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# Integrating Zakat and Waqf for Inclusive and Sustainable Development: an Islamic Social Finance Perspective

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## Abstract

*Sustainable development requires an integrated approach that addresses economic growth, social inclusion, equity, and long-term societal well-being. Islamic social finance provides a values-based framework for addressing socio-economic challenges through instruments such as zakat and waqf. However, existing studies have largely examined these instruments separately, resulting in limited understanding of their potential integration as a complementary mechanism for inclusive and sustainable development. This study aims to analyze the role of zakat-waqf integration within the Islamic social finance framework, particularly in poverty alleviation, community empowerment, and sustainable welfare. The study employs a qualitative descriptive-analytical approach through library research, examining relevant academic literature, institutional reports, and socio-economic indicators from Islamic social finance institutions in Indonesia. The findings indicate that zakat and waqf have complementary functions. Zakat primarily supports income redistribution and addresses immediate and medium-term socio-economic needs, while waqf provides productive assets and long-term financing for social and economic development. Their integration therefore offers a more comprehensive framework for connecting short-term social assistance with long-term empowerment and development initiatives, including education, healthcare, livelihood development, and poverty alleviation. The originality of this study lies in developing an integrated perspective that positions zakat and waqf as complementary instruments within a single Islamic social finance ecosystem rather than as separate philanthropic mechanisms. The study suggests that stronger institutional coordination, integrated governance, accountability mechanisms, interoperable data systems, and alignment with national sustainable development priorities are essential. Zakat-waqf integration can consequently strengthen Islamic social finance's contribution to inclusive development, social resilience, and sustainable welfare.*

***Keywords***: *Zakat-Waqf Integration; Islamic Social Finance; Inclusive Development; Sustainable Development; and Poverty Alleviation.*

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## Introduction

Sustainable development has increasingly been understood as a multidimensional process that seeks to balance economic progress, social justice, and the long-term well-being of present and future generations. The Sustainable Development Goals (SDGs) provide a global framework for addressing these dimensions through interconnected goals concerning poverty reduction, economic inclusion, inequality, health, education, and social well-being. Nevertheless, developing countries continue to face structural challenges, particularly persistent poverty, socioeconomic inequality, and unequal access to productive resources. These conditions indicate that economic growth alone is insufficient to ensure inclusive and sustainable development and highlight the need for complementary approaches that address both immediate socioeconomic vulnerability and long-term productive capacity (Rahma & Hasanah, 2025).

Indonesia provides an important contextual setting for examining these challenges. According to BPS-Statistics Indonesia, the national poverty rate in March 2025 was 8.47%, representing approximately 23.85 million people. Poverty remained more prevalent in rural areas, where the poverty rate reached 11.03%, compared with 6.73% in urban areas. The resulting difference of 4.30 percentage points indicates persistent spatial disparities in socioeconomic welfare (BPS-statistics Indonesia, 2025).

**Table 1. Poverty Conditions in Indonesia (March 2025)**

| No | Indicator | Value |
|---|---|---|
| 1 | National poverty rate | 8.47% |
| 2 | Number of the poor population | 23.85 Million People |
| 3 | Urban poverty rate | 6.73% |
| 4 | Rural poverty rate | 11.03% |
| 5 | Rural–urban poverty gap | 4.30 Percentage Points |

**Source:** (BPS-statistics Indonesia, 2025)

The conditions presented in Table 1 demonstrate the continuing need for development policies that extend beyond income growth and address unequal access to economic resources and opportunities. These challenges are directly relevant to SDG Target 1.2, which seeks to reduce the proportion of people living in poverty in all its dimensions, and SDG Target 1.4, which emphasizes equal rights to economic resources and access to basic services. They are also related to SDG Target 8.3, which promotes productive activities, entrepreneurship, and the development of micro, small, and medium-sized enterprises, and SDG Target 10.2, which seeks to promote the social and economic inclusion of all. Therefore, complementary financial mechanisms capable of supporting

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both social protection and productive empowerment are increasingly relevant to the sustainable development agenda.

Islamic economics provides a distinctive normative and institutional perspective for addressing these challenges by linking economic activity with social justice, ethical responsibility, and human welfare. From the perspective of *maqāṣid al-sharīʿah*, economic development is not limited to the accumulation of material wealth but is directed toward the protection and advancement of essential human interests and the achievement of *falah* (Kahfi & Zen, 2024). This perspective creates a conceptual foundation for Islamic Social Finance (ISF), which encompasses instruments such as zakat, waqf, infaq, and sadaqah. Rather than functioning exclusively as charitable mechanisms, these instruments can facilitate redistribution, social protection, productive empowerment, and the provision of long-term social assets (Muhkid, 2024).

Among the instruments of Islamic social finance, zakat and waqf have distinctive yet potentially complementary functions. Zakat is an obligatory mechanism of wealth redistribution that is primarily directed toward eligible beneficiaries and can address poverty and socioeconomic vulnerability. Empirical evidence from West Java, Indonesia, indicates that zakat distribution programs can contribute to improvements in poverty and income distribution among recipient households (Ayuniyyah et al., 2021). This evidence indicates that zakat can function beyond immediate charitable assistance by supporting improvements in the socioeconomic conditions of beneficiaries.

Waqf, in contrast, has a longer-term asset-based orientation. Productive waqf can generate continuous social and economic benefits through assets and financing directed toward education, healthcare, social infrastructure, and productive economic activities. Lestari et al, through the development of the National Waqf Index in Indonesia, identify poverty alleviation, education, employment, and socioeconomic development as important areas in which waqf can contribute (Lestari et al., 2023). Their findings also emphasize the importance of institutional capacity, regulation, processes, systems, outcomes, and impact measurement in determining waqf performance. These findings suggest that the development contribution of waqf depends not only on the availability of waqf assets but also on the quality of institutional governance.

The complementary characteristics of zakat and waqf create an opportunity for a more integrated Islamic social finance framework. Zakat can be oriented toward addressing immediate and medium-term socioeconomic vulnerability, while waqf can support the creation and maintenance of productive assets that generate longer-term benefits. Such complementarity can potentially connect poverty alleviation with productive economic participation, thereby moving Islamic social finance beyond a predominantly assistance-based approach toward a more sustainable empowerment model. Ascarya, for example, discusses the roles of zakat, infaq, and waqf within an Islamic social finance framework for supporting economic recovery in Indonesia. The study illustrates how different Islamic

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social finance instruments can address different dimensions of socioeconomic vulnerability and economic recovery (Ascarya, 2021).

