

A Fintech-Backed Effective Mosque-Funds Mobilization and Collection Framework in Uganda

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ABSTRACT

This paper's purpose is to explore the role financial technology (FinTech) plays in the effective finance mobilization and management in Mosques in Uganda. This paper looks into the concept of FinTech, its evolution, operation in Uganda and goes further to propose an effective framework through which it can contribute to the effective Mosque funds mobilization and management in Uganda. Financial technology, also known as FinTech, is a sub-domain of information technology that is often used to underscore new technological systems that automate, speed up and effectively deliver transactions and financial information through specialized software and hardware built for specific purposes. This qualitative research aims to propose an effective FinTech-backed framework through which mosques can achieve higher funds (Zakat, Sadaqa etc.) collection margins as compared to the traditional methods.

Keywords: fintech, uganda, mosques, funds, mobilization, collection.

INTRODUCTION

We are yet to agree on a standard term or definition for Financial Technology or FinTech. Perhaps the lack of a widely accepted definition can be attributed to its evocative evolution and disruptive yet critical role in the transactional ecosystem. For example, Thomas & Morse (2017) note that the FinTech revolution has changed not only the financial services industry. But, it is also specific sectors such as retail banking, lending and financing, payments and transfers, wealth and asset management, markets and exchanges, insurance, and blockchain transactions, to name a few. On the other hand, Vijai, (2019) contends that the term —FinTech was first coined by a New York banker in 1972.

He further stresses that there is no widely accepted definition of what lies under the term FinTech. But, then, companies considered to belong to that sector provide services including payment options, online marketplace lending, mobile apps, financing, foreign exchange and remittances, investments, distributed ledger tech, digital currencies, mobile wallets, artificial intelligence and robotics in finance, crowdfunding, insurance, and wealth management. So it is with an expanded definition considered to

include ancillary technology solutions targeted at financial services, such as digital identity, biometrics, wearables, and technology to assist with Regulatory Compliance (RegTech).

However, despite the need for a generally accepted definition, many researchers have attempted to define FinTech. These include but are not limited to Anyfantaki, (2016). Anyfantaki, (2016) described it as a sector by referring to it as the set of technology startups emerging to compete with traditional banking and financial market players, providing various services ranging from mobile payment solutions and crowdfunding platforms to online portfolio management and international money transfers and looking closely at this definition. However, it gives the impression that FinTech is primarily focused on transactional competition, which is an underestimation.

Alternatively, Feyen et al. (2021) offer a more balanced definition that refers to Fintech as the digital technologies that have the potential to transform the provision of financial services spurring the development of new – or modify existing – business models, applications, processes, and products. Therefore, FinTech can be defined as a sub-domain of information technology often used to underscore new technological systems that automate, speed up and effectively deliver transactions and financial information through specialized software and hardware built for specific purposes.

FinTech can play a vital role in increasing collection and minimizing the cost and time of collection of funds by societies and communities aiming to effectively mobilize funds for specific endeavours such as relief care, social support projects, and others. Unfortunately, mosques are not prone to this opportunity. According to the Wall Street Journal (2022), Fintech firms have created apps that make it easier for people to set aside small amounts of money over time for donations. In many cases, these apps focus on micro-philanthropy, allowing users, for instance, to round up the change from credit card and bank transactions and later give what they have saved to specific charities. As a result, this paper proposes a framework for Mosques in Uganda to embrace FinTech for effective fund mobilization and management.

Mosques have been and will continue to be the foundation of Islam. Before the development of formal education systems, mosques served the purpose of imparting education and knowledge to the Muslim world. Yin et al. (2015) maintain that the Mosque has been a significant institution since Prophet Muhammad (pbuh). It serves not only as a place of worship, a community centre, and a social gathering place but also as an important place for learning. Unfortunately, the development of contemporary human civilization has made the role of the Mosque as an education centre be taken over by different secular institutions. Nevertheless, mosques do more than provide education.

According to Cokrohadisumarto & Sari (2020), a mosque is also a place for members of the Islamic community to meet and hold various religious ceremonies and rituals, such as a marriage contract (wedding ceremony). For mosques to fulfil the functions above, the Iman and mosque leadership must devise a revenue source. It is

well known that Zakat, Sadaqa, Infaq, and cash-waqf are the financial foundations upon which mosques and Muslim communities have survived and thrived.

However, Mosques have failed to develop an effective strategy for collecting charity funds in Uganda. Despite the widespread adoption of technology and its enabling factors in Uganda, mosques continue to rely on traditional charity fund mobilization approaches, particularly in urban areas. As a result, many Muslims live in areas with the highest school dropout rate. Poverty has been repeatedly blamed for 78% of children aged 15 and up dropping out of school in these Muslim districts (Hamzah, 2019).

According to BNM Advocates (2022), the FinTech journey in Uganda sparked off in 1997, when the first Automated Teller Machine (Bankom) was introduced. In 2009, the Bank of Uganda issued a “No-objection” letter to Uganda’s first mobile money provider, MTN-Uganda Ltd, which launched its operations. Thereby registering 11,016 accounts in the first month, then establishing the NITA-U Act, 2009 and introducing the second mobile money provider in Uganda (Zain-Airtel). In 2020, the National Payment Systems Act 2020 was issued by the Bank of Uganda and the first local acquisition MFS Africa bought Beyonic to bring Cross-border payments to African SMEs. In 2021, the Bank of Uganda issued the first Fin tech Licenses to Pegasus Technologies. Then, the Global stocks investing product (Chipper) was launched for Airtel Uganda Limited and MTN Uganda.

The centrality of FinTech in the development journey of Uganda is of paramount stature. For instance, tourism would contribute less than the 3% it currently contributes to Uganda's GDP if point-of-sale machines and online/mobile banking did not facilitate entry into our national parks. Likewise, Uganda's GDP would be less than USD 41.27 billion if mobile money, global remittance, and payment platforms (critical enablers for e-commerce and ride-hailing) existed. One of the enabling factors for the flourishing of FinTech in Uganda is the favourable Regulation enjoyed by the sector in Uganda.

The Data Protection and Privacy Act, 2019 (DPPA) has also increased consumer confidence and participation in FinTech by regulating the use and transfer of personal data. In addition, other laws like the Electronic Transactions Act, 2011 (ETA) have enabled the shift from traditional banking by authorizing the use, security, facilitation and regulation of P2P transfers, electronic communications and other online transactions. (Uganda’s Fintech Eco-System: How Collaboration, Interoperability and Regulation Can Facilitate an Inclusive and Robust Digital Economy, 2021).

By 2017, the total market volume of Ugandan FinTech companies was approximately USD 16 million, with an average annual growth rate of approximately 35% over the previous two years (Rowan et al., 2018). Furthermore, 71 of the 550 Ugandan start-ups currently and previously listed on Venture Capital for Africa are classified as FinTechs (Rowan et al., 2018). Payments, lending, investment and savings, banking, and markets are notable areas of operation for FinTech in Uganda. Mobile money, remittances, point of sale, direct carriers, and other forms of payment are the most common.

According to Deloitte (2020), globally, Uganda ranks 172nd on Gross National Income (GNI) and 116th on the Network Readiness Index (NRI). According to the World Bank and the Portland Institute, respectively, Mobile penetration is 49%, and smartphone adoption is 16%; all of which account for the contribution of the digital economy at 7% contribution to the economy. A key driver for Uganda's inclusion in the digital economy is mobile money which, unlike other digital economies, does not require smartphone penetration.

The number one way charities have benefited from FinTechs is through the countless apps created to help make it easier for consumers to donate to charities (Bignelli, 2022). A mobile application (app) is software designed to run on a mobile device, such as a smartphone or tablet computer. Mobile applications frequently provide users with similar services to those accessed on PCs. However, apps are generally small, individual software units with limited functions (Techopedia, 2020).

A mosque can develop a mobile application or work with an established FinTech firm to list the mosque under charitable campaigns. Furthermore, the FinTech firm can still develop a mosque-specific application, brand it to the congregation's satisfaction, and then provide a payment gateway to the mosque's mobile application. It makes it easier for the mosque congregation and members to 'sign in' to the application. Then donates or pay their zakat to the mosque. FinTech does not only provide a payment platform to mosques, but it would also solve the lack of proper documentation and distance to the nearest financial institution, thereby saving time (World Bank, 2020).

