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Optimizing *Tabarru'* Funds in Sharia Insurance by Digital Donation-Based Crowdfunding

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Abstract
This research aims to develop the management of sharia insurance combined with donation-based crowdfunding management to apply in optimizing tabarru' funds. This research was conducted using qualitative descriptive methods to explore the qualitative data in several phenomenon of sharia insurance and crowdfunding stated in several literature study, and generate a description of the relationship between these phenomena. The results of this study explain that crowdfunding management can be applied in the management of tabarru' funds in Sharia insurance, including the following (1) Prospective donors and prospective respondents are both can be registered as insurance participants; (2) Donations paid by donors as insurance installment are collected in tabarru' funds; (3) Every donors and respondents have the same rights over the donation funds; (4) Sharia insurance management applies the principle of crowdfunding transparency through the public financial statements of donation funds or tabarru' funds, and the report of donor respondent's progress.

Keywords: *Tabarru' Funds, Digital, Donation-based, Crowdfunding*

INTRODUCTION

The Coronavirus Disease 2019 or COVID-19 pandemic has spread in Indonesia since March 2020, cause the negative economic growth rates. Based on data from the Indonesian Central Statistic Institution, economic growth of Indonesia in 2020 decreased 2.07% compared to 2019. This was caused by slowing trade activities in various economic sectors after all restrictions on various community activities in order to reduce the spread of COVID-19 in Indonesia, both in the PSBB scheme in 2020., and the PPKM scheme in 2021. Although, in the last quarter of 2020, government consumption improved by 1.94% following the realization of government stimulus, in the form of cash social assistance, goods and services spending, to *Transfer ke Daerah dan Dana Desa* (TKDD) funds.

The government's stimulus during activity restrictions has made the community able to meet their needs by adapting to using technology in their activities, such as teaching and learning activities, office activities, to trading activities, and household consumption, which are also improved by technological development innovations. Economic actors respond it by providing various alternative services online, such as offering product purchase services through websites or applications or using the cashless method in payment, in order to fulfil the market needs in the midst of limited physical activity.

In line with these conditions, the APJII survey in 2020 stated that there was an increase number in internet user penetration by 8.9% from 2018 to 73.7% of the total Indonesian population in 2019-2020. Among the majority of internet users, 90% of them are traders through the electronic system or often called as e-commerce. The Navigating Indonesia's E-Commerce report released by SIRCLO (2020) confirms this with data on the development of e-commerce in Indonesia which grew up to 91% in the COVID-19 pandemic era, with the most e-commerce activities through online marketplaces, followed by a shift in preferences. payment methods by online marketplace users, where there has been an increase in the use of digital wallets as a payment method by up to 11%. New users of the online marketplace since the pandemic took place have reached 12 million users. This phenomenon is called by Inventure Indonesia and Alvara Research Center (2021) as digital impact. In addition to the digital impact, the COVID-19 pandemic also has a consumption impact, where the increase in e-commerce transactions is more for food and beverage

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products, considering that people prioritize consumption on basic needs and health products in the midst of a declining economic condition.

On the other hand, the COVID-19 pandemic has also increased the number of e-commerce transactions in an era which is positively correlated with increasing non-cash payment patterns, thus indirectly impacting the development of digital-based financial services in general or often referred to as Financial Technology (Fintech). The term fintech originated from services in the financial institution sector that use technological innovations, such as mobile banking and internet banking, wherein the era of the COVID-19 pandemic, 43.6% of internet users admitted to using it more often than before the pandemic. However, the current development of fintech is dominated by various non-financial institutional platforms that also provide various financial service products, such as financing services, investment, digital payment systems, and crowdfunding products, which are also increasingly used by society.

Several digital platforms providing crowdfunding services have recorded a fourfold increase in traffic and donations during the COVID-19 pandemic since March 2020 (Evandio, 2020). Crowdfunding donations through this digital platform are used by the society to distribute direct cash or other assistance to society affected by COVID-19, as well as special assistance in the form of educational scholarships for affected families or business capital for those who have been laid off during the pandemic. The increase in public digital donations in the midst of the COVID-19 pandemic is said to be due to several factors, including increased social solidarity, supported by digital innovations that remove boundaries in social life (Sidiq, Jalil, & W, 2021).

