

## Islamic Social Finance for Inclusive Growth in Indonesia: A Systematic Review of the Evidence, Synthesized Frameworks, and Future Research Directions

**Muhammad Putra Aprullah**

*MAN 1 Banda Aceh, Aceh, Indonesia*  
Email: [aprullahmuhammad145@gmail.com](mailto:aprullahmuhammad145@gmail.com)

**Raida Fuadi**

*Accounting, Economics and Bussiness Faculty, Universitas Syiah Kuala, Aceh, Indonesia*  
Email: [raida.fuadi@usk.ac.id](mailto:raida.fuadi@usk.ac.id)

**Rita Meutia**

*Accounting, Economics and Bussiness Faculty, Universitas Syiah Kuala, Aceh, Indonesia*  
Email: [rita.mutia@usk.ac.id](mailto:rita.mutia@usk.ac.id)

**Indrayani**

*Accounting, Economics and Bussiness Faculty, Universitas Malikussaleh, Aceh, Indonesia*  
Email: [indrayani@unimal.ac.id](mailto:indrayani@unimal.ac.id)

**Muhammad Sayuthi**

*Mechanical, Engineering Faculty, Malikussaleh University, Aceh, Indonesia*  
Email: [muhd.sayuthi@unimal.ac.id](mailto:muhd.sayuthi@unimal.ac.id)

**Agus Adria**

*Department of Electrical Engineering, Faculty of Engineering, Universitas Syiah Kuala, Aceh, Indonesia*  
Email: [agus.adria@usk.ac.id](mailto:agus.adria@usk.ac.id)

**Salsabilla Julnadi**

*Accounting, Bussiness Faculty, Politeknik Negeri Lhokseumawe, Aceh, Indonesia*  
Email: [salsabilla.julnadi@gmail.com](mailto:salsabilla.julnadi@gmail.com)

**Zahara**

*Faculty of Teaching and Education, Universitas Almuslim, Aceh, Indonesia*  
Email: [zaharampd2@gmail.com](mailto:zaharampd2@gmail.com)

*Koresponden Email: [aprullahmuhammad145@gmail.com](mailto:aprullahmuhammad145@gmail.com)*

### Abstract:

Indonesia faces multidimensional challenges to escape the middle-income trap and achieve high-income status by 2045. Despite relatively stable economic growth (averaging 4.9% from 2000 to 2022), poverty reduction has stagnated at around 10 %, indicating that conventional economic growth is insufficiently inclusive. On the other hand, Indonesia, with the world's largest Muslim population and ranked first in the 2021 World Giving Index, has tremendous potential for developing Islamic Social Finance (ISF). This article uses a Systematic Literature Review (SLR) method to critically analyze the strategic role of ISF instruments, particularly Zakat, infaq/sedakh, and waqf, in accelerating poverty alleviation, reducing inequality, and supporting inclusive economic development in Indonesia. The study revealed that the estimated national zakat potential of IDR 327 trillion could fund up to 76% of the government's social protection budget. Meanwhile, cash waqf offers a sustainable social investment model for long-term financing in the education, health, and MSME empowerment sectors. However, the optimization of ISF remains hampered by challenges in literacy, governance, transparency, and policy integration. This study concludes that ISF is not merely a philanthropic instrument, but rather a powerful complementary policy to strengthen the government's fiscal policy towards achieving a sovereign and equitable Golden Indonesia 2045.

**Keywords:** *Islamic Social Finance, Zakat, Waqf, Poverty, Systematic Literature Review*

### Abstrak:

Indonesia menghadapi tantangan multidimensi untuk keluar dari jebakan pendapatan menengah dan mencapai status pendapatan tinggi pada tahun 2045. Meskipun pertumbuhan ekonomi relatif stabil (rata-rata 4,9% dari tahun 2000 hingga 2022), penurunan angka kemiskinan telah stagnan di sekitar 10%, menunjukkan bahwa pertumbuhan ekonomi konvensional tidak cukup inklusif. Di sisi lain, Indonesia, yang memiliki populasi Muslim terbesar di dunia dan menduduki peringkat pertama dalam Indeks Kedermawanan Dunia 2021, memiliki potensi besar untuk mengembangkan Keuangan Sosial Islam (ISF). Artikel ini menggunakan metode *Systematic Literature Review*

(SLR) untuk menganalisis secara kritis peran strategis instrumen keuangan sosial islam terutama zakat, infaq/sedekah, dan wakaf, dalam mempercepat pengentasan kemiskinan, mengurangi ketimpangan, dan mendukung pembangunan ekonomi inklusif di Indonesia. Studi ini mengungkapkan bahwa potensi zakat nasional yang diperkirakan sebesar IDR 327 triliun dapat membiayai hingga 76% anggaran perlindungan sosial pemerintah. Sementara itu, wakaf tunai menawarkan model investasi sosial berkelanjutan untuk pembiayaan jangka panjang di sektor pendidikan, kesehatan, dan pemberdayaan UMKM. Namun, optimalisasi ISF masih terhambat oleh tantangan dalam literasi, tata kelola, transparansi, dan integrasi kebijakan. Studi ini menyimpulkan bahwa ISF bukan sekadar alat filantropi, melainkan kebijakan komplementer yang kuat untuk memperkuat kebijakan fiskal pemerintah dalam mewujudkan Indonesia Emas 2045 yang berdaulat dan adil.

