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THE ROLE OF ISLAMIC FINANCIAL INSTITUTIONS IN MANAGING PRODUCTIVE ZAKAT AND WAQF

Yupita Angriani [1], Akbar Ari Septeno [2], Tirta Sukmo Jati [3], Andre [4]
Universitas Islam Negeri Fatmawati Sukarno Bengkulu
yupitaangriani048@gmail.com

Abstract

Islamic financial institutions play a crucial role in supporting the management of zakat and productive waqf as instruments for the economic empowerment of the community. Professional, transparent, and productive management of zakat and waqf can improve community welfare and reduce poverty. This study aims to analyze the role of Islamic Islamic financial institutions in the management of zakat and productive waqf, from fundraising and management to distribution to the community. This study employed a qualitative method with a literature review approach. Data were obtained from various sources, including books, scientific journals, articles, and regulations related to zakat, waqf, and Islamic financial institutions. The results indicate that Islamic financial institutions have significantly contributed to increasing the effectiveness of zakat and productive waqf management through various programs for economic empowerment, micro-enterprise financing, education, health, and the development of productive community assets. Furthermore, the digitalization of Islamic financial services has also helped increase transparency and public trust in the distribution of zakat and waqf. However, several obstacles remain, such as low public literacy, suboptimal supervision, and limited human resources in the management of zakat and productive waqf. Therefore, synergy is needed between the government, Islamic financial institutions, and the community so that the management of zakat and productive waqf can run more optimally and sustainably.

Keywords: *Islamic Financial Institutions, Zakat, Productive Waqf*

1. Introduction

The development of the Islamic economy in Indonesia has shown significant growth in recent years. This is evident in the growing number of Islamic financial institutions within the community, such as Islamic banks, Islamic cooperatives, Baitul Maal wat Tamwil (BMT), and zakat and waqf management institutions. The presence of these institutions demonstrates that society is beginning to place greater emphasis on an economic system based on Islamic sharia principles. In addition to functioning as institutions for collecting and distributing funds, Islamic financial institutions also play a crucial role in improving public welfare through various social and economic programs (Rosidta, 2023) . The Islamic economic system emphasizes not only profit but also the values of justice, equity, and blessings in economic activities. Therefore, the Islamic economy is considered a potential solution to address various social and economic issues in modern society. This development is also supported by the growing awareness of the Muslim community to use financial services in accordance with religious teachings. Furthermore, the Indonesian government also provides support through regulations and policies that strengthen the existence of the Islamic economy at the national level. This support is evident in the establishment of various Islamic economic supervisory and management institutions, which are increasingly active in carrying out their functions. From an Islamic perspective, one of the key instruments in the economic development of the community is the management of Islamic social funds, such as zakat and waqf. Both instruments have significant potential to help equitably distribute wealth and reduce poverty in society. With proper and professional management, zakat and waqf can become economic forces capable of driving sustainable community welfare (Abdurrozak, 2026) .

Zakat is an obligation that must be fulfilled by every Muslim who meets certain requirements, especially those with economic means. Zakat aims to help those in need, such as the destitute, the poor, and other eligible groups. Besides being a form of worship to Allah SWT, zakat also serves as a social instrument that functions to create economic balance in society. Through zakat, wealth is distributed from the wealthy to the less fortunate, thereby reducing social inequality. Waqf is a form of donation of property for the public good, the benefits of which can be utilized long-term. (Arifin, 2024) . Waqf has different characteristics from zakat because waqf assets are retained, while the benefits are distributed to the community. In the development of modern Islamic economics, zakat and waqf are not only used for consumption, but also developed productively to provide a greater economic impact. Productive zakat can be distributed in the form of business capital assistance, skills training, and the development of small community businesses. Meanwhile, productive waqf can be realized in the form of the construction of hospitals, schools, agricultural land, trade businesses, and even Sharia-based investments. The management of productive zakat and waqf requires a good management system so that the collected funds can be used optimally and on target. Therefore, professional, trustworthy institutions are needed, and have the ability to manage Islamic social funds effectively. Through productive management, zakat and waqf not only help the community in the short term but also can increase the community's economic independence in a sustainable manner (Ariza et al., 2024) .

