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## Economic Empowerment Movements in Islamic Social Finance: A Critical Institutional Evaluation of *Dompét Dhuafa*'s Poverty Exit Strategy

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### Abstract

This study presents a critical institutional evaluation of *Dompét Dhuafa*'s poverty exit strategy within the framework of Islamic social finance in Indonesia. Using a document-based case study approach, the research integrates secondary qualitative institutional analysis drawn from official reports, national poverty statistics, and empirical literature. The study applies three analytical frameworks the Capability Approach, Sustainable Livelihood Framework, and Institutional Theory to assess program impact across dimensions of income, asset strengthening, and institutional sustainability. Findings indicate that while *Dompét Dhuafa* exhibits strong organizational capacity and allocates significant ZISWAF resources to productive sectors, the majority of *mustahik* beneficiaries experience only partial upward mobility, transitioning from poor to near-poor status without achieving structural poverty exit. Empowerment outcomes are concentrated in human and financial capital, with limited diversification in livelihood strategies and constrained integration of natural capital. Institutionally, *Dompét Dhuafa* operates as a robust civil society actor, yet its macro-transformative potential remains limited due to the lack of systemic integration with public policy and national development frameworks. The study concludes that Islamic social finance holds substantial localized impact but requires greater alignment with state mechanisms and cross-sectoral collaboration to function as a scalable and sustainable poverty alleviation instrument.

**Keywords:** *Islamic social finance; poverty exit; productive zakah; institutional evaluation; economic empowerment movement*

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## Introduction

The persistence of global poverty, exacerbated by recent crises such as the COVID-19 pandemic, climate change, and geopolitical tensions, has reignited scholarly and policy interest in sustainable poverty alleviation mechanisms. Despite previous gains, poverty remains deeply entrenched, affecting hundreds of millions and revealing the structural limitations of conventional state-market approaches (W. Bank, 2024). Traditional frameworks including redistribution, microfinance, and livelihood programming often demonstrate short-term gains without generating enduring structural transformation (Banerjee & Duflo, 2011; Hickel, 2016). As a result, there is a growing shift toward exploring alternative institutional paradigms capable of addressing the multidimensionality of poverty.

Faith-based organizations (FBOs), particularly in Muslim-majority contexts, have become increasingly significant in delivering welfare services, yet remain under-theorized in development discourse (Benthall, 2016; Clarke & Jennings, 2008). Islamic social finance (ISF) anchored in *zakah*, *waqf*, *sadaqah*, and *qard hasan* offers a Shariah-based model that emphasizes not only ethical redistribution but also broader goals of economic justice and empowerment (Ahmed, 2004; Ascarya & Suharto, 2021; Kismawadi, 2024). With its potential to contribute to the Sustainable Development Goals (SDGs) through ethical and inclusive financing (Shahimi & Zahari, 2025; Smolo & Raheem, 2024), ISF provides a conceptual and operational framework that integrates religious obligations with contemporary development imperatives.

Despite institutional advances in the formalization of ISF mechanisms, a central challenge persists: the majority of *zakah* distribution remains consumption-based, oriented toward immediate relief rather than transformative economic mobility (Kuran, 2004; Obaidullah & Shirazi, 2015). This reflects a conceptual and operational disjuncture between the redistributive tradition of Islamic charity and the developmental objectives increasingly expected of it in modern contexts. Reformist scholars argue that a shift toward productive zakat allocation particularly through micro-enterprise development and asset transfers could reposition ISF as a vehicle for long-term poverty exit (Beik & Arsyianti, 2015). However, existing empirical studies tend to focus narrowly on income metrics, failing to account for institutional resilience, sustainability, and integration into market ecosystems.

Addressing poverty as a multidimensional deprivation encompassing capabilities, assets, and agency necessitates a deeper institutional analysis of empowerment strategies deployed by Islamic philanthropic organizations. Faith-based development, while uniquely positioned to leverage communal trust and social capital (Coley et al., 2023; Rakotoarison et al., 2021), is often constrained by short-term funding cycles and top-down delivery models (Campbell, 2011). A more comprehensive solution requires institutional designs that combine ethical mandates with capacity-building, community participation, and structural integration. Within this landscape, *Dompot Dhuafa*'s evolving empowerment strategy offers a critical case through which the potential and limitations of Islamic social finance can be evaluated.

A growing body of literature emphasizes the role of economic empowerment as a critical mechanism for sustainable poverty alleviation. This includes community-based approaches that leverage local assets and participatory frameworks such as Asset-Based Community Development (ABCD) and Participatory Rural Appraisal (PRA), both of which have demonstrated success in enabling communities to drive their development trajectories (Mustanir et al., 2025). Complementing these models, skills training and entrepreneurial development particularly when targeted toward marginalized populations have been effective in enhancing economic self-reliance and social inclusion (Mantsios et al., 2018; SeEVERS & Gnauck, 2016). These strategies reflect a shift from passive recipient-based welfare to active capacity-building paradigms.

The integration of microfinance and self-employment strategies, such as those modeled by Grameen Bank, further underscores the value of financial inclusion in poverty exit strategies. Although microfinance alone may not guarantee structural transformation (Banerjee et al., 2015), when embedded within broader empowerment initiatives, it can provide essential capital for business growth and asset acquisition (Light, 2021). In this regard, combining microfinance with institutional support mechanisms appears vital. For instance, community-driven economic initiatives in *Baubau* City have shown significant increases in household income through targeted support and technical training (Al Zarliani et al., 2025), highlighting the importance of localized empowerment infrastructures.

In parallel, scholars of Islamic social finance have advanced the argument that zakat and waqf

can be reimagined as tools of development finance. When systematically institutionalized, these instruments not only address immediate welfare needs but also serve as platforms for human development and social equity (Kunhibava et al., 2024; Mohieldin et al., 2012a; Shaikh & Ismail, 2017). However, transforming these ideals into practice requires robust institutional architectures that balance religious accountability with operational effectiveness. This includes transparent governance, partnerships, and value chain integration dimensions that remain insufficiently explored in empirical ISF studies. *Dompét Dhuafa*, with its emphasis on economic independence and market-linked initiatives, offers a valuable empirical site to assess these dynamics.

The scholarly discourse on Islamic social finance highlights its normative promise in promoting socioeconomic justice, but empirical studies remain limited in assessing its institutional mechanisms. While *zakah* is increasingly positioned as a developmental instrument, most evaluations emphasize output indicators such as number of beneficiaries or income increments without interrogating governance, sustainability, or market alignment (Beik & Arsyanti, 2015; Obaidullah & Shirazi, 2015). Moreover, studies that examine ISF through the lens of capability enhancement or institutional theory are sparse, revealing a gap between conceptual frameworks and applied analysis.

Furthermore, despite the documented potential of faith-based development to mobilize social capital and community trust (Coley et al., 2023; Rakotoarison et al., 2021), few studies examine how FBOs navigate institutional complexity, particularly in competitive or volatile environments. The limitations of top-down program delivery, short-termism, and lack of systemic integration are well noted (Campbell, 2011), yet underexplored in the context of high-performing Islamic philanthropic organizations. Specifically, the role of integrated community-based economic models, such as those implemented by *Dompét Dhuafa*, has not been rigorously evaluated for their structural poverty exit potential.

This lack of multi-layered institutional evaluation combining empowerment, sustainability, and governance creates a critical knowledge gap. While frameworks like the Capability Approach (Sen, 1999), Sustainable Livelihoods (Scoones, 1998) and Institutional Theory (Scott, 2014), offer valuable tools for analysis, they have rarely been applied collectively within the study of Islamic social finance. Addressing this gap is essential to understanding whether ISF initiatives, such as those of *Dompét Dhuafa*, represent genuine shifts toward developmental finance or remain within the domain of benevolent redistribution.

This study aims to critically evaluate the institutional architecture of *Dompét Dhuafa*'s poverty exit strategy, with a particular focus on its economic empowerment initiatives. The central objective is to determine whether these programs facilitate a transition from short-term welfare to structural poverty exit through sustainable, market-integrated, and capability-enhancing mechanisms. Unlike conventional assessments that focus solely on income change, this research interrogates governance models, accountability frameworks, partnership dynamics, and value chain linkages embedded in *Dompét Dhuafa*'s approach.

The novelty of this study lies in its integrative analytical framework, which combines the Capability Approach, Sustainable Livelihood Framework, and Institutional Theory to provide a multi-dimensional evaluation. By doing so, it bridges the gap between normative aspirations of Islamic social finance and its practical realization within complex development ecosystems. This synthesis also contributes to a more refined theoretical dialogue between faith-based development and mainstream poverty exit literature.

The scope of this research is both empirical and theoretical. Empirically, it focuses on *Dompét Dhuafa*'s economic empowerment initiatives across multiple programmatic areas, including agriculture, micro-enterprise, and community-based development. Theoretically, it interrogates how Islamic social finance institutions can evolve beyond redistributive charity to function as agents of structural transformation. The study also carries broader relevance, offering insights into the potential scalability and institutionalization of ISF models in other Muslim-majority and development-focused contexts.

## Method

This study employs a qualitative approach through a document-based institutional case study design, focusing critically on *Dompét Dhuafa* as a leading Islamic philanthropic organization implementing productive zakat-based economic empowerment in Indonesia. The qualitative

orientation is essential to capture the complexity of institutional structures, governance dynamics, and strategic orientation within the broader context of Islamic social finance. Rather than seeking causal generalization through quantitative methods, this study prioritizes depth, interpretive analysis, and contextual understanding of how empowerment strategies are embedded within institutional frameworks.

The primary data sources consist of publicly available and verifiable documents, including *Dompot Dhuafa's* official annual and programmatic reports (2020–2023), BAZNAS Zakat Outlook reports, Indonesian poverty statistics published by the Central Bureau of Statistics (Statistik, 2023) and global poverty indicators from the World Bank (W. Bank, 2023). To ensure theoretical and empirical triangulation, peer-reviewed studies on productive zakat and its impact on income and livelihoods were incorporated (Ali & Hatta, 2014; Beik & Arsyianti, 2015). This method aligns with established qualitative document analysis frameworks in development research, especially when institutional transparency permits public data access (Bowen, 2020).

The qualitative analysis followed a structured content analysis process. Documents were systematically coded into thematic categories such as financial allocation models, sectoral program distribution, beneficiary reach, and institutional narratives of empowerment. These themes were then interpreted using three integrated theoretical lenses. First, the Capability Approach (Sen, 1999) was applied to assess whether economic interventions expanded the real freedoms and agency of *mustahik* beyond mere income growth. Second, the Sustainable Livelihood Framework (Development, 1999a) enabled mapping of how programs contribute to strengthening five livelihood assets: human, financial, social, physical, and natural capital. Third, Institutional Theory (Scott, 2014) provided an analytical lens to examine *Dompot Dhuafa's* governance mechanisms, normative legitimacy, and potential for systemic integration and scalability.

Evaluation was guided by a modified OECD-DAC framework, operationalized into five qualitative criteria: *relevance*, *effectiveness*, *efficiency*, *impact*, and *sustainability*. For example, “effectiveness” was interpreted as the demonstrable increase in income and productive capacity, while “sustainability” referred to the organization’s ability to integrate with market systems and public policy frameworks. The analysis also included reflection against conventional microfinance models to identify structural differences in Islamic philanthropic modalities.

While the study does not employ field-based techniques such as interviews or household surveys, methodological rigor was ensured through the use of triangulated data sources, consistent coding practices, and the application of clearly defined analytical criteria. The qualitative design is particularly suitable for evaluating institutional configurations, strategic orientations, and the embedded logic of programmatic decision-making in the realm of Islamic social finance. Ultimately, this method allows for a critical examination of how and why *Dompot Dhuafa's* economic empowerment strategy functions as it does and whether it possesses the institutional capacity to contribute meaningfully to long-term poverty transformation in Indonesia.

## Results and Discussion

### Institutional Scale and Financial Mobilization Capacity

Empirical data extracted from *Dompot Dhuafa's Annual Report 2022–2023* reveal that the organization has successfully mobilized ZISWAF (*Zakah, Infaq, Sadaqah, and Waqf*) funds amounting to several hundred billion rupiahs annually. A significant portion of these funds has been strategically allocated to productive economic empowerment programs, including agriculture, livestock, MSME incubation, and integrated livelihood clusters (Dhuafa, 2023). This marks a pronounced institutional shift from consumptive-based assistance toward a structured empowerment paradigm. The transformation is consistent with the national trend in the professionalization of zakat institutions, as noted in the *BAZNAS Zakat Outlook* (Nasional, 2023), where emphasis is increasingly placed on zakat’s developmental role rather than mere redistributive functions.

According to BAZNAS, the estimated national zakat potential in Indonesia exceeds Rp 300 trillion annually. However, current national zakat collection remains far below its projected capacity, estimated at less than 10% of potential (Nasional, 2023). Within this context, *Dompot Dhuafa* stands out as one of the most influential non-state actors in Islamic philanthropic finance. Despite being a non-governmental entity, it has outperformed many state-led programs in terms of innovation, outreach, and responsiveness to grassroots economic challenges (Latief, 2017; Piliyanti, 2023). Its capability to mobilize large-scale funding and allocate it toward systemic poverty alleviation

mechanisms underlines its emergence as a professionalized actor in Indonesia's Islamic social finance ecosystem.

To clarify the institutional scale and allocation priorities discussed above, it is necessary to synthesize *Dompét Dhuafa's* financial mobilization structure and sectoral distribution into a structured analytical summary. Rather than relying solely on descriptive narration, the following table consolidates key indicators of ZISWAF mobilization, allocation trends, and institutional positioning within the broader Indonesian zakat ecosystem. This structured presentation enables a clearer assessment of how financial capacity translates into programmatic orientation and strategic emphasis.

**Table 1. ZISWAF Mobilization and Allocation Structure (2022–2023)**

Indicator	Description	Institutional Implication
Total ZISWAF Mobilized	Hundreds of billion rupiahs annually	High fundraising capacity
Share Allocated to Economic Empowerment	Increasing trend	Shift from consumptive to productive model
Main Sectors	Agriculture, livestock, MSMEs	Primary-sector dominance
National Zakat Potential	Rp 233–300 trillion	Collection gap remains high
Institutional Position	Major LAZ actor	Strong meso-level influence

As reflected in Table 1, *Dompét Dhuafa* demonstrates a significant fundraising capacity and a deliberate shift toward productive economic sectors. The increasing allocation to agriculture, livestock, and MSME incubation signals an institutional commitment to empowerment-oriented zakat management rather than short-term consumptive assistance. However, while the organization's financial scale is substantial at the institutional level, its proportional contribution remains modest when juxtaposed with Indonesia's national zakat potential. This discrepancy highlights a structural tension between organizational strength and macroeconomic reach, reinforcing the argument that institutional excellence does not automatically translate into systemic transformation.

*Dompét Dhuafa's* internal allocation strategies have further substantiated this shift. A review of its financial statements shows a steady increase in the proportion of funds directed toward economic empowerment initiatives. This is aligned with broader goals of productive zakat implementation, as outlined by Beik, which emphasizes the structural integration of zakat into national economic planning and development objectives (Beik et al., 2024). Nevertheless, the institution's contribution, while substantial in relative terms, still constitutes a modest fraction of the macroeconomic scale required to address national poverty comprehensively. This institutional paradox strong organizational performance juxtaposed with limited aggregate macroeconomic impact presents a critical tension at the heart of Islamic social finance in Indonesia.

From an institutional economics perspective, *Dompét Dhuafa's* trajectory exemplifies the shift from informal, charity-based philanthropy to a formalized Islamic social finance entity, as observed by Fauzia (Fauzia, 2013). This evolution is characterized by the integration of governance systems, performance monitoring, strategic partnerships, and programmatic accountability. Yet, the institutional performance must be critically juxtaposed with the broader structural realities. Despite *Dompét Dhuafa's* relative success, its overall market share within Indonesia's zakat ecosystem remains constrained by systemic limitations in national collection mechanisms, donor base expansion, and regulatory integration (Ridwan et al., 2019; Widiastuti & Rani, 2020)

In comparison, BAZNAS as the national zakat authority benefits from statutory mandates but often lags behind in innovation and agility. Several studies have noted that BAZNAS's digital integration, though progressing, still suffers from suboptimal system utilization and stakeholder coordination (Hadi & Basit, 2021; Musa et al., 2022). *Dompét Dhuafa*, in contrast, has pioneered initiatives such as *Zona Madina*, a social innovation model that links *zakah*, *waqf*, and community entrepreneurship in an integrated spatial format (Piliyanti, 2023). This model has not only expanded its donor and beneficiary base but also positioned it as a leader in Islamic philanthropic innovation.

However, a comparison with the national zakat potential reveals the limited scalability of such initiatives. Although institutions like *Dompét Dhuafa* exhibit operational excellence and local-level

impact, they remain structurally peripheral within Indonesia's broader development architecture. The high potential for zakat collection estimated between Rp 233.6 trillion and Rp 300 trillion annually (Beik et al., 2024) has not been met due to fragmented governance, inconsistent regulatory oversight, and public mistrust in some zakat management bodies (Nashirudin et al., 2025). While digitalization and corporate governance principles have begun to improve transparency and accountability in some organizations, challenges in infrastructure, inter-agency coordination, and technological adoption persist (Haryanti et al., 2022; Shabrina et al., 2019)

This gap between institutional capacity and macro-structural impact situates *Dompot Dhuafa* as a complementary rather than transformative actor within Indonesia's poverty alleviation framework. Its achievements, though notable, have not yet translated into nationwide economic restructuring. The case reinforces observations by Iskandar that the integration of Islamic philanthropy into structural economic development remains partial, often dependent on the synergy between philanthropic efforts and Islamic commercial finance (Iskandar et al., 2021). As a result, *Dompot Dhuafa's* interventions function effectively at the meso- and micro-levels but face systemic constraints in achieving macroeconomic significance.

The empirical findings from *Dompot Dhuafa's* financial mobilization and institutional development present important implications for both Islamic social finance theory and practice. First, the organization's demonstrated capacity to mobilize and allocate large-scale ZISWAF funding to productive economic sectors provides a tangible proof-of-concept for the viability of zakat-based empowerment models. In doing so, *Dompot Dhuafa* challenges the prevailing assumption that Islamic philanthropy is inherently short-term or palliative in nature. Instead, it aligns more closely with emerging perspectives that see Islamic finance instruments as potential contributors to long-term, sustainable development when supported by strong institutional design (Kismawadi et al., 2025; Kunhibava et al., 2024)

Second, the case illustrates that institutional architecture governance, digital capacity, financial strategy matters profoundly in translating religious obligations into development outcomes. *Dompot Dhuafa's* shift from consumptive aid to productive empowerment reflects not only a programmatic choice but an ideological reorientation toward developmental finance. This reorientation is rooted in a normative framework that combines faith-based values with technical proficiency, allowing it to bridge gaps between community trust and financial professionalism (Ascarya & Suharto, 2021; Nashirudin et al., 2025) Its trajectory represents a critical step in transforming Islamic social finance from fragmented benevolence into a coherent development infrastructure.

Nonetheless, the findings also signal caution against overestimating the macroeconomic impact of single institutions within a structurally underdeveloped philanthropic ecosystem. The persistent gap between zakat potential and actual collection, and between localized success and national poverty levels, indicates that no institution, however innovative, can substitute for systemic coordination. *Dompot Dhuafa's* influence, though substantial, remains bounded by the limitations of the broader regulatory, technological, and political economy of Islamic finance in Indonesia (Pericoli, 2023)

Practically, these insights highlight the urgent need for integrated zakat-governance reforms, enhanced digital infrastructure, and expanded inter-organizational collaboration. Strengthening the connective tissue between BAZNAS, LAZ (*Lembaga Amil Zakat*), and the broader Islamic financial sector is essential for scaling up successful models like *Dompot Dhuafa's*. Furthermore, embedding such institutions within national development planning particularly through their linkage to the Sustainable Development Goals (SDGs) could magnify their impact (Asyifa et al., 2024; Shahimi & Zahari, 2025)

*Dompot Dhuafa's* institutional scale and financial mobilization strategies reflect a partial but significant evolution in Islamic social finance. The organization exemplifies how religious philanthropy, when institutionalized through modern governance, can transcend the limits of charity and move toward developmental finance. However, to realize its full potential as a structural poverty exit instrument, broader systemic integration and policy realignment are imperative.

### **Income Effects and Poverty Line Positioning**

Quantitative assessments of productive zakat interventions in Indonesia consistently indicate positive income effects for recipients. (Beik and Arsyianti, 2015), through empirical modeling,

demonstrate that post-intervention income among *mustahik* (*zakah* beneficiaries) often rises significantly, suggesting that access to capital infusions when coupled with business mentoring can improve household earnings. However, such findings merit deeper interrogation when juxtaposed with national poverty benchmarks. The Central Statistics Agency (BPS, 2023) utilizes a basic needs approach to define the poverty line, incorporating both food and essential non-food expenditures. Within this framework, while many beneficiaries of productive *zakah* programs do experience income growth, they frequently remain within the “near-poor” classification positioned marginally above the poverty threshold but still exposed to high vulnerability.

This gradation is crucial in understanding the nuance of poverty transitions. Data aligned with BPS methodology indicates that income increments resulting from *zakah*-funded entrepreneurial programs tend to hover just above the subsistence line, without consistently reaching the income levels required to ensure economic resilience. In certain regions, such as North Sumatra, studies reveal inconsistent effects on microenterprise viability, with some initiatives failing to produce sustainable performance outcomes (Hawariyuni, 2025). These variations suggest that while *zakah* interventions may provide temporary relief or momentum, they often lack the structural support systems necessary to catalyze sustained upward mobility.

While existing studies confirm that productive *zakah* interventions generate measurable income gains, the crucial question concerns the qualitative position of these gains relative to the national poverty threshold. Income growth alone does not automatically signify structural poverty exit; rather, it must be evaluated against official poverty line classifications and vulnerability exposure. To systematize this transition pattern, the following table summarizes the typical income positioning of *mustahik* beneficiaries before and after intervention, contextualized within the BPS poverty categorization framework.

**Table 2. Income Transition Pattern of *Mustahik* Beneficiaries**

Indicator	Pre-Intervention	Post-Intervention	Poverty Category (BPS)	Assessment
Average Income	Below poverty line	Slightly above poverty line	Near-poor	Partial upward mobility
Income Stability	Low	Moderate	Vulnerable	Shock-sensitive
Diversification	Minimal	Limited	Single-sector reliance	Low resilience

As illustrated in Table 2, productive *zakah* programs generally shift beneficiaries from below the poverty line to marginally above it, repositioning them within the near-poor category. Although statistically significant, this movement represents vulnerability reduction rather than full economic emancipation. The persistence of limited diversification and income instability suggests that upward mobility remains fragile and highly sensitive to external shocks. Consequently, the evidence reinforces the argument that productive *zakah* functions more effectively as a stabilizing mechanism than as a definitive poverty exit strategy.

Poverty alleviation manifests more as temporary buffering rather than durable escape. Runtiningsih and Zaenal provide evidence that productive *zakah* contributes to regional economic stimulation and short-term poverty reduction; however, the majority of cases reflect a flattening rather than an escalation of income trajectories (Runtiningsih et al., 2026; Zaenal et al., 2018). This is echoed in the Small Area Estimation (SAE) approach applied in national poverty mapping studies, which underline the importance of reliable and granular data in understanding localized income dynamics and ensuring that interventions are context-sensitive and not merely homogenized templates.

Within the theoretical framework of poverty dynamics, income gains alone are insufficient to signify meaningful exit from poverty. Hulme and Shepherd assert that upward mobility must be assessed longitudinally to capture the durability and quality of poverty transitions (Hulme & Shepherd, 2003). Dercon and Shapiro further contend that most livelihood interventions, particularly in developing contexts, function primarily as mechanisms of income smoothing rather than engines

of structural transformation (Dercon & Shapiro, 2007). The empirical patterns observed in zakat-based programs in Indonesia mirror this theoretical stance: modest but insufficient movement across the poverty line, without firm anchoring into the middle-income strata.

When compared with broader literature on income mobility in rural Indonesia, parallels emerge. Klasen notes that shifts in crop production and diversification into non-farm income streams contribute significantly to income mobility, often outperforming targeted financial assistance (Klasen et al., 2013). *Dompét Dhuafa*'s economic programs, while innovative, remain predominantly micro-scale and lack integration with regional value chains or agricultural innovation systems. Consequently, while the organization's beneficiaries may register upward movement from poor to near-poor categories, they remain acutely sensitive to economic shocks, health crises, or inflation factors that can easily reverse progress.

Furthermore, disparities in regional economic structures complicate the interpretation of income effects. Wahyuningsih emphasizes the persistent rural-urban income gap, which often renders generalized poverty thresholds inadequate for contextual analysis (Wahyuningsih et al., 2019). For example, what constitutes poverty in East Java may not be equivalent to income sufficiency in Jakarta. Thus, without localized program calibration and macro-level alignment, zakat interventions may struggle to produce equitable outcomes across geographies.

The mixed evidence from impact evaluations reinforces this caution. Widiastuti (2020) employs PLS-SEM analysis to show that welfare perception among beneficiaries improves with zakat receipt, yet this subjective enhancement does not necessarily translate to increased financial self-sufficiency. Husain corroborates this by noting that while self-sufficiency improves marginally, long-term behavioral patterns related to financial independence remain unchanged (Husain et al., 2023). This disconnect between nominal income improvement and deeper economic transformation underscores the limitations of short-cycle measurement tools and the over-reliance on linear output indicators.

The analysis of income effects among zakat beneficiaries, particularly in the context of *Dompét Dhuafa*'s productive initiatives, presents a dual narrative. On one hand, the programs demonstrate efficacy as short-term stabilization tools, increasing liquidity and enhancing immediate consumption capacities. On the other, their limitations in consistently elevating recipients above the poverty line into a zone of economic resilience underscore the need for more integrative and longitudinal strategies. This aligns with findings, where institutional scale did not necessarily translate into macroeconomic reach. Here, we observe that even well-funded empowerment schemes can fail to yield sustainable upward income mobility if not buttressed by systemic enablers.

Practically, this necessitates a recalibration of poverty exit strategies to include long-term tracking, beyond the standard six-month or one-year evaluations that dominate many programmatic assessments. As Dwiputrianti argues, investments in education and health yield stronger long-term poverty reduction effects, suggesting that zakat interventions should be complemented by intersectoral linkages (Dwiputrianti et al., 2026). In *Dompét Dhuafa*'s context, this would imply greater synergy between economic support, health access, and educational provision potentially within its *Zona Madina* ecosystem to create pathways toward structural independence rather than mere subsistence.

Theoretically, these findings challenge the assumption that productive zakat alone can serve as a poverty exit strategy in the absence of institutional scaffolding. The transition from "poor" to "near-poor," while statistically significant, remains precarious without policy reinforcement, financial inclusion frameworks, and adaptive safety nets. As Effendi suggests, integrating social protection with empowerment initiatives increases household consumption stability and improves exit prospects (Effendi et al., 2025). The current income effects of zakat, though positive, illustrate that without addressing systemic inequalities such as access to credit, land, technology, and markets recipients remain in a fragile economic liminality.

Current evidence base urges a paradigm shift in conceptualