Research Paper

Islamic Social Finance and Endogenous Growth: The Contribution of Zakat and Waqf to Poverty Alleviation in Indonesia

Siti Aminah Najmudin*, Sayyid Shadiq, Yogi Kurniawan
UIN Syarif Hidayatullah Jakarta, Indonesia

Received: January 23, 2026	Revised: June 10, 2026	Accepted: July 10, 2026	Online: July 30, 2026

Abstract

In Indonesia, Islamic social finance, anchored by the instruments of zakat and waqf, plays a crucial role in poverty alleviation and the promotion of inclusive growth. Despite this, its full potential as a driver of long-term development remains underexplored, particularly its connection to endogenous growth theory, which emphasizes the strengthening of human capital and social institutions. This study, therefore, seeks to bridge this conceptual gap by analyzing the contributions of zakat and waqf through this theoretical framework. Employing a qualitative approach, this study analyzes secondary data from authoritative institutions, including BAZNAS, the Ministry of Religious Affairs, and BPS, using thematic content analysis. The findings reveal the dual function of these instruments: Zakat effectively addresses immediate consumption needs and provides microfinance support, while waqf focuses on creating productive assets for long-term welfare. Furthermore, our results underscore that the adoption of digital technology has been a critical catalyst, enhancing transparency, efficiency, and outreach. The primary contribution of this research is its positioning of Islamic philanthropy within the framework of modern economic growth theory, highlighting its relevance to achieving the Sustainable Development Goals (SDGs). It is acknowledged, however, that the study's reliance on secondary qualitative data limits the ability to measure quantitative impacts at the micro-level.

Keywords: *Endogenous Growth, Islamic Social Finance, Poverty Alleviation, Waqf, Zakat*

INTRODUCTION

As home to the world's largest Muslim population, Indonesia holds immense potential for Islamic Social Finance (ISF). Its two primary instruments, Zakat and Waqf, have theoretical potential to drive national development, with their combined potential estimated to exceed IDR 500 trillion annually, including IDR 327 trillion from Zakat (Zaenal, 2023) and IDR 181 trillion from productive waqf (Murtado, 2025).

However, there is a large gap between this potential and what is collected. The Chairman of BAZNAS RI, Prof. Dr. KH. Noor Achmad MA, explained this at the 2024 Zakat Wakaf Impact Forum. He stated that out of a potential IDR 327 trillion in Zakat, only IDR 41 trillion is collected through formal institutions (BAZNAS Kota Cirebon, 2024b). A similar issue is seen with waqf, where only 9-10% of total assets are productively managed to generate sustainable returns (Effendi, 2025). This gap is a significant problem, especially because poverty remains a major challenge in the country. As of March 2025, the Central Statistics Agency (BPS) reported that 23.85 million people in Indonesia still live in poverty.

Corresponding author's email: siti_aminah23@mhs.uinjkt.ac.id

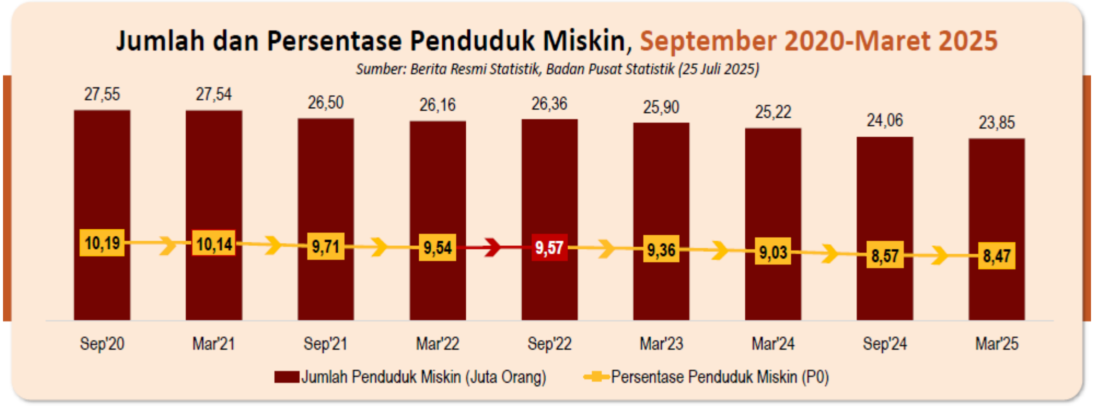

Figure 1. Number and Percentage of the Poor Population, Sep 2020–Mar 2025

Traditionally, Zakat and Waqf have focused primarily on short-term poverty relief or on fulfilling religious duty (Ulum & Aziz, 2025). Although some recent studies confirm their positive long-term impact on the economy (Sudrajat, 2023; Siswantoro & Ikhwan, 2023), a key connection is often overlooked. There has been little discussion linking these Islamic social finance tools to modern economic frameworks, particularly Endogenous Growth Theory (EGT). This theory is crucial because it argues that long-term economic growth isn't driven by external factors but by internal factors such as human capital, innovation, and strong institutions (Risyad et al., 2025).