**Table 2. Analytical Synthesis of Zakat–Waqf Complementarity and Relevant SDG Targets**

| Islamic Social Finance Instrument | Primary Development Function | Complementary Role | Relevant SDG Targets |
|---|---|---|---|
| Zakat | Poverty alleviation, basic-needs support, and assistance for eligible beneficiaries | Provides social protection and productive support that can strengthen the economic participation of vulnerable groups | SDG 1.2 and SDG 1.4 |
| Waqf | Provision of productive assets, education, healthcare, and social infrastructure | Generates longer-term assets and services that can sustain community development | SDG 1.4 and SDG 8.3 |
| Integrated Zakat-Waqf | Combining poverty alleviation with long-term community empowerment | Zakat can address immediate and medium-term vulnerability, while waqf can support productive assets, enterprise development, and sustainable social programs | SDG 1.2, 1.4, 8.3, and 10.2 |
| Institutional Integration | Strengthening coordination, accountability, accessibility, and program continuity | Coordination between zakat and waqf institutions can facilitate resource allocation, transparency, monitoring, and beneficiary inclusion | SDG 1.4 and 10.2 |

**Source:** Author's analytical synthesis based on (Ayuniyyah et al., 2021), (Ascarya, 2021), (Lestari et al., 2023) and the United Nations SDG framework.

**Note:** The table represents an analytical synthesis of the literature and does not constitute empirical measurement of the causal effects of zakat or waqf on SDG outcomes.

Table 2 presents an analytical synthesis of the complementary functions of zakat and waqf and their potential relevance to selected SDG targets. The distinction between the two instruments is important for understanding their possible integration. Zakat is primarily oriented toward addressing socioeconomic vulnerability among eligible

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beneficiaries, whereas waqf can provide longer-term productive assets and social services. Their integration can therefore be conceptualized as a continuum in which zakat supports immediate and medium-term social protection while waqf contributes to longer-term asset formation and community empowerment.

This complementarity does not imply that zakat and waqf automatically produce sustainable development outcomes. Rather, their potential contribution depends on institutional governance, regulatory support, resource management, beneficiary targeting, and the continuity of development programs. Accordingly, the relationship presented in Table 2 should be interpreted as an analytical framework linking the functions of Islamic social finance instruments with selected SDG targets, rather than as evidence of direct causal effects.

Previous research provides growing evidence that Islamic social finance can contribute to poverty alleviation, socioeconomic inclusion, and sustainable development. (Ayuniyyah et al., 2021) Demonstrates that zakat distribution in West Java can contribute to poverty alleviation and the reduction of income inequality among recipient households. This finding indicates that zakat has potential relevance to broader social protection and economic inclusion objectives. Similarly, (Lestari et al. 2023) show that waqf development in Indonesia is associated with multiple socioeconomic dimensions, while emphasizing that institutional capacity and governance are essential to strengthening its performance. Research has also begun to examine Islamic social finance instruments in complementary ways. (Ascarya, 2021) discusses the roles of zakat, infaq, and waqf within an Islamic social finance framework for economic recovery in Indonesia. Rather than suggesting that the integration of zakat and waqf has not previously been examined, this study builds upon the emerging literature by focusing more specifically on the functional complementarity between zakat and waqf and its systematic relationship with selected SDG targets.

The broader literature increasingly connects Islamic social finance with the sustainable development agenda. Ma and Sukmana, through a bibliometric and content analysis of 102 publications between 2019 and 2024, report that 97% of the reviewed Islamic social finance literature is associated with SDG-related themes (Ma & Sukmana, 2025). Their analysis identifies zakat, waqf, and Islamic microfinance as central instruments in the literature, while also highlighting the concentration of research on socioeconomic and financial dimensions and the need for broader perspectives on sustainability, governance, and inclusion. This finding provides an important basis for further examining how different Islamic social finance instruments can be positioned within an integrated development framework.

The development of digital technology also creates opportunities to strengthen the collection, management, transparency, and distribution of Islamic social finance. Digital platforms may expand donor access, facilitate transactions, improve institutional accountability, and strengthen communication with beneficiaries. However, technological development alone does not guarantee effective social outcomes. Institutional governance, regulatory support, transparency, and impact measurement remain important conditions

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for ensuring that Islamic social finance resources are managed effectively and reach intended beneficiaries.

Despite the growing literature on Islamic social finance, an analytical gap remains in explaining how the distinctive functions of zakat and waqf can be integrated within a coherent sustainable development framework. Existing studies have examined the socioeconomic effects of zakat, the developmental functions of waqf, and the broader role of Islamic social finance in addressing poverty and economic vulnerability. Other studies have also recognized the potential for complementary use of different Islamic social finance instruments. However, the functional relationship between zakat and waqf and its systematic mapping to specific SDG targets remains insufficiently structured in the existing literature. In particular, there is a need for an analytical framework that distinguishes the short- and medium-term social protection function of zakat from the longer-term asset-based function of waqf while explaining how these functions can complement one another in supporting inclusive and sustainable development.

This study therefore examines the integration of zakat and waqf within the Islamic social finance framework and analyzes its potential contribution to inclusive and sustainable development. The study adopts a descriptive-analytical approach, drawing on relevant scholarly literature, institutional reports, and secondary data to examine the functions, complementarity, opportunities, and institutional challenges associated with zakat and waqf. Indonesia is used as the primary contextual setting because of its significant socioeconomic challenges and the established institutional presence of Islamic social finance. The study does not statistically estimate the causal effects of zakat and waqf on SDG outcomes. Instead, it provides an analytical synthesis of how the two instruments can potentially complement each other within an Islamic social finance-based development framework.

The novelty of this study lies not in claiming that the integration of zakat and waqf has been entirely unexplored, but in developing a structured analytical framework of their functional complementarity and its relationship with specific SDG targets. The framework distinguishes the immediate and medium-term social protection function of zakat from the longer-term asset-based and productive function of waqf and subsequently examines how these functions can be complementary within an Islamic social finance-based development model. The study further connects this complementarity with selected SDG targets, particularly SDG 1.2, SDG 1.4, SDG 8.3, and SDG 10.2. By connecting Islamic social finance with the SDGs through the functional integration of zakat and waqf, this study seeks to contribute to the literature on Islamic economics and sustainable development while providing practical implications for Islamic social finance institutions and

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policymakers seeking to strengthen productive, inclusive, accountable, and sustainable development mechanisms.

