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Islamic Philanthropy in Contemporary Islamic Thought: Repositioning Zakat and Waqf for Economic Empowerment and Social Transformation

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Abstract

This study aims to critically examine the repositioning of zakat and waqf within contemporary Islamic thought as instruments of sustainable economic empowerment and social transformation. The study employs a qualitative library research approach by examining Indonesian regulations, Islamic legal opinions, official reports from zakat and waqf institutions, and relevant academic literature. The data are analyzed through descriptive-analytical interpretation, comparison, and synthesis. The findings demonstrate that productive zakat and productive waqf can strengthen beneficiaries' economic independence through business capital, revolving financing, mentoring, productive asset development, and integration with Islamic commercial finance. However, the substantial gap between potential and realization is constrained by limited literacy, institutional weaknesses, inadequate supervision, uneven digitalization, and weak inter-institutional coordination. The novelty of this study lies in proposing a repositioning framework that connects Islamic philanthropy, Islamic education, maqāṣid al-sharī'ah, digital governance, and integrated Islamic social-commercial finance into a transformative ecosystem. This framework shifts philanthropy from short-term charity toward sustainable economic empowerment and social transformation.

Keywords: Islamic Philanthropy, Zakat, Waqf, Economic Empowerment, Social Transformation

Introduction

Poverty and economic inequality remain structural challenges confronting Indonesian society. The source manuscript reports that the number of people living in poverty reached 25.22 million in March 2024, representing 8.57 percent of the population. This condition presents a significant paradox because Indonesia possesses one of the largest Muslim populations in the world. Islamic teachings provide a comprehensive philanthropic framework through zakat, infaq, sadaqah, and waqf.[1] These instruments are not merely mechanisms for transferring material

[1] I Piliyanti, "Technologizing Islamic Philanthropy During The Covid-19 Pandemic in Indonesia," *Journal of Muslim Philanthropy and Civil Society* 6, no. 2 (2022): 120–41,

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assistance but also represent ethical institutions designed to strengthen social solidarity. Consequently, Islamic philanthropy deserves to be reconsidered as a strategic component of contemporary Islamic economic and educational thought.

Zakat occupies a distinctive position within Islamic philanthropy because it is the third pillar of Islam. It becomes obligatory for Muslims who fulfill the requirements concerning wealth, nisab, and haul. Its fundamental function is to redistribute a portion of wealth from muzakki to eligible mustahik. Nevertheless, the contemporary function of zakat cannot be restricted to immediate consumption-oriented assistance.[2] Zakat can also become an instrument for productive economic development when its distribution is connected with capital formation, mentoring, skills development, and market access. Such a repositioning requires an intellectual shift from viewing zakat solely as an obligation toward understanding it as a mechanism of social and economic transformation.

Waqf possesses another distinctive characteristic because its principal asset is expected to remain preserved while its benefits are continuously distributed. This feature gives waqf a potentially long-term economic dimension. Historically, waqf has supported mosques, educational institutions, health facilities, public infrastructure, and other forms of social welfare. Contemporary Islamic thought has expanded this understanding through the development of productive waqf and cash waqf. [3]The transformation of waqf from passive asset ownership toward productive asset management creates new opportunities for sustainable community development. Therefore, waqf can be repositioned as a strategic institution connecting religious commitment with long-term economic and social development.

The Indonesian legal framework has provided important foundations for developing both zakat and waqf. Law Number 23 of 2011 regulates zakat management and provides an institutional framework involving the National Zakat Board and community-based zakat institutions. Law Number 41 of 2004 provides a legal foundation for waqf management and expands the scope of waqf objects beyond immovable property. The Indonesian legal framework therefore creates opportunities for professional management of Islamic philanthropic resources.[4] However, the existence of regulations does not automatically guarantee optimal institutional performance. The effectiveness of philanthropic institutions remains dependent on governance, professional capacity, accountability, public trust, and coordination.

One of the most important problems is the substantial gap between philanthropic potential and actual realization. The source manuscript reports an estimated national waqf potential of approximately Rp400 trillion annually. Cash waqf potential is estimated at approximately Rp181 trillion annually, whereas the reported realization has only reached approximately Rp2.3 trillion. Furthermore, only around 9 to 10 percent of approximately 440,000 to 451,000 waqf locations have reportedly

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https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85147011593%5C&origin=inward.

[2] I Harahap, "The Power of Zakat in Contemporary Development: How Islamic Philanthropy Alleviates the Economic Impact of Toll Road Projects on MSMEs," *Milrev Metro Islamic Law Review* 3, no. 2 (2024): 174–97, https://doi.org/10.32332/milrev.v3i2.9391.

[3] M A Hughes, "From Islamic Charity to Muslim Philanthropy: Definitions Across Disciplines," *Religion Compass* 18, no. 10 (2024), https://doi.org/10.1111/rec3.70002.

[4] H Usman, "Integrating Trust, Religiosity and Image into Technology Acceptance Model: The Case of the Islamic Philanthropy in Indonesia," *Journal of Islamic Marketing* 13, no. 2 (2022): 381–409, https://doi.org/10.1108/JIMA-01-2020-0020.

been managed productively. These figures indicate that the central problem is not merely the absence of philanthropic resources. Rather, the fundamental challenge concerns the capacity to transform religious generosity into productive, accountable, and sustainable economic institutions.[5]

The same issue appears in zakat management, although its institutional development has been relatively stronger. Zakat has a clearer obligatory character and has been supported by institutional structures such as BAZNAS and LAZ. The source manuscript indicates that zakat management contributed to the alleviation of poverty among 1.35 million people in 2024. This achievement demonstrates that zakat can produce measurable social outcomes when it is professionally managed. Nevertheless, the considerable national potential of zakat indicates that significant opportunities for further development remain.[6] The challenge is therefore to move from partial success toward a comprehensive system capable of producing sustained economic mobility.

Contemporary Islamic thought increasingly emphasizes that philanthropy should not be reduced to charitable transfers. Charity can provide immediate relief, but empowerment seeks to alter the structural conditions that reproduce poverty.[7] Productive zakat illustrates this transformation by providing business capital, financing, training, and mentoring. Productive waqf similarly transforms dormant assets into economic resources that generate continuous social benefits. Such approaches reflect an understanding of Islamic philanthropy as a dynamic institution rather than a static charitable mechanism. This intellectual repositioning is particularly relevant to current debates on Islamic social finance and inclusive economic development.

The concept of economic empowerment is therefore central to understanding the contemporary role of zakat and waqf. Economic empowerment refers to the strengthening of people's capacities, resources, opportunities, and independence. Within Islamic philanthropy, empowerment should involve more than increasing income. It should also improve skills, entrepreneurial capability, access to markets, financial literacy, social networks, and spiritual responsibility.[8] The ultimate objective is to enable beneficiaries to move from dependency toward productive participation in the economy. Such transformation corresponds with the ethical orientation of Islamic economics toward justice, dignity, and social welfare.

This approach is closely connected to maqāṣid al-sharīʿah. The preservation and development of wealth, or hifẓ al-māl, is one of the essential considerations in Islamic legal and ethical thought. However, wealth preservation cannot be separated from broader objectives such as human dignity, social justice, and public welfare. Productive zakat and waqf can therefore be understood as institutional mechanisms through which maqāṣid-oriented economic practices are operationalized. Their

[5] M W Humaidi, "Green Philanthropy: Islamic Activism on Indonesia's Environmental Democracy," *Ijtihad Jurnal Wacana Hukum Islam Dan Kemanusiaan* 24, no. 2 (2024): 167–91, https://doi.org/10.18326/IJTIHAD.V24I2.167-191.

[6] Husna Husna et al., "Integrating Maqasid Al-Shari'ah into Islamic Religious Education Curriculum A Framework for Sustainable Character Development," *Ar-Rayyan: Journal Of Islamic Education* 2, no. 1 (2025): 52–70, https://doi.org/10.67899/ar.v2i1.216.

[7] Harahap, "The Power of Zakat in Contemporary Development: How Islamic Philanthropy Alleviates the Economic Impact of Toll Road Projects on MSMEs."

[8] B Anoraga, "A Decade of Charitable Crowdfunding and Its Impacts on the Social Justice Trajectory of Islamic Philanthropy in Indonesia," *Advances in Southeast Asian Studies* 17, no. 1 (2024): 5–24, https://doi.org/10.14764/10.ASEAS-0094.

effectiveness should be measured not simply by the amount of funds collected but also by their contribution to sustainable welfare.[9] This perspective provides a bridge between Islamic legal thought and contemporary development theory.

Islamic education also has a significant role in this transformation. Public understanding of zakat and waqf influences willingness to participate in formal philanthropic institutions. Low literacy concerning zakat calculation, waqf mechanisms, governance, and economic impacts can reduce participation. Islamic educational institutions can introduce philanthropy as part of ethical economic literacy. Students can be encouraged to understand that Islamic generosity includes responsibility, productivity, accountability, and social justice.[10] Consequently, education can function as a long-term infrastructure for developing future muzakki, wakif, amil, nazhir, social entrepreneurs, and socially responsible citizens.

The generational dimension is particularly important in contemporary philanthropic development. Younger Muslims increasingly interact with financial services through digital platforms.[11] They may possess substantial potential as future donors and social investors, but their participation depends on whether philanthropic institutions can provide accessible, transparent, and credible digital services. Digital platforms can facilitate payment, reporting, communication, campaign management, and beneficiary monitoring.[12] However, technological innovation alone cannot solve institutional weaknesses. Digitalization must be accompanied by ethical governance, financial accountability, data protection, and effective public communication.

The relationship between Islamic philanthropy and Islamic commercial finance also deserves greater scholarly attention. Zakat and waqf operate primarily within the social finance dimension, while Islamic banks, BMTs, and Islamic cooperatives operate within commercial finance. These sectors are often treated separately even though their objectives can be mutually reinforcing. Social funds can reduce the initial barriers faced by vulnerable entrepreneurs, while commercial financing can support businesses after they achieve sufficient capacity.[13] Integration between these sectors can create a graduated pathway from social assistance toward sustainable economic participation. The source manuscript reports empirical evidence that integration between Islamic social and commercial finance has a significant negative relationship with poverty.

The institutional dimension is equally important. BAZNAS, BWI, LAZ, Islamic financial institutions, educational institutions, government agencies, civil society organizations, and media organizations possess different resources and

[9] M Mufid, "Islamic Philanthropy and Public Policy: A Study of Zakat Fatwas from the New Order Era to the Post-Reform Era," *Jurnal Hukum Islam* 21, no. 2 (2023): 201–30, https://doi.org/10.28918/jhi_v21i2_01.

[10] B Iswanto, "The Constitutional Court Decision and Islamic Philanthropy Movements: Analysis of Zakat Organizations Legality in Samarinda," *Mazahib Jurnal Pemikiran Hukum Islam* 22, no. 1 (2023): 1–36, https://doi.org/10.21093/mj.v22i1.5968.

[11] Mahmoud Abdullah et al., "Green Islamic Education: Integrating Environmental Ethics into Islamic Religious Education for Sustainable Development," *Ar-Rayyan: Journal Of Islamic Education* 2, no. 2 (2025): 189–213, https://doi.org/10.67899/ar.v2i2.222.

[12] K M Ulum, "Integration of Islamic Philanthropy with Financial Technology: The Case Study of Waqf towards Sustainable Funding in Indonesia," *Jurisdictie Jurnal Hukum Dan Syariah* 16, no. 1 (2025): 77–123, https://doi.org/10.18860/j.v16i1.30447.

[13] K Musari, "Twinning the Green Transition and Digitalization on the Islamic Philanthropy Institutions: Evidence in Indonesia," *Perspectives on the Transition Toward Green and Climate Neutral Economies in Asia*, 2023, 274–85, https://doi.org/10.4018/978-1-6684-8613-9.ch016.

competencies. Fragmented management may produce duplicated programs, inefficient resource allocation, and weak impact measurement. A collaborative ecosystem can instead combine fundraising, asset management, financing, education, research, mentoring, and market access.[14] Such collaboration can strengthen the social impact of philanthropic resources. Therefore, contemporary Islamic philanthropy should be understood through an ecosystem perspective rather than through isolated institutional activities.

Another important issue concerns the professionalization of amil and nazhir. The management of large philanthropic resources requires expertise in finance, entrepreneurship, law, technology, social development, and Islamic jurisprudence. Religious commitment is essential but insufficient for managing complex economic institutions.[15] Nazhir, in particular, must be capable of transforming waqf assets into sustainable productive resources while maintaining the integrity of the waqf principal. Similarly, amil institutions require transparent systems for collection, distribution, beneficiary selection, impact assessment, and public reporting. Professionalization is therefore an essential component of repositioning Islamic philanthropy.

The contemporary discourse on Islamic philanthropy also requires a stronger understanding of social transformation. Social transformation refers to changes in the economic, institutional, educational, cultural, and relational conditions of communities.[16] Zakat and waqf can contribute to such transformation when they are directed toward education, health, entrepreneurship, employment, productive assets, and community institutions. This broad orientation distinguishes transformative philanthropy from short-term relief. It also allows Islamic philanthropy to participate in wider development agendas without losing its theological foundation. Such an approach provides an important field for dialogue between Islamic thought, education, economics, and social development.