This research addresses that specific gap. We analyze how Zakat and waqf contribute to sustainable development through the lens of Endogenous Growth Theory. The core argument of this paper is that Islamic social finance is more than a social safety net. Instead, it can be a strategic mechanism for building these internal drivers, thereby creating a foundation for Indonesia's independent and sustainable economic growth.

LITERATURE REVIEW

Connecting Islamic Social Finance with Modern Economic Growth Theory

This section connects the principles of Islamic social finance (Zakat and waqf) to Endogenous Growth Theory, a central framework in development economics.

1. Understanding Islamic Social Finance (ISF)

Essentially, Islamic social finance is a philanthropic system in Islam grounded in the principles of justice, wealth redistribution, and social welfare (Widiastuti et al., 2022). It has two primary instruments: Zakat and waqf. Zakat is the mandatory allocation of a portion of a capable Muslim's wealth, distributed to specific categories of people in need (asnaf). Its goal is to purify wealth and reduce economic inequality (Suryani & Fitriani, 2022). Waqf is the donation of an asset (such as land or a building) that is managed productively. The original asset is preserved forever, while its benefits are continuously used for the public good, such as funding education or healthcare (Ascarya et al., 2022).

These instruments operate within the higher objective's principles (maqashid al-Shariah), which include the protection of faith, life, intellect, family, and property. In an economic context, the aim is to achieve welfare, ensure the circulation of wealth, and promote social justice (Widiastuti et al., 2022; Rohim & Yetty, 2025).

2. Understanding Endogenous Growth Theory (EGT)

Endogenous Growth Theory (EGT), pioneered by economists such as Paul Romer, revolutionized the understanding of economic development. While older models treated technological progress as an external factor (something that just happens), EGT argues that long-term economic growth is driven by internal factors within the economic system itself (Ledhem & Moussaoui, 2024). The theory identifies three main internal drivers: Human Capital, the accumulated knowledge, skills, and health of a population, which boost productivity and innovation (Risyad et al., 2025); Innovation and knowledge, investment in research and development (R&D) that creates new technologies and ideas (Risyad et al., 2025); and Social and Institutional Capital, the quality of institutions, trust, and social networks that reduce transaction costs and facilitate economic cooperation (Widiastuti et al., 2022).

3. The Link Between ISF and Endogenous Growth

This research argues that Islamic social finance can be a powerful tool for fostering these three internal drivers.

a. ISF Builds Human Capital. Zakat and waqf funds are directly invested in people through education scholarships and healthcare services for the poor (Widiastuti et al., 2022). Structurally, productive waqf has funded major educational and health institutions, such as the Islamic University of Indonesia and the Achmad Wardi Eye Hospital, making quality services accessible and directly improving human capital.
b. ISF Catalyzes Innovation and Entrepreneurship. Productive zakat can serve as a form of "social venture capital" by providing interest-free seed funding for micro, small, and medium-sized enterprises (MSMEs). Productive waqf assets, such as agricultural land or commercial properties, can also create an economic ecosystem that supports entrepreneurial activities (Ascarya et al., 2022).

ISF Strengthens Social and Institutional Capital. Zakat and waqf management bodies, such as BAZNAS and BWI, are fundamental civil society institutions. They operate on public trust and strengthen social solidarity. Efforts to improve their transparency and accountability, especially through digitalization, contribute to stronger governance and overall social capital, which is crucial for economic growth (Adinugraha et al., 2024; Aini et al., 2025).

RESEARCH METHOD

To address the research question and build a conceptual bridge between Islamic social finance and Endogenous Growth Theory - a relatively unexplored area (Apriantoro et al., 2023) - this study adopts a qualitative approach. This choice was guided by the need for an in-depth exploration of an emerging theoretical framework, consistent with common practice in Islamic social finance studies (Hasan & Syahruddin, 2022; Musa et al., 2022).

The foundation of our analysis is built on secondary data drawn from a range of authoritative documents and publications spanning the 2020-2025 period. These sources include:

a. Institutional reports: Annual and performance reports from the National Amil Zakat Agency (BAZNAS), the Indonesian Waqf Board (BWI), and the Ministry of Religious Affairs.
b. Government Statistics: Data on poverty and human development indicators released by the Central Statistics Agency.
c. Academic Literature: Articles from reputable journals (indexed in Scopus, Sinta, and other databases) published between 2019 and 2025 to ensure the analysis is current and relevant (Apriantoro et al., 2023).

Using thematic content analysis (Kogen, 2024), we meticulously sifted through the collected data. This involved classifying and coding information according to the key themes central to our inquiry: (1) the role of zakat in addressing short-term needs, (2) the contribution of waqf to long-term asset development, (3) the impact of digitalization, and (4) the manifestation of endogenous growth's human dimension (human capital, innovation, and institutions). This analytical process allowed us to discern key patterns, relationships, and empirical evidence to substantiate the theoretical arguments advanced in this paper.

FINDINGS AND DISCUSSION

Findings

This analysis presents comprehensive empirical findings on the performance of Indonesia's Islamic social finance sector from 2020 to 2023. Drawing on data from authoritative institutions such as the National Zakat Agency (BAZNAS) and the Indonesian Waqf Board (BWI), this section establishes a factual foundation for future theoretical discussions. The data is presented systematically, beginning with the scale and allocation of zakat funds, followed by an evaluation of the waqf sector's performance and governance, and concluding with an examination of innovation as a key catalyst.

1. Analysis of the Zakat Sector

The zakat sector in Indonesia presents a paradox: tremendous potential on the one hand and the reality that it still falls far short of that potential on the other. An in-depth analysis of collection and distribution data reveals structural challenges and strategic priorities within the national zakat ecosystem.

a. Disparities in Zakat Collection

To understand Zakat's role in the national economy, the first step is to measure the gap between theoretical potential and actual collection. Data indicate that Indonesia's zakat potential is estimated at IDR 327 trillion. However, funds collected through formal institutions totaled only IDR 41 trillion (BAZNAS, 2023; BAZNAS Kota Cirebon, 2024a). This represents a collection gap of more than 87%, a fundamental finding that frames the entire analysis. This massive gap cannot be explained solely by economic factors. Given that zakat is a religious obligation, muzakki (zakat payers) may be reluctant to channel their funds through formal institutions, which may suggest deeper issues. This may reflect a deficit of public trust in formal zakat institutions, perceptions of inefficiency in the distribution process, or a lack of effective literacy and socialization efforts within the community. Thus, this collection gap serves as a proxy not only for financial performance but also for the health of governance, trust levels, and public perceptions of the national zakat ecosystem.

b. Allocation of Zakat Funds

An analysis of BAZNAS' audited 2020 financial statements provides a granular picture of funding allocation priorities. As shown in Table 1, the primary focus of zakat fund distribution is direct poverty alleviation.

Table 1. Realization and Allocation of BAZNAS Zakat Funds (2020)

Distribution Category	Amount (IDR)	Percentage of Total Distribution
The Poor	205,683,779,640	70.90
Amil	37,747,432,003	13.01
Fisabilillah	42,831,520,603	14.76
Converts	2,284,345,008	0.79
Debtors	748,596,899	0.26%
Ibnu Sabil	29,987,691	0.01%

Others	815,791,441	0.28
Total Disbursement	**290,141,453,285**	**100.00%**

Source: BAZNAS Financial Report 2020

The data show that the largest allocation, amounting to IDR 205.68 billion or 70.90% of the total distribution, was directed to the poor group. The next significant allocation was for the Fisabilillah category, which received IDR 42.83 billion or 14.76% of the total funds distributed (Badan Amil Zakat Nasional (BAZNAS, 2021). This allocation for Fisabilillah has important implications when linked to Endogenous Growth Theory (EGT). Traditionally, Fisabilillah is interpreted as 'in the way of Allah', often associated with struggle or da'wah. However, the contemporary interpretation adopted by modern Zakat institutions has expanded this category to include funding for education (scholarships, school operational assistance) and the health sector. EGT identifies human capital, which includes knowledge, skills, and health, as one of the main internal drivers of long-term economic growth (Liberto, 2025). Therefore, funds allocated for Fisabilillah cannot be viewed merely as social spending but rather as a latent investment that directly contributes to increasing the national stock of human capital.

c. Distribution Model

The large allocation of funds to the Poor category indicates the dominance of the consumptive zakat model. This model aims to meet beneficiaries' basic needs directly and temporarily, such as food or monthly cash assistance. Although this model is crucial for maintaining social stability and a safety net, its direct impact on long-term economic growth is relatively limited. This contrasts with the productive zakat model, which focuses on the economic empowerment of mustahik (zakat recipients) through the distribution of business capital, work equipment, and skills training. This productive model directly increases individuals' production capacity, transforming them from aid recipients into independent economic agents and, potentially, into muzakki in the future. The fundamental difference between these two models helps explain the sometimes paradoxical findings in the literature, where zakat has been shown to be effective in reducing poverty yet shows a weak correlation with aggregate economic growth.