## Literature Review

### Islamic Social Finance and Sustainable Development

Islamic Social Finance (ISF) constitutes an important component of the Islamic economic system that connects wealth redistribution, social welfare, economic empowerment, and social justice. It encompasses various instruments, including zakat, waqf, infaq, sadaqah, and other forms of social financial mechanisms designed to generate social benefits. In contrast to financial mechanisms that primarily emphasize financial returns, Islamic social finance incorporates ethical considerations, distributive justice, social solidarity, and collective welfare into the allocation and utilization of economic resources (Chapra, 2008; Rosman et al., 2022).

The relationship between Islamic social finance and sustainable development has increasingly attracted scholarly attention. Dirie et al, through a systematic literature review, demonstrate that Islamic social finance has considerable potential to contribute to the Sustainable Development Goals (SDGs), particularly through poverty alleviation, social welfare, economic inclusion, and community development. The review identifies a substantial connection between ISF instruments and multiple SDGs. However, the existence of such potential should not be interpreted as evidence that Islamic social finance automatically produces sustainable development outcomes. Its contribution is dependent upon institutional capacity, governance, resource management, beneficiary targeting, program continuity, and the effectiveness of implementation (Dirie et al., 2023).

Rosman et al. similarly emphasize that the relationship between Islamic social finance and the SDGs involves a number of conceptual and institutional challenges. These include differences in institutional arrangements, governance practices, regulatory environments, and the practical implementation of Islamic social finance instruments. Therefore, ISF should be understood not simply as a collection of charitable instruments but as an institutional mechanism whose development contribution depends on how resources are mobilized, managed, distributed, and transformed into sustainable social outcomes (Rosman et al., 2022).

Recent research also indicates that the literature on ISF and sustainable development remains concentrated on socioeconomic and financial dimensions. Ma and Sukmana (2025), based on a bibliometric and content analysis of 102 publications from 2019 to 2024, found that most studies were related to SDG themes, while environmental sustainability received comparatively limited attention. Their study also identified geographical concentration in Indonesia and Malaysia and called for greater attention to policy, governance, inclusivity, and broader sustainability dimensions. These findings indicate that the discussion of ISF should move beyond demonstrating its general potential and examine

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more specifically how different instruments can complement one another in supporting sustainable and inclusive development (Ma & Sukmana, 2025).

**Zakat as Social Protection and Economic Empowerment**

Zakat is an obligatory Islamic financial instrument that functions as a mechanism for wealth redistribution to eligible beneficiaries (*asnaf*). Its redistributive function establishes a direct relationship between zakat, poverty alleviation, social protection, and economic inclusion. Through the transfer of resources to vulnerable groups, zakat can help fulfill basic needs and reduce socioeconomic disparities.

In addition to consumptive assistance, zakat can be utilized productively through business capital, skills development, entrepreneurship training, and livelihood programs. Ayuniyyah et al. found that zakat distribution among beneficiaries in West Java was associated with poverty alleviation and reductions in income inequality. This finding supports the view that zakat can function not only as short-term assistance but also as an instrument for strengthening the economic capacity of beneficiaries (Ayuniyyah et al., 2021).

Nevertheless, the contribution of zakat to sustainable development depends on the form and quality of its utilization. Consumptive zakat may be effective in addressing immediate needs but may have limited capacity to alter the structural causes of poverty. Productive zakat may provide greater opportunities for empowerment, but its effectiveness can depend on beneficiaries' capabilities, mentoring, market access, and institutional monitoring. Therefore, zakat can be positioned as an initial development intervention that reduces socioeconomic vulnerability and creates the conditions for further economic empowerment.

Within the SDG framework, the role of zakat is particularly relevant to SDG Target 1.2, concerning the reduction of poverty in all its dimensions, and Target 1.4, concerning equal access to economic resources and basic services. Productive zakat is also conceptually related to SDG Target 8.3, which promotes productive activities, entrepreneurship, and decent economic opportunities.

**Waqf and Long-Term Development Instrument**

Waqf differs from zakat in terms of its asset-based and long-term characteristics. Waqf involves dedicating an asset for religious, social, or public-benefit purposes while preserving its principal and utilizing its benefits for designated purposes. This characteristic provides waqf with the potential to support long-term social and economic development.

Productive waqf can be directed toward education, healthcare, social infrastructure, agriculture, entrepreneurship, and other community-oriented activities. Sadeq argues that waqf can contribute to poverty alleviation and socioeconomic development by transforming assets into productive resources whose benefits can continuously be distributed to society. Thus, waqf

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can provide a relatively sustainable source of social and economic benefits without necessarily consuming the underlying asset (Sadeq, 2002).

However, the long-term characteristics of waqf do not automatically guarantee sustainable development outcomes. Lestari et al. demonstrate that waqf performance in Indonesia involves several dimensions, including regulation, institutional capacity, processes, systems, outcomes, and impacts. Their findings indicate that the existence of waqf assets alone is insufficient to ensure meaningful socioeconomic outcomes (Lestari et al., 2023).

Consequently, the development potential of waqf depends on professional management, regulatory support, transparency, accountability, and productive asset utilization. Waqf should therefore be understood as an instrument with long-term development potential whose effectiveness is conditioned by institutional and managerial capacity.

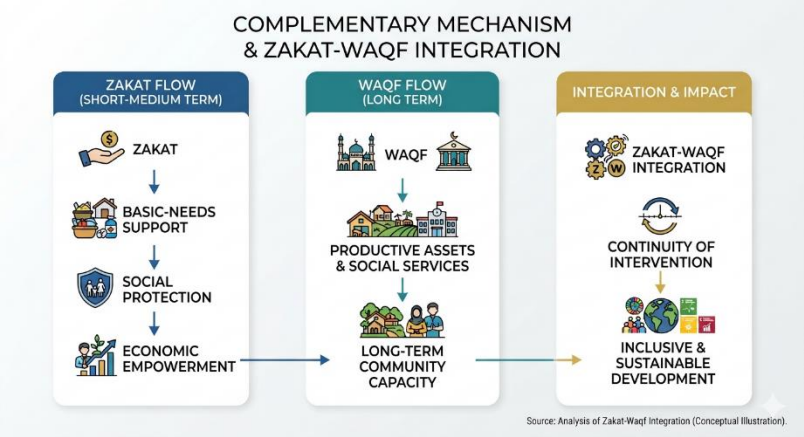
Waqf is particularly relevant to SDG Target 1.4 through improved access to economic resources and basic services and to SDG Target 8.3 through productive economic activities and entrepreneurship. Waqf-supported education, healthcare, and social infrastructure may also contribute to broader social inclusion and human development.

**Integration of Zakat and Waqf for Inclusive and Sustainable Development**

Zakat and waqf share the broader objectives of social welfare, justice, and community development, but they operate through different mechanisms. Zakat is primarily redistributive and beneficiary-oriented, whereas waqf is asset-based and oriented toward generating continuing benefits. These differences provide the theoretical basis for their potential complementarity.

The integration of zakat and waqf should therefore be understood as functional coordination rather than merely the combination of financial resources. Zakat can address immediate socioeconomic vulnerability through basic-needs assistance and productive support. Once beneficiaries achieve greater economic stability, productive zakat can support entrepreneurship, livelihood development, and income-generating activities. Waqf can complement these interventions by providing productive assets, social infrastructure, education, healthcare, and other long-term services.

**Figure 1 Complementary Mechanism & Zakat-Waqf Integration**



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This mechanism indicates that zakat and waqf do not need to perform identical functions. Their potential contribution lies in connecting different stages of socioeconomic development. Zakat can reduce immediate vulnerability and provide initial economic support, while waqf can strengthen the productive and social environment required to sustain community development.

The literature, however, also indicates that integration is not free from challenges. Zakat and waqf may be managed by different institutions with separate governance structures, databases, reporting systems, and operational procedures. Such fragmentation can limit coordination and may result in overlapping interventions for some beneficiaries while other vulnerable groups remain underserved. Productive zakat also requires adequate mentoring and market access, while productive waqf requires professional asset management and appropriate development strategies.

Therefore, the integration of zakat and waqf should not be interpreted as automatically producing superior development outcomes. Its potential contribution depends on institutional coordination, governance, transparency, beneficiary targeting, professional management, program continuity, and impact measurement. This critical perspective is important because it positions zakat–waqf integration not simply as a normative philanthropic concept but as an institutional mechanism whose development contribution depends on implementation conditions.

**Research Gap and Conceptual Framework**

Previous studies have extensively examined zakat in relation to poverty alleviation, income redistribution, and economic empowerment, while waqf research has emphasized productive assets, social services, and long-term community development. At the broader level, Islamic Social Finance research has established a relationship between ISF instruments and the SDGs (Dirie et al., 2023; (Ma & Sukmana, 2025).

Nevertheless, an important issue remains insufficiently explained: how the different functions of zakat and waqf can be coordinated to create a continuous development mechanism. The research gap is therefore not simply the limited discussion of zakat and waqf together, but the lack of a systematic explanation of how their different functions can complement each other across different stages of socioeconomic development.

Zakat primarily addresses immediate and medium-term vulnerability through redistribution and social protection, whereas waqf can provide productive assets and long-term social services. The unresolved question is how these different functions can be institutionally coordinated so that social protection can be connected with economic empowerment and long-term community capacity.

A further gap concerns the relationship between this integration mechanism and specific dimensions of sustainable development. Although previous studies have established broad connections between Islamic Social Finance and the SDGs, the pathways through which zakat–waqf integration can contribute to poverty reduction, access to economic resources, productive participation, and social inclusion remain insufficiently articulated.

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Based on these gaps, this study develops an integrative perspective in which zakat and waqf are understood as complementary instruments within Islamic Social Finance. Zakat is positioned as an instrument of wealth redistribution, social protection, and initial economic empowerment, while waqf is positioned as an instrument for providing productive assets and long-term social services. Their functional integration is conceptually expected to create continuity between immediate social protection, economic empowerment, productive capacity, and inclusive and sustainable development.

## Research Method

### Research Design

This study employs a qualitative approach with a descriptive-analytical design based on secondary literature and institutional data. The research aims to examine how Islamic Social Finance (ISF), particularly through the integration of zakat and waqf, may support inclusive and sustainable development. A qualitative approach is appropriate because the study focuses on interpreting and synthesizing theoretical perspectives, empirical findings, institutional evidence, and socioeconomic information rather than statistically testing relationships among variables (Creswell, 2014; Patton, 2015).

The study is designed as a qualitative literature-based descriptive-analytical study. Zakat and waqf are positioned as key Islamic Social Finance instruments, while wealth redistribution, social protection, economic empowerment, productive asset development, social inclusion, and sustainable development are used as analytical dimensions. The analysis integrates Islamic economic principles, particularly *maqāṣid al-sharīʿah*, with the Sustainable Development Goals (SDGs) framework (Chapra, 2008; Dirie et al., 2023).

The study does not treat zakat and waqf as statistical variables and does not assume that their integration directly causes poverty reduction or sustainable development. Instead, it examines the potential mechanisms, complementarities, and pathways identified in previous research and institutional evidence. This approach allows the study to explain how zakat and waqf may perform different but complementary functions within the Islamic Social Finance framework.

### Data Source

This study uses secondary data obtained from three main categories: academic literature, institutional documents, and official socioeconomic statistics.

Academic literature consists primarily of peer-reviewed articles published in Scopus-indexed international journals and SINTA-accredited national journals addressing Islamic Social Finance, zakat, waqf, poverty alleviation, economic empowerment, social inclusion, governance, and sustainable development. The study also used relevant academic books and foundational scholarly publications to establish its theoretical and methodological foundations.

Institutional documents include reports and publications issued by BAZNAS, the Indonesian Waqf Board (BWI), the Ministry of Religious Affairs of the Republic of Indonesia, and other relevant Islamic Social Finance institutions. These sources provide

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information concerning the collection, distribution, utilization, management, and governance of zakat and waqf.

Official socioeconomic statistics were obtained primarily from Statistics Indonesia (BPS), particularly data concerning poverty, inequality, and socioeconomic development. These statistics provide the broader socioeconomic context for examining the development challenges addressed by Islamic Social Finance.

Combining these sources enables the study to compare theoretical arguments, empirical findings, institutional practices, and socioeconomic conditions (Patton, 2015).

**Data Collection Technique**

Data were collected through a literature study involving the identification, selection, evaluation, and synthesis of relevant academic and institutional sources. Literature searches were conducted through Google Scholar, Garuda, SINTA, and relevant international academic databases.