The context of regional development further strengthens the relevance of this discussion. The source manuscript identifies East Kalimantan as an important potential locus for developing Islamic economic philanthropy in connection with the transformation associated with the development of the Nusantara Capital City. Economic transformation can generate new opportunities for Islamic social finance while simultaneously producing new forms of inequality and social vulnerability. Philanthropic institutions therefore need adaptive strategies capable of responding to changing demographic and economic structures.[17] Islamic higher education institutions can contribute through research, professional training, policy analysis, and community engagement. The regional context thus provides an opportunity to connect Islamic philanthropic thought with practical development challenges. Based on these considerations, this study examines Islamic philanthropy in contemporary

[14] E Osseilan, "Philanthropy, Demographics, and Growth in US Islamic Nonprofits: Evidence from IRS Form 990," *Journal of Muslim Philanthropy and Civil Society* 7, no. 1 (2023): 44–68, https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85164909723%5C&origin=inward.

[15] R A Qosyim, "Management of Islamic Philanthropy-Based Education Financing in Increasing Access to Free Education for Orphans Children," *Munaddhomah* 5, no. 3 (2024): 270–83, https://doi.org/10.31538/munaddhomah.v5i3.1137.

[16] S N S Ab Latif, "Islamic Philanthropy: The Instrument of Waqf According to the Perspective of Sahī h Al-Bukhā rī ," *Global Journal Al Thaqafah* 14, no. 2 (2024): 218–37, https://doi.org/10.7187/GJAT122024-15.

[17] K Khalimovna, "Hashar: Unlocking Traditional Collective Works Practice as Integrated Cultured Islamic Philanthropy Model," *Banco* 6, no. 2 (2024): 127–34, https://doi.org/10.35905/banco.v6i2.11671.

Islamic thought by focusing specifically on the repositioning of zakat and waqf for economic empowerment and social transformation.[18] The study asks how zakat and waqf can move beyond charitable distribution toward productive and sustainable empowerment. It also examines the institutional, regulatory, educational, technological, and financial factors influencing this transformation. The study further analyzes models of productive zakat, productive waqf, and social-commercial financial integration. Its main contribution is the formulation of an integrated conceptual framework connecting Islamic philanthropy, maqāṣid al-sharīʻah, Islamic education, digital governance, and economic empowerment.

Literature Review

Islamic philanthropy is fundamentally rooted in the theological worldview of tawḥīd and social justice. Wealth in Islam is understood as an amanah entrusted by Allah to human beings. This understanding implies that individual ownership carries social and ethical responsibilities. Philanthropic practices therefore emerge not merely from voluntary humanitarian sentiment but from a religious conception of distributive justice. Zakat, infaq, sadaqah, waqf, and qurban represent institutionalized expressions of this worldview.[19] Islamic philanthropy consequently combines spiritual motivation, ethical responsibility, and social-economic redistribution.

The distinctive character of Islamic philanthropy lies in its integration of worship and social responsibility. A philanthropic act may have a spiritual dimension while simultaneously producing economic consequences. Zakat, for example, purifies wealth while redistributing resources to eligible recipients. Waqf similarly expresses religious devotion while creating lasting benefits for communities. This integration challenges the artificial separation between religious practice and socioeconomic development.[20] Contemporary Islamic thought can therefore interpret philanthropy as a bridge between individual piety and collective welfare.

Zakat has traditionally been discussed within Islamic jurisprudence as an obligatory financial worship. Its legal conditions determine who must pay, what assets are subject to zakat, the applicable nisab, and the eligible recipients. Nevertheless, classical discussions also recognize the social and economic purposes of zakat.[21] Contemporary scholars such as Yusuf al-Qardhawi emphasize its role in addressing poverty and redistributing wealth. Zakat therefore contains both legal and socioeconomic dimensions. A comprehensive contemporary interpretation must preserve its jurisprudential requirements while exploring its potential for productive development.

Monzer Kahf's perspective contributes to understanding zakat as an economic institution with macroeconomic implications. Zakat can encourage circulation of wealth and strengthen purchasing power among lower-income groups. In this sense,

[18] Arif Wahyudi et al., "The Concept of Humans as Khalifah and the Strengthening of Self-Management Based on Hadith in Islamic Religious Education Learning," *Ar-Rayyan: Journal Of Islamic Education* 3, no. 1 (2026): 27–52, https://doi.org/10.67899/ar.v3i1.209.

[19] Maryani, "Islamic Philanthropy: Implementation of Regulations And Utilization of Waqf Proceeds in Jambi," *Jurnal Hukum Islam* 21, no. 1 (2023): 159–80, https://doi.org/10.28918/jhi_v21i1_07.

[20] E Masykuroh, "Islamic Corporate Philanthropy in Islamic Banking: Implementation of Zakat Regulation and Sharia Compliance in Indonesia," *Justicia Islamica* 22, no. 1 (2025): 211–46, https://doi.org/10.21154/justicia.v22i1.10397.

[21] N S M Soh, "Cultivation Of Islamic Philanthropy Concept through High Impact Educational Practices in Universiti Teknologi MARA," *Asian Journal of University Education* 18, no. 2 (2022): 336–47, https://doi.org/10.24191/ajue.v18i2.17989.

zakat can function as an automatic stabilizing mechanism within an Islamic economic framework. Its distribution can reduce excessive concentration of wealth while stimulating economic activity among beneficiaries. Such an interpretation expands zakat discourse from individual obligation to economic policy.[22] However, macroeconomic effectiveness depends heavily on institutional collection and distribution systems.[23] Productive zakat represents an important development in contemporary philanthropic practice. Instead of distributing all funds for immediate consumption, institutions can allocate part of eligible zakat resources toward productive economic activities. Beneficiaries may receive business capital, equipment, training, or financing support. These interventions seek to increase the capacity of mustahik to generate sustainable income. The ultimate goal is to create a transition from recipient status toward productive economic participation. This model therefore reflects a movement from charity toward empowerment.

The concept of productive zakat must nevertheless be implemented carefully within Islamic legal parameters. Zakat funds have specific categories of eligible recipients as established in Islamic law. Productive use cannot simply become an unrestricted investment mechanism detached from beneficiary needs. Institutional managers must ensure that productive programs remain connected to legitimate zakat objectives.[24] This requires sound jurisprudential guidance, transparent governance, and careful beneficiary assessment. The intellectual challenge is therefore to reconcile classical legal boundaries with contemporary empowerment mechanisms.