It seems like an opportunity that management of donation-based crowdfunding can be applied to the sharia insurance industry to develop *tabarru'* funds' management. It becomes important because as is known, there is a slight number of sharia insurance participants in Indonesia, indicated by the penetration rate of Sharia insurance which only reached 0.112% in December 2020.

LITERATURE REVIEW

Sharia Insurance

Sharia insurance is defined in the Fatwa of the Indonesian Ulama Council (MUI) as an effort to protect and help each other among a number of people/parties through investment in the form of assets and/or *tabarru'* funds that provide a pattern of returns to face certain risks through contracts that are in accordance with sharia. Sharia insurance does not use the principle of risk transfer, where the insured must pay an installment, but rather uses the principle of risk-sharing, where the participants bear each other's risk (Soemitra, 2009).

In contrast to conventional insurance, sharia insurance applies the ownership of mutual funds or collective funds of all sharia insurance participants as a form of help (*ta'awwun*) between participants with *tabarru'* (grant) contracts. This means, if there is a participant who experiences a disaster, other participants will help (provide compensation) through the tabarru' fund (Manulife Indonesia, n.d.).

In addition, the pool of grants can also be managed by companies with *tijarah* or *mudharabah* contracts, where the policyholder acts as the *shahibul maal* (owner of the funds) and the sharia insurance company acts as the *mudharib* (manager). For the management of the pool of grants, Islamic insurance companies are entitled to profit sharing or *ujrah* (fees). In addition to companies, sharia insurance participants are also entitled to share the results of the management of the pool of grants, along with underwriting surplus, which is also the right of sharia insurance participants. In general, the fund management scheme for sharia insurance participants can be seen in Figure 1 below.

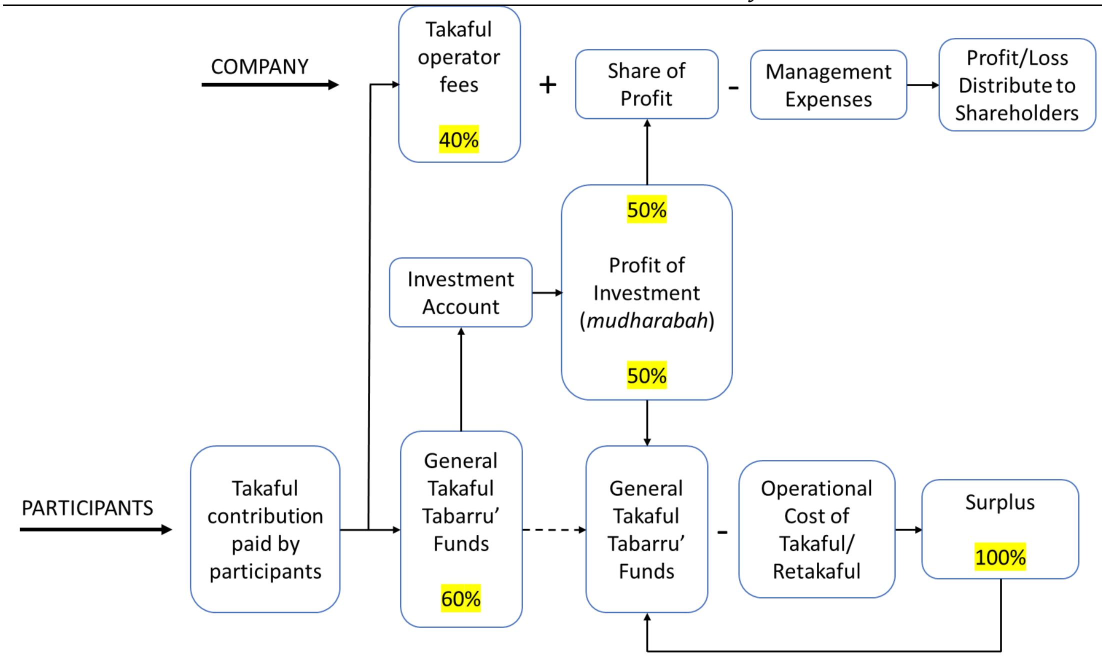

Figure 1. Flowchart of Sharia General Insurance Funds Management (Mulaffar, 2007).

Crowdfunding

Crowdfunding or crowdfunding services are often referred to as an alternative funding model outside the banking service system (Kocer, 2015). The definition of Crowdfunding is described by the Financial Services Authority as a funding scheme for projects or business units that involve the wider society. Ordanini, et al (2011) added that crowdfunding is often done in cyberspace through the internet in order to collect some funds from a group of people who aim to invest or support an organization that has been initiated previously and is often done in cyberspace via the internet.