The primary publication period was 2020–2025 to capture recent developments in Islamic Social Finance and sustainable development. Earlier publications were included when they provided foundational theoretical or methodological perspectives relevant to the study.

The selection of sources was based on four criteria: (1) relevance to Islamic Social Finance, zakat, waqf, poverty alleviation, economic empowerment, social inclusion, governance, or sustainable development; (2) academic or institutional credibility; (3) conceptual, empirical, institutional, or methodological contribution; and (4) relevance to the Indonesian socioeconomic and institutional context where appropriate.

The selected sources were classified into seven analytical themes: (1) Islamic Social Finance and sustainable development; (2) zakat and poverty alleviation; (3) zakat and economic empowerment; (4) waqf and long-term development; (5) governance and institutional challenges; (6) zakat–waqf integration; and (7) Islamic Social Finance and the SDGs.

**Data Analysis Technique**

The collected materials were analyzed using thematic analysis within a descriptive-analytical framework. The analysis involved identifying recurring themes, comparing findings across sources, interpreting similarities and differences, and synthesizing the evidence to explain the complementary functions of zakat and waqf (Patton, 2015). The analytical procedure followed the framework proposed by Miles, Huberman, and Saldaña, consisting of data condensation, data display, and conclusion drawing and verification .

First, data condensation involved selecting and organizing information relevant to the research objectives, particularly evidence concerning zakat redistribution, social protection, economic empowerment, productive waqf, social services, institutional coordination, poverty, social inclusion, and sustainable development.

Second, data display involved organizing the selected evidence into thematic categories and analytical relationships. Zakat was examined primarily in terms of wealth redistribution, basic-needs support, social protection, and economic empowerment. Waqf

Dinar
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was examined in terms of productive asset development, social service provision, and long-term community capacity.

Third, conclusion drawing and verification involved interpreting the relationships identified across the reviewed sources within the framework of Islamic economics, *maqāṣid al-sharīʿah*, and the SDGs. Interpretations were compared across the available evidence to ensure that conclusions remained grounded in the reviewed literature and institutional data (Miles & Huberman, 2016).

**Source Triangulation**

To strengthen the credibility of the analysis, this study applies source triangulation by comparing evidence from academic literature, institutional reports, and official socioeconomic statistics. Source triangulation enables the researcher to examine the research topic from theoretical, institutional, and socioeconomic perspectives (Patton, 2015).

Academic literature is used to identify theoretical arguments and empirical findings concerning zakat, waqf, and Islamic Social Finance. Institutional reports are used to examine the implementation, management, distribution, and governance of these instruments. Official statistics are used to provide socioeconomic context, particularly regarding poverty and inequality.

The evidence from these three categories is compared to identify convergence, complementarity, and divergence. Where different findings or limitations are identified, they are retained as part of the analysis. Therefore, triangulation is used not only to strengthen supporting evidence but also to identify contextual and institutional factors that may influence the potential contribution of Islamic Social Finance to inclusive and sustainable development.

**Analysis Framework**

The analytical framework positions zakat and waqf as **key Islamic Social Finance instruments** with distinct but potentially complementary functions. The framework is not intended to represent a statistical or causal model; rather, it provides an analytical pathway for interpreting relationships identified in the literature.

Zakat is primarily examined through its functions of wealth redistribution, basic-needs support, social protection, and economic empowerment. Waqf is examined through productive asset development, social service provision, and long-term community capacity building.

The complementary mechanism is based on the different functions of the two instruments. Zakat may address immediate and medium-term socioeconomic vulnerability, while waqf may provide productive assets and long-term social services that strengthen community capacity. When appropriately coordinated, these functions may create continuity between social protection, economic empowerment, productive participation, and inclusive development.

The framework should be interpreted as an analytical pathway rather than a causal model. Accordingly, the study does not claim that zakat–waqf integration automatically

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Jurnal Ekonomi & Keuangan Islam
https://journal.trunojoyo.ac.id/dinar/index
Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
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produces poverty reduction or sustainable development. Instead, it identifies potential mechanisms through which the complementary functions of zakat and waqf may support development objectives, while recognizing that their realization depends on governance, institutional capacity, beneficiary targeting, professional management, resource allocation, accountability, and program continuity.

**Research Credibility**

The credibility of the study is strengthened through systematic source selection, thematic categorization, source triangulation, and verification of analytical interpretations. The analysis also considers contrasting findings and implementation challenges reported in previous studies, including institutional fragmentation, governance limitations, regulatory constraints, management capacity, beneficiary targeting, program continuity, and difficulties in measuring social and economic outcomes.

Following qualitative research principles, supportive findings are not treated as sufficient evidence of effectiveness. Instead, findings are interpreted according to their context, methodological characteristics, institutional conditions, and limitations (Creswell & Poth, 2018; Patton, 2015). This approach enables the study to move beyond a purely normative discussion of zakat and waqf and develop a more critical understanding of their potential complementarities within the Islamic Social Finance framework.

## Result and Discussion

### Zakat as a Social Protection and Initial Economic Empowerment

The synthesis of academic literature, institutional reports, and statistical data indicates that zakat primarily functions as a mechanism of social protection and wealth redistribution within Islamic Social Finance (ISF). In this study, this finding is interpreted from the convergence of evidence rather than as a statistically estimated causal effect. Zakat provides resources to eligible beneficiaries (*asnaf*) and can address immediate socioeconomic vulnerability while, under productive distribution schemes, supporting initial economic empowerment.

This interpretation is consistent with the theoretical perspective presented in the literature review, which positions zakat as a redistributive instrument capable of supporting poverty alleviation and economic inclusion. Ayuniyyah et al. found that zakat distribution among beneficiaries in West Java was associated with poverty alleviation and reductions in income inequality (Ayuniyyah et al., 2021). Similarly, the CIBEST-based approach developed by Beik and Arsyianti demonstrates that zakat can be examined not only from the material dimension of poverty but also from the spiritual dimension (Beik & Arsyianti, 2016). These studies provide empirical support for positioning zakat as an instrument of social protection, although their findings should not be interpreted as evidence that zakat automatically eliminates poverty.