Waqf represents another major institution within Islamic philanthropy. Unlike zakat, waqf is generally characterized by the preservation of the principal asset and the utilization of its benefits. This structure creates a potentially perpetual source of social welfare.[25] Historically, waqf has supported religious, educational, medical, and public institutions. Contemporary waqf discourse increasingly emphasizes economic productivity. This shift provides opportunities to transform dormant assets into sustainable community resources. Indonesian waqf law broadens the conceptual scope of waqf. Law Number 41 of 2004 recognizes various forms of waqf property, including movable assets and cash waqf. This legal development creates opportunities for financial innovation within Islamic philanthropy. Cash waqf can be collected through Islamic financial institutions authorized to receive waqf funds. The returns generated from investments can then support education, health, economic development, and other socially beneficial programs.[26] The legal framework therefore creates a basis for connecting classical waqf principles with contemporary financial institutions.

The Indonesian Ulema Council's fatwa concerning cash waqf provides important jurisprudential legitimacy for this development. The fatwa permits cash

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[22] J Maqableh, "Islamic Philanthropy in Jordan," *Philanthropy in the Muslim World Majority and Minority Muslim Communities*, 2023, 101–18, https://doi.org/10.4337/9781035306572.00014.

[23] Soh, "Cultivation Of Islamic Philanthropy Concept through High Impact Educational Practices in Universiti Teknologi MARA."

[24] A Analiansyah, "Techno-Sociopreneurship in Practice by Strengthening Mosque-Based Islamic Philanthropy Management: A Case in Thailand," *Technopreneurship in Small Businesses for Sustainability*, 2024, 213–31, https://doi.org/10.4018/979-8-3693-3530-7.ch011.

[25] N Naisabur, "Islamic Philanthropy in Modern Context," *Al Muamalat* 10, no. 1 (2023): 24–35, https://doi.org/10.15575/am.v10i1.21068.

[26] N S B Mohd Adnan, "Wasiat Wajibah and Islamic Inheritance Philanthropy: A Socio-Legal Study In Indonesia," *Mawaddah Jurnal Hukum Keluarga Islam* 4, no. 1 (2026): 631–51, https://doi.org/10.52496/mjhki.v4i1.75.

waqf under the condition that the principal value is preserved. The proceeds generated from the management of the waqf may be distributed for purposes consistent with Islamic law. This principle provides an important distinction between preserving the asset and maximizing its social productivity. Cash waqf can therefore become a flexible social-finance instrument without abandoning its essential waqf characteristics.[27] Contemporary Islamic thought can use this framework to construct new models of sustainable philanthropy. Economic empowerment provides the conceptual bridge between philanthropic resources and social transformation. Empowerment involves increasing people's ability to control economic resources and make productive decisions. In Islamic philanthropy, this process includes capital provision, entrepreneurial training, managerial assistance, skills development, and market access. It also involves strengthening confidence, social responsibility, and ethical conduct. Empowerment therefore has material and nonmaterial dimensions.[28] This holistic understanding corresponds with the integrated character of Islamic educational thought.

Maqāṣid al-sharī'ah provides a normative framework for interpreting these developments. The preservation of wealth should not be understood simply as protecting individual property.[29] It also involves enabling wealth to circulate productively and contribute to human welfare. Productive zakat and waqf can therefore be interpreted as mechanisms supporting hifẓ al-māl and broader public benefit.[30] Their social legitimacy is strengthened when they reduce deprivation and increase community capacity. Maqāṣid-oriented philanthropy thus connects legal compliance with substantive welfare outcomes.[31] The literature on ZISWAF-based empowerment demonstrates the importance of institutional design. Kasdi's study of BMT institutions in Demak indicates that ZISWAF-based financing through mudharabah muqayyadah and qard al-hasan can support economic empowerment. The study also highlights spiritual and religious dimensions in the empowerment process. This finding is important because Islamic philanthropy cannot be adequately evaluated using income indicators alone.[32] The strengthening of religious commitment and ethical work orientation can support the sustainability of economic activities. Thus, Islamic empowerment involves both economic and spiritual transformation.

Research on productive waqf further emphasizes the importance of professional nazhir management. Syakir argues that productive waqf can contribute

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[27] F F binti Dziyaul Afraz, "Analysis of the Concept of Islamic Philanthropy in the Distribution of Property According to the Qur'an and Hadith," *Quranica* 15, no. 1 (2023): 128–48, https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85218734664%5C&origin=inward.

[28] G Haris, "Islamic Philanthropy and Government Power: The Dynamics of The Relationship Between Mosque-Based Islamic Microfinance Cooperative (BMT) and the Solok City Government," *Jurnal Al Dustur* 8, no. 2 (2025): 103–19, https://doi.org/10.30863/aldustur.v8i2.10406.

[29] Huzaiman Hushin et al., "Developing Critical Thinking Through Islamic Education: A Systematic Review of Contemporary Approaches," *Al Husna: Jurnal Ilmiah Pendidikan Agama Islam* 2, no. 1 (2025): 43–64, https://doi.org/10.69900/ah.v2i1.21.

[30] Z Abidin, "Beyond Charity: Study on Islamic Philanthropy Governance and the Implementation of Zakat Law," *Legality Jurnal Ilmiah Hukum* 34, no. 1 (2026): 229–53, https://doi.org/10.22219/ljih.v34i1.43623.

[31] M S M Khan, "The Ethics of Islamic Philanthropy," *Nonprofit and Voluntary Sector Quarterly*, 2026, https://doi.org/10.1177/08997640261457388.

[32] G F Panjalu, "Islamic Philanthropy Transformation: Redefining Asnā f Zakat to Strengthen Family Resilience," *Mazahib Jurnal Pemikiran Hukum Islam* 25, no. 1 (2026): 97–117, https://doi.org/10.21093/mj.v25i1.12755.

to poverty reduction and Muslim economic development when waqf funds are transformed into productive economic activities. This requires managerial, entrepreneurial, and investment competencies among nazhir.[33] Simply preserving ownership without developing productive utilization limits the socioeconomic potential of waqf. Professional management therefore becomes a central condition for successful waqf transformation. The finding reinforces the need for institutional capacity building.

The relationship between Islamic social finance and Islamic commercial finance represents another important area of contemporary scholarship. Siswantoro's analysis of data from 2002 to 2021 indicates that integration between Islamic social and commercial finance has a significant negative relationship with poverty. The effect was stronger when the two sectors were integrated rather than operated separately.[34] This finding provides empirical support for ecosystem-based Islamic finance. Social finance can address vulnerability and initial barriers, while commercial finance can support business expansion. Integration therefore creates a potential pathway from assistance to sustainable economic participation.