2. Analysis of the Waqf Sector

Unlike Zakat, which is a flow of funds, Waqf functions as a permanent stock of capital. Analysis of the performance of the waqf sector in Indonesia, as measured by the National Waqf Index (IWN), indicates a significant trend toward institutional maturity.

a. National Waqf Index Trends (2021–2023).

The performance of the waqf sector can be analyzed longitudinally using the IWN, a composite index that measures various dimensions of waqf, from regulation to social impact. The data show consistent and significant improvement over the last three years, as summarized in Table 2.

Table 2. Trends in IWN Performance and Factor Contributions (2021-2023)

Year	National IWN Value	Category	Primary Contributor 1	Primary Contributor 2	Primary Contributor 3
2021	0.139	Less	-	-	-
2022	0.274	Sufficient	-	-	-
2023	0.301	Good	Institution (34.22%)	System (22.92%)	Regulatory (22.26%)

Source: IWN Reports (2021–2023) BWI Reports (2022-2023)

The national IWN score shows a clear positive trajectory, moving from the 'Poor' category in 2021 (0.139) to the "Fair" category in 2022 (0.274) and finally to the 'Good' category in 2023 (0.301) (IWN, 2022; BWI, 2023). The significant improvement in 2022 was largely due to more complete questionnaire responses from all 34 provinces, compared with previous years, when participation was much lower (BWI, 2023).

More important than a higher score is understanding the underlying drivers. The 2023 IWN report explicitly details the contribution of each factor in the index. It shows that the three main drivers behind the score of 0.301 were Institutional Factors (34.22%), System Factors (22.92%), and Regulatory Factors (22.26%) (BWI, 2023). These factors collectively assess governance, including the quality of nazhir (waqf manager) management, asset legality through certification, sharia compliance, reporting transparency, and government support. In contrast, factors directly related to collection (Process) and productive outcomes (Outcome) contribute much less. This indicates that the endowment sector's performance growth during this period was driven more by institutional maturation and improved governance than by an increase in the volume of endowment assets. This maturation is a fundamental prerequisite for attracting endowments on a larger scale and maximizing their economic impact.

b. **The Contribution of Waqf to Social Infrastructure**

The "Impact Factor" in IWN provides quantitative data on the role of waqf in the formation of social capital (social overhead capital). This factor measures waqf's contribution to the availability of essential social infrastructure, such as mosques, schools, and hospitals, and its impact on human development through the Modified Human Development Index (HDI) component (BWI, 2023). The measurement is carried out by calculating the ratio of waqf-based infrastructure (e.g., the number of waqf schools compared to the total number of schools) and its service capacity (e.g., the number of students in waqf schools) (BWI, 2023). This data provides strong empirical evidence linking waqf activities directly to the creation of physical and social capital essential for endogenous growth.

c. **The Scale of Land Waqf Assets and Certification Challenges**

Beyond the performance metrics measured by IWN, the scale of physical waqf assets, particularly land, indicates untapped potential. Data from the Ministry of Religious Affairs for 2022 shows that the total registered waqf land comprises 435,821 locations with a total area of 57,263 hectares. However, this data also highlights a significant governance challenge, namely the slow certification process. As of 2024, certification has been achieved for only 13,562 locations, or 1,300 hectares. This figure shows that most waqf land assets in Indonesia remain vulnerable to legal disputes and lack strong legal status, a key prerequisite for productive asset development (Kemenag, 2024).

3. Innovation and Digitalization as Catalysts for Growth

In addition to governance improvements, the Islamic social finance sector in Indonesia is driven by product innovation and the adoption of digital technologies.

a. **The emergence of Cash Waqaf Linked Sukuk (CWLS)**

A significant innovation in mobilizing waqf funds is the use of capital market instruments. The introduction of Cash Waqf Linked Sukuk (CWLS) has created a new asset class that integrates Islamic philanthropy with State Sharia Securities (SBSN) instruments. As of August 2023, 10 series of CWLS have been issued, raising IDR 840.7 billion (BWI, 2023). Notably, most of these funds, amounting to IDR 679.8 billion, came from the endowment funds of universities such as the Sepuluh Nopember Institute of Technology (ITS), Bogor Agricultural

University (IPB), and Telkom University (BWI, 2023). This trend marks a new pattern of institutional participation in Waqf, indicating greater trust and financial sophistication.

b. Digital Transformation

The launch of the "Satu Wakaf Indonesia" digital platform, a joint initiative between BWI and Bank Indonesia, marks an important milestone in the digitization of the national waqf sector (BWI, 2023). This step is crucial for increasing transparency, expanding access to a broader donor base (wakif), and improving the efficiency of fund collection and management. The adoption of digital technology directly addresses the collection gaps and trust deficits identified earlier, serving as a catalyst for optimizing the potential of Islamic social finance.

c. Growth in Cash Waqf Collection

Alongside product innovations such as CWLS and digitalization, cash waqf collection shows a strong growth trend. Cumulative data indicate an increase in collection value from IDR 0.855 trillion in 2021 to IDR 1.4 trillion in 2022, and it continues to rise to IDR 2.23 trillion as of October 2023. Projections through November 2024 even indicate that this figure could reach IDR 2.9 trillion. This positive trend indicates an increase in public awareness and trust in waqf through more flexible cash instruments (DetikHikmah, 2024).

d. Human Development Index (HDI) Trends

To contextualize the contribution of Islamic social finance to development, it is important to examine trends in the national Human Development Index (HDI). The HDI is a composite indicator that measures achievements in three basic dimensions: long and healthy life, knowledge, and decent living standards. Data from the Central Statistics Agency (BPS) show a consistent upward trend in the HDI over the period of analysis.

Table 3. Trends in Indonesia's Human Development Index (HDI) (2020-2024)

Year	Human Development Index (HDI)	Growth (%)
2020	71.81	0.00
2021	72.29	0.67%
2022	72.91	0.86%
2023	73.45	0.74%
2024	74.02	0.78%

Source: Compiled from data from the Central Statistics Agency (BPS)

The steady increase in HDI, even during the post-pandemic recovery period, indicates fundamental improvements in the quality of life for Indonesians. This trend creates a conducive macro environment in which instruments such as zakat and waqf can play a more effective role, not only as a social safety net but also as an accelerator for further human capital improvement (Badan Pusat Statistik, 2024).

Discussion

This section shifts from presenting data to theoretical interpretation, aiming to construct a logical argument supported by empirical findings. This analysis will outline the specific mechanisms through which zakat and waqf function as endogenous drivers of growth, consistent with the Endogenous Growth Theory (EGT) framework.

1. Zakat as Human Capital Investment and Aggregate Demand Driver

The function of zakat goes beyond mere philanthropy or a social safety net; it operates as a mechanism for direct investment in human capital and as a stimulator of the microeconomy.

a. Zakat as an Investment in Human Capital

Zakat effectively functions as an investment in the economy's productive foundation: its human resources. The allocation of consumptive zakat funds, which dominates BAZNAS distribution (BAZNAS, 2022), by providing basic needs such as food and clothing, directly improves the health, nutrition, and stability of the poorest households. This improvement in basic conditions is a prerequisite for productive participation in the labor market. Meanwhile, the productive zakat model goes further by explicitly equipping beneficiaries with working capital, equipment, and skills training (Fiveable, 2025). This process directly increases individual productive capacity. Both models, implicitly and explicitly, contribute to the accumulation of human capital. This is very much in line with EGT, which emphasizes that human capital is a factor of production that does not experience diminishing returns and can generate increasing returns in the long run. The allocation of Fisabilillah funds for education and health programs further strengthens the direct relationship between Zakat distribution and human capital formation (BAZNAS, 2022).

b. Stimulating the Microeconomy

The distribution of zakat, especially to low-income groups, creates a bottom-up stimulus to aggregate demand. Poor households have a very high marginal propensity to consume, so almost all the aid they receive is immediately spent on goods and services. This spending mostly flows to local micro, small, and medium enterprises (MSMEs), creating a multiplier effect at the community level (Liberto, 2025). This mechanism triggers a virtuous cycle: the distribution of zakat increases demand, which drives MSME activity, which in turn creates jobs and increases income. This increase in national income will increase the potential for future zakat collection, which, when redistributed, will trigger further growth (Liberto, 2025).

