AL-IKHLAS
Journal of Islamic Philantrophy,
Social Finance and Social Entrepreneurship
Volume 1, No. 1, 2025 ISSN: XXXX-XXXX; E-ISSN: XXXX-XXXX;
No DOI: https://doi.org/xxxxxxx/xxxxxxxxxxx

Received : 29- 12 - 2025
Revised : 13- 01 - 2026
Accepted : 09- 02 – 2025
Published regularly : February 2026

A Comparative Analysis of Zakat and Waqf Institutions in West Java

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Abstract: This qualitative comparative study explores how zakat and waqf institutions in West Java operationalize the ideals of Islamic social finance within local contexts. Using Maqasid al-Shariah and the Sustainable Development Goals (SDGs) as normative benchmarks, the study draws on document analysis of institutional reports and regulations, complemented by semi-structured interviews with managers, program officers, and selected policymakers. Findings reveal strong adherence to formal sharia requirements; however, institutional program portfolios remain largely philanthropic and short-term, with a primary focus on cash transfers, food assistance, and emergency relief. Initiatives such as productive zakat, beneficiary "graduation" pathways, and income-generating waqf development are comparatively underdeveloped. This gap between theory and practice is influenced by factors including institutional risk aversion, fragmented regulatory and oversight frameworks, limited capacity for planning and impact assessment, and persistent pressure to address immediate social needs. The study underscores the urgency of transitioning from compliance-based to impact-oriented governance, enhancing human resource and evaluation capacities, and fostering synergies between zakat and waqf alongside digital integration to advance sustainable poverty alleviation.

Keywords: Islamic Social Finance; Zakat; Waqf; Maqasid al-Shariah; West Java

Abstrak: Studi komparatif kualitatif ini mengkaji bagaimana lembaga zakat dan wakaf di Jawa Barat menerjemahkan ideal-ideal keuangan sosial Islam ke dalam praktik lokal. Maqasid al-Shariah dan Tujuan Pembangunan Berkelanjutan (SDGs) digunakan sebagai tolok ukur normatif. Data diperoleh melalui analisis dokumen berupa laporan kelembagaan dan regulasi yang dilengkapi dengan wawancara semi-terstruktur dengan manajer, petugas program, dan pembuat kebijakan terpilih. Temuan menunjukkan kepatuhan yang tinggi terhadap ketentuan syariah formal, namun portofolio program masih didominasi oleh pendekatan filantropi jangka pendek, seperti bantuan tunai, distribusi pangan, dan respons darurat. Program zakat produktif, jalur "graduasi" mustahik, serta pengembangan wakaf produktif masih terbatas. Kesenjangan antara teori dan praktik ini dipengaruhi oleh faktor-faktor seperti kehati-hatian kelembagaan terhadap risiko, fragmentasi regulasi dan pengawasan, keterbatasan kapasitas dalam perencanaan dan pengukuran dampak, serta tekanan untuk memenuhi kebutuhan sosial yang mendesak. Studi ini menekankan perlunya pergeseran dari tata kelola berbasis kepatuhan menuju tata kelola berbasis dampak, penguatan sumber daya manusia dan sistem evaluasi, serta pembangunan sinergi zakat–wakaf dan integrasi digital untuk mendukung pengentasan kemiskinan yang berkelanjutan.

Kata Kunci: Keuangan Sosial Islam; Zakat; Wakaf; Maqasid al-Shariah; Jawa Barat.

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Introduction

Islamic social finance has garnered growing scholarly and policy interest as an ethical and faith-based mechanism for addressing persistent socio-economic challenges—particularly poverty, inequality, and social exclusion—in Muslim-majority contexts.[5] As a subset of Islamic economics and finance, it rests on the institutional foundations of redistributive justice and social solidarity, channeling resources through zakat, waqf, and voluntary giving to protect vulnerable populations while promoting inclusive welfare.[6] Normatively, these instruments are not merely viewed as charitable transfers; they are expected to function as sustainable socio-economic mechanisms that build resilience and support long-term development trajectories.[7]

This developmental aspiration is often framed through the lens of Maqasid al-Shariah, which positions social finance as a vehicle for safeguarding essential human interests—faith, life, intellect, wealth, and lineage.[8] Within this framework, zakat and waqf are ideally oriented toward long-term relief rather than short-term relief, emphasizing empowerment strategies that foster lasting livelihood improvements and pathways out of poverty.[9] Contemporary research increasingly aligns this normative vision with the Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities), positioning Islamic social finance as a complementary tool for development financing and social protection.[10] Recent scholarship has further extended this alignment, illustrating how zakat and waqf can contribute to SDG 7 (Affordable and Clean Energy), for example, by channeling philanthropic capital toward renewable energy access for underserved communities.[11]

[5] Q Ayuniyyah et al., "Zakat for Poverty Alleviation and Income Inequality Reduction: West Java, Indonesia," *Journal of Islamic ...* (2018), http://jimf-bi.org/index.php/JIMF/article/view/767.

[6] Clarashinta Canggih, Khusnul Fikriyah, and Ach Yasin, "Potensi Dan Realisasi Dana Zakat Indonesia," *Al-Uqud: Journal of Islamic Economics* 1, no. 1 (2017): 14–26.

[7] Muhammad Raihan Gunawan and Aam Slamet Rusydiana, "Zakat and Sustainable Development Goals (SDGs)," in *7th Indonesian Conference of Zakat Proceedings*, 2023.

[8] Y D Lestari et al., "The Development of National Waqf Index in Indonesia: A Fuzzy AHP Approach," *Heliyon* 9, no. 5 (2023), https://www.scopus.com/inward/record.uri?eid=2-s2.0-85156233075&doi=10.1016%2Fj.heliyon.2023.e15783&partnerID=40&md5=2bc384454310ee35a1a5a0743a4fca2b.

[9] Zainal Mukhid, "Islamic Social Finance: Exploring Zakat, Waqf, and Sadaqah in Economic Development Keuangan Sosial Islam: Menggali Zakat, Wakaf, Dan Shadaqah Dalam Pembangunan Ekonomi," *Economics Studies and Banking Journal* 1, no. 1 (2024): 46–52.

[10] u. Mukhlishin, J Ramadhan, and I K Hayatullah, "Zakat and Waqf Synergies to Accelerating Sustainable Development," *Journal of Sustainable Development and Regulatory Issues* 3, no. 1 (2025): 29–54, https://www.scopus.com/inward/record.uri?eid=2-s2.0-105002775700&doi=10.53955%2Fjsderi.v3i1.56&partnerID=40&md5=0c452782399e0b4363f21b434281dc6e.

[11] Putri Reno Kemala Sari, "Islamic Social Finance and SDG 7: A Comprehensive Framework for Sustainable Energy Access," *Valid Jurnal Ilmiah* 22, no. 2 (2025): 153–162.

Despite its strong theoretical promise, empirical evidence consistently highlights a gap between normative ideals and operational realities.[12] Findings from diverse institutional settings reveal that program portfolios often remain skewed toward short-term, consumptive assistance. In contrast, productive and transformational initiatives—such as enterprise development, graduation models, and revenue-generating waqf projects—remain relatively underdeveloped.[13] This results in a persistent theory–practice divergence, whereby formal compliance with sharia governance may be achieved, yet the broader developmental impact and sustainability remain inconsistent.[14]

Indonesia presents a strategically significant context for exploring this tension. Home to the world's largest Muslim population and a rapidly expanding Islamic philanthropic ecosystem, the country has reinforced the legal and institutional framework of zakat and waqf through national laws, including Law No. 23/2011 on Zakat Management and Law No. 41/2004 on Waqf.[15] Through national bodies like BAZNAS and a growing number of licensed Lembaga Amil Zakat (LAZ), this regulatory environment has facilitated broader resource mobilization and distribution. Nevertheless, the role of zakat and waqf in achieving sustainable poverty alleviation remains debated—particularly due to the persistent gap between estimated potential and actual collections, as well as uneven institutional performance across regions.[16]

Within this evolving landscape, digital innovation has emerged as a key area of focus. Although digitization is often promoted as a strategy to enhance transparency, expand donor outreach, and improve reporting integrity, empirical studies suggest that the limited integration of digital systems, data governance, and impact measurement tools can hinder effectiveness and diminish accountability.[17] As such, digital transformation is not merely a technical upgrade, but a broader governance challenge that affects trust, efficiency, and institutional capacity to deliver sustainable programs.[18]

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[12] Mukhlishin, Ramadhan, and Hayatullah, "Zakat and Waqf Synergies to Accelerating Sustainable Development."

[13] Ayuniyyah et al., "Zakat for Poverty Alleviation and Income Inequality Reduction: West Java, Indonesia."

[14] Mukhlishin, Ramadhan, and Hayatullah, "Zakat and Waqf Synergies to Accelerating Sustainable Development."

[15] Citra Mulya Sari, "Reviving Islamic Social Finance: The Role of Zakat and Waqf in Advancing the SDGs," in *AICIEF Proceeding*, 2024.

[16] Canggih, Fikriyah, and Yasin, "Potensi Dan Realisasi Dana Zakat Indonesia."

[17] Mokhammad Ainur Rofiq, Joharul Fathoni, and Najhah Barnamij, "Optimizing Zakat and Waqf through Digital Innovation in the Framework of Maqashid Syariah: A Solution for Poverty Alleviation in Indonesia," *Dialektika: Jurnal Ekonomi Dan Ilmu Sosial* 10, no. 2 (2025): 360–368.

[18] Mukhlishin, Ramadhan, and Hayatullah, "Zakat and Waqf Synergies to Accelerating Sustainable Development."

West Java is a critical provincial context for examining the implementation of local Islamic social finance. The province exhibits high economic potential alongside persistent pockets of poverty and inequality, making it a relevant site for assessing whether Islamic finance institutions can evolve from relief-based operations to development-oriented models.[19] Studies on zakat programs in West Java show measurable benefits for poverty reduction and inequality mitigation, yet also reveal that institutional and programmatic design factors critically shape the depth and durability of these outcomes.[20] At the same time, waqf governance continues to face structural challenges—from underutilized assets to limited managerial capacity—even amid emerging initiatives, such as national index frameworks, aimed at improving performance.[21]

An additional concern is the limited synergy between zakat and waqf at the local level. During crises such as COVID-19, zakat has proven effective as a rapid-response mechanism to meet immediate needs. In contrast, waqf holds untapped potential to support long-term social infrastructure and recovery financing.[22] Yet these complementary roles often remain uncoordinated, resulting in fragmented interventions that prioritize short-term relief over sustainable impact.[23] This raises a fundamental question about the operational identity of Islamic social finance: to what extent do zakat and waqf institutions function as instruments of sustainable development, rather than remaining primarily charity-based mechanisms?

Most existing literature has focused on conceptual explorations, normative models, or macro-level policy discourse, with comparatively little attention to empirically examining the theory–practice gap at the local institutional level—particularly within Indonesia's provincial landscapes.[20] Addressing this gap, the present study undertakes a comparative analysis of normative Islamic social finance frameworks—rooted in Maqasid al-Shariah and sustainable development—and the actual practices of zakat and waqf institutions in West Java. Specifically, it aims to: (i) clarify the normative principles and developmental expectations underpinning Islamic social finance; (ii) analyze how these principles are implemented in local program design and governance; and (iii) identify institutional and structural factors that account for the gap between theory and practice. By grounding the analysis in a local context,

[19] Ayuniyyah et al., "Zakat for Poverty Alleviation and Income Inequality Reduction: West Java, Indonesia."