Islamic financial institutions hold a highly strategic position in the management of zakat and productive waqf due to their structured and professional financial

management systems. They also boast extensive service networks, enabling them to reach communities across diverse regions. The role of Islamic financial institutions extends beyond collecting public funds to managing and distributing Islamic social funds for community economic empowerment activities. In practice, many Islamic financial institutions have collaborated with zakat institutions and waqf bodies to develop productive programs for the community (Awaluddin et al., 2022) . Productive zakat management, for example, involves providing business capital assistance to micro, small, and medium enterprises (MSMEs), providing business development, and providing entrepreneurship training for underprivileged communities. These programs aim to help communities increase their income and achieve economic independence. Productive waqf can be developed in the form of business assets, educational facilities, health services, and the development of the agricultural and trade sectors. The existence of Islamic financial institutions also helps increase transparency and accountability in the management of zakat and waqf funds, thereby enhancing public trust. With a sound management system, Islamic social funds can be optimally utilized to support the economic development of the community. In addition to providing economic benefits, productive zakat and waqf management also has a positive social impact on society. Islamic financial institutions play a vital role in realizing social welfare and equitable economic development in accordance with Islamic principles (Ayunda et al., 2025) .

The management of productive zakat and waqf in Indonesia still faces various challenges and obstacles. One major obstacle is the low level of public literacy regarding the importance of productive zakat and waqf management. Many people still understand zakat and waqf only as consumptive religious activities, without realizing their long-term economic potential. Furthermore, many waqf assets remain under-managed, thus hindering the community from fully realizing their benefits. The lack of professional human resources in waqf management is also a hindering factor in the development of productive waqf in Indonesia. (Chasanah, 2023) . The lack of innovation in the development of productive zakat and waqf programs has resulted in the ineffective utilization of Islamic social funds. Public trust in zakat management institutions also poses a challenge, as some still prefer to distribute zakat directly to recipients. This situation arises from a lack of public understanding of the importance of managing zakat through official institutions that are more organized and targeted. Another problem is the limited technology and uneven management systems across zakat and waqf management institutions. The use of digital technology is crucial for increasing the effectiveness of collecting and distributing Islamic social funds in the modern era. Therefore, efforts are needed to improve public education, strengthen institutions, and innovate programs to optimize the management of productive zakat and waqf. With proper management, zakat and waqf are expected to become important instruments in supporting the economic development of the community and reducing poverty in Indonesia (Fathony, 2024) .

Based on these various issues, this research is crucial to understand the role of Islamic Sharia financial institutions in managing zakat and productive waqf in Indonesia. It also aims to analyze the various obstacles faced by Islamic financial institutions in carrying out their function of managing Islamic social funds. This research is expected to provide a deeper understanding of the importance of professional and productive zakat and waqf management. Furthermore, this research is also expected

to provide an overview of strategies that can be implemented to improve the effectiveness of zakat and waqf management in the future (Gunawan et al., 2022) . In the context of Islamic economic development, zakat and waqf have enormous potential to help improve community welfare if managed properly. Therefore, the involvement of Islamic financial institutions is crucial because these institutions possess managerial capabilities and a more structured management system. This research is also expected to contribute to the development of Islamic economics in Indonesia, particularly in the area of Islamic social fund management. The results of this study can serve as a reference for Islamic financial institutions, the government, academics, and the community in improving the management of zakat and productive waqf. Furthermore, this research is also expected to raise public awareness regarding the importance of distributing zakat and waqf through trusted, official institutions. With increased public awareness, the collection and management of Islamic social funds can be carried out more optimally and effectively. Ultimately, professional management of productive zakat and waqf is expected to create social welfare and strengthen the Muslim economy in a sustainable manner. (Hamdana et al., 2025) .

2. Literature review

Islamic Financial Institutions

Islamic financial institutions are institutions that conduct financial activities based on the principles of Islamic law, namely the Qur'an and Hadith. In their operations, these institutions avoid the practices of riba (interest), gharar (uncertainty), maysir (gambling), and transactions containing haram elements (Sukma et al., 2024) . Instead, Islamic financial institutions utilize a fair and transparent profit-sharing system, selling, buying, leasing, and business cooperation. The primary goal of Islamic financial institutions is not merely to seek profit, but also to realize economic justice, social welfare, and blessings in every transaction (Sangadah et al., 2024) .