**Kata Kunci:** *Keuangan Sosial Islam, Zakat, Wakaf, Kemiskinan, Tinjauan Literatur Sistematis*

## INTRODUCTION

Indonesia is currently at a crucial juncture in its national development journey. Indonesia's status as a middle-income country presents the nation with a serious challenge to escape the middle-income trap and transform into a developed nation. This condition aligns with the Golden Indonesia Vision 2045, which targets the realization of a high-income country with a just, prosperous, and globally competitive society. However, achieving this vision is determined not only by the magnitude of economic growth, but also by the quality of growth that is inclusive, sustainable, and able to improve the welfare of all levels of society equally. Empirically, data show that the Indonesian economy is relatively resilient. Average economic growth of 4.9% throughout the 2000–2022 period confirms macroeconomic resilience despite the global crisis and the COVID-19 pandemic (BPS, 2023). This stability reflects Indonesia's success in maintaining its economic fundamentals over the long term. However, these macroeconomic achievements are not fully aligned with microeconomic achievements in poverty alleviation. According to data from the Central Statistics Agency (BPS, 2023), the national poverty rate remains around 10%. This stagnant situation indicates the existence of chronic and structural poverty that cannot be addressed through conventional growth mechanisms. This phenomenon confirms that the assumption of the trickle-down effect, that the benefits of economic growth will automatically flow to lower-income groups, is not actually occurring (Shabbir et al., 2018). Instead, what is observed is a phenomenon of high growth, low prosperity, where high economic growth is enjoyed only by the middle and upper classes. At the same time, the poor remain trapped in a cycle of poverty. Several studies, such as that by (Dartanto et al. (2020), confirm that economic growth in Indonesia tends to result in wealth accumulation in certain segments and widen socioeconomic disparities. As a result, vulnerable groups are increasingly marginalized, and their access to productive resources, education, and healthcare is limited. From a development theory perspective, this condition can be explained through a structuralist approach, which states that poverty is structural due to unequal access to capital, skills, and infrastructure. Therefore, to escape the middle-income trap, Indonesia cannot simply rely on a quantitative growth strategy. More inclusive, direct, and targeted policies are needed to empower people with low incomes and reduce inequality (Shaikh, 2017).

One relevant alternative instrument in this context is Islamic Social Finance (ISF). ISF is a social finance system based on Islamic principles that emphasizes justice, equitable wealth distribution, and social responsibility. ISF consists of three main pillars: (1) zakat, a financial obligation of Muslims to be distributed to deserving recipients; (2) infaq and sadaqah, voluntary contributions in various forms; and (3) waqf, a perpetual endowment with sustainable benefits for the public interest (Odeduntan et al., 2016).

Unlike conventional fiscal instruments, ISF has a bottom-up approach, stemming from community participation and targeting vulnerable groups. Thus, ISF has the potential to provide a solution to both market failure and government failure in reaching people experiencing poverty. This instrument aligns with Islamic economic theory developed by (Kahf, 1999), which emphasizes that the primary goal of development in Islam is to achieve the maqasid sharia, protecting religion, life, intellect, descendants, and property, through equitable distribution and economic empowerment.

The potential of ISF in Indonesia is enormous. First, Indonesia has the largest Muslim

population in the world, approximately 237 million people (87% of the total population). Second, the culture of public generosity is very strong, as demonstrated by Indonesia's first ranking in the 2021 World Giving Index. According to the National Zakat Agency (Zaenal et al., 2024), the national zakat potential is estimated to reach IDR 327 trillion in 2023. However, realized zakat collection is only around IDR 26 trillion, or less than 10% of the potential. The potential for Waqf is similar, with the innovation of cash waqf becoming increasingly popular and able to mobilize broader public participation. Empirical studies show that ISF can make a significant contribution to poverty alleviation. Syauqi Beik & Arsyanti (2016), for example, found that a productive zakat program can increase the income of those entitled to receive Zakat by up to 2.6 times. Other studies confirm that the utilization of productive Waqf can finance the education and health sectors, as well as support the empowerment of micro, small, and medium enterprises (MSMEs). Other studies confirm that the use of productive Waqf can finance the education and health sectors, as well as support the empowerment of micro, small, and medium enterprises (MSMEs). In Malaysia, the integration of Zakat with government social policies has been proven to reduce poverty in several regions (Azhar et al., 2023). Meanwhile, in Bangladesh, the waqf management model has supported the sustainable financing of public services (Faruque et al., 2023). However, implementing the Islamic Fund for the Poor (ISF) in Indonesia faces several challenges. Low public literacy regarding ISF means that most Muslims still distribute Zakat individually and not through official institutions. ISF management institutions still face issues of governance, transparency, and accountability (Febriandika et al., 2023). Furthermore, ISF management is still predominantly consumer-oriented, not fully directed towards productive sectors that have the potential to sustainably empower people with low incomes. Within a policy framework, optimizing the ISF requires strategic steps. First, regulations and governance must be strengthened to ensure that ISF management institutions meet high accountability standards. Second, encouraging innovation in the collection and distribution of ISF through digitalization, for example, digital zakat or blockchain waqf, to increase transparency and efficiency. Third, ISF should be integrated with priority national development programs, such as MSME empowerment, vocational education, and public health (Sawmar & Mohammed, 2021).