[20] Sari, "Reviving Islamic Social Finance: The Role of Zakat and Waqf in Advancing the SDGs."

[21] Lestari et al., "The Development of National Waqf Index in Indonesia: A Fuzzy AHP Approach."

[22] Inggritia Safitri and Nurul Huda, "Islamic Social Finance Optimalization For Economic Growth (Covid-19 In Indonesia)," *Laa Maisyir: Jurnal Ekonomi Islam* 8, no. 1 (2021): 1–12.

[23] Mukhlishin, Ramadhan, and Hayatullah, "Zakat and Waqf Synergies to Accelerating Sustainable Development."

this study contributes to a more robust empirical foundation for Islamic social finance scholarship. It offers actionable policy insights to enhance the developmental role of zakat and waqf institutions in Indonesia.

Method

This study adopted a qualitative comparative design to examine the extent to which the operational practices of zakat and waqf institutions in West Java reflect the normative principles of Islamic social finance, as articulated through Maqasid al-Shariah and sustainable development discourses, including the Sustainable Development Goals (SDGs). The normative framework was positioned as an evaluative benchmark, against which institutional practices were assessed to identify areas of alignment, partial alignment, and divergence at the local level.

Data collection involved document analysis and semi-structured interviews. The document corpus comprised institutional annual reports, strategic plans, program guidelines, financial and accountability reports, public disclosures from official websites and social media, relevant regulatory documents, and available evaluation or impact reports. Semi-structured interviews were conducted with key informants directly involved in governance and program implementation, including institutional leaders, program managers, and distribution officers. Where relevant, additional perspectives were gathered from regulators, local partners, and community representatives.

A purposive sampling strategy was employed to capture variation in institutional type and operational scale. This included provincial, municipal, and community-based actors, as well as organizations primarily managing zakat or waqf. Sampling continued until analytical saturation was achieved across core categories, particularly those concerning program orientation, governance and accountability, beneficiary targeting, sustainability logic, coordination and synergy, and digital integration.

Data analysis followed a thematic procedure with iterative coding. First-cycle coding applied deductive categories derived from the normative framework, followed by inductive coding to allow themes to emerge from the empirical material. These included capacity constraints, institutional risk aversion, fragmented coordination, regulatory pressures, and limitations in impact measurement. A cross-case comparative approach was then employed to synthesize patterns and explain the observed theory–practice gaps through institutional and structural lenses.

To enhance trustworthiness, triangulation was applied by cross-referencing institutional claims with stakeholder narratives and program evidence. Selective member checking was conducted by sharing synthesized interpretations with key informants to confirm accuracy and clarify ambiguities. An audit trail of coding decisions was maintained to support transparency and dependability. Ethical procedures were rigorously observed, including obtaining informed consent, maintaining confidentiality, anonymizing data where required, and storing data securely for academic use only.

Discussion

Institutional Landscape of Zakat and Waqf Organizations in West Java

West Java's Islamic social finance ecosystem operates within a multi-layered institutional architecture formally anchored in Indonesia's national regulatory framework. Zakat management is governed by Law No. 23/2011, which designates BAZNAS as the central coordinating body and authorizes the establishment of zakat management units, alongside licensed private zakat institutions (Lembaga Amil Zakat/LAZ), to support regional collection and distribution activities. In practice, this framework gives rise to an operational landscape where provincial and district/city-level BAZNAS units operate alongside LAZ networks and community-based zakat intermediaries—each shaped by varying levels of managerial capacity, governance practices, and programmatic focus.[2] Consequently, the institutional landscape is far from uniform: some organizations prioritize standardized compliance and reporting mechanisms, while others depend on localized norms and limited administrative capacity, resulting in diverse approaches to mobilizing and distributing Islamic social funds.

Waqf governance follows a parallel, though distinct, institutional trajectory. Its legal basis is Law No. 41/2004 on Waqf, which conceptualizes waqf as an endowed asset regime managed by nazhir (waqf administrators) under the supervision and developmental mandate of the Indonesian Waqf Board (Badan Wakaf Indonesia / BWI). Supplementary regulations elaborate on governance protocols, registration procedures, and the roles of key stakeholders, including the Ministry of Religious Affairs and regional waqf registration authorities. In West Java, this produces a diverse configuration of waqf actors, including individual and organizational nazhirs who manage mosques and educational assets, foundations that administer waqf-funded social services, and emerging initiatives seeking to transform waqf into more productive, formally governed models. The institutional separation between zakat and waqf is not only functional—periodic redistribution versus permanent endowment—but also administrative: zakat relies on annual fundraising and disbursement cycles, whereas waqf governance centers on asset registration, long-term stewardship, and sustained managerial capacity.[24]

Taken together, West Java's institutional landscape is marked by a dense network of actors but uneven organizational capacity. The coexistence of BAZNAS units, LAZ institutions, and various forms of nazhir enables greater scale, outreach, and opportunities for complementary programming. However, it also creates risks of fragmentation in the absence of robust coordination mechanisms, integrated databases, and interoperable reporting systems.[7] This institutional heterogeneity is analytically significant for this study, as it helps explain why shared normative goals—such as poverty reduction, empowerment, and sustainability—often materialize in divergent program designs and governance outcomes across organizations operating within the same provincial context.

Program Orientation and Portfolio Patterns: Consumptive Relief versus Productive Empowerment

In West Java, the operational orientation of Islamic social finance programs commonly reflects a practical tension between immediate relief and longer-term empowerment. Normatively, zakat and waqf are expected to function not merely as charitable transfers but as socio-economic instruments that support sustainable welfare improvement. However, program portfolios implemented by institutions frequently prioritize short-term, consumptive assistance—such as direct cash transfers, food support, and emergency relief—because these interventions are perceived as the most responsive to urgent community needs and the easiest to deliver within routine administrative cycles. This tendency is reinforced by social demand dynamics in which institutions face strong expectations to address visible deprivation quickly.[25]

At the same time, the institutional design of zakat in Indonesia structurally enables both consumptive and productive distribution models, thereby making empowerment-oriented programming possible within the formal governance framework. The challenge in practice lies in how far institutions translate this possibility into structured development pathways—such as skills development, microenterprise support, and graduation strategies that allow beneficiaries to transition toward economic independence. In many cases, productive initiatives exist but

[24] T Khan and F Badjie, "Islamic Blended Finance for Circular Economy Impactful Smes to Achieve Sdgs," *Singapore Economic Review* 67, no. 1 (2022): 219–244, https://www.scopus.com/inward/record.uri?eid=2-s2.0-85092244922&doi=10.1142%2FS0217590820420060&partnerID=40&md5=b145bf9446a94e32c9b4f7e9fa676280.

[25] Ibid.

remain limited in scale and continuity, partly because they require stronger targeting systems, mentoring capacity, and outcome monitoring than consumptive programs.

Governance, Accountability, and Transparency: Compliance Practices and Reporting Quality

Governance and accountability are central determinants of how effectively Islamic social finance institutions translate normative objectives into credible programs and measurable outcomes. Within the Indonesian regulatory environment, zakat management is formally required to follow institutional arrangements that support orderly collection, distribution, and reporting, placing accountability as an integral component of organizational legitimacy. In West Java, institutional performance is assessed not only by the volume of funds collected and disbursed but also by the clarity of governance structures, the reliability of administrative procedures, and the consistency of public reporting, as part of transparency obligations.

In practice, however, compliance-oriented governance does not automatically ensure development-oriented performance. Many institutions may satisfy administrative requirements—such as periodic reporting and formal documentation—yet still prioritize programs that are easier to execute and report in the short term. This creates a pattern in which accountability is often expressed through output-based reporting (e.g., number of beneficiaries served or distributions delivered) rather than outcome-based reporting that captures whether beneficiaries experience sustained welfare improvement. The implication is that transparency can become procedural rather than substantive, particularly when institutions lack robust monitoring systems and standardized impact indicators.