The Indonesian poverty statistics provide an important contextual basis for this analysis. According to Statistics Indonesia, the poverty rate in March 2025 was 8.47%, representing approximately 23.85 million people. Rural poverty remained higher than urban poverty, at 11.03% compared with 6.73% (BPS Statistics Indonesia, 2025). These figures

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Jurnal Ekonomi & Keuangan Islam
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ISSN: 2460-9889 (Print)
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suggest that vulnerable groups continue to require mechanisms that improve access to basic needs and productive economic resources. Within this context, zakat has analytical relevance as a complementary social protection instrument.

The literature also indicates that the form of zakat utilization matters. Consumptive assistance may address immediate needs, whereas productive zakat can be directed toward business capital, entrepreneurship training, skills development, and livelihood programs. However, the sustainability of productive zakat depends on beneficiary selection, mentoring, market access, monitoring, and institutional capacity. Therefore, the evidence does not justify the general conclusion that productive zakat always produces superior outcomes. Rather, it suggests that productive zakat has greater potential to support longer-term empowerment when accompanied by adequate institutional and programmatic support.

This finding reinforces the theoretical argument that zakat can be positioned as the initial stage of an integrated development mechanism. Zakat reduces immediate vulnerability and can provide the initial resources required for beneficiaries to participate in productive economic activities. This role is particularly relevant to SDG Target 1.2 on reducing poverty in all its dimensions, Target 1.4 on access to economic resources and basic services, and Target 8.3 concerning productive activities and entrepreneurship.

**Waqf, Productive Assets, and Long-Term Community Capacity**

The synthesis of the literature indicates that waqf has a different development function from zakat. Whereas zakat is primarily redistributive and beneficiary-oriented, waqf is asset-based and designed to generate continuing benefits. Sadeq conceptualizes waqf as a potential instrument for socioeconomic development because the underlying asset can be preserved while its benefits are continuously utilized for social purposes (Sadeq, 2002).

However, this study finds that the existence of large waqf assets should not be equated with high economic productivity. This distinction is important in interpreting Indonesian waqf statistics. The availability of waqf land or cash waqf represents resource potential, but it does not by itself demonstrate productive utilization, income generation, or sustainable welfare outcomes.

This critical interpretation is supported by Lestari et al, who emphasize that waqf performance is influenced by regulatory, institutional, process, system, outcome, and impact dimensions (Lestari et al., 2023). Thus, asset ownership alone is insufficient to establish the development contribution of waqf. Nuryanti and Lubis found that optimizing productive waqf requires collaboration among government, academics, the community, and waqf managers (Nuryanti & Lubis, 2025). Their study also emphasizes the importance of nazhir capacity, transparency, measurable reporting, waqf literacy, and digital payment mechanisms. This finding directly supports the theoretical argument that productive waqf requires institutional and managerial capacity before its potential can be translated into sustainable community benefits.

Similarly, Hermuningsih et al. examined cash waqf in relation to economic independence and identified the importance of factors such as subjective norms, self-

Dinar
Jurnal Ekonomi & Keuangan Islam
https://journal.trunojoyo.ac.id/dinar/index
Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
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ISSN: 2580-3565 (Online)

efficacy, and institutional support in shaping cash-waqf participation. This suggests that the development of cash waqf is influenced not only by the availability of financial resources but also by public participation and institutional conditions (Nuryanti & Lubis, 2025). Faujiah and Wicaksono further highlight the importance of nazhir certification and waqf literacy. The evidence supports a more cautious interpretation: waqf has substantial long-term development potential, but this potential depends on professional management, institutional capacity, literacy, transparency, and productive utilization of assets (Faujiah & Wicaksono, 2024).

From the perspective of sustainable development, productive waqf can potentially support education, healthcare, economic facilities, entrepreneurship, and community infrastructure. Its relevance therefore extends beyond poverty alleviation toward SDG Target 1.4, SDG Target 8.3, and, depending on the utilization model, SDGs 3 and 4.

**Complementarity of Zakat and Waqf**

The central analytical finding of this study concerns the functional complementarity between zakat and waqf. The evidence reviewed does not establish that integrated zakat and waqf statistically produce greater effects than separate instruments. Instead, the literature supports the interpretation that the two instruments have different but potentially complementary functions.

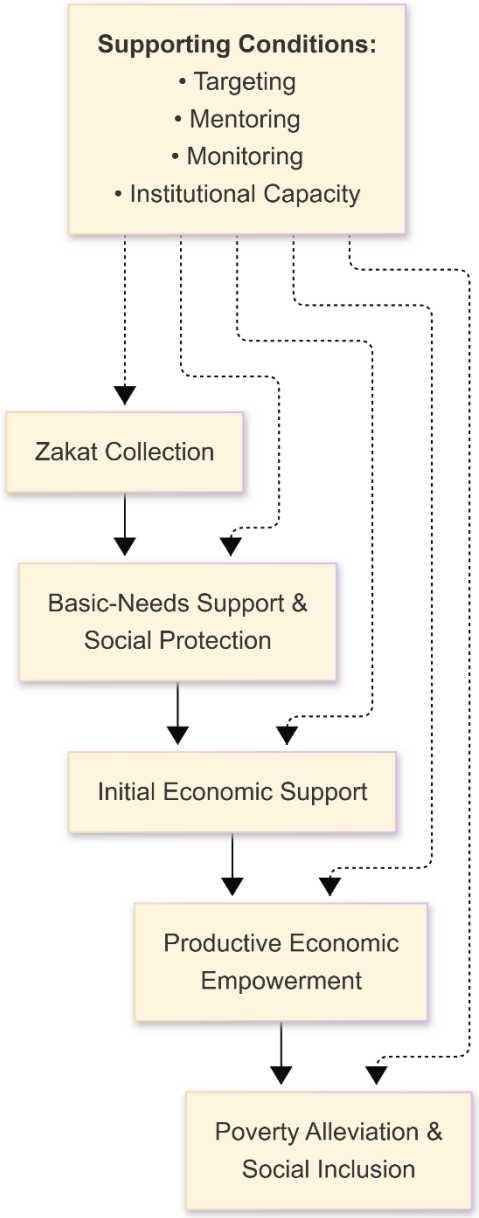
Zakat primarily addresses immediate and medium-term socioeconomic vulnerability through redistribution, social protection, and initial productive assistance. Waqf, by contrast, can provide productive assets and long-term social services whose benefits may continue beyond a single distribution cycle.

This mechanism is consistent with the theoretical framework developed in this study. Zakat does not need to perform the same function as waqf. Its contribution can be concentrated at the beginning of the development process, particularly in reducing vulnerability and facilitating beneficiaries' access to productive opportunities. Waqf can subsequently provide the infrastructure, assets, services, and institutional environment required to sustain productive activities.