Islamic financial institutions include Islamic banks, Islamic cooperatives, Islamic insurance, Islamic pawnshops, Islamic capital markets, and zakat and waqf management institutions. These institutions provide an alternative for the Muslim community to engage in economic activities in accordance with Islamic teachings. Islamic financial institutions also play a vital role in promoting economic development through financing productive businesses, empowering small communities, and professionally managing religious and social funds such as zakat, infaq, sedekah, and waqf (Husada, 2021) .

Zaktat and Waqf

Zakat is one of the pillars of Islam and is obligatory for every Muslim who meets certain requirements, such as reaching the nisab (minimum threshold) and haul (haul). Zakat serves both a religious and social function, purifying wealth, purifying the soul, and assisting those entitled to receive it (mustahik) (Lailatullailia et al., 2021) . In Islamic economics, zakat serves as an instrument for wealth distribution to reduce social inequality and improve community welfare. Proper zakat management through official institutions such as the National Zakat Agency can significantly impact poverty alleviation and economic empowerment (Widyanto et al., 2025) .

Waqf is the donation of a portion of one's property for sustainable use for religious purposes or the general welfare in accordance with Islamic law. Unlike zakat, which is obligatory and consumptive, waqf is more voluntary and productive because its benefits can be felt in the long term. Waqf can be in the form of land, buildings, money,

or other productive assets, the proceeds of which are used for education, health, mosque construction, and other social activities. With professional management, zakat and waqf can be important instruments in Islamic economic development and the sustainable improvement of community welfare (Ranti et al., 2025) .

3. Research methods

This study uses a qualitative research method with a library research approach . This approach was chosen because this study focuses on examining various theories, concepts, and previous research findings related to the role of Islamic financial institutions in managing zakat and productive waqf. In this study, the researcher collected various relevant data sources such as books, scientific journals, research articles, official documents, fatwas, and laws and regulations related to Islamic economics, zakat, and waqf. Through this approach, the researcher can gain a deeper understanding of the concept of managing zakat and productive waqf from an Islamic perspective and its implementation in Islamic financial institutions. (Hidayatullah, 2025) . Qualitative research was chosen because it can provide a more detailed and in-depth explanation of the phenomena studied, particularly regarding the social and economic role of Islamic financial institutions in improving community welfare. The qualitative approach also allows researchers to comprehensively analyze various expert views and thoughts on the management of Islamic social funds. Data obtained from various literature sources were then analyzed descriptively to describe the conditions and roles of Islamic financial institutions in managing zakat and productive waqf in Indonesia. With this method, the research is expected to produce a systematic, objective discussion that aligns with the stated research objectives (Husada, 2021) .

The data collection technique in this study was conducted through a documentation study of various literature related to the research topic. The researcher read, understood, recorded, and reviewed the contents of various library sources to obtain in-depth information regarding the management of zakat and productive waqf from an Islamic economic perspective. The sources used were selected based on their relevance and credibility, ensuring that the data obtained could be scientifically validated. After the data was collected, the researcher conducted a data analysis process in several stages: data reduction, data presentation, and drawing conclusions. Data reduction was carried out by selecting and focusing data that aligns with the research objectives, while data presentation was carried out by organizing the information in a structured manner for ease of understanding. Next, conclusions were drawn to obtain a clear picture of the role of Islamic financial institutions in the management of zakat and productive waqf, along with the various obstacles encountered in their implementation. Data analysis was carried out continuously throughout the research process to ensure that the results remained focused and aligned with the study's focus. By using qualitative descriptive analysis methods, this study is expected to provide a broader understanding of the importance of professional zakat and waqf management in supporting sustainable economic development and community welfare (Husnah, 2021) .

