Source: Data owned and processed by the authors.

Category	Indonesian Participants	Malaysian Participants	
Satisfaction	Multifunction	Easier	
	<i>Zakat, infaq, and sadaqah</i> (LAAH, WAW, CPS, AR, NW)		Save time and energy (SA, MF, NA, AZ, N)
	The beneficiaries from the various country (APB, FKH, DGK, YAF, YH)		Fast processing, efficient (A, N1, SZ, A1, NDI)

Table 6. Feeling the security of personal data

Source: Data owned and processed by the authors.

Category	Indonesian Participants	Malaysian Participants
Guaranteed Personal Data Security	Confidential	Privacy
	OTP code, Email verification, password (AR, YH, YAF)	No access for a third party (NDI, A, N1, A1, SZ)
	Agreement of privacy and policy (FKH, APB, WAW, CPS)	Official list, privacy agreement (MF, NA, AZ, N, SA)
No Guaranteed Personal Data Security	Data leak	
	Spam messages to personal number (YH)	
	Suspicious data (NW)	
	Personal data sales (LAAH)	

factors satisfy users when using fintech, especially to pay for ZIS. High expectations from users for fintech are also a reference for Fintech companies to continue innovating and having maximum work performance.

Participants in Indonesia feel satisfied when using fintech because it is multi-functional. Fintech provides many services for daily financial needs, particularly for paying *zakat*, *infaq* and *alms* (Ninglasari & Muhammad, 2021). ZIS service has a fast and easy process. One thing that impresses users is that fintech can collect recipients on a national and international scale. It is memorable for users because more and more parties can receive it.

In Malaysia, participants feel satisfaction as users of fintech's performance because it makes it easier to pay for ZIS. The user touches the convenience directly, which saves time and energy. Satisfaction as a user is also increasing with a fast and efficient process. Participants in Indonesia and Malaysia have felt satisfaction as a user. For three years of using fintech, there have been no significant obstacles to paying ZIS. All processes dash precisely and accurately. Users appreciate fintech's performance in collecting and distributing ZIS funds, but it needs to be improved with more capable software updates so that the process can be faster without buffering.

User satisfaction with the characteristics of financial services, convenience, benefits and security, and flexibility will affect customer satisfaction (Zhang & Kim, 2020). If the user is satisfied, it will give a big incentive to use fintech. User satisfaction is in line with a study by Chuang et al. (2016) that if customers feel satisfied with Fintech services, such as correct processes and safe and secure transactions, it will improve the image of fintech and the greater user trust in fintech.

Personal data security is a Fintech company with a crucial role because it is directly related to user trust. The views of participants in viewing data security at fintech to pay ZIS are shown in Table 6.

Fintech progress will be hampered if data security is compromised. As a user, the data must be responsible for preventing cybercrime, and the collection and use of data must be transparent to maintain confidence (Yousafzai et al., 2005). Fintech must protect user privacy and quickly assess and resolve data security risks to meet customer expectations. Participants in Indonesia state that Fintech personal data is secure and protected. The OTP (one-time-password) code is a secret number that can only be viewed by the user and is difficult to guess. The data is protected by an email verification only delivered to the user's email address and a password that is tough to imagine. The privacy and policy approval function ensures data security, as fintech cannot access data without the user's consent.

Partial proof of data exploitation and misuse is participants' viewpoint in Indonesia. Data misuse occurs when consumers' data is leaked or abused (Budiwati et al., 2020). The data breach affects consumers who frequently get texts to private numbers despite paying for ZIS. Protecting user privacy also demands personal details like ID numbers and genuine addresses. There are so many stories concerning data leaks from Fintech businesses that users begin to distrust their data security. Participants in Malaysia realize that personal data security is assured at fintech. It protects users from outsiders. There is an official list for ZIS payments. Thus, it is safe and secure. Users and Fintech parties can only access personal data. ZIS has never had a data breach or abuse incident in three years of utilizing fintech to pay for ZIS. Participants in Indonesia and Malaysia have different perceptions

of personal data security in fintech. Participants still have concerns regarding the security of personal data in Indonesia. In Indonesia, consumer protection for Fintech consumers is questioned due to fraud or digital crime (Batunanggar, 2019).

Participants in Malaysia believe their data is secure, since they have never experienced data leakage or misuse from fintech. Stewart and Jürjens (2018) found that data security strongly affects user trust.

CONCLUSION

This study explores the perception comparison between Malaysian and Indonesian Z Generation towards paying *zakat*, *infaq*, and *sadaqah* using fintech. Participants' perceptions of using fintech to pay for ZIS in Indonesia and Malaysia have similarities and differences. The common perception between the two is that they are both fully aware of fintech's interest in paying ZIS and have felt the satisfaction of Fintech services as users. The perception of the importance of fintech's reputation is not a very vital part for the discussion participants from Indonesia and Malaysia. The difference found in this study is the perception of the security of users' data. Participants in Indonesia have not fully felt the security of personal data, and there are still suspicions about data leakage.

Meanwhile, participants in Malaysia have experienced complete personal data security. However, this study has limitations, so future studies are expected to examine new aspects and a more comprehensive range of participants. Furthermore, Fintech companies are expected to open an expansive room for criticism and suggestions to users so that the results can be considered reference material for relevant stakeholders, especially ZIS.

AUTHOR CONTRIBUTIONS

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