The evidence from the literature therefore suggests that integration should be understood as functional coordination rather than simple financial pooling. For example, zakat may support a vulnerable household with basic needs and initial business capital, while productive waqf may provide training facilities, business premises, agricultural assets, educational services, healthcare facilities, or other infrastructure that supports longer-term economic participation.

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Jurnal Ekonomi & Keuangan Islam
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Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
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**Figure 2. Zakat Mechanism for Poverty Alleviation and Inclusive Development**




**Source:** Author's synthesis based on Ayuniyyah et al. (2021), Beik and Arsyianti (2016), and Dirie et al. (2023).

Nuryanti and Lubis emphasize that productive waqf optimization requires collaboration, professional nazhir management, transparency, and measurable reporting. These institutional requirements are important because integration cannot function effectively if zakat and waqf institutions operate independently without beneficiary coordination, information sharing, and complementary program design (Nuryanti & Lubis, 2025).

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Jurnal Ekonomi & Keuangan Islam
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Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
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ISSN: 2580-3565 (Online)

Accordingly, this study identifies institutional coordination as a necessary condition for the proposed integration mechanism. Fragmented governance, separate databases, limited beneficiary monitoring, differences in institutional mandates, and inadequate impact measurement may prevent zakat and waqf from functioning as a continuous development mechanism.

**Islamic Social Finance and Sustainable Development Goals**

The synthesis also indicates that the contribution of Islamic Social Finance to sustainable development should be understood through specific development pathways rather than through general claims about the SDGs.

Dirie et al, through a systematic literature review, identify substantial connections between Islamic social finance instruments and multiple SDGs (Dirie et al., 2023). Their findings support the relevance of ISF to poverty alleviation, social welfare, economic inclusion, and community development. However, the existence of these relationships does not mean that ISF automatically produces SDG outcomes. Institutional quality and implementation conditions remain important. This interpretation is consistent with Rosman et al, who emphasize that the relationship between Islamic social finance and sustainable development is influenced by institutional arrangements, governance, regulation, and implementation (Rosman et al., 2022). Thus, ISF should be understood as a development mechanism whose outcomes depend on how its instruments are managed and integrated.

Ma and Sukmana provide further critical evidence. Their bibliometric and content analysis of 102 publications from 2019–2024 indicates that ISF research has increasingly addressed SDG-related issues but remains concentrated in socioeconomic and financial dimensions, while environmental sustainability receives comparatively less attention (Ma & Sukmana, 2025). This finding suggests that future development of ISF research should move beyond demonstrating its general social benefits and examine broader sustainability dimensions.

Based on the synthesis, the strongest conceptual connections between zakat–waqf integration and the SDGs can be summarized as follows:

**Table 4. Islamic Social Finance Mechanisms and Relevant SDG Targets**

| Islamic Social Finance Mechanism | Development Pathway | Relevant SDG Dimension |
|---|---|---|
| Zakat redistribution | Basic-needs support and social protection | SDG 1 |
| Productive zakat | Entrepreneurship and productive activities | SDG 8 |
| Waqf for education | Access to educational services and human capital | SDG 4 |
| Waqf for health | Access to social and health services | SDG 3 |

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Jurnal Ekonomi & Keuangan Islam
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ISSN: 2460-9889 (Print)
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ISSN: 2580-3565 (Online)

| | | |
|---|---|---|
| Productive waqf | Productive assets and economic opportunities | SDG 8 |
| Zakat–waqf coordination | Wider access to resources and reduced vulnerability | SDG 1 and SDG 10 |

**Source:** Author's synthesis based on Dirie et al. (2023), Rosman et al. (2022), and Ma and Sukmana (2025).

This framework demonstrates that the contribution of Islamic social finance to the SDGs is mediated through identifiable mechanisms. Therefore, rather than claiming that zakat and waqf directly achieve the SDGs, this study argues that their potential contribution operates through social protection, economic empowerment, productive asset provision, and access to social services.

**Proposed Integrated Zakat-Waqf Development Framework**

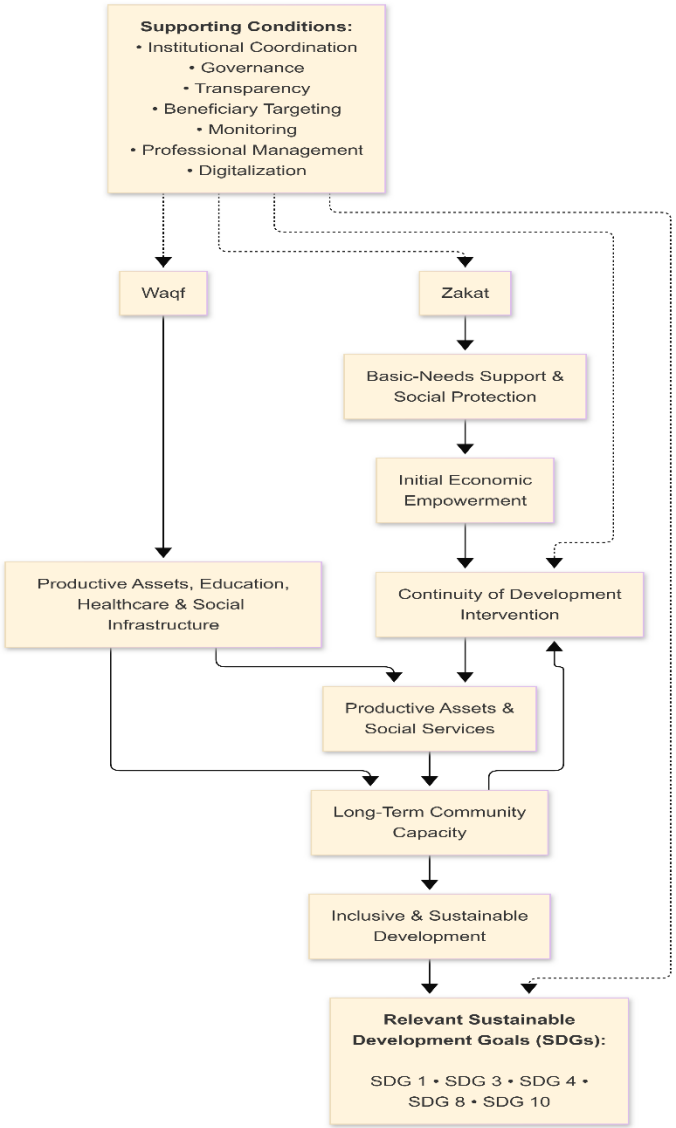
Based on the synthesis of theoretical literature, empirical studies, institutional reports, and statistical data, this study proposes an integrated zakat–waqf framework for inclusive and sustainable development.