4. Results and Discussion

The Role of Islamic Financial Institutions in Managing Productive Zakat

The role of Islamic financial institutions in managing productive zakat plays a crucial role in improving community welfare. Islamic financial institutions collect, manage, and distribute zakat funds to those in need in a targeted manner. In the

process of collecting zakat funds, Islamic financial institutions provide various convenient services to the community, such as zakat payments through service offices, Islamic bank transfers, mobile banking, and Sharia-based digital applications. These conveniences make it easier for the community to fulfill their zakat obligations without having to visit the zakat institution's office in person. (Scientific, 2020) . A professional and transparent service system also increases public trust in Islamic financial institutions. Public trust is a crucial factor in increasing the amount of zakat collected each year. The greater the zakat funds collected, the greater the benefits that can be provided to the poor and those in need. Islamic financial institutions also actively conduct outreach and education to the public regarding the importance of zakat as one of the obligations of Muslims. This education is carried out through seminars, social media, sermons, and Islamic financial literacy programs. With ongoing education, public awareness of paying zakat increases, so that productive zakat management can run more optimally and have a broader impact on the welfare of the community (Judijanto et al., 2025) .

In managing productive zakat, Islamic financial institutions not only provide assistance in the form of consumption but also strive to empower communities through productive economic programs. The collected zakat funds are used to help poor communities improve their economic capabilities. One form of productive zakat management is the provision of business capital to micro and small business owners. This capital assistance is used to develop existing businesses or open new ones for those without permanent employment (Kahfi, 2024) . In addition to business capital assistance, Islamic financial institutions also provide various skills training to zakat recipients. This training covers business skills, production, marketing, and simple financial management. These empowerment programs aim to prevent communities from being continuously dependent on social assistance and instead become economically independent. With the productive zakat program, communities that previously lacked a steady income can gain the opportunity to improve their standard of living. Productive zakat management is also one solution to reducing social and economic disparities within society. Zakat is not only understood as a spiritual form of worship, but also has a very large social and economic function in developing the welfare of the people (Karim et al., 2025) .

In addition to providing capital assistance and skills training, Islamic financial institutions also provide mentoring to productive zakat recipients. This mentoring is crucial to the success of the productive zakat program, as many zakat recipients still face limitations in managing their businesses. Mentoring takes various forms, such as business coaching, business consulting, financial management training, and product marketing strategies. Through ongoing mentoring, zakat recipients can understand how to develop their businesses in a more focused and effective manner (Lailatullailia et al., 2021) . Islamic financial institutions also assist communities in overcoming various business challenges they face, such as limited additional capital, product marketing, and business competition. This mentoring provides motivation and encouragement to communities to maintain their enthusiasm in running their businesses. Furthermore, the mentoring process also aims to ensure that the zakat funds provided are truly used productively and not solely for consumptive purposes. With a sound mentoring system, zakat recipient businesses have a greater opportunity to grow and generate sustainable profits. The success of these businesses can

ultimately increase family incomes and gradually improve the community's economic conditions. This shows that productive zakat has an important role in creating economic independence for the community through a sustainable empowerment approach. (Lintang, 2024) .

Productive zakat management by Islamic financial institutions also has a positive impact on reducing poverty and unemployment rates in society. People who previously lived with limited economic resources can gain the opportunity to improve their lives through productive zakat assistance. The economic empowerment programs implemented can create new jobs, both for zakat recipients and the surrounding community. As businesses grow, the need for labor will also increase, helping to reduce unemployment (Luthfi, 2026) . Increased income for zakat recipients also improves the quality of life of their families, such as in areas such as education, health, and daily needs. Professional management of productive zakat can also help create economic equality within society. Zakat funds distributed to the poor serve as a means of distributing wealth so that it does not circulate solely within a specific group. Thus, productive zakat plays a significant role in creating social justice and social welfare. The role of Islamic financial institutions in managing productive zakat is highly strategic because it can connect those with excess wealth with those in need of economic assistance. Therefore, productive zakat management needs to be continuously developed so that its benefits are wider and can provide a real impact in reducing poverty in Indonesia (Masriyah, 2024) .

The success of productive zakat management is inseparable from the professionalism and transparency of Islamic financial institutions in carrying out their duties. Transparency in zakat fund management is crucial to maintaining public trust as muzakki (payers of zakat). Islamic financial institutions typically prepare zakat fund management reports that are open and accessible to the public. These reports cover the amount of funds collected, programs implemented, and the results achieved from productive zakat distribution. With clear and transparent reports, the public will feel more confident in distributing zakat through Islamic financial institutions. Professionalism in zakat management is also demonstrated through program planning that is well-targeted and aligned with community needs. Islamic financial institutions must be able to collect data on those truly deserving of productive zakat assistance to ensure more effective fund distribution. Collaboration with the government, social institutions, and the community is also a crucial factor in supporting the success of productive zakat programs. When zakat management is carried out optimally, zakat can become a powerful Islamic economic instrument in improving community welfare. Therefore, Islamic financial institutions have a big responsibility to continue to develop a productive zakat management system that is professional, trustworthy, and oriented towards empowering the people's economy in a sustainable manner. (Melanta, 2025) .

The Role of Islamic Financial Institutions in Managing Productive Waqf

The role of Islamic financial institutions in managing productive waqf is crucial for improving community welfare and economic development. Productive waqf is a form of waqf asset management that is carried out productively so that it can generate sustainable economic benefits. Unlike traditional waqf, which is generally only used for the construction of places of worship, productive waqf is directed at activities that can provide economic and social value to the community. In this case, Islamic financial

institutions function as parties that manage and develop waqf assets to provide optimal results (Muqhniy et al., 2026) . Waqf management is carried out through various Islamic investment programs in accordance with Islamic principles. Waqf funds can be used to build educational facilities, hospitals, agricultural land, skills training centers, and even develop productive community businesses. Through proper management, waqf assets are not merely idle assets but are able to generate profits that can be utilized continuously for the benefit of the community. The presence of Islamic financial institutions in the management of productive waqf also helps increase public trust because management is carried out professionally and in accordance with Islamic law. Thus, productive waqf is one of the Islamic economic instruments that has great potential in supporting sustainable social and economic development of the community (Nuha, 2020) .

Islamic financial institutions also play a crucial role as nazir, or waqf managers, responsible for safeguarding, developing, and distributing the benefits of waqf assets to the community. As nazir, Islamic financial institutions must ensure that waqf assets are managed in a trustworthy manner and provide maximum benefits. Waqf management requires sound management skills to prevent assets from being neglected or losing their economic value. Professionalism in waqf management is crucial. Islamic financial institutions undertake various efforts to develop waqf assets, such as property management, halal business investment, agricultural sector development, and sharia-based business collaborations. Profits from these management efforts are then used for the benefit of the community, such as educational assistance, healthcare, economic empowerment, and other social activities (Nurjannah, 2025) . Islamic financial institutions also apply the principles of transparency and accountability in waqf management. Every waqf fund and asset managed is recorded and clearly reported to the public. This transparency is crucial to maintaining the trust of the waqif, or party donating their assets. With professional and transparent management, the public will be more confident in channeling waqf through Islamic financial institutions so that the collection of waqf funds can continue to increase over time. (Qoriaini, 2025) .

The development of digital technology has also had a significant impact on the management of productive waqf in the modern era. Currently, many Islamic financial institutions provide digital waqf services through mobile banking applications, websites, and other online platforms. The presence of these digital services makes it easier for the public to make waqf donations anytime and anywhere without having to visit the waqf institution's office in person. The digitization of waqf makes the fundraising process faster, more practical, and more efficient. Digital technology also helps expand the reach of waqf collection among various segments of society, including the younger generation who are more familiar with the use of technology (Rahman, 2025) . Through social media and digital platforms, Islamic financial institutions can also educate and raise awareness about the importance of productive waqf in the economic development of the community. Information about waqf programs, fund management reports, and waqf project developments can be easily accessed by the public. This increases transparency and public participation in productive waqf activities. Digitalization also enables Islamic financial institutions to develop innovative waqf programs, such as cash waqf, stock waqf, and other sharia-compliant investment-based waqf. With the development of digital technology, the

management of productive waqf has become more modern and able to adapt to the needs of society in the current digital era (Raisya et al., 2024) .

Productive waqf management has a significant impact on the social and economic development of society. The proceeds from waqf asset management can be used to support various important sectors related to the welfare of the community. In education, waqf funds can be used to build schools, Islamic boarding schools, and universities, as well as provide scholarships to underprivileged students. In health, waqf proceeds can be used to build hospitals, health clinics, and provide health care assistance to the poor. Productive waqf also plays a role in supporting community economic empowerment through business capital assistance, skills training, and the development of sharia-compliant micro and small businesses. These programs help communities gain opportunities to improve their standard of living and economic income (Ranti et al., 2025) . Another positive impact is the creation of new jobs, which can help reduce unemployment in the community. Productive waqf management also helps create economic equality because its benefits can be felt by the wider community, especially the underprivileged. Thus, waqf is not only understood as a purely spiritual act of worship, but also as a socio-economic instrument capable of providing solutions to various societal problems. Therefore, the development of productive waqf needs to be continuously encouraged so that its benefits are broader and more sustainable (Restuti et al., 2026) .

The success of productive waqf management depends heavily on the ability of Islamic financial institutions to carry out their management functions effectively and in accordance with Sharia principles. Islamic financial institutions must be able to design waqf management programs that are well-targeted and provide long-term benefits to the community. Furthermore, collaboration with the government, educational institutions, social organizations, and the community is also a crucial factor in supporting the success of productive waqf management. Synergy between various parties will help expand the use of waqf assets for the benefit of community development. (Ridwansah, 2025) . Islamic financial institutions also need to improve the quality of human resources tasked with managing waqf so that they have professional skills in the fields of management, investment, and Islamic economics. Good supervision is also needed to ensure that waqf management is carried out in accordance with the objectives and provisions of Islamic law. Innovation in the development of waqf programs must continue to be carried out so that productive waqf can keep up with the times and the needs of modern society. If waqf management is carried out optimally, waqf can become a source of economic strength for the community that can improve community welfare in a sustainable manner. Thus, Islamic financial institutions have a strategic role in making productive waqf an instrument of Islamic economic development that provides broad benefits to society, both in the social, educational, health, and economic empowerment sectors of the community (Rupita, 2025) .

Obstacles in Managing Zakat and Productive Waqf

One of the main obstacles in the management of zakat and productive waqf is the low level of public literacy regarding the importance of professional and productive management of Islamic social funds. Most people still understand zakat and waqf only as forms of individual, consumptive worship, thus failing to recognize their significant potential in improving the economic welfare of the community. This limited

understanding leads to suboptimal public participation in productive zakat and waqf programs. Many people prefer to distribute zakat directly to recipients without going through official institutions, considering this method simpler. However, management through professional institutions can provide broader and more sustainable benefits (Sangadah et al., 2024) . Low literacy also results in a lack of public understanding of the concept of productive waqf, such as cash waqf, stock waqf, or developing waqf assets through sharia-compliant investments. Furthermore, a lack of outreach and education from various parties contributes to the public's lack of understanding regarding the management of Islamic social funds. In some areas, people still consider waqf to be limited to land for the construction of mosques or graves. This situation indicates that education regarding zakat and productive waqf still needs to be continuously improved. Zakat and waqf management institutions need to expand literacy programs through seminars, social media, education, and outreach activities to ensure the public understands the economic and social benefits of professional zakat and productive waqf management (Sukma, 2020) .

Another obstacle to the management of productive zakat and waqf is the suboptimal quality of human resources involved in managing Islamic social funds. Zakat and waqf management requires professionals with a deep understanding of Islamic economics, financial management, Islamic investment, and community empowerment strategies. However, in practice, some zakat and waqf management institutions still have limited managerial skills and human resource competencies. (Sukma et al., 2024) . Some managers still use traditional management systems, resulting in suboptimal development of zakat and waqf funds. The lack of specialized training and education on productive zakat and waqf management is also a contributing factor to the low quality of human resources. The limited number of experts in Islamic economics makes it difficult for some institutions to develop innovative and sustainable productive programs. This situation can impact the ineffective management of Islamic social funds, thus suboptimal benefits to the community. For example, managing productive waqf requires investment and asset development capabilities to ensure waqf assets generate sustainable economic benefits. Improving the quality of human resources through training, certification, education, and competency development is crucial. With professional human resources, the management of productive zakat and waqf can be carried out more effectively, transparently, and can provide a greater economic impact for the community (Widyanto et al., 2025) .

Oversight of zakat and waqf management also remains a significant challenge in practice. Transparency and accountability are crucial factors in maintaining public trust in zakat and waqf management institutions. If management is not transparent, the public will hesitate to channel zakat and waqf funds through official institutions. In some cases, some institutions still lack a well-structured financial reporting system, raising doubts among the public. This lack of oversight can also open up opportunities for misuse of Islamic social funds, which should be used for the benefit of the community (Wijdan et al., 2025) . This situation can certainly undermine the image of zakat and waqf management institutions in the eyes of the public. Weak oversight can also prevent economic empowerment programs from achieving their intended objectives. Therefore, zakat and waqf management institutions need to implement good governance principles in all their Islamic social fund management activities.

Transparent management can be achieved through regular financial reports, sharia audits, and public publication of programs and management results. With a good oversight system, the public will have more trust and be encouraged to distribute zakat and waqf through official institutions. This public trust is a crucial factor in increasing the sustainable collection of Islamic social funds (Wulandari et al., 2025) .

Another obstacle is the suboptimal use of digital technology in managing zakat and productive waqf, especially in regions with limited infrastructure and technological access. However, the development of digital technology offers significant opportunities to increase the effectiveness and efficiency of managing Islamic social funds. Through digitalization, the public can easily make zakat and waqf payments online through mobile banking applications, websites, and other digital platforms. Furthermore, digital technology can also help increase transparency by allowing the public to directly monitor reports on fund collection and distribution. However, in reality, many zakat and waqf management institutions still lack adequate digital systems. (Scientific, 2020) . Some institutions still use manual administration systems that are ineffective and prone to data recording errors. Limited human resource capabilities in operating technology also hinder the digitalization process. In certain areas, limited internet access and limited public understanding of digital technology also contribute to the bottleneck. These conditions prevent zakat and waqf services from optimally reaching all levels of society. Therefore, strengthening technological infrastructure, improving the quality of human resources, and digital innovation in the management of zakat and productive waqf are needed to make services to the community easier, faster, and more transparent (Luthfi, 2026) .

Another challenge in the management of zakat and productive waqf is the lack of synergy between zakat and waqf management institutions and the government and other institutions. In some cases, zakat and waqf management programs are still run separately, resulting in suboptimal results. However, cooperation between various parties is essential to strengthen the management system and expand the benefits of zakat and productive waqf for the community (Abdurrozak, 2026) . This lack of coordination can lead to overlapping programs or poorly targeted aid distribution. Furthermore, regulations and policies related to zakat and waqf management in several regions still require strengthening to ensure optimal program implementation. Government support is crucial in creating a professional, modern, and sustainable Islamic social fund management system. The government can assist through supervision, regulatory development, human resource training, and the development of a national digital system for zakat and waqf. Furthermore, collaboration with educational institutions, social organizations, and the business sector can also help strengthen zakat- and productive waqf-based economic empowerment programs. If various parties can work together effectively, the management of productive zakat and waqf will have a greater impact on improving community welfare. Therefore, synergy and cooperation between institutions are crucial steps in overcoming the various obstacles to managing productive zakat and waqf in Indonesia.

4. Conclusion and Suggestions

Islamic Sharia financial institutions play a crucial role in the management of zakat and productive waqf as instruments for the economic development of the community. In zakat management, Islamic financial institutions function as collectors, managers, and distributors of zakat funds to support various community economic empowerment

programs. In productive waqf management, Islamic financial institutions play a role in developing waqf assets to provide sustainable economic and social benefits. The management of zakat and productive waqf has been proven to have a positive impact on improving community welfare, reducing poverty, and promoting more equitable economic development. However, various obstacles remain, such as low public literacy regarding zakat and productive waqf, limited human resources, suboptimal monitoring systems, and minimal use of digital technology in their management. Therefore, effective cooperation between the government, Islamic financial institutions, and the community is needed to improve the effectiveness of zakat and productive waqf management. With professional, transparent, and accountable management, zakat and waqf can become important instruments in realizing equitable, sustainable Islamic economic development that can improve the welfare of society at large.

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