Lawton and Marom (2013) distinguish crowdfunding into three types, namely Donation-Based, Loan-Based, and Equity-Based. Donation-based crowdfunding is usually used for non-profit projects so that the wider society will raise funds without any reward. Some of them can be offered rewards for prizes not in the form of a refund in a certain amount, but in other forms, such as free gifts, merchandise, free tickets, or other prizes. In this case, it is often also referred to as Reward-Based Crowdfunding (Wahjono, Marina, & Widayat, 2015).

Whereas in Loan-Based Crowdfunding, donors will act as creditors who provide a number of loan funds with a certain rate of return. Direct funding to debtors is often also referred to as peer-to-peer (P2P) Lending, where there is the financing of a project without going through a financial institution as an intermediary (Wahjono, Marina, & Widayat, 2015).

The last type, namely Equity-Based Crowdfunding, is in which creditors who provide a certain amount of loan funds are rewarded in the form of shares as a sign of ownership of a project. These shares will then act the same as owning shares in a company in general, where the value of the shares can move up and down along with the development of the project.

Financial Technology

Financial Technology or financial technology is a technological development that has penetrated the financial sector. Until now, there is no appropriate definition related to Financial Technology, but quoting from the National Digital Research Center (NDRC), Financial Technology or Fintech is a term that is often used to describe innovation in the field of financial services (Accurate Online, 2020). While Fintech Weekly defines fintech as a form of business that aims to provide financial services using modern software and technology (Investree, 2018). So it can be concluded that fintech is an innovation in the form of technological adaptation applied to the financial services sector, both in the form of software and other modern technology, which aims to improve the efficiency of financial services. Furthermore, these financial services are called digital-based financial services that are developing in Indonesia in various

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kinds of financial products outside of digital banking services, such as payment channel systems, online insurance, peer-to-peer (p2p) lending, to crowdfunding (Masrikhan, 2009).

RESEARCH METHODOLOGY

This research is qualitative descriptive research. The phenomenological approach was carried out at the data collection stage by analyzing the phenomenon of the *tabarru'* funds management in Islamic insurance in Indonesia. This research uses primary and secondary data about sharia insurance development stated in various scientific literature and website. On another side, a phenomenological approach was also conducted on the management patterns of fundraising in popular crowdfunding services in Indonesia through the primary and secondary data stated in scientific literature and website. Furthermore, those data were analyzed using a critical analysis method that was divided into two steps. First, a phenomenological approach was applied to collect the actual conception of sharia insurance scheme along with it lack. Then, data will be analyzed inductively, which involves a series of steps in data analysis to switch from raw data to expected answers or solutions in the form of theoretical formulations or developed models, which in this case, is the strategy used by crowdfunding service managers to increase donor participation.

RESULT AND DISCUSSION

History of *Program Kitabisa Saling Jaga Sesama*

An online fundraising service program that adopts the *tabarru'* funds concept was previously launched in Indonesia by the Kita Bisa Foundation (YKB) in collaboration with PT Kita Bisa Indonesia (PKBI) ("Kitabisa") under the name of the *Program Kitabisa Saling Jaga Sesama*. Starting by the spirit of helping the Indonesian people and the high number of critical illnesses diagnoses in the midst of the COVID-19 pandemic, *Program Kitabisa Saling Jaga Sesama* was launched with a mutual help scheme between members where all members of *Program Kitabisa Saling Jaga Sesama* can not only provide assistance to survivors of critical illness and COVID-19 but is also entitled to receive the same protection assistance in the future. Every member of the Kitabisa Program only needs to register by paying a minimum donation of IDR 10,000, which will be converted as a donation balance and can get benefits of up to IDR 100,000,000. Kitabisa as a donation manager uses the *tabarru'* funds management scheme that is in accordance with sharia principles, where when one member needs financial assistance, Kitabisa as a funds manager will automatically deduct the balance of all members evenly as fundraising funds. In addition, information on the use of funds and information regarding beneficiaries will be conveyed transparently through the Kitabisa application (Kitabisa.com, 2020).

