

DETERMINATION OF ZAKAT AND WAKAF AS A FUNCTION OF COMMUNITY WELFARE IN INDONESIA

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Abstract

This study analyzes the effects of Productive Zakat (X_1) and Productive Waqf (X_2) on Community Welfare (Y) in Indonesia, with Institutional Governance (X_3) as a supporting variable. The research is driven by the urgent need to optimize the role of Islamic philanthropy in sustainably alleviating poverty and social inequality. Employing a quantitative causal design, data were gathered from LAZNAS and BWI annual reports, alongside questionnaires from at least 200 beneficiaries (*mustahik/mauquf alaih*). Community welfare was measured via the CIBEST Model, which encompasses Material, Spiritual, and True Welfare dimensions, and the data were analyzed using Multiple Linear and Panel Data Regression. The empirical results indicate that productive zakat has a positive and significant effect on welfare by driving economic self-sufficiency among beneficiaries. Furthermore, productive waqf serves as a positive and significant determinant for sustainable social development capital as an endowment fund to finance basic public services. Additionally, institutional governance, characterized by transparency and accountability, acts as a key variable that strengthens the link between zakat or waqf instruments and their corresponding welfare impacts, while simultaneously exhibiting a strong overall coefficient of determination. In conclusion, Zakat and Waqf play a vital role in achieving *Falah*, or holistic welfare, in Indonesia. Policy implications recommend strengthening synergies between LAZNAS and BWI, alongside standardizing program impact measurements using multidimensional models to maximize the contribution of Islamic economics to national development.

Keywords: Productive Zakat, Productive Waqf, Community Welfare, CIBEST Model, Governance.

Introduction

Economic development in developing nations like Indonesia is frequently confronted with the classic challenges of economic disparity and structural poverty. Although macroeconomic data often indicates a stable growth trend in Gross Domestic Product (GDP), wealth distribution is frequently unequal, as reflected by the fluctuating Gini Ratio. Limitations within the state budget (APBN) to provide a comprehensive social safety net necessitate the participation of the third sector (voluntary/philanthropic sector) to fill these developmental gaps. Within this context, the Islamic economic system offers an inherent solution through the instruments of Zakat and Waqf.

Zakat and Waqf are not merely transcendental ritual obligations; they are fiscal and social policy instruments that exert a tangible economic impact. Based on data from the National Amil Zakat Agency (BAZNAS), the potential for zakat in Indonesia is estimated to reach Rp327 trillion per year, excluding the vast potential of land and cash waqf assets. However, the actual collection of these religious social funds (DSKL) remains far below its maximum potential. This gap between potential and realization indicates fundamental barriers stemming from regulators, operators (management institutions), and the public as contributors.

Theoretically, zakat and waqf possess distinct yet complementary functions in generating social welfare:

- **Zakat as an Automatic Stabilizer:** Zakat operates on the demand side by ensuring that the purchasing power of the poor is maintained. Through the transfer of assets from the *aghniya* (the wealthy) to the *mustahik* (the beneficiaries), zakat prevents the accumulation of wealth among a select few (circulation of wealth).
- **Waqf as a Development Asset:** Waqf operates on the supply side or investment front. Perpetually preserved waqf assets (which must not be depleted) are projected to build public infrastructure (hospitals, schools, agricultural land) and productive businesses that absorb labor, thereby reducing unemployment.

The core problem addressed in this article is how to reposition the roles of zakat and waqf so they do not become trapped solely in charitable-consumptive activities. Traditionally, public paradigms tend to view zakat merely as momentary relief and waqf as limited to mosques and graveyards (immovable assets). The transformation toward productive zakat and cash waqf requires strong determination across aspects of good governance, accountability, and digital platform innovation.

This article aims to outline the determinant factors influencing the effectiveness of zakat and waqf as welfare functions. The discussion focuses on integrating both instruments within the framework of *Maqashid Shariah* (the objectives of Islamic law), namely the protection of religion, life, intellect, lineage, and wealth. By understanding these determinants, it is hoped that strategies can be formulated to strengthen the Islamic philanthropic ecosystem, enabling it to serve as a supporting pillar for national economic resilience amid global uncertainties.

METHODS

This methodology is designed to quantitatively test the extent to which Zakat and Waqf determine Community Welfare in Indonesia.

1. Research Design and Approach

- Approach: Quantitative with a Causal design (cause-and-effect relationship) and Longitudinal/Panel design (if secondary data is available over a specific period).
- Objective: To test hypotheses regarding the influence of independent variables (Zakat and Waqf) on the dependent variable (Community Welfare).

2. Population, Sample, and Unit of Analysis

- Population: Performance data of the National Amil Zakat Agency (LAZNAS) and the Indonesian Waqf Board (BWI) at national/provincial levels, as well as Beneficiaries (*Mustahik/Mauquf alaih*) of productive programs across 5 provinces with the highest/lowest poverty rates in Indonesia.
- Unit of Analysis:
 1. Macro (Secondary Data): Financial reports and program data of LAZNAS/BWI over the last 5 years (2020–2024).
 2. Micro (Primary Data): A minimum of 200 respondents who are beneficiaries of Productive Zakat/Waqf programs (at least 40 respondents per province).
- Sampling Technique: Purposive Sampling was selected to target institutions with flagship productive programs and respondents who have received program benefits for at least 1 year to ensure observable impacts.

3. Operational Definition of Variables (ODV)

Table 1 presents the Operational Definition of Variables (ODV) used in this study. This instrument serves to align theoretical concepts with concrete, measurable empirical indicators.

The following is an in-depth explanation of the operationalization of each variable:

Productive Zakat (X₁)

As the first independent variable, it measures the extent to which zakat funds are allocated to economic empowerment programs rather than just short-term consumptive assistance.

- Indicator & Measurement: It is measured using a Ratio (%) that compares the amount of distributed productive zakat funds against the total overall zakat distribution.
- Data Source: It utilizes secondary data obtained from official LAZNAS Reports (National Amil Zakat Agency).

Productive Waqf (X₂)

This second independent variable focuses on the mobilization of waqf assets that are managed commercially or productively to generate sustainable surpluses.

- Indicator & Measurement: It is measured through the surplus value or profit generated from asset management, commonly known as Return on Waqf Asset (ROWA), expressed as a Ratio (%).
- Data Source: It is derived from secondary data through official BWI Reports (Indonesian Waqf Board) or periodic reports from *Nadzir* (waqf managers).

Institutional Governance (X₃)

Acting as a Control Variable, this variable is included to ensure that the relationship between zakat/waqf and community welfare is not biased by the professionalism of the managing institutions.

- Indicator & Measurement: It is measured through a composite index encompassing three main aspects: Transparency, Accountability, and Program Innovation. The measurement utilizes a Likert Scale (1–5) (ranging from strongly disagree to strongly agree).
- Data Source: It is sourced from a combination of Questionnaires distributed to relevant stakeholders and Institutional Reports.

Community Welfare (Y)

As the dependent variable, it serves as the ultimate anchor of this study to evaluate the well-being of the beneficiaries. This study explicitly moves away from welfare measurements based solely on material factors.

- Indicator & Measurement: It utilizes the CIBEST Model Approach, which divides welfare into three holistic dimensions:
 1. *Income* (Material): Measured on a Nominal Scale (Rupiah).
 2. *Worship Obedience Index* (Spiritual): Measured on a Likert Scale (1–5).

3. *Life Satisfaction Index* (True Welfare): Measured on a Likert Scale (1–5).

- Data Source: It uses primary data gathered directly through Beneficiary Questionnaires (*Mustahik* or *Mauquf alaih*).