The proposed framework does not represent a statistically tested causal model. Instead, it is an analytical model derived from the convergence of evidence across the reviewed sources. Its main contribution is to explain how the different functions of zakat and waqf can be connected across stages of socioeconomic development.

The first stage is social protection, in which zakat addresses immediate basic needs and reduces socioeconomic vulnerability. The second stage is economic empowerment, in which productive zakat can provide initial capital, training, or livelihood support. The third stage involves productive and social infrastructure, in which waqf can provide long-term assets and services. The final stage is inclusive and sustainable development, represented by improved access to economic resources, stronger community capacity, reduced vulnerability, and broader social inclusion.

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ISSN: 2460-9889 (Print)
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ISSN: 2580-3565 (Online)

**Figure 3. Integrated Zakat–Waqf Mechanism for Inclusive and Sustainable Development**




**Source:** Author's synthesis based on Sadeq (2002), Dirie et al. (2023), and Nuryanti and Lubis (2025).

The framework also incorporates institutional conditions as a cross-cutting dimension. Governance, transparency, beneficiary targeting, professional management, digitalization, monitoring, and institutional coordination influence the extent to which the potential of zakat and waqf can be translated into development outcomes.

This interpretation is supported by Nuryanti and Lubis, who demonstrate the importance of stakeholder collaboration, nazhir capacity, transparency, reporting, and digital mechanisms in productive waqf management (Nuryanti & Lubis, 2025).

Dinar
Jurnal Ekonomi & Keuangan Islam
https://journal.trunojoyo.ac.id/dinar/index
Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
DOI: https://doi.org/10.21107/dinar.v8i2.9954
ISSN: 2580-3565 (Online)

Hermuningsih et al. further indicate that cash-waqf participation is influenced by behavioral and institutional factors (Hermuningsih et al., 2021). While Faujiah and Wicaksono emphasize the importance of nazhir certification and waqf literacy (Faujiah & Wicaksono, 2024). These findings strengthen the argument that institutional capacity is not an additional issue outside the integration framework but a central condition for its implementation.

Overall, the synthesis indicates that the principal value of zakat–waqf integration lies not in assuming that the two instruments automatically generate greater effects when combined, but in their functional complementarity. Zakat can address immediate vulnerability and initiate empowerment, while waqf can provide assets and services that support continuity. The integration of these functions potentially creates a more continuous development mechanism than viewing each instrument exclusively as a separate philanthropic intervention.

Nevertheless, the framework remains conditional. Its implementation requires effective institutional coordination, professional management, accurate beneficiary targeting, transparent reporting, adequate monitoring, and productive asset utilization. Therefore, the study's main analytical contribution is to position zakat–waqf integration as a potential institutional pathway within Islamic Social Finance, rather than as a universally established causal solution to poverty or sustainable development.

## Conclusions

This study concludes that Islamic Social Finance (ISF) has considerable potential to support inclusive and sustainable development through the complementary functions of zakat and waqf. Based on the synthesis of academic literature, institutional reports, and socioeconomic data, zakat functions primarily as an instrument of wealth redistribution and social protection that addresses immediate socioeconomic vulnerability and provides initial support for economic empowerment. Waqf, meanwhile, provides a longer-term development function through productive assets, education, healthcare, and social infrastructure. The findings therefore indicate that zakat and waqf address different but interconnected dimensions of socioeconomic development.

The analysis identifies zakat–waqf integration as a potential mechanism for establishing continuity between poverty alleviation, economic empowerment, and long-term community development. Zakat can provide basic-needs assistance and initial productive support, while waqf can provide productive assets and sustainable social services that strengthen the continuity of empowerment programs. However, the evidence synthesized in this study does not establish that integrated zakat–waqf management necessarily produces greater outcomes than separately managed programs. Rather, its potential contribution depends on institutional coordination, beneficiary targeting, professional management, transparency, monitoring, productive asset utilization, and program continuity.

The study further indicates that the complementary mechanism of zakat and waqf is relevant to several Sustainable Development Goals (SDGs), particularly SDG 1 (No

Dinar
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Vol 13, No 2: Agustus 2026 274-297
ISSN: 2460-9889 (Print)
DOI: https://doi.org/10.21107/dinar.v8i2.9954
ISSN: 2580-3565 (Online)

Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). Waqf-supported education and healthcare initiatives may also contribute to SDG 4 (Quality Education) and SDG 3 (Good Health and Well-being). These relationships should be understood as potential development pathways rather than automatically achieved outcomes. Effective governance, digitalization, integrated beneficiary information, transparent reporting, and institutional coordination are important enabling conditions for strengthening the contribution of Islamic Social Finance.

From a policy perspective, Islamic Social Finance institutions should strengthen coordination between zakat and waqf programs by developing integrated beneficiary databases, complementary program planning, professional capacity for amil and nazhir, productive asset management, transparent reporting, and systematic monitoring. Such coordination can help connect zakat-based social protection and initial empowerment with waqf-based long-term productive and social development. Policymakers should also strengthen the regulatory and institutional environment that enables zakat and waqf institutions to collaborate while maintaining accountability and Shariah compliance.

This study has several limitations. First, it relies primarily on secondary academic literature, institutional reports, and socioeconomic statistics and therefore does not provide primary empirical evidence from beneficiaries or Islamic Social Finance institutions. Second, differences in definitions, reporting periods, institutional methodologies, and data availability may limit direct comparability across sources. Third, the proposed zakat–waqf integration model is an analytical framework derived from the existing literature and has not been empirically validated as a causal model.

Future research should empirically test the proposed integrated framework through case studies, comparative institutional analysis, and quantitative evaluation of beneficiary outcomes. Future studies could compare integrated and separately managed zakat–waqf programs by examining changes in household poverty status, income, business sustainability, access to education and healthcare, and economic resilience. Such empirical validation would provide stronger evidence regarding the conditions under which zakat–waqf integration can contribute effectively to inclusive and sustainable development in Indonesia.

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