Digital transformation introduces a new dimension to Islamic philanthropy. Digital platforms can simplify payment and donation mechanisms. They can also improve reporting, campaign visibility, beneficiary monitoring, and institutional communication. Younger generations may be particularly responsive to digital philanthropic services.[35] However, digitalization must be accompanied by strong governance because technology can amplify both transparency and institutional weaknesses. Digital philanthropy should therefore be conceptualized as a governance transformation rather than merely a technological upgrade.[36] Islamic education provides an important long-term foundation for philanthropic transformation. Knowledge about zakat and waqf influences attitudes toward giving and social responsibility. Educational institutions can integrate Islamic social finance into curricula and learning activities. Students can learn not only the legal rules of zakat and waqf but also their economic, social, ethical, and developmental implications. Such education can cultivate future donors and professionals capable of managing philanthropic institutions. Islamic education consequently becomes a strategic instrument for strengthening the sustainability of Islamic philanthropy.[37] The literature collectively suggests that Islamic philanthropy is undergoing a conceptual transition. The traditional charitable paradigm emphasizes immediate assistance and religious merit. The contemporary empowerment paradigm emphasizes productivity, sustainability, institutional professionalism, digitalization, and measurable social

[33] Maghfirah, "Zakat, Technology, and Trust: Muzakki Participation Among Young Professionals in Islamic Philanthropy in Riau," *Samarah* 10, no. 2 (2026): 1289–1322, https://doi.org/10.22373/fj4a8z24.

[34] H Insawan, "Waqfnomic Based on Muna Culture as an Alternative Model of Islamic Philanthropy," *Karsa* 32, no. 1 (2024): 228–57, https://doi.org/10.19105/karsa.v32i1.10930.

[35] S Abu-Rumman, "Islamic Philanthropy in Kuwait," *Philanthropy in the Muslim World Majority and Minority Muslim Communities*, 2023, 119–32, https://doi.org/10.4337/9781035306572.00015.

[36] M Izzati, "Accountability Reimagined: The Intersection of Digital Platforms and Islamic Philanthropy," *2024 International Conference on Decision Aid Sciences and Applications Dasa 2024*, 2024, https://doi.org/10.1109/DASA63652.2024.10836293.

[37] L Faure, "European Muslim Charities: From British Roots to an Original French Islamic Philanthropy," *Journal of Muslim Philanthropy and Civil Society* 8, no. 2 (2024): 54–75, https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=85212779570%5C&origin=inward.

impact.[38] Nevertheless, the transition must remain grounded in Islamic jurisprudence and maqāṣid al-sharīʿah. The literature also indicates that institutional fragmentation remains a significant obstacle. This study builds upon these insights by repositioning zakat and waqf within an integrated framework of Islamic thought, education, social finance, and economic transformation.

Method

This study employs a qualitative library research design. The research focuses on Islamic philanthropy, particularly zakat and waqf, as instruments of economic empowerment and social transformation. A library-based approach is appropriate because the study seeks to examine concepts, regulations, Islamic legal opinions, institutional reports, and previously published academic findings. The approach enables the researcher to compare normative principles with contemporary institutional practices. It also facilitates the synthesis of diverse intellectual perspectives concerning Islamic social finance. The study therefore emphasizes interpretation and conceptual integration rather than primary field data collection.

The primary sources consist of Indonesian regulations governing zakat and waqf, relevant Islamic legal opinions, and official reports produced by Islamic philanthropic institutions. The principal regulations examined include Law Number 23 of 2011 concerning Zakat Management and Law Number 41 of 2004 concerning Waqf. The study also examines the Indonesian Ulema Council's fatwa concerning cash waqf. Official institutional materials include reports from the National Zakat Board and the Indonesian Waqf Board. These sources are complemented by relevant books, journal articles, and previous academic research. Secondary sources consist of scholarly literature concerning Islamic philanthropy, Islamic economics, productive zakat, productive waqf, maqāṣid al-sharīʿah, Islamic social finance, and economic empowerment. The selection of literature emphasizes its relevance to the research questions. Academic studies addressing institutional management and poverty reduction are particularly important. Studies concerning the integration of Islamic social and commercial finance are also examined because they provide empirical support for the proposed framework. The literature is treated as an interconnected body of knowledge rather than as isolated findings.

Data collection is conducted through systematic documentation and literature tracing. Relevant materials are identified, classified, and organized according to conceptual, legal, institutional, empirical, and strategic dimensions. The analysis follows a descriptive-analytical procedure. First, the study identifies the fundamental concepts and legal foundations of zakat and waqf. Second, it compares philanthropic potential with reported realization and examines models of economic empowerment. Third, it synthesizes institutional challenges and strategic responses into an integrated conceptual framework. Data validity is pursued through source triangulation. Information from official institutions is compared with findings from academic publications. Regulatory provisions are interpreted alongside relevant Islamic legal and conceptual literature. Statistical and institutional claims are therefore not treated as isolated facts but examined in relation to the broader analytical framework. This process strengthens the consistency and credibility of the

[38] Z E Triantini, "Islamic Organisations, Inter-Religious Philanthropy and Welfare in Disaster: Some Experiences from West Nusa Tenggara, Indonesia," *Ulumuna* 28, no. 2 (2024): 988–1016, https://doi.org/10.20414/ujis.v28i2.722.

interpretation. The final analysis seeks to distinguish between normative principles, institutional evidence, and conceptual synthesis.

Results and Discussion

The Potential and Realization of Islamic Philanthropy in Indonesia

The analysis reveals a substantial discrepancy between the potential and realization of Islamic philanthropy in Indonesia. This discrepancy is particularly visible in the management of waqf. The national waqf potential is estimated at approximately Rp400 trillion annually. Cash waqf potential is estimated at approximately Rp181 trillion annually, while reported realization has reached only around Rp2.3 trillion. This situation indicates that the major challenge concerns institutional conversion of potential resources into productive social capital rather than the absence of philanthropic capacity.[39] Zakat demonstrates a relatively stronger institutional performance. The source material reports that zakat programs contributed to lifting approximately 1.35 million people out of poverty in 2024. This achievement included 721,748 people categorized as experiencing extreme poverty. The reported achievement increased substantially compared with the previous year.[40] Such evidence indicates that professional zakat management can generate measurable poverty-reduction outcomes. Nevertheless, the remaining gap between national zakat potential and actual collection indicates considerable room for institutional improvement.

The difference between zakat and waqf realization can partly be explained by their institutional characteristics.[41] Zakat has an obligatory legal status and clearly defined categories of recipients. It is supported by a relatively established institutional network involving BAZNAS and LAZ. Waqf has a different structure because its development depends strongly on the initiative and capacity of wakif and nazhir. Many waqf assets remain focused on religious and social uses without systematic economic development. The result is a large stock of assets with limited productive utilization.

Table: Comparative Mapping of Zakat and Waqf Empowerment

Dimension	Zakat	Waqf	Transformative Orientation
Fundamental character	Obligatory Islamic financial worship	Endowment with preserved principal	Religious commitment combined with social responsibility
Main institutional actors	BAZNAS and LAZ	BWI, nazhir, LKS-PWU	Institutional collaboration

[39] Faure, "European Muslim Charities: From British Roots to an Original French Islamic Philanthropy."

[40] M Shulthoni, "Islamic Philanthropy as Theological Practice: A Qualitative Study of Zakat and Waqf in Indonesia," *Pharos Journal of Theology* 107, no. 3 (2026), https://doi.org/10.46222/pharosjot.107.3012.

[41] F K H Al-Khalidi, "Islamic Philanthropy in Action: Exploring Waqf as a Strategic Tool for Enhancing Disaster Resilience," *Modern Trends in Islamic Economy Philanthropy Finance and Marketing Innovations*, 2026, 1–20, https://doi.org/10.1108/978-1-80592-543-920261001.

Dimension	Zakat	Waqf	Transformative Orientation
Main economic mechanism	Productive assistance and financing	Productive asset management and investment	Sustainable economic empowerment
Current potential	Hundreds of trillions of rupiah annually	Approximately Rp400 trillion annually	Expansion of productive capacity
Cash instrument	Zakat payment through formal institutions	Cash waqf	Digital Islamic social finance
Beneficiary orientation	Mustahik empowerment	Community welfare and designated beneficiaries	Transition toward economic independence
Supporting institutions	BMT, Islamic banks, cooperatives	LKS-PWU, Islamic banks, investment institutions	Social-commercial finance integration
Major challenge	Literacy, collection, governance	Nazhir capacity, asset productivity, literacy	Professionalization and accountability
Educational role	Zakat literacy and ethical economic education	Waqf literacy and social investment education	Islamic financial citizenship
Digital opportunity	Online payment and reporting	Digital cash waqf and asset monitoring	Transparent philanthropic ecosystem
Strategic outcome	Mustahik becomes economically independent	Sustainable community benefits	Social transformation

The table demonstrates that zakat and waqf should not be treated as competing philanthropic instruments. They have different legal and institutional characteristics but can operate within a complementary ecosystem. Zakat can

address immediate vulnerability and provide initial productive capital. Waqf can create longer-term infrastructure, productive assets, and sustainable revenue streams. Islamic commercial finance can subsequently support businesses that have developed sufficient capacity. Such complementarity creates a continuum from protection to empowerment and eventually to economic independence.

Productive Zakat as a Mechanism of Economic Transformation

Productive zakat is generally implemented through several complementary mechanisms. One mechanism involves microbusiness financing through mudharabah muqayyadah.[42] Another involves qard al-hasan for beneficiaries whose businesses are still too fragile for conventional commercial financing. A third mechanism involves nonfinancial assistance such as skills training, business management, and market access.[43] These mechanisms demonstrate that capital alone does not guarantee successful empowerment. Productive zakat requires an ecosystem combining financial and human-capacity development.

The significance of productive zakat lies in its capacity to change the economic position of beneficiaries. Conventional charitable distribution may resolve immediate consumption problems but does not necessarily alter the underlying conditions of poverty. Productive programs seek to create income-generating capacity. When accompanied by mentoring, beneficiaries can improve their business practices and financial decision-making. When market access is also available, increased production can be converted into sustainable income. The philanthropic intervention thus becomes a process of capability formation.

Kasdi's study provides important support for this model. His research on BMT institutions in Demak indicates that ZISWAF-based financing can support both material and spiritual empowerment. Mudharabah muqayyadah and qard al-hasan provide different forms of financial assistance according to beneficiary capacity.[44] Meanwhile, mentoring supports business and religious development. This integrated model demonstrates that Islamic empowerment differs from purely economic microfinance because spiritual and ethical dimensions remain central. The model therefore reflects the holistic orientation of Islamic education and thought.

The transformation of mustahik into muzakki represents an important indicator of successful productive zakat. This transformation symbolizes a movement from dependency toward contribution. The beneficiary does not remain permanently positioned as a recipient of charitable resources. Instead, productive assistance enables the beneficiary to generate income and eventually participate as a donor. Such a process creates what can be described as a virtuous cycle of Islamic

[42] H Kawadza, "Of Pandemics, Penury and Philanthropy in South Africa: Lessons from Islamic Humanism," *Revista De Gestao* 29, no. 4 (2022): 424–35, https://doi.org/10.1108/REGE-12-2020-0145.

[43] A M Hamid, "Sustainable Transformation of the Lamongan Batik Industry Through Green Economy and Islamic Philanthropy," *Textile the Journal of Cloth and Culture* 24, no. 3 (2026): 800–830, https://doi.org/10.1080/14759756.2026.2637274.

[44] B A Abdullah Alserhan, "Modern Trends in Islamic Economy: Philanthropy, Finance and Marketing Innovations," *Modern Trends in Islamic Economy Philanthropy Finance and Marketing Innovations*, 2026, 1–226, https://www.scopus.com/inward/record.uri?partnerID=HzOxMe3b%5C&scp=105041173728%5C&origin=inward.

philanthropy.[45] The sustainability of the system therefore depends on its ability to reproduce economic agency rather than merely redistribute resources.

Productive zakat also requires careful beneficiary segmentation. Not all mustahik possess the same skills, health conditions, financial capacities, or entrepreneurial potential. Some require consumption assistance, while others may be prepared for business development. A standardized program may therefore fail to respond to different forms of vulnerability. Professional institutions should conduct needs assessment and capability mapping before allocating productive resources. This approach can improve the efficiency and fairness of zakat utilization.

Productive Waqf and Sustainable Community Development

Productive waqf can be developed through at least two major pathways. The first is the productive utilization of land and buildings that have traditionally been used for religious or social functions. Such assets can support shops, plantations, hospitals, educational institutions, or other revenue-generating activities. The second pathway involves cash waqf managed through authorized Islamic financial institutions.[46] Returns from these investments can support education, health, entrepreneurship, and community welfare. These pathways allow waqf to become a sustainable source of social benefits while preserving its principal assets.

The central challenge of productive waqf is therefore not simply asset ownership. The critical issue is whether the asset can be managed productively while preserving its legal and religious integrity. A waqf property may have significant economic value but generate little social benefit if it remains underutilized. Professional nazhir management is essential for identifying viable economic models.[47] This requires knowledge of investment, business management, Islamic jurisprudence, risk management, and social impact. Productive waqf therefore represents a major field for professional Islamic education.

Cash waqf provides additional flexibility because it can mobilize contributions from people who do not own substantial physical assets. Small individual contributions can potentially be aggregated into large investment funds. The principal can be preserved while returns are allocated to social programs. This model can broaden participation in waqf beyond wealthy property owners. It can also connect philanthropic giving with contemporary digital financial behavior. However, public trust depends on transparent management and credible reporting.