2. Waqf as a Long-Term Social Capital Builder (Social Overhead Capital)

If zakat is a flow of funds focused on human capital, then waqf is a mechanism for building a permanent stock of physical and social capital.

a. Creating Lasting Productive Assets

A defining feature of waqf is the perpetual status of its principal assets. Sharia principles prohibit the sale or transfer of waqf principal assets, ensuring their permanence. When these assets, such as land or buildings, are managed productively, they generate a sustainable flow of benefits and income for the community. The construction of hospitals, schools, or commercial centers on waqf land is a concrete example of capital accumulation, which lies at the heart of all economic growth models (Fiveable, 2025).

b. Reducing the Burden on the Government and Encouraging Private Investment

By providing essential social infrastructure, such as education and health facilities, the waqf sector directly reduces the state's fiscal burden. This frees public resources for other critical sectors that philanthropy cannot fully address. Moreover, well-managed waqf projects can attract private investment (crowding-in effect). For example, developing waqf-based universities can stimulate growth in supporting businesses in the surrounding area, such as housing, retail, and services. The waqf's role as a provider of "social capital" creates positive externalities whose benefits spread throughout the economy, a key feature of the endogenous growth model (Liberto, 2025).

3. Synergy of Instruments and Structural Challenges in Impact Optimization

Separate analyses of zakat and waqf reveal each's potential. However, the greatest transformative power of Islamic social finance lies in the synergy between them.

Table 4. Comparison of Islamic Social Finance Distribution Models and Their Relationship with Endogenous Growth Theory (EGT)

Criteria	Consumptive Zakat	Productive Zakat	Productive Waqf
Objective	To meet temporary basic needs	Creating economic independence	Creating sustainable assets and benefits
Mechanism	Cash/goods transfers	Business capital, training, equipment	Asset investment to generate income

Short-term impact	Increased consumption, social stability	Increased micro-production capacity	Physical infrastructure development
Long-term impact	Limited, potential dependency	Sustainable, transforming *recipients* into *donors*	Permanent, permanent flow of benefits
Variable EGT Influenced	Human Capital (Health & Stability)	Human Capital (Skills), Micro Innovation	Physical Capital, Social Capital, Knowledge

Source: Conceptual synthesis from (BAZNAS, 2021; BWI, 2023)

a. The Complementary Role of Zakat and Waqf

Table 4 above illustrates the strong synergy between zakat and waqf. Zakat serves as a short- to medium-term instrument that addresses urgent needs, stabilizes consumption, and provides start-up capital for micro-entrepreneurship, with a primary focus on investing in human capital. By contrast, waqf is a long-term instrument that builds the physical and institutional foundations for growth, with a focus on investments in physical and social capital. When coordinated, the two form a comprehensive Islamic social finance strategy capable of addressing both short-term welfare and long-term structural development.

b. Overcoming Endogenous Constraints

This discussion would be incomplete without acknowledging the internal obstacles that hinder Islamic social finance from reaching its full potential as an endogenous growth engine. Based on empirical findings, the main obstacles are:

Trust and Efficiency Deficit: This is evident in the gap in zakat collection, which exceeds 87% (BAZNAS, 2023).

Gap in Governance and Professionalism: This is reflected in the IWN score, which has historically been in the “Poor” category, and in slow progress on factors outside regulation and institutions (IWN, 2022).

Imbalance between Consumptive and Productive Models: The dominance of consumptive zakat distribution (BAZNAS, 2022) limits its direct contribution to long-term productive capacity building.

Overcoming these “endogenous constraints” is essential to unlocking the full potential of Islamic social finance as an engine of inclusive and sustainable endogenous growth.

CONCLUSIONS

This research repositions Islamic social finance in Indonesia, moving beyond its traditional perception as a mere social safety net and framing it as a strategic driver of endogenous economic growth. Our analysis, grounded in Endogenous Growth Theory, reveals a powerful synergy between zakat and waqf. Zakat serves as a dynamic short- to medium-term investment in human capital—enhancing health, stability, and skills—while waqf builds the permanent foundations of physical and social capital through perpetual productive assets.

However, this transformative potential is constrained by significant internal challenges: a profound deficit in public trust, evidenced by a vast collection gap; persistent governance gaps that hinder asset productivity; and a strategic imbalance favoring short-term, consumptive aid over long-term empowerment.

Nevertheless, our findings also illuminate a clear path forward, catalyzed by innovation. The adoption of digital technologies and financial instruments, such as Cash Waqf Linked Sukuk (CWLS), emerges as a critical lever to enhance transparency, efficiency, and outreach, directly addressing these structural weaknesses.

Ultimately, this study contends that by overcoming these internal challenges related to governance, trust, and distribution models, zakat and waqf can be transformed from philanthropic instruments into a powerful engine for Indonesia's inclusive and sustainable economic growth, fully aligning with the nation's broader development aspirations and the Sustainable Development Goals (SDGs).

LIMITATION & FURTHER RESEARCH

Limitation

The main limitation of this study is its reliance on secondary qualitative data. While this approach is highly effective for developing a macro-level conceptual framework and identifying the relationship between Islamic social finance and endogenous growth drivers, it does not allow us to measure impact quantitatively or definitively establish causality at the micro level. As a result, our interpretation focuses on potential mechanisms rather than measurable impacts.

Further Research

Quantitative Impact Evaluation at the Micro Level: The most significant gap in this study is the lack of quantitative impact measures. Future research can address this by applying more robust quantitative methodologies. For example, a quasi-experimental study or Randomized Controlled Trial (RCT) could be designed to precisely measure the impact of productive zakat programs on mustahik income by comparing the treatment and control groups. Such studies would provide strong empirical evidence on the effectiveness of economic empowerment models.

Macro-Level Causality Analysis: This research posits a positive relationship between ISF and development indicators. To further test this relationship, subsequent research could use econometric models, such as a Vector Error Correction Model (VECM) or Granger causality tests. Using time-series data from BAZNAS, BWI, and BPS, such an analysis could statistically test whether growth in the distribution of zakat and waqf funds causally affects the Human Development Index (HDI) or the national poverty rate.

In-depth Study on Governance and Trust: Our findings highlight the "trust deficit" as a major endogenous constraint. However, this study does not explore the root causes in depth. Therefore, future qualitative research could focus on comparative case studies of various Zakat Institutions (LAZ) to identify best practices in governance for building and maintaining public trust. Such analysis would provide valuable practical insights for policymakers and practitioners in the Islamic philanthropy sector.

REFERENCES

Adinugraha, H. H., Shulthoni, M., & Sain, Z. H. (2024). Transformation of cash waqf management in Indonesia: Insights into the development of digitalization. *Review of Islamic Social Finance and Entrepreneurship, 3*(1), 50–66. https://doi.org/10.20885/RISFE.vol3.iss1.art4

Aini, J., Putra, M. Y., & Husniah, D. (2025). The impact of digitalization on the optimization of zakat fund collection at Baznas Republic of Indonesia. *FiTUA: Jurnal Studi Islam, 6*(1), 90–100. https://doi.org/10.47625/fitua.v6i1.975

Apriantoro, M. S., Muthoifin, M., & Athief, F. H. N. (2023). Advancing social impact through Islamic social finance: A comprehensive bibliometric analysis. *International Journal of Advanced and Applied Sciences, 10*(11), 81–89. https://doi.org/10.21833/ijaas.2023.11.011

Ascarya, A., Hosen, M. N., & Rahmawati, S. (2022). Designing simple productive waqf models for Indonesia. *International Journal of Ethics and Systems, 38*(3), 380–401. https://doi.org/10.1108/IJOES-07-2020-0101

BAZNAS. (2021). *Laporan auditor independen 2020.*

BAZNAS. (2022). *Laporan keuangan BAZNAS tahun 2021.*

BAZNAS. (2023). *Outlook zakat 2023.*

BAZNAS Kota Cirebon. (2024a). https://kotacirebon.baznas.go.id/

BAZNAS Kota Cirebon. (2024b). *BAZNAS bersama Bappenas, Kemenag, BWI dorong peran zakat dan wakaf untuk pembangunan nasional.* https://kotacirebon.baznas.go.id/news-show/BAZNAS-Bersama-Bappenas-Kemenag-BWI-Dorong-Peran-Zakat-Dan-Wakaf-Untuk-Pembangunan-Nasional/6052

Badan Pusat Statistik. (2024). *Indeks pembangunan manusia Indonesia 2024.*

BWI. (2023). *Riset indeks wakaf nasional tahun 2023.* Pusat Kajian dan Transformasi Digital.