Based on the above description, it is clear that Indonesia requires additional instruments that can complement conventional development strategies in its efforts to achieve the Golden Indonesia Vision 2045. Islamic Social Finance has a significant potential role, both in reducing structural poverty and in narrowing socioeconomic disparities. Therefore, a systematic and critical review of the literature and empirical evidence regarding the role of ISF in Indonesia's economic development is crucial. Through a Systematic Literature Review (SLR) approach, this research is expected to provide an evidence-based synthesis that will benefit academics, practitioners, and policymakers in formulating inclusive, equitable, and sustainable development strategies.

## METHODS

This article uses a Systematic Literature Review (SLR) method designed following the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol to ensure transparency and reproducibility (Hanif & Zafar, 2020). The SLR stages include:

1. Identification: A literature search was conducted in academic databases (Scopus, Google Scholar, DOAJ) and institutional repositories (BPS, BAZNAS) using the following keywords: "zakat Indonesia", "cash waqf", "Islamic social finance poverty", "inclusive Indonesia development".
2. Screening: Literature was selected based on the following inclusion criteria: (a) publications between 2015 and 2024; (b) focus on the Indonesian context; (c) discussing Zakat, Waqf, or infaq/sedekah; (d) related to poverty, inequality, or economic development. Opinion and non-empirical literature were excluded.
3. Eligibility: The final selection was based on methodological quality and relevance. A total of 37 journals and conference proceedings, 4 institutional reports, met the criteria and were analyzed.
4. Synthesis: The selected data were analyzed thematically to identify patterns, challenges, opportunities, and policy recommendations related to Islamic Social Finance (ISF) in Indonesia.

### *Macro Contribution of Islamic Social Finance (ISF) to State Fiscal Policy and Social Protection*

One of the main advantages of Islamic Social Finance (ISF), particularly Zakat, is its potential as a significant and sustainable source of social funding. In Indonesia, Zakat occupies a highly strategic position, not only as a religious obligation but also as a complementary fiscal instrument for the state in providing a social safety net (Owoyemi, 2020). Data from the National Zakat Agency (BAZNAS) shows that national zakat collection will reach IDR 32.3 trillion in 2023 (Zaenal et al., 2024). This figure is only equivalent to 7.3% of the total social protection budget in the state budget for the same year, but the growth trend is very significant. For comparison, in 2013, Zakat's contribution to social protection was only around 1%. In other words, over the past decade, Zakat has demonstrated an increasingly significant role in strengthening the national social protection system.

Furthermore, studies on the potential of Zakat reveal even more astonishing figures. Zaenal et al. (2024) estimates that the national zakat potential could reach IDR 327 trillion per year, equivalent to 76% of the total social protection budget in 2022. This data means that if zakat potential can be optimally mobilized, it can become a very significant alternative fiscal instrument (Purbasari et al., 2020). Funds of this size can not only strengthen the social safety net but also reduce the state's dependence on debt-based financing and encourage more inclusive development programs.

From a public economics perspective, Zakat has a similar function to taxes in terms of income redistribution, but with fundamental differences in its normative and religious aspects. Zakat is religiously obligatory and has spiritual legitimacy, thus tending to have a higher level of public compliance (Kahf, 1999). Furthermore, because it is distributed directly to the mustahik (recipients of the Zakat), Zakat can be more effective in reaching people experiencing poverty, who are often excluded from state social protection schemes.

Empirical studies also support this. Syauqi Beik & Arsyianti (2016) found that productive Zakat distributed through amil institutions can significantly increase the income of mustahik and encourage their transformation from zakat recipients to zakat payers (muzakki). This finding demonstrates that Zakat is not only charitable but also has an economic empowerment function. Therefore, optimizing Zakat's potential can support the achievement of inclusive growth and more sustainable poverty alleviation (Mawardi et al., 2023). With such enormous potential, the main challenge lies in building a modern, transparent, and integrated ISF management ecosystem, particularly Zakat, with a focus on the country's fiscal system .

### *Effectiveness of Micro ISF in Poverty Alleviation and Empowerment*

At the micro level, Islamic Social Finance (ISF) plays a crucial role in poverty alleviation and community economic empowerment. The effectiveness of ISF can be seen from two main dimensions: direct assistance (consumptive) and empowerment programs (productive-transformative) (Siswanto, 2022).

First, direct and consumptive assistance. Zakat funds distributed in the form of consumer assistance serve as a safety net to meet the basic needs of those entitled to receive it, particularly people experiencing poverty. This function aligns with the basic needs theory (Adinugraha et al., 2023), which emphasizes the importance of meeting primary needs (food, clothing, shelter, health, and education) as a prerequisite for participation in economic development. The distribution of consumer zakat also aligns with the principle of hifzh al-nafs (protection of the soul) within the maqasid al-shariah, which states that the survival of the entitled mustahik must be guaranteed before further empowerment is directed (Adinugraha et al., 2023).

Second, transformational empowerment programs. The trend in ISF management in Indonesia over the past decade has shown a shift from a charitable approach to an empowerment model. BAZNAS, for example, initiated various programs such as Santripreneur, ZMart, and ZChicken, which provide not only business capital but also managerial mentoring, skills training, and market access (Hermawan Adinugraha et al., 2023). This model reflects an asset-based community development approach (Jihadi et al., 2021), where mustahik are seen not merely as recipients of aid but as subjects of development with potential that can be optimized.

Recent data shows significant results. In 2023, the zakat empowerment program managed by BAZNAS successfully lifted 577,138 people out of poverty, including 321,757 people in the extreme poverty category (Zaenal et al., 2024). This achievement confirms that ISF is not only capable of addressing short-term poverty through consumptive assistance but also contributes to

long-term economic transformation by enhancing the capabilities and independence of mustahik.

In line with the theory of inclusive growth Siswanto (2022), ISF at the micro level ensures that marginalized groups not only receive the benefits of growth but also have real access to production factors (capital, skills, and market networks). Thus, ISF serves as a strategic instrument in addressing the high growth, low prosperity phenomenon that often characterizes Indonesia's development.

#### *Waqf as an Engine of Sustainable Development*

In addition to Zakat, Waqf also has significant potential as an Islamic Social Finance (ISF) instrument that can support sustainable development. Waqf is unique among other Islamic social instruments due to its perpetual nature. Waqf assets cannot be sold, inherited, or donated; instead, they must be managed productively for the benefit of the wider community. Therefore, Waqf can function as an engine of sustainable long-term financing.

Based on data from the Ministry of Religious Affairs' Waqf Information System (Siwak) as of September 2022, the number of waqf lands in Indonesia reached 440,512 locations, covering an area of 57,263 hectares. Of this amount, approximately 57.42% have been certified, while the remainder still face legal challenges (Ministry of Religious Affairs, 2022). On the other hand, the development of cash waqf shows a positive trend. The value of cash waqf collections grew by 51.7%, from IDR 269.08 billion in 2021 to IDR 557.33 billion in September 2022. Overall, accumulated cash waqf increased from IDR 1,487.78 trillion (December 31, 2021) to IDR 1,776.03 trillion (September 30, 2022) (BWI, 2023). As of 2022, there were 311 active cash waqf administrators and 36 Sharia Financial Institutions Receiving Cash Waqf (LKS-PWU) appointed as collection partners.

This growth indicates that Waqf, especially cash waqf, is beginning to be considered as an alternative source of social financing. Cash waqf offers advantages over land waqf because it is more liquid, easier to collect, and can be invested in various productive sharia instruments. Proceeds from cash waqf management can then be allocated for permanent scholarships, the construction of waqf hospitals, research funding, and even Islamic venture capital financing for MSMEs. Thus, Waqf serves not only a spiritual function but also a tangible instrument in supporting economic and social development.

When linked to the global development agenda, Waqf is strongly relevant to the Sustainable Development Goals (SDGs). For example, the use of Waqf for scholarships aligns with SDG 4 (Quality Education), while hospital waqf supports SDG 3 (Healthy and Prosperous Lives). Moreover, the use of cash waqf to finance MSMEs can contribute to SDG 8 (Decent Work and Economic Growth). Thus, Waqf can bridge Islamic spiritual values with the universal global development agenda.

However, the utilization of productive Waqf still faces several challenges. The first is low waqf literacy among the public. Most people still understand Waqf in its traditional form (land for mosques or graves), while the concept of productive Waqf, such as cash waqf, is not yet popular. Second, public trust in Nazir institutions remains low due to limited transparency and accountability. However, waqf management requires professional management to achieve optimal and sustainable results. Third, regulatory and coordination barriers remain, both at the central and regional levels, preventing optimal waqf utilization.

Referring to the endowment fund theory in public economics (Khoirunniswah et al., 2023), Waqf can be viewed as an endowment fund that, if managed effectively, can generate a sustainable flow of social benefits without eroding the principal. Therefore, the required strategy is to encourage the professionalization of Nazir (Islamic administrators), increase public literacy, and integrate productive Waqf into national development financing strategies (Tunai & Syariah, 2020).