After a while, the Financial Services Authority, through the Investment Alert Task Force, as the party authorized to supervise the operation of financial institutions in Indonesia, terminated *Program Kitabisa Saling Jaga Sesama* due to the absence of a business license which was allegedly similar to insurance practices. Although, Kitabisa as the organizer, has previously explained that *Program Kitabisa Saling Jaga Sesama* and insurance is a different form because there are no regular contributions that are regularly paid by insurance participants (Kitabisa.com, 2020). In addition, another thing that is highlighted from this program is the minimum nominal donation paid by member participation compared to the maximum value of assistance funds that can be obtained by members. On the other hand, members do not have any guarantees for the assistance funds that can be obtained in the future because the nominal size of the assistance funds that can be obtained is only based on the availability of *tabarru'* funds. Thus, *Program Kitabisa Saling Jaga Sesama* was terminated due to the incompatibility of the fund management scheme with the applicable regulations in Indonesia, the Law of the Republic of Indonesia No. 40 of 2014 concerning Insurance.

The Concept of Digital Social-Crowdfunding to Increase the Amount of *Tabarru'* Funds in Sharia Insurance

Based on the history of *Program Kitabisa Saling Jaga Sesama*, it can be concluded that basically donation funds in crowdfunding services can be managed with the 'tabarru'' fund management scheme in sharia insurance. However, there are several requirements that must be met by all members so that

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the program can run sustainably with a guarantee of the availability of *tabarru'* funds. The following is the formulation of several mechanisms for combining the management of crowdfunding services with the Tabarru' funds management scheme in sharia insurance.

1) Donors and donation respondents in crowdfunding services both are active members who fulfil the requirements as sharia insurance participants, hereinafter referred to as policyholders.

Tabarru' funds' management in sharia insurance is based on the *ta'awun* principle, which emphasizes risk-sharing among sharia insurance participants, not transferring risk from one insurance participant to another insurance participant. This principle then raises several requirements, both for donors and recipients of donations, where at any time, they can be in the opposite position.

2) Donation funds paid by all members are hereinafter referred to as insurance installments that must be paid regularly with a nominal agreed upon by each member.

Continuing the requirements in the first point, it means that both donors and prospective donor recipients must also fulfil the profiling requirements as sharia insurance participants who can fulfill their obligations to pay insurance installments regularly at the agreed nominal, either before or after receiving the *Tabarru'* fund benefits. On the other hand, sharia insurance is obliged to stimulate the payment of donation funds or insurance installments by insurance participants by providing various information related to the profiles of insurance participants who become prospective respondents in each period. This adopts the concept of information disclosure in crowdfunding service management, where donors can determine their own target for donation payments. Sharia insurance can use several main strategic components in the formation of social campaigns applied by crowdfunding services, including personal stories and positive messages conveyed by crowdfunding services, which can motivate potential donors to raise funds (Barthelemy & Irwansyah, 2019).

3) Every donor and prospective respondent or participant of sharia insurance has the right to get the same opportunity for donation funds in the amount of the total donation or installment that has been paid.

As an active member who meets the requirements as a participant of sharia insurance, both donors and respondents in crowdfunding services have the same rights over the number of donation funds that can be received, as much as the total amount of donation funds or insurance installments that have been paid. In some exceptions, if the nominal amount of the required donation exceeds the installment paid, the insurance scheme calls it a *qardh* loan provided by sharia insurance as a reserve in the case of a deficit underwriting on the *tabarru'* funds. Furthermore, the respondent of the donation can return the *qardh* loan by paying the allowance for donation funds or insurance installments afterward.

4) The sharia insurance party is required to provide routine information disclosure containing the management report of donation funds or tabarru' funds paid by donors or sharia insurance participants, and also the information related to the future condition of the previous respondents.

In this case, sharia insurance must adopt the concept of information disclosure in crowdfunding service management related to the management of donated funds or *'tabarru'* funds to minimize the trust issues among the insurance participants. In terms of the digital era, credible information can be effectively delivered through various suitable social media platforms and supported by influencers who act as communicators (Barthelemy & Irwansyah, 2019).

CONCLUSION

The concept of crowdfunding service management can be applied in order to increase the number of *tabarru'* funds, by positioning both donors and respondents, both as insurance participants who fulfil the requirements which are determined in the sharia insurance industry. Besides that, information

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disclosure that is applied in donation-based crowdfunding will increase trust issues among the insurance participants. In addition, the management of the donation funds can be managed using the *tabarru'* scheme that is in accordance with sharia principles. However, this concept still needs to be tested for its application in the Islamic insurance industry in future study.

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