The development of cash waqf also illustrates the interaction between Islamic jurisprudence and contemporary economic innovation. The MUI fatwa concerning cash waqf establishes its permissibility subject to preservation of the principal. This legal position creates room for innovative financial mechanisms. Cash waqf can therefore be connected to sharia-compliant investment instruments. The development of waqf-linked sukuk represents one example of such innovation. The

[45] M A Hashri, "From Waste to Worship on Mosque-Based Initiatives as Islamic Philanthropy for the Circular Economy: A Systematic Literature Review," *Iop Conference Series Earth and Environmental Science* 1557, no. 1 (2025), https://doi.org/10.1088/1755-1315/1557/1/012013.

[46] C Bolton, "Short-Term Sustainability: Neoliberal Philanthropy, Dependency, and Divine Economics in Islamic Zanzibar," *Economic Anthropology* 13, no. 1 (2026), https://doi.org/10.1002/sea2.70017.

[47] Mahmoud Abdullah et al., "Authentic Assessment in Islamic Religious Education: Measuring Students' Holistic Competencies through Performance-Based Evaluation," *Ar-Rayyan: Journal Of Islamic Education* 3, no. 1 (2026): 53–81, https://doi.org/10.67899/ar.v3i1.226.

key principle is that innovation must remain subordinate to the preservation of waqf objectives and sharia requirements.

Integration of Islamic Social and Commercial Finance

One of the strongest findings concerns the importance of integrating Islamic social finance with commercial Islamic finance. Zakat and waqf possess strong social functions but may have limited capacity to finance business expansion independently. Islamic banks, BMTs, and cooperatives possess greater commercial financing capacity. When the two systems operate together, beneficiaries can move progressively through different levels of financial support. This creates a pathway from social protection to productive entrepreneurship and commercial financing. The model is therefore more comprehensive than either sector operating independently.

Siswantoro's analysis provides empirical justification for this integrated approach. Using an Error Correction Model with data from 2002 to 2021, the study found a significant negative relationship between integration of Islamic social and commercial finance and poverty. The effect appeared in both short-term and long-term relationships. Moreover, the integrated model demonstrated stronger effects than separated management. These findings suggest that institutional integration is not merely a normative aspiration. It can also have measurable implications for poverty reduction. An integrated financing model could begin with zakat-funded productive assistance. Beneficiaries who demonstrate business viability can subsequently access qard al-hasan or other appropriate Islamic financing. Once their businesses become stronger, they can receive commercial financing from Islamic banks or cooperatives. Waqf assets can provide supporting infrastructure such as marketplaces, production facilities, training centers, or business premises. Educational institutions can provide training and research support. Such an ecosystem creates a multi-stage empowerment pathway.

Institutional Governance and Professionalization

Institutional governance is one of the most significant determinants of philanthropic effectiveness. The management of zakat and waqf requires accountability to donors, beneficiaries, regulators, and Islamic legal principles. Transparency concerning collection, allocation, investment, and impact is therefore essential. Weak governance can reduce public confidence and encourage people to distribute funds informally. Strong governance, by contrast, can increase institutional legitimacy and participation.[48] Professional management should therefore be considered part of the religious and ethical responsibility of philanthropic institutions.

The professionalization of nazhir is particularly urgent. The source manuscript notes that many waqf assets remain under the management of individual nazhir who may lack sufficient managerial and entrepreneurial capacity. This does not mean that individual nazhir are inherently ineffective. Rather, it indicates the need for systematic training, certification, institutional support, and monitoring. Nazhir must understand that waqf management involves more than maintaining ownership records. It requires active stewardship oriented toward sustainable public benefit.

Amil institutions also require continuous professional development. Modern zakat management involves financial administration, digital payment systems, data

[48] Salma Begum et al., "Integrating Maqashid Al-Shari'ah into Sustainable Education: An Islamic Perspective on Global Citizenship Education," *Al Husna: Jurnal Ilmiah Pendidikan Agama Islam* 2, no. 1 (June 1, 2025): 65–85, https://doi.org/10.69900/ah.v2i1.22.

analysis, beneficiary assessment, impact measurement, and communication. Amil must simultaneously understand Islamic jurisprudence and contemporary management.[49] This dual competency is especially important when zakat programs move toward productive financing. Professional development can therefore become an important area for Islamic higher education institutions. Universities and Islamic colleges can design training programs connecting fiqh, economics, entrepreneurship, accounting, and digital governance.

Digitalization and Transparency

Digitalization represents one of the most promising strategies for expanding Islamic philanthropy. Digital payment systems can reduce transaction barriers for muzakki and wakif. Online platforms can also provide real-time information about campaigns, programs, and beneficiaries. Digital reporting can strengthen transparency when supported by reliable institutional systems. Young donors may be more willing to participate when philanthropic services are integrated into familiar digital environments. Digitalization therefore has the potential to expand both the reach and frequency of philanthropic participation.

Nevertheless, digitalization should not be interpreted as a technological solution to every institutional problem. A digital platform can display information, but the quality of that information depends on governance.[50] Inaccurate reporting can undermine trust even when the interface is sophisticated. Cybersecurity, data privacy, financial controls, and verification mechanisms must therefore accompany digital expansion. Islamic philanthropic institutions need to develop digital ethics alongside digital infrastructure. The technological transformation must remain consistent with the values of amanah, transparency, and accountability.

Islamic Education and Philanthropic Literacy

The findings also indicate that Islamic education should become a central component of philanthropic development. Low literacy concerning zakat and waqf limits the ability of communities to understand their obligations and opportunities.[51] Educational programs can explain the jurisprudential foundations of zakat and waqf while also demonstrating their economic and social consequences.[52] Students can be introduced to real examples of productive philanthropy. Such learning can cultivate a generation that understands giving as both worship and social responsibility.

The integration of Islamic social finance into educational curricula can occur at multiple levels. At the school level, students can learn basic concepts of zakat, waqf, justice, generosity, and economic responsibility. At higher education institutions, students can study Islamic social finance, nonprofit management, social entrepreneurship, and waqf investment. Professional programs can prepare amil and

[49] Markhabat Bolat et al., "Metaverse-Based Islamic Religious Education: Reimagining Immersive Learning for Future Islamic Classrooms," *Al-Mukhlashin: Jurnal Multidisiplin Ilmu* 2, no. 1 (2025), https://doi.org/10.69900/am.v2i1.42.

[50] Wahyudi et al., "The Concept of Humans as Khalifah and the Strengthening of Self-Management Based on Hadith in Islamic Religious Education Learning."

[51] Mukhlis Mukhlis et al., "Perspectives and Implementation of Multicultural Education: A Comparative Study between Developed and Developing Countries," *Integrated Education Journal* 3, no. 2 (June 6, 2026): 88–115, https://doi.org/10.67899/iej.v3i2.88.

[52] Mukhlis Mukhlis et al., "Islamic Education Perspective on Understanding Riba in Fiqh Al-Muamalat amid Challenges of the Modern Global Economic System," *Ar-Rayyan: Journal Of Islamic Education* 2, no. 1 (2025): 23–51, https://doi.org/10.67899/ar.v2i1.180.

nazhir with specialized competencies. Community education can involve mosques, Islamic organizations, and religious leaders. This educational ecosystem can strengthen philanthropic literacy across generations.

The educational dimension also strengthens the connection between Islamic philanthropy and contemporary Islamic thought. Islamic education should not simply transmit rules concerning zakat and waqf. It should encourage critical reflection on poverty, inequality, economic justice, and institutional responsibility. Students can examine how Islamic principles respond to contemporary social problems. They can also evaluate philanthropic programs based on ethical, economic, and maqāṣid-oriented criteria. Such pedagogical transformation supports the development of socially engaged Islamic intellectualism.

Challenges to Optimization

The study identifies five principal challenges. The first is limited public literacy concerning zakat and waqf. The second is weak governance and professionalism among some amil and nazhir institutions. The third concerns limitations in regulation, monitoring, transparency, and accountability. The fourth involves uneven digitalization, particularly outside major economic centers. The fifth is limited synergy among philanthropic institutions and Islamic commercial financial institutions. These challenges are interconnected rather than independent.

Low literacy affects both fundraising and institutional trust. People may understand zakat as an obligation but remain unaware of productive distribution models. Others may understand waqf only as land dedicated to mosques or cemeteries. Such narrow perceptions limit participation in innovative philanthropic instruments. Education and public communication can therefore reshape the social meaning of philanthropy. The objective should be to cultivate understanding that Islamic giving can generate sustainable economic and social value.

Institutional fragmentation creates another major obstacle. BAZNAS and BWI have different institutional mandates, while LAZ, nazhir, Islamic banks, BMTs, cooperatives, government agencies, and educational institutions have complementary capabilities. Without coordination, programs may operate in parallel without producing cumulative impact. A pentahelix model can bring together government, philanthropic institutions, financial institutions, universities, civil society, and media. Such collaboration can integrate funding, knowledge, technology, regulation, and community participation. The source manuscript specifically proposes this type of institutional synergy as a strategic direction.

Repositioning Islamic Philanthropy for Social Transformation

The central theoretical implication of this study is that Islamic philanthropy needs to be repositioned from a charitable paradigm toward a transformative paradigm. Charity remains important because vulnerable people require immediate support. However, long-term poverty reduction requires interventions that increase productive capacity. Zakat and waqf can perform this function when their management is connected to entrepreneurship, education, financing, technology, and market development. The transformation is therefore not a rejection of charity but an expansion of its purpose. Islamic philanthropy becomes transformative when relief is connected to pathways toward independence.

The proposed repositioning can be summarized as an integrated philanthropic empowerment ecosystem. Zakat functions primarily as an instrument of redistribution and initial empowerment. Waqf functions as a mechanism for creating

long-term productive assets and sustainable revenue. Islamic commercial finance provides opportunities for business scaling. Islamic education develops literacy, ethics, and professional capacity. Digital technology provides mechanisms for access, transparency, and participation. Governance provides the institutional foundation ensuring that all components operate according to Islamic and professional standards.

The framework also requires impact measurement. Traditional philanthropic reporting often focuses on the amount of money collected and distributed. Transformative philanthropy requires broader indicators. These may include changes in household income, business ownership, savings, employment, educational access, financial independence, and transition from mustahik to muzakki. Spiritual and social indicators can also be considered within appropriate Islamic frameworks. Impact measurement enables institutions to identify which interventions generate sustainable outcomes. It also strengthens accountability to donors and communities.

The proposed framework is especially relevant to regions undergoing rapid economic transformation. The source manuscript highlights East Kalimantan as an important context because of the development associated with the Nusantara Capital City. Such transformation can generate new economic opportunities while also producing displacement, inequality, and changing patterns of economic vulnerability. Islamic philanthropic institutions can respond through targeted entrepreneurship programs, educational endowments, productive waqf assets, and integrated social finance. Islamic higher education institutions can serve as research and professional development partners. This creates opportunities to develop regionally grounded models of Islamic philanthropy. Finally, contemporary Islamic thought should place greater emphasis on the intellectual integration of philanthropy, education, economics, and social justice. Zakat and waqf should not be treated as isolated topics within Islamic jurisprudence. They can be studied as institutions that operationalize Islamic ethical commitments in contemporary socioeconomic systems. Maqāṣid al-sharī'ah provides a conceptual framework for connecting legal compliance with welfare outcomes. Islamic education provides the epistemological and ethical foundation for cultivating responsible participation. Together, these dimensions support a new paradigm in which Islamic philanthropy becomes an instrument of economic empowerment, institutional development, and sustainable social transformation.

Conclusion

Islamic philanthropy, particularly zakat and waqf, possesses substantial potential to contribute to economic empowerment and social transformation within Muslim communities. The analysis demonstrates that productive zakat can support beneficiaries through business capital, qard al-hasan, mentoring, skills development, and market access, while productive waqf can transform land, buildings, and cash contributions into sustainable economic resources. The integration of Islamic social finance with commercial Islamic finance further strengthens the potential for poverty reduction and economic independence. However, substantial gaps remain between philanthropic potential and realization because of limited literacy, institutional weaknesses, insufficient professionalization, uneven digitalization, regulatory challenges, and weak inter-institutional coordination. The contemporary repositioning of Islamic philanthropy therefore requires a transition from a predominantly charitable orientation toward an empowerment-based and transformative paradigm. The novelty of this study lies in conceptualizing zakat and waqf within an integrated ecosystem connecting maqāṣid al-sharī'ah, Islamic education, digital governance, institutional collaboration, and Islamic social-commercial finance. Within this framework, zakat functions as an instrument of redistribution and initial productive empowerment, while waqf provides long-term productive assets and sustainable social investment. Islamic education becomes a strategic mechanism for strengthening philanthropic literacy and developing professional human resources, while digital technology enhances accessibility and transparency. The future development of Islamic philanthropy therefore requires coordinated action involving BAZNAS, BWI, LAZ, nazhir, Islamic financial institutions, government, universities, civil society, and communities. Further empirical research is recommended to measure the long-term impact of productive zakat and waqf on household welfare, entrepreneurship, social mobility, and the transformation of mustahik into economically independent actors, particularly in regions experiencing rapid socioeconomic transformation.

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