Child (2020) reveals that one of the critical reasons for the success of this rather rudimentary form of payment technology is its convenience. When people see a worker shaking a pot full of change or encounter one at a shop checkout, they can pop a pound in and donate. FinTechs are now helping the charity sector by offering new payment options which are just as convenient as the old-fashioned collections pot but much more efficient and secure. In contrast, traditional methods of collecting funds, such as wooden and metallic donation boxes, are often inaccessible or unsafe for people. In Uganda, these boxes are frequently vandalized by rogue Muslim elements.

As a result, the FinTech-backed mosque charitable payment mode appears to be a more reliable and secure option (Child, 2020). In addition, fintech offers daily needs to users in the form of information, creating constant engagement between the interface and the users. For donations, once a donor commits and uses the system to pay zakat and sadaqah, the system will provide them with leads of people needing support (Niswah et al., 2019).

According to Blakleyl (2020), most millennials have an innate connection with their mobile phones, using them for social media, mobile banking, retail and travel experiences, and contactless payments without a second thought. Their voracious appetite for content – in an always-on world – means their devices are never far from hand, and with the advent of payment processes they use, expectedly, has to increase. With a median age of 16.7 years in Uganda, the number of mobile and prospective users appears to be quite fertile for the success of FinTech use. As a result, the FinTech-

backed mosque funds collection strategy can yield more collection than traditional methods.

METHOD

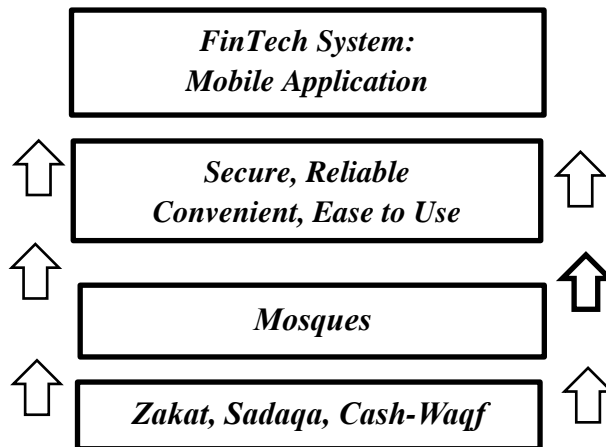
This qualitative study was carried out in Kampala, Uganda. Secondary information was gathered from mosque brochures, noticeboards, Juma sermons, financial management declaration reports and gatherings. The survey took place in five mosques.

RESULT AND DISCUSSION

To cover operational costs and provide relief assistance, mosques in Uganda rely on traditional methods of fund mobilization and collection when seeking and collecting sadaqah, Zakat, and cash-waqf. Mosque leadership, governed by the mosque committee and headed by the Imam, appoints a Zakat Amil or mobilizer. A mobilizer reaches out to the congregation through Juma gatherings.

There is little to no chance he/she will be able to muster Zakat or any charitable funds, even through the medium of communication he/she employs. Consequently, Zakat and sadaqah are not collected from congregations. However, finTech-backed strategies and systems at the mosque level can, first and foremost, mobilize, organize, instil confidence and effectively collect charitable funds from the congregation, according to the researcher.

Figure 1: Framework of the Proposed FinTech-backed Mosque charitable Funds Collection.



Source: Researcher (2022)

According to the conceptual framework, mosques collect Zakat, Sadaqa, and Cash-Waqf funds via secure, reliable, convenient, and user-friendly mobile applications, websites, and other financial and technological sources. In order to design its mobile application, the mosque can hire technical personnel for a fee or recruit volunteers from its congregation. The mosque-backed mobile application can also be designed, housed,

and operated by a FinTech firm. By doing this, the mosque committee would be freed from technology-systems-related risks.

CONCLUSION

To conclude, the researchers employed simple manual analysis of the zakat, sadaqah and other revenues collected by the five mosques above. Furthermore, the researcher also observed the Zakat, Sadaqa and Cash-waqf mobilization methods. In conclusion, Islamic social finance instruments of Zakat, Sadaqa, and cash-waqf, among others, can effectively mobilize and collect by building, adopting and incorporating financial technology or fintech.

Many Muslims are unwilling to give or donate physically to the mosque. Iman or the committee can easily interact with the fintech system, which is more reliable and manipulatable to their satisfaction. Secondly, to ensure an effective database growth and security routine, the mosque heads or Imam must adopt fintech. Thirdly, the younger generation of Muslims, who seem to be left behind by the brick-and-mortar system of funds collection and mobilization, can easily donate or pay their zakat through a familiar platform suited to their skillset and preference.

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