#### *Management of Zakat, Infaq, and Waqf in Indonesia*

The management of Zakat, Infaq, and Waqf (ZISWAF) in Indonesia is developing quite complex dynamics involving various actors and institutions. Funding sources come from muzakki (zakat payers), wakif (waqf providers), and donors (infaq/alms contributors) (Hakim, 2021). The collected funds are then managed by formal institutions such as the National Zakat Agency (BAZNAS), the Zakat Agency (LAZ), the Indonesian Waqf Agency (BWI), as well as zakat management units under Islamic community organizations, Islamic boarding schools (pesantren), mosques, and sharia cooperatives such as the Baitul Maal wat Tamwil (BMT) (Azizah & Khanifa,

2021).

In general, ZISWAF funds are distributed primarily to fund ultra-micro businesses and community empowerment programs. Recipients include small business groups, Islamic boarding schools, mass organizations, small business associations, and those entitled to receive assistance (Saad et al., 2013). This distribution model demonstrates a shift from a charity-based approach to empowerment, moving from simply providing for consumption to creating economic independence (Syaikhu et al., 2021).

To strengthen ZISWAF governance, modern, professional, and globally standardized management is required. Current development efforts include:

1. Human Resource Development (HRD):

Through formal education, training, certification, and the establishment of a Professional Certification Institute (LSP) specifically for zakat collectors and waqf administrators. This aims to produce ZISWAF managers who possess both technical competence and moral integrity (Uluyol et al., 2021).

2. Research and Development (R&D):

Based on Halal Science and Islamic finance, research is directed at finding effective ZISWAF distribution models, waqf product innovations (e.g., sukuk waqf), and the integration of Islamic social funds into national development (Saiti et al., 2021).

3. Regulation and Standardization:

Drafting regulations based on standard fatwas issued by the Indonesian Ulema Council (MUI) and related institutions. In addition, Bank Indonesia (BI), the Ministry of Finance (Kemenkeu), the Ministry of Religious Affairs (Kemenag), and the Indonesian Board of Trustees (BWI) actively maintain transparency and governance of waqf funds through the implementation of the Waqf Core Principles (WCP), an international standard framework used to ensure accountable and sustainable waqf management (Syaikhu et al., 2021).

4. Branding and Socialization:

This method involves public promotions, community education, and waqf and zakat literacy campaigns. Branding is crucial for increasing public trust and expanding the donor base (Hanif & Zafar, 2020).

5. Digital Technology:

Several ZISWAF management institutions have begun adopting technologies such as big data, blockchain, the Internet of Things (IoT), and artificial intelligence (AI). This technology allows for increased transparency, strengthens fund traceability, and improves the efficiency of aid distribution. For example, digital Zakat and waqf applications are now integrated with online payment systems, facilitating wider community participation (Rosele et al., 2022).

6. Consumer Protection and Public Education:

Efforts to improve Islamic financial literacy are crucial to ensuring the public understands their rights and obligations as muzakki (recipients of Zakat), wakif (donors of Zakat), and mustahik (recipients of Zakat). Furthermore, consumer protection is implemented to ensure that disbursed funds are appropriately targeted, in accordance with Islamic principles and the public trust (Rosman et al., 2022).

The involvement of Bank Indonesia and the Ministry of Finance is also significant in developing innovative instruments such as Sukuk Waqf and other Islamic social financing instruments. These innovations play a dual role: expanding sources of development financing while strengthening the community's role in supporting social projects such as the construction of madrasas, hospitals, and Sharia-based financing for MSMEs (Paolo Pietro Biancone; Maha Radwan, 2019).

With a continuously evolving ecosystem, integrating human resources, research, regulation, branding, digital technology, and public education, ZISWAF management in Indonesia is expected to transcend its traditional role.

### *Challenges and Criticisms of ISF Management*

Despite the enormous potential of Islamic Social Finance (ISF) in Indonesia, its optimization still faces various structural and technical challenges. Some key issues frequently criticized in academic literature and practical reports are as follows:

1. Governance and Accountability

Issues of transparency and accountability in the collection and distribution of ISF funds

remain a major obstacle to increasing public trust. Independent audit reports on zakat and waqf institutions have not been fully published, making it difficult for the public to assess the effectiveness of fund distribution. According to research by Syauqi Beik & Arsyianti (2016), public perception of the professionalism of zakat collectors significantly influences the public's willingness to pay for Zakat through formal institutions rather than directly. Therefore, the implementation of international governance standards such as the Waqf Core Principles (WCP) and a sharia accounting system based on PSAK (Indonesian Accounting Standards) is urgent.

## 2. Sharia Financial Literacy and Inclusion

Public literacy regarding ISF is relatively low. Zakat, for example, is still perceived as merely an annual ritual obligation, not a strategic instrument for economic development. A 2022 OJK survey showed that the level of Islamic financial literacy in Indonesia only reached 9.1%, far below conventional financial literacy (49.6%). This condition impacts low public participation in utilizing zakat institutions, cash waqf, and other innovative instruments. Weak Islamic financial inclusion means that the national zakat potential, estimated at IDR 327 trillion (Zaenal et al., 2024), has only been realized at around IDR 32.3 trillion (10%).