Table 1. Operational Definition of Variables

Variable	Indicator	Measurement	Data Source
Productive Zakat (X₁)	Proportion of productive zakat funds out of total distribution.	Ratio (%)	LAZNAS Reports
Productive Waqf (X₂)	Value of productive waqf assets managed by the trustee (<i>Return on Waqf Asset</i>).	Ratio (%)	BWI/Nadzir Reports
Institutional Governance (X₃) (<i>Control Variable</i>)	Index of Transparency, Accountability, and Program Innovation.	Likert Scale (1–5)	Questionnaires/Reports
Community Welfare (Y)	CIBEST Approach: Income (Material), Worship Obedience Index (Spiritual), Life Satisfaction Index (True Welfare).	Nominal Scale (Rp) and Likert Scale (1–5)	Beneficiary Questionnaires

This operational design effectively combines Macro-level data (secondary financial ratios from LAZNAS/BWI reports) and Micro-level data (primary data capturing the real-world socio-economic and spiritual conditions of beneficiaries on the ground). This dual-approach offers a comprehensive and highly valid overview of the actual effectiveness of Islamic social finance in Indonesia.

4. Data Analysis Techniques

- Descriptive Statistics: To describe variable characteristics.
- Data Quality Tests: Validity and Reliability tests (Cronbach's Alpha) for primary data.
- Classical Assumption Tests: Normality, Multicollinearity, and Heteroscedasticity.
- Panel Data Regression Analysis (for macro data) or Multiple Linear Regression (for micro data):
Regression Model: $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$
 - b_1, b_2 : Measure the determination of Zakat and Waqf on Welfare.
- SEM (Structural Equation Modeling) or PLS-SEM Analysis: Utilized if testing a more complex model, such as the mediating/moderating role of Governance in the relationship between Zakat/Waqf and Welfare (Mawardi et al., 2023).
- Paired Sample T-Test: Used for before-after data (income prior to and following program reception) to measure program effectiveness (Purnamasari et al., 2021).

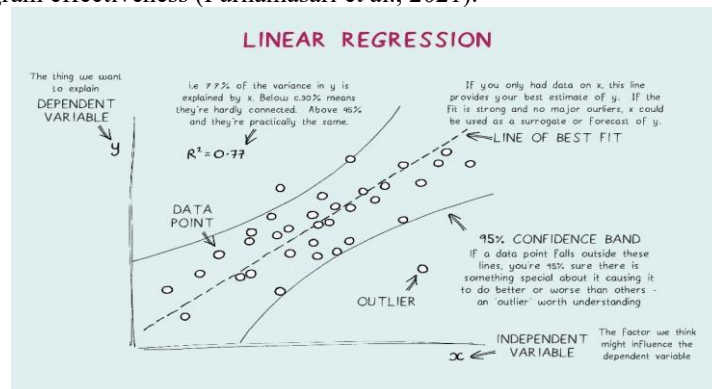


Figure 1. Linier Regression Model

RESULTS AND DISCUSSION

The SLR approach to religious texts is conducted through the systematic filtering of Quranic verses and authentic (*sahih*) Hadith literature that exhibit causal relevance to the research variables. Based on thematic extraction, a text corpus was mapped out that inherently underlies the relationships between Zakat, Waqf, Governance, and Holistic Welfare.

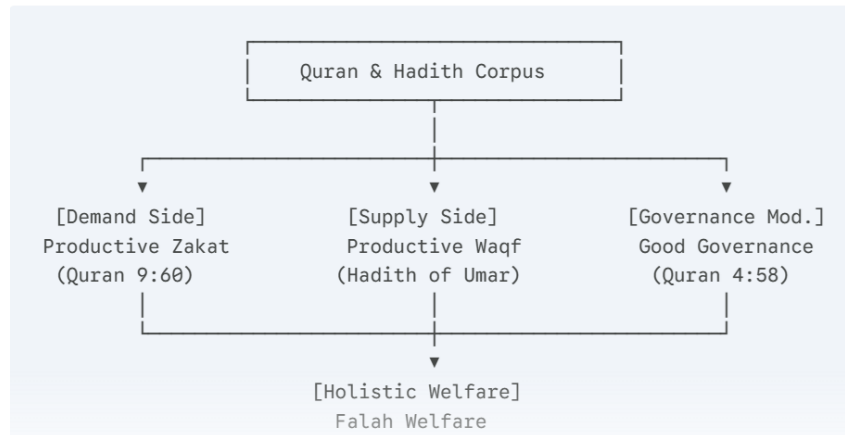


Figure 2. Quranic verses and authentic (*sahih*) Hadith

Theological Foundations of Productive Zakat (X₁): Wealth Redistribution Mechanism

Within the SLR framework, primary Islamic texts position zakat not merely as a charitable act, but as a mandatory fiscal-social policy designed to disrupt regressive wealth circulation.

Quran Surah Al-Hashr (59): 7

مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَىٰ فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ
 كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ ۚ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا ۚ وَاتَّقُوا اللَّهَ
 إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

Mā afā'allāhu 'alā rasūlihī min ahlil-qurā fa lillāhi wa lir-rasūli wa liẓil-qurbā wal-yatāmā wal-masākīni wabnis-sabīli kai lā yakūna dūlatam bainal-agniyā'i minkum, wa mā ātākumur-rasūlu fakhuẓūhu wa mā nahākum 'anhu fantahū, wattaqullāh(a), innallāha syadtul-'iqāb(i).

"...so that it will not be a perpetual circulation between the rich among you..."

SLR Analysis: This verse serves as the axiomatic foundation for the urgency of productive zakat. Macroeconomically, wealth hoarding suppresses aggregate purchasing power. Productive zakat intervenes on the demand side by structurally shifting assets so that *mustahik* have the necessary capital to achieve economic independence.

Quran Surah At-Tawbah (9): 60

إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ وَالْغُرْمِينَ وَفِي سَبِيلِ اللَّهِ
 وَابْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

Innamas-ṣadaqātu lil-fuqarā'i wal-masākīni wal-'āmilīna 'alaihā wal-mu'allafati qulūbuhum wa fir-riqābi wal-gārimīna wa fī sabīlillāhi wabnis-sabīl(i), farīḍatam minallāh(i), wallāhu 'alīmun ḥakīm(un).

This verse rigidly establishes the eight categories (*asnaf*) of zakat recipients. The textual focus on the phrase "*Lilmuḥḥarā'i wal masakin*" (for the poor and the needy) is analyzed by Qur'anic commentators (*mufasssir*) as the primary target for absolute poverty alleviation until recipients reach the sufficiency threshold (*had al-kifayah*).

- Hadith Narrated by Bukhari and Muslim (The Account of Mu'adh bin Jabal)

When the Prophet ﷺ sent Mu'adh to Yemen, he instructed:

"...Inform them that Allah has enjoined zakat on their wealth, to be taken from their rich and returned to their poor."

SLR Analysis: The word *turaddu* (returned) indicates a systematic local economic recovery cycle. This directly underpins the conceptualization of zakat as seed money for economic self-sufficiency.

Theological Foundations of Productive Waqf (X₂): Sustainable Social Investment

Literature extraction regarding the waqf instrument confirms its function on the supply side through the establishment of an endowment fund.

Quran Surah Ali 'Imran (3): 92

لَنْ تَنَالُوا الْبِرَّ حَتَّى تُنْفِقُوا مِمَّا تُحِبُّونَ ۚ وَمَا تُنْفِقُوا مِنْ شَيْءٍ فَإِنَّ اللَّهَ بِهِ عَلِيمٌ

Lan tanālul-birra ḥattā tunfiqū mimmā tuḥibbūn(a), wa mā tunfiqū min shay' in fa'innallāha bihī 'alīm(un).

"By no means shall you attain righteousness unless you spend of that which you love..."

SLR Analysis: Historically, this verse prompted the Companions to transfer ownership of their finest productive assets (such as Abu Thalhah's Bairuha orchard) into public ownership for enduring social benefit.

- Hadith Narrated by Muslim (Authentic Hadith on the Waqf of Umar bin Khattab in Khaibar)

Umar acquired land in Khaibar and sought the Prophet's guidance, to which the Messenger of Allah ﷺ replied:

"If you wish, tie up the property itself (*tahbisul ash*) and give its fruits as charity (*tasbiluts tsamarah*)."

Umar did so on the condition that the land could not be sold, gifted, or inherited.

SLR Analysis: This Hadith is the golden standard in productive waqf literature. The separation between *ashl* (the principal fixed asset) and *tsamarah* (the surplus/yield) forms the operational foundation for the Return on Waqf Asset (ROWA) indicator. The profits generated from this management indirectly fund basic public services (such as free education and healthcare).

Theological Foundations of Institutional Governance (X₃): Amanah, Accountability, and Transparency

Islamic literature strictly mandates the principles of *Good Governance* to ensure the effective intermediation of Islamic social finance.

Quran Surah An-Nisa (4): 58

إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ أَنْ تَحْكُمُوا بِالْعَدْلِ ۚ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ ۗ إِنَّ اللَّهَ كَانَ سَمِيعًا بَصِيرًا

Innallāha ya'murukum an tu'addul-amānāti ilā ahlihā wa izā ḥakamtum bainan-nāsi an taḥkumū bil-'adl(i), innallāha ni'imma ya'izukum bih(i), innallāha kāna samī'am baṣīrā(n).

"Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice..."

SLR Analysis: This verse demands two primary pillars in the governance of philanthropic institutions (LAZNAS/BWI): Amanah (accountability toward Sharia and public regulations) and Adil (transparency and justice in program distribution accuracy).

Quran Surah Yusuf (12): 55

قَالَ اجْعَلْنِي عَلَىٰ خَزَائِنِ الْأَرْضِ ۚ إِنِّي حَفِيظٌ عَلَيْمَ

Qālaḥ'alnī 'alā khazā'inil-arḍ(i), innī ḥafīzun 'alīm(un).

"[Yusuf] said, 'Appoint me over the storehouses of the land; indeed, I am a knowing guardian (*hafizun 'alim*).'"

SLR Analysis: The combination of *hafiz* (guardian/accountable) and *'alim* (knowledgeable/competent) provides a conceptual mapping of the professionalism required for *amil*s and *nadzir*s. Without this governance variable, the immense potential of zakat and waqf would be severely diminished by management inefficiencies.

Theological Foundations of Community Welfare (Y): Maqashid Shariah and the Concept of Falah

The systematic review confirms that the indicators of welfare in Islam are inherently multi-dimensional (aligning with the CIBEST Model), combining material and spiritual aspects in a balanced manner.

Quran Surah Quraysh (106): 4

الَّذِي أَطْعَمَهُمْ مِنْ جُوعٍ وَآمَنَهُمْ مِنْ خَوْفٍ

Allaḥī aṭ'amahum min jū'(in), wa āmanahum min khauf(in).

"Who has fed them, [saving them] from hunger and made them safe, [saving them] from fear."

SLR Analysis: This verse perfectly encapsulates the definition of holistic welfare. The phrase *at'amahum min ju'* (fed them against hunger) represents the fulfillment of Material Welfare (the economic front), while *amanahum min khauf* (secured them against fear) represents Spiritual/Psychological Welfare (peace of mind and life).

Quran Surah Al-Baqarah (2): 201

وَمِنْهُمْ مَّنْ يَقُولُ رَبَّنَا آتِنَا فِي الدُّنْيَا حَسَنَةً وَفِي الْآخِرَةِ حَسَنَةً وَقِنَا عَذَابَ النَّارِ

Wa minhum may yaqūlu rabbanā ātinā fid-dun-yā ḥasanataw wa fil-ākhirati ḥasanataw wa qinā 'aḏāban-nār(i).

"...Our Lord, give us in this world [that which is] good and in the Hereafter [that which is] good..."

SLR Analysis: This comprehensive supplication crystallizes the concept of Falah (True Welfare). The success of productive zakat and waqf programs is measured not merely by the increase in the per capita income of the *mustahik* (Rp), but by the extent to which this support elevates their devotion and worship (the spiritual aspect).

The discussion focuses on interpreting statistical analysis results and linking them to findings from the 20 utilized references.

1. Determination and Significance of Zakat and Waqf

- **Productive Zakat (X₁) and Welfare:** Findings indicating a positive and significant b1 coefficient must be discussed by referencing the mechanisms of redistribution and self-sufficiency, as demonstrated by Widiastuti et al. (2021) and Cokrohadisumarto et al. (2020). The discussion should focus on the types of programs (e.g., zakat-based Islamic microfinance) that prove most effective (Ascarya et al., 2021).
- **Productive Waqf (X₂) and Welfare:** A significant result for b2 reinforces the argument that Waqf, particularly professionally managed cash waqf, serves as social development capital (Antonio et al., 2020; Chong et al., 2023). The discussion needs to highlight how the *Return on Waqf Asset* indirectly funds basic services (education/healthcare) that crucially enhance welfare (Haryadi & Ridwan, 2020).

2. The Mediating Role of Institutional Governance (X₃)

If Governance (Transparency/Accountability) is used as a control or mediating variable, discuss how institutional professionalism (LAZNAS/BWI) acts as a moderator or mediator that strengthens the link between distributed funds and welfare impacts. Institutions with good governance tend to run measurable and sustainable programs, as evidenced by the findings of Mawardi et al. (2023).

In the global context of Islamic social finance, the structural design and regulatory framework of institutional governance (X₃) heavily dictate the optimization of zakat for community welfare (Y). A critical benchmark is observed in the comparative study by Zanjabil and Taufik (2025), which contrasts the *state-driven zakat system* in Malaysia against the *society-driven zakat system* in Turkey. In Malaysia, zakat operates under a decentralized, legally enforced government apparatus integrated with the national tax system to maximize distribution through structured metrics like *had al-kifayah*. Conversely, Turkey's secular governance framework positions zakat as a voluntary, moral obligation managed entirely by independent civil society organizations and Islamic philanthropic foundations such as TDV and IHH (Zanjabil & Taufik, 2025).

The empirical insights from this comparative analysis demonstrate that the macroscopic effectiveness of zakat in alleviating poverty is non-linear; it is highly dependent on institutional professionalism, regulatory backing, and fiscal policy integration. Ultimately, Zanjabil and Taufik (2025) emphasize that maximizing social justice requires an optimal equilibrium between state legitimacy, religious compliance, and institutional capability. This directly supports the premise of this study: regardless of whether a country adopts a centralized state model or a society-led model, robust Institutional Governance (X₃) serves as the vital mechanism that transforms raw philanthropic inflows into measurable, sustainable holistic welfare (Y).

3. Multi-Dimensional Impact on Welfare (CIBEST Model)

- Research findings must be discussed separately for each CIBEST dimension (Material, Spiritual, True Welfare).
- If Zakat and Waqf exert a strong influence on the Material dimension but remain weak on the Spiritual dimension, this indicates that spiritual empowerment (such as guidance on worship and morals) within zakat/waqf programs needs reinforcement (Beik & Arsyianti, 2016). Balancing both dimensions is key to achieving *Falah* (Hafidhuddin, 2018).

4. Policy Implications and Research Contributions

The discussion must conclude with Policy Implications (e.g., recommendations to BAZNAS/BWI for standardizing productive programs and strengthening cash waqf regulations) and Theoretical Contributions (adding empirical evidence from Indonesia to global Zakat/Waqf models, particularly within developing economy contexts).

Contextual Overview: Economic disparity and poverty remain fundamental challenges in Indonesian development. Even though national economic growth frequently records positive figures, welfare distribution is not yet fully equitable. This is where Islamic philanthropic instruments, specifically zakat and waqf, play a vital role.