DetikHikmah. (2024). *Wakaf uang 2024 capai Rp2,9 T, BWI: Mudah-mudahan tahun depan bisa Rp5 T.* https://www.detik.com/hikmah/ziswaf/d-7652209/wakaf-uang-2024-capai-rp-2-9-t-bwi-mudah-mudahan-tahun-depan-bisa-rp-5-t

Effendi, M. A. (2025). *Kemenag, BWI, dan ahli keuangan bahas potensi besar wakaf di Indonesia.* https://kemenag.go.id/nasional/kemenag-bwi-dan-ahli-keuangan-bahas-potensi-besar-wakaf-di-indonesia-xus0m

Fiveable. (2025). *Endogenous growth theory.* https://fiveable.me/economic-development/unit-3/endogenous-growth-theory/study-guide/dWrdtRC2sUHG5wwj

Hasan, N. F., & Syahruddin, S. (2022). Enhancing green waqf for carbonization technology: Opportunities for sustainable development goals (SDGs) in Indonesia. *El Barka: Journal of Islamic Economics and Business, 5*(2), 235–251. https://doi.org/10.21154/elbarka.v5i2.4739

IWN. (2022). *Analisis kinerja pengelolaan wakaf nasional 2022.*

Kementerian Agama Republik Indonesia. (2024). *Sertifikasi tanah wakaf melonjak pada 2024, ini rahasianya.* https://kemenag.go.id/nasional/sertifikasi-tanah-wakaf-melonjak-pada-2024-ini-rahasianya-32c6y

Kogen, L. (2024). Qualitative thematic analysis of transcripts in social change research: Reflections on common misconceptions and recommendations for reporting results. *International Journal of Qualitative Methods, 23*, 1–11. https://doi.org/10.1177/16094069231225919

Ledhem, M. A., & Moussaoui, W. (2024). Islamic finance for entrepreneurship activities and economic growth: A parametric and non-parametric analysis from Malaysia. *PSU Research Review, 8*(1), 1–18. https://doi.org/10.1108/PRR-02-2021-0012

Liberto, D. (2025). *Understanding endogenous growth theory: Key concepts and critiques.* https://www.investopedia.com/terms/e/endogenousgrowththeory.asp

Murtado, D. (2025, July 20). *Ketua BWI, Indonesia miliki potensi wakaf Rp181 triliun setiap tahun.* https://kemenag.go.id/nasional/ketua-bwi-indonesia-miliki-potensi-waqaf-181-triliun-setiap-tahun-wvsbc

Musa, A., Zulfikar, T., & Khalidin, B. (2022). Digital-based information system of zakat management in Indonesia: Strategies for increasing revenue in fiqh muamalah perspectives. *Samarah: Jurnal Hukum Keluarga dan Hukum Islam, 6*(2), 614–633. https://doi.org/10.22373/sjhk.v6i2.11960

Risyad, M. H., Mawardi, I., & Al Mustofa, M. U. (2025). Innovation for prosperity: Analyzing the interplay of Islamic finance and human capital on economic development. *Journal of Islamic Accounting and Business Research.* https://doi.org/10.1108/JIABR-06-2024-0225

Rohim, A. N., & Yetty, F. (2025). Contribution of Islamic economy in achieving sustainable development goals (SDGs). *Review of Islamic Social Finance and Entrepreneurship, 4*(1), 56–69. https://doi.org/10.20885/RISFE.vol4.iss1.art5

Siswantoro, S., & Ikhwan, I. (2023). The contribution of Islamic social finance to economic growth in Indonesia. *Review of Islamic Social Finance and Entrepreneurship, 2*(1), 1–12. https://doi.org/10.20885/RISFE.vol2.iss1.art1

Sudrajat, B. (2023). The impact of Islamic social finance on economic growth in Indonesia: A ZISWAF development model approach. *Cuadernos de Economia, 46*(131), 156–164. https://doi.org/10.32826/cude.v46i131.1116

Suryani, D., & Fitriani, L. (2022). Peran zakat dalam menanggulangi kemiskinan. *Al-Iqtishod: Jurnal Pemikiran dan Penelitian Ekonomi Islam, 10*(1), 43–62. https://doi.org/10.37812/aliqtishod.v10i1.307

Ulum, A. S., & Aziz, J. A. (2025). Timur Kuran's critique of zakat and waqf and their relevance in the modern economy. *Jurnal Ilmiah Manajemen Kesatuan, 13*(1), 493–500. https://doi.org/10.37641/jimkes.v13i1.3114

Widiastuti, T., Mawardi, I., Zulaikha, S., Herianingrum, S., Robani, A., Al Mustofa, M. U., & Atiya, N. (2022). The nexus between Islamic social finance, quality of human resource, governance, and poverty. *Heliyon, 8*(12), Article e11885. https://doi.org/10.1016/j.heliyon.2022.e11885

Zaenal, M. H. (2023). *Potensi peningkatan kesejahteraan mustahik melalui skema istitsmar dana zakat.* Puskas BAZNAS.