## 3. Fragmentation and Weak Institutional Synergy

The coordination between Islamic Financial Fund (ISF) management institutions in Indonesia is still fragmented. BAZNAS, as a state institution, LAZ, as a civil society organization, BWI, as a waqf regulator, and the government and private sector often partially implement programs. This results in overlapping programs, a lack of data integration, and weak synchronization with national fiscal policy. A study by (Ascarya, 2021) emphasized the importance of integration between Islamic commercial finance and Islamic social finance to create inclusive economic development. Without institutional integration, the potential of Islamic Social Finance (ISF) will be difficult to optimally mobilize.

## 4. Digitalization and Technological Risks

Digital transformation in ISF management, such as zakat fintech, Islamic crowdfunding platforms, and cash waqf applications, has expanded public access to contributions. However, digitalization also presents new risks, including:

1. Fraud and misuse of funds through unofficial platforms.
2. Sharia non-compliance, for example, in payment or distribution mechanisms.
3. Data security of zakat payers and waqif payers, which is vulnerable to hacking if a strong oversight system is not in place.

Regulations from the Financial Services Authority (OJK), Bank Indonesia, and the Ministry of Religious Affairs are essential to ensure that the development of Islamic fintech is in line with Sharia principles while protecting consumers.

## CONCLUSION

Islamic Social Finance (ISF), which encompasses Zakat, infaq/sedah, and Waqf, has been empirically and theoretically proven to be a powerful and strategic instrument for promoting inclusive development in Indonesia. Numerous studies have shown that ISF functions not only as a social safety net but also as an effective wealth redistribution mechanism to reduce inequality. Zakat, for example, is normatively designed to purify the wealth of those who receive Zakat while meeting the basic needs of those who mustahik. Infaq and sedekah provide flexibility in responding to more contextual needs, while Waqf provides a sustainable financing basis through the management of productive assets. If optimized, these three instruments can accelerate poverty alleviation, narrow economic disparities, and create more just and equitable growth.

However, the vast potential of ISF in Indonesia has not been fully mobilized. The national zakat potential is estimated at IDR 327 trillion, but the actual collection in 2023 was only around IDR 32.3 trillion, or 10% of the total potential (BAZNAS, 2023). This data indicates a wide gap between the ISF's fiscal potential and its actual management capacity. This low realization is due to several factors, including minimal Islamic financial literacy, weak institutional governance, and limited innovation in developing ISF products that meet the needs of modern society. Therefore, optimizing the ISF requires a comprehensive strategy, ranging from strengthening regulations and institutional synchronization to utilizing digital technology.

Furthermore, a paradigm shift is needed in the management of the ISF, from a charitable-consumptive approach to an empowering-productive-sustainable approach. To date, the distribution of zakat and infaq funds has been predominantly in the form of direct assistance

(consumptive charity) with only a short-term impact. For the ISF to truly function as a development instrument, distribution programs must be directed at breaking the cycle of chronic poverty. Models such as Santripreneur, ZMart, and ZChicken implemented by BAZNAS demonstrate that productive Zakat can transform recipients of Zakat into independent entrepreneurs, even enabling them to become muzakki (recipients of Zakat) in the long term.

Ultimately, integrating the ISF into national fiscal and development policies is no longer an option, but a necessity. The Islamic Social Finance (ISF) must be positioned as a complementary policy that synergizes with the State Budget (APBN) and Regional Budgets (APBD), particularly in supporting the achievement of the Sustainable Development Goals (SDGs) and realizing the vision of Golden Indonesia 2045. By mobilizing the ISF's substantial fiscal potential, strengthened by transparent governance and innovative empowerment programs, Indonesia has a significant opportunity to escape the middle-income trap and achieve developed country status with inclusive and equitable growth.

## REFERENCES

- Adinugraha, H. H., Shulhoni, M., & Achmad, D. (2023). Islamic social finance in Indonesia: Opportunities, challenges, and its role in empowering society. *Review of Islamic Social Finance and Entrepreneurship*. <https://doi.org/10.20885/risfe.vol2.iss1.art4>
- Ascarya, A. (n.d.). *Integrasi Keuangan Komersial dan Sosial Islam untuk Meningkatkan Stabilitas Sistem Keuangan dan Pembangunan Sosial-Ekonomi*. <https://doi.org/10.13140/RG.2.2.24410.75201>
- Ascarya, A. (2022). The role of Islamic social finance during Covid-19 pandemic in Indonesia's economic recovery. *International Journal of Islamic and Middle Eastern Finance and Management*, 15(2). <https://doi.org/10.1108/IMEFM-07-2020-0351>
- Ayuniyyah, Q., Pramanik, A. H., Saad, N. Md., & Ariffin, M. I. (2018). Zakat For Poverty Alleviation And Income Inequality Reduction: West Java, Indonesia. *Journal of Islamic Monetary Economics and Finance*, 4(1), 85–100. <https://doi.org/10.21098/jimf.v4i1.767>
- Azhar, Z., Mydin, M. K. K., & Pitchay, A. A. (2023). Zakat Distribution Priorities in Malaysia: An Analytic Hierarchy Process Analysis. *Asian Journal of Business and Accounting*, 16(1). <https://doi.org/10.22452/ajba.vol16no1.3>
- Azizah, N., & Khanifa, N. K. (2021). Konsep Cash Waqaf Linked Sukuk Ritel: Kajian Maqâsidi Syari'ah. *Syariat : Jurnal Studi Al-Qur'an Dan Hukum*, 7(2). <https://doi.org/10.32699/syariat.v7i2.1999>
- Badan Amil Zakat Nasional (BAZNAS). (2023). *Laporan pengelolaan zakat nasional 2023*. Jakarta: BAZNAS.
- Badan Pusat Statistik (BPS). (2023). *Profil kemiskinan di Indonesia Maret 2023 (Berita Resmi Statistik No. 46/07/Th. XXVI)*. Jakarta: BPS.
- Bank Indonesia. (2021). *Waqf core principles: Penguatan tata kelola wakaf di Indonesia*. Jakarta: BI Institute.
- Dartanto, T., Moeis, F. R., & Otsubo, S. (2020). Intragenerational Economic Mobility in Indonesia: A Transition from Poverty to the Middle Class in 1993–2014. *Bulletin of Indonesian Economic Studies*, 56(2), 193–224. <https://doi.org/10.1080/00074918.2019.1657795>
- Faruque, Abdullah Al;Habibullah, Mohammad; Atiullah, Md; Afrose, Rounak; Abdullah, Fawzia (2023). The Impact of Islamic Social Finance on Sustainable Development Goals to Alleviate Poverty in Muslim Countries: A New Paradigm for Zakat Organizations in Bangladesh. *International Journal For Multidisciplinary Research*, 5(4). <https://doi.org/10.36948/ijfmr.2023.v05i04.5707>
- Febriandika, N. R., Kusuma, D. G., & Yayuli. (2023). Zakat compliance behavior in formal zakat institutions: An integration model of religiosity, trust, credibility, and accountability. *International Journal of Advanced and Applied Sciences*, 10(6). <https://doi.org/10.21833/ijaas.2023.06.022>
- Hakim, M. L. (2021). Fleksibilitas Waqaf Sebagai Solusi Kesejahteraan Ekonomi. *Dinar: Jurnal Prodi Ekonomi Syariah*, 4(2).
- Hamzah, H., & Yudiawan, A. (2023). The contribution of infaq funds to socio-economic resilience during COVID-19 pandemic: An Islamic economics insight from Indonesia. *HTS Theologiese Studies / Theological Studies*, 79(1). <https://doi.org/10.4102/HTS.V79I1.8213>

- Hanif, M., & Zafar, K. (2020). Developments in Islamic finance literature: Evidence from specialized journals. *Journal of King Abdulaziz University, Islamic Economics*, 33(2). <https://doi.org/10.4197/Islec.33-2.1>
- Hermawan Adinugraha, H., Shulhoni, M., & Achmad, udin. (2023). *Islamic social finance in Indonesia: Opportunities, challenges, and its role in empowering society*. <https://doi.org/10.20885/RISFE>
- Hermawan, S., & Rini, R. W. (2018). Pengelolaan Dana Zakat, Infaq, dan Shadaqah Perspektif Syariah Enterprise Theory. *Riset Akuntansi Dan Keuangan Indonesia*, 1(1). <https://doi.org/10.23917/reaksi.v1i1.1974>
- Iskandar, A., Possumah, B. T., Aqbar, K., & Yunta, A. H. D. (2021). Islamic Philanthropy and Poverty Reduction in Indonesia: The Role of Integrated Islamic Social and Commercial Finance Institutions. *Al-Ihkam: Jurnal Hukum Dan Pranata Sosial*, 16(2). <https://doi.org/10.19105/AL-LHKAM.V16I2.5026>
- Jihadi, M., Vilantika, E., Widagdo, B., Sholichah, F., & Bachtiar, Y. (2021). Islamic social reporting on value of the firm: Evidence from Indonesia Sharia Stock Index. *Cogent Business and Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1920116>
- Kahf, M. (1999). The performance of the institution of zakah in theory and practice. *International Conference on Islamic Economics Towards the 21st Century*, 1–40.
- Khoirunniswah, Q., Meylianingrum, K., & Mounadil, A. (2023). Distribution of Zakat, Infaq, and Shadaqa Funds to Poverty in Indonesia. *Maliki Islamic Economics Journal*, 3(1). <https://doi.org/10.18860/miec.v3i1.21690>
- Mawardi, I., Widiastuti, T., Al Mustofa, M. U., & Hakimi, F. (2023). Analyzing the impact of productive zakat on the welfare of zakat recipients. *Journal of Islamic Accounting and Business Research*, 14(1). <https://doi.org/10.1108/JIABR-05-2021-0145>
- Odeduntan, A. K., Oni, T. A., & Odeduntan, A. K. (2016). Islamic Social Finance: A sustainable Means of Alleviating Poverty. *Journal of Islamic Banking and Finance*, 33(3).
- Owoyemi, M. Y. (2020). Zakat management: The crisis of confidence in zakat agencies and the legality of giving zakat directly to the poor. *Journal of Islamic Accounting and Business Research*, 11(2). <https://doi.org/10.1108/JIABR-07-2017-0097>
- Paolo Pietro Biancone; Maha Radwan. (2019). Social Finance and Financing Social Enterprises: An Islamic Finance Prospective. *European Journal of Islamic Finance*. <https://doi.org/http://dx.doi.org/10.13135/2421-2172/3176>
- Purbasari, L. T., Sukmana, R., & Ratnasari, R. T. (2020). Efektivitas Zakat, Infaq dan Shodaqoh Dalam Mengentaskan Kemiskinan di Indonesia: Menggunakan Teknik Basic Needs Deficiency Index. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(2). <https://doi.org/10.20473/vol7iss20202pp222-233>
- Rosele, M. I., Muneem, A., Rahman, N. N. B. A., & Ali, A. K. (2022). The Digitalized Zakat Management System in Malaysia and the Way Forward. *Al-Ihkam: Jurnal Hukum Dan Pranata Sosial*, 17(1). <https://doi.org/10.19105/AL-LHKAM.V17I1.5365>
- Rosman, R., Redzuan, N. H., Mokhtar, N. Z. N., Engku Ali, E. R. A., & Mohammed, M. O. (2022). Islamic Social Finance and Sustainable Development Goals: Issues and Challenges. *Journal of Islamic Finance*, 11(2). <https://doi.org/10.31436/jif.v11i2.690>
- Saad, N. M., Kassim, S., & Hamid, Z. (2013). Involvement of Corporate Entities in Waqaf Management: Experiences of Malaysia and Singapore. *Asian Economic and Financial Review*, 3(July).
- Saiti, B., Dembele, A., & Bulut, M. (2021). The global cash waqf: a tool against poverty in Muslim countries. *Qualitative Research in Financial Markets*, 13(3). <https://doi.org/10.1108/QRFM-05-2020-0085>
- Sari, D. F., Beik, I. S., & Rindayati, W. (n.d.). Investigating the Impact of Zakat on Poverty Alleviation: A Case from West Sumatra, Indonesia. In *International Journal of Zakat* (Vol. 4, Issue 2).
- Sawmar, A. A., & Mohammed, M. O. (2021). Enhancing zakat compliance through good governance: a conceptual framework. *ISRA International Journal of Islamic Finance*, 13(1). <https://doi.org/10.1108/IJIF-10-2018-0116>
- Shabbir, M. S., Kassim, N. M., Faisal, M., Abbas, M., & Sabti, Y. M. (2018). Poverty reduction through Islamic modes of finance; The way forward. *Journal of Social Sciences Research*, 2018(Special Issue 4). <https://doi.org/10.32861/jssr.spi4.58.65>

- Shaikh, S. A. (2017). Poverty alleviation through financing microenterprises with equity finance. *Journal of Islamic Accounting and Business Research*, 8(1). <https://doi.org/10.1108/JIABR-07-2013-0022>
- Siswanto, S. (2022). Can the integration between Islamic social finance and Islamic commercial finance tackle poverty in Indonesia? *Jurnal Ekonomi & Keuangan Islam*. <https://doi.org/10.20885/jeki.vol8.iss2.art7>
- Syaikh, Norwili, Maimunah, & Wahyunita, L. (2021). The Empowerment of Infaq and Waqf Evaluation in light of Maqasid al-Sharia Perspective in Mosques in Palangka Raya, Indonesia. *Samarah*, 5(2). <https://doi.org/10.22373/sjkh.v5i2.8997>
- Syauqi Beik, I., & Arsyianti, L. D. (2016). Measuring Zakat Impact on Poverty and Welfare Using Cibest Model. In *Journal of Islamic Monetary Economics and Finance* (Vol. 1, Issue 2).
- Tuan Mahmood, T. M. A., Mohd Din, N., Al Mamun, A., & Ibrahim, M. D. (2021). Issues And Challenges Of Zakat Institutions Achieving Maqasid Syariah In Malaysia. *AZKA International Journal of Zakat & Social Finance*, 119–137. <https://doi.org/10.51377/azjaf.vol2no1.46>
- Tunai, P. W., & Syariah, L. K. (2020). Pengelolaan Waqaf Tunai di Lembaga Keuangan Syariah. *Jurnal Prodi Ekonomi Syaria'ah*, 3(2).
- Uluyol, B., Secinaro, S., Calandra, D., & Lanzalonga, F. (2021). Mapping waqf research: a thirty-year bibliometric analysis. *Journal of Islamic Accounting and Business Research*, 12(5). <https://doi.org/10.1108/JIABR-01-2021-0031>
- Zaenal, M. H., Hartono, N., Farchatunnisa, H., Anggraini, D., Burhanudin, S. M., Sakinah, M., Adibah, N., & Syafiqah, F. (2024). Laporan Zakat Dan Pengentasan Kemiskinan Baznas Ri 2023. *Pusat Kajian Strategis – Badan Amil Zakat Nasional (Puskas BAZNAS)*, 5.