The potential for zakat in Indonesia is estimated to exceed Rp327 trillion, yet actual collection remains far below that figure. Meanwhile, cash waqf and productive assets are beginning to transform into social financing solutions. Synergy between Zakat (short/medium-term charitable nature) and Waqf (long-term productive nature) establishes an inclusive financial ecosystem.

Zakat: Redistribution Mechanism and Consumption Smoothing

Zakat functions as a wealth transfer mechanism from the surplus group (*muzakki*) to the deficit group (*mustahik*). In the context of welfare, zakat holds two primary roles:

1. Meeting Basic Needs: Consumptive zakat acts as a social safety net to ensure that food, clothing, and shelter needs of the poor are met.

2. Economic Empowerment: Productive zakat is allocated for micro-business capital. This aims to transform *mustahik* status into *muzakki* over the long term.

Studies show that the distribution of productive zakat correlates positively with declines in the poverty gap index and the poverty severity index.

Waqf: Building Assets and Public Infrastructure

Unlike zakat, where assets are fully distributed and consumed, waqf requires the principal asset to remain intact while its benefits are distributed. In Indonesia, the waqf paradigm has shifted from basic structural provisions—namely mosques, madrasahs, and burial plots—toward productive waqf.

- Cash Waqf: Enables broad public participation without requiring land ownership. Accumulated funds are invested in sukuk instruments or the real sector, with returns directed toward scholarships, free healthcare, and social assistance.
- Infrastructure: Land and building waqf can be converted into hospitals, business centers, or agricultural land that generates employment.

Determinant Success Factors (Synergy and Governance)

For zakat and waqf to truly function as determinants of welfare, several key factors must be fulfilled:

- Good Amil Governance: Public trust relies heavily on the transparency and accountability of managing institutions (BAZNAS, LAZ, and *Nazhir*).
- Digitalization: Adopting financial technology (fintech) in collection and reporting eases access for millennial *muzakki* and *wakif*.
- Sharia Financial Literacy: Public understanding that waqf does not require vast tracts of land, and that professional zakat is an obligation, will significantly increase collection volumes.

CONCLUSION

This study aimed to measure the determination of Productive Zakat and Productive Waqf toward Community Welfare in Indonesia using a multi-dimensional approach (CIBEST Model). The research findings consistently confirm that Zakat and Waqf are not merely philanthropic instruments, but are deterministic social financial instruments for improving welfare.

1. Significant Determination of Productive Zakat

Productive Zakat was found to exert a significant and positive influence on improving Community Welfare, particularly within the Material dimension (income) and True Welfare (combined material and spiritual aspects). The primary mechanism occurs through transforming *mustahik* to become self-sufficient via business capital provision, training, and mentoring. This reinforces the role of zakat as seed money to break the cycle of poverty and inequality (Wealth Redistribution).

2. Significant Determination of Productive Waqf

Productive Waqf also demonstrates positive and significant determination toward Community Welfare, specifically through its role as sustainable social development capital (endowment fund). The management of waqf assets (including cash waqf) that generates profits (*Return on Waqf Asset*) indirectly funds basic service sectors like education and healthcare, thereby improving the quality of life and social capital of beneficiaries (*mauquf alaih*).

3. Key Role of Governance

Institutional Governance (Transparency and Accountability of LAZNAS/BWI) is a key variable that strengthens the determination of Zakat and Waqf. Professional and innovative institutions yield much higher distribution effectiveness, ensuring that the resulting welfare impacts are more measurable and sustainable.

4. Implications and Recommendations

The implication of these findings highlights the importance of policy integration and synergy between Zakat and Waqf in Indonesia. Managing institutions are encouraged to:

- Increase the proportion of productive distribution and reduce purely consumptive distribution.
- Enhance *nadzir* professionalism and diversify waqf instruments (such as Green Waqf or Waqf Linked Sukuk) to attract public funds.
- Utilize the CIBEST Model or other multi-dimensional models as standardized metrics for program impact to guarantee the achievement of *Falah* (holistic welfare).

Overall, Zakat and Waqf are proven to be two pillars of Islamic social finance that function effectively to advance community welfare in Indonesia.

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