Waqf governance presents an additional layer of complexity because it requires long-term asset stewardship and managerial competence from *nazhir*, with accountability extending beyond annual fundraising cycles toward the preservation, registration, and productive use of endowed assets.[26] Within the formal framework, the effectiveness of waqf is closely linked to the nazhir's ability to manage assets transparently and professionally, ensuring that the waqf remains oriented toward sustained public benefit. Yet, the diverse character of waqf managers and asset types often produces uneven governance quality, including variations in

[26] A Pericoli, "Islamic Instruments for Refugee Financing: The IsDB and UNHCR Collaborative Approach," *Global Policy* 16, no. S1 (2025): 46–56, https://www.scopus.com/inward/record.uri?eid=2-s2.0-85219575966&doi=10.1111%2F1758-5899.13476&partnerID=40&md5=db8c472006f258185c8cda52edb71b36.

reporting practices, documentation completeness, and capacity to develop productive waqf models.

Accordingly, the governance profile of Islamic social finance institutions in West Java can be read as a spectrum: at one end are institutions with stronger transparency routines, clearer reporting lines, and better administrative systems; at the other end are institutions whose governance remains heavily informal or fragmented, limiting both public trust and the possibility of scaling development-oriented interventions. Strengthening the developmental role of zakat and waqf, therefore, requires not only compliance with formal rules but also improvements in governance, including integrated data management, clearer accountability for outcomes, and transparency that supports institutional learning and program sustainability.

Implementation Realities of Zakat and Waqf: Targeting Mechanisms, Delivery Models, and Sustainability Limits

At the operational level, the implementation of Islamic social finance in West Java is shaped by how institutions define eligible beneficiaries, determine priority needs, and select delivery models that fit their administrative capacity. In zakat practice, beneficiary targeting is typically oriented toward identifying mustahik who meet eligibility criteria and verifying their socio-economic conditions before assistance is provided. This targeting process is essential because it determines whether the distribution aligns with the broader objectives of poverty alleviation and empowerment, rather than functioning merely as routine charity. Within the national zakat framework, the institutional mandate encompasses not only distribution but also structured management, which presupposes orderly verification and reporting procedures.

Delivery models commonly reflect a pragmatic balance between institutional resources and social demand. Many institutions rely on direct transfer and consumption channels because of their speed and simplicity, particularly in contexts where communities expect rapid responses to immediate hardship. Productive models—such as business capital support, tools for microenterprises, and skills-related assistance—tend to be more selective and smaller in scale because they require follow-up mentoring, monitoring, and risk management. Where institutions lack sustained mentoring systems or measurable indicators of success, productive programs risk becoming one-off interventions rather than a coherent pathway to empowerment.

In the waqf sector, implementation realities revolve around stewardship capacity and the nazhir's ability to transform endowed assets into sustained social benefits. Unlike zakat, which is often disbursed annually, waqf requires longer planning horizons, greater completeness of documentation, and clearer managerial accountability for preserving and developing assets.[27] When these prerequisites are weak, waqf implementation tends to remain conservative and maintenance-focused, resulting in under-optimized assets and limited expansion of productive waqf initiatives. In such cases, waqf continues to serve important religious and social functions but contributes less effectively to long-term development agendas.

These implementation dynamics highlight a key sustainability constraint: the operational system often prioritizes distribution completion over tracking changes in welfare over time. The absence of consistent outcome monitoring reduces the institution's ability to identify which models produce durable improvement and which merely provide short-term support. Accordingly, strengthening sustainability requires institutional strengthening in three linked areas: targeting accuracy, program model design (including mentoring components), and the development of monitoring mechanisms that connect assistance to longer-term welfare outcomes.

Drivers of the Theory–Practice Gap: Capacity Constraints, Risk Aversion, and Regulatory/Coordination Fragmentation

The divergence between the normative ideals of Islamic social finance and institutional practice in West Java is largely driven by interacting organizational and structural factors. First, capacity constraints shape what institutions can realistically implement. While the legal framework expects zakat management to be organized, accountable, and programmatically effective, the availability of skilled human resources, administrative systems, and monitoring capacity varies significantly across institutions.[1] Where institutional capacity is limited, program portfolios tend to prioritize interventions that are easier to administer and report, which often pushes institutions toward short-term consumptive distributions rather than complex empowerment pathways.

Second, institutional risk aversion influences strategic choices in program design. Productive programming—such as enterprise support or livelihood development—carries higher

[27] Khan and Badjie, "Islamic Blended Finance for Circular Economy Impactful Smes to Achieve Sdgs."

operational risk because outcomes are uncertain, beneficiaries require mentoring, and failures may be interpreted as mismanagement. In contrast, consumptive assistance is less risky from a managerial perspective because outputs are immediate and readily demonstrated. This creates an incentive structure in which institutions may rationally prefer low-risk programs even when the normative benchmark emphasizes sustainability and long-term welfare improvement.

Third, fragmentation in coordination and the regulatory environment can intensify the theory–practice gap. Zakat and waqf are governed under distinct legal and administrative arrangements, which can reduce interoperability between institutions and limit the development of integrated strategies.[1] [2] In practice, the coexistence of multiple zakat actors and diverse waqf managers can produce overlapping initiatives without shared databases, common targeting standards, or unified impact measurement. As a consequence, institutional work may be dispersed across parallel programs rather than consolidated into synergistic interventions that combine short-term protection with long-term investment in development.[28]

These drivers collectively explain why Islamic social finance institutions may remain strongly committed to the ethical goal of helping people experiencing poverty, yet still deliver program patterns that fall short of sustainability expectations. Narrow administrative capacity encourages simplified program designs; risk aversion strengthens the preference for easily accountable outputs; and coordination fragmentation limits institutional synergy and cumulative impact. Addressing the gap, therefore, requires reforms that strengthen institutional capacity, reduce fragmentation through coordination mechanisms, and establish accountability systems that reward long-term outcomes rather than short-term outputs.

Digital Integration and Reform Implications: Trust, Efficiency, Impact Measurement, and Zakat–Waqf Synergy

Digital integration increasingly functions as a strategic governance lever in strengthening Islamic social finance institutions, particularly in improving transparency, expanding access, and reinforcing stakeholder trust. In zakat management, digital systems can support more efficient collection channels, improve the traceability of inflows and

[28] A Khan et al., "Attribution Theory of Poverty and Beliefs about Charity in Malaysia: An Inter-Ethnic Comparison," *Frontiers in Psychology* 15 (2024), https://www.scopus.com/inward/record.uri?eid=2-s2.0-85216270090&doi=10.3389%2Ffpsyg.2024.1526352&partnerID=40&md5=8b1690855dc83ba9f63e216c2506a17a.

outflows, and enable clearer reporting routines that enhance accountability to both regulators and the public. These functions are consistent with the broader institutional mandate of zakat governance, which requires organized management and responsible distribution under a formal legal framework.[29] Where digital tools are adopted without integration into internal data governance and reporting systems, however, digitization may remain limited to transaction convenience rather than becoming a comprehensive accountability mechanism.

In the waqf sector, digitization is particularly relevant because waqf governance depends on asset documentation, registration, and long-term stewardship by the *nazhir*. Digital systems can assist in strengthening administrative order, reducing data fragmentation, and improving transparency into the status and utilization of waqf assets. In this sense, digital integration may function not only as an efficiency improvement but also as an institutional enabling condition for productive waqf development, since asset productivity is difficult to scale without reliable data and accountable management.[30]

Beyond technical efficiency, digital integration has direct implications for monitoring and impact measurement. One persistent limitation observed in practice is the tendency to emphasize outputs rather than outcomes. Digital systems, when well designed, can help institutions track beneficiary trajectories, monitor program progress, and establish routine indicators of sustainability and empowerment. However, this benefit depends on institutional readiness, including human resource capability and standardized procedures for data entry, verification, and evaluation. Without such readiness, digital adoption can produce scattered platforms and inconsistent datasets, reinforcing rather than reducing fragmentation.

Finally, reform implications also extend to the relationship between zakat and waqf. Their legal foundations are distinct, yet both are oriented toward public welfare and social benefit.[1] [2] Stronger digital integration—particularly shared databases for targeting, interoperable reporting, and coordinated program dashboards—can support more deliberate synergy

[29] H Ahmed and A.M.H.A.P.M. Pg Hj Md Salleh, "Inclusive Islamic Financial Planning: A Conceptual Framework," *International Journal of Islamic and Middle Eastern Finance and Management* 9, no. 2 (2016): 170–189, https://www.scopus.com/inward/record.uri?eid=2-s2.0-84977512929&doi=10.1108%2FIMEFM-01-2015-0006&partnerID=40&md5=3019761fde1259c7a2232b71f50f2cc1.

[30] D W Muhammad, "COLLABORATIVE GOVERNANCE IN THE JOGJA BERWAKAF MOVEMENT (Law, Model, and Transformation of Socio-Economic Empowerment)," *Justicia Islamica* 19, no. 1 (2022): 171–192, https://www.scopus.com/inward/record.uri?eid=2-s2.0-105000368857&doi=10.21154%2Fjusticia.v19i1.3759&partnerID=40&md5=21c1401716ee7c805a1b7d229fc48aea.

between zakat's short-term protection function and waqf's long-term asset-based development potential. Consequently, the reform agenda implied by this study emphasizes not only the adoption of digital channels but also the strengthening of digital governance as part of institutional capacity building, outcome-based accountability, and cross-institution coordination aimed at sustainability.

Conclusion

This study set out to compare the normative foundations of Islamic social finance—anchored in Maqasid al-Shariah and sustainability-oriented development discourse—with the operational practices of zakat and waqf institutions in West Java. The findings indicate that, while institutional actors generally demonstrate compliance with formal sharia and regulatory requirements, program implementation remains largely dominated by short-term, consumptive, and charity-oriented interventions. Productive and empowerment-based initiatives exist but tend to be limited in scale, duration, and evaluative rigor, thereby constraining Islamic social finance's ability to function consistently as a sustainable development mechanism.

The observed theory–interrelated institutional and structural factors shape the practice gap. Variations in organizational capacity influence the feasibility of designing and sustaining productive programs, while risk aversion pushes institutions toward low-complexity distributions that are easier to administer and report. In addition, fragmentation in coordination and limited interoperability between zakat and waqf actors reduce synergy, resulting in parallel interventions rather than integrated strategies that combine short-term social protection with long-term asset-based development. Digitalization offers a strategic opportunity to strengthen transparency, efficiency, and accountability; however, its benefits depend on internal readiness, integrated data governance, and the development of outcome-based monitoring systems.

Overall, the study suggests that strengthening the developmental role of Islamic social finance in West Java requires a shift from compliance-based governance toward impact-based governance. This entails rebalancing institutional portfolios by maintaining essential relief while systematically expanding productive zakat and productive waqf models, strengthening human resources and monitoring capacity, and promoting zakat–waqf coordination through interoperable systems and shared targeting frameworks. These steps are essential to ensure that

Islamic social finance functions not only as a mechanism of short-term charity but also as an institutional instrument for sustainable poverty alleviation and inclusive welfare improvement.

Author Contribution

Author contributions should delineate each author's contributions to the research process. When multiple authors contributed, this section must detail each author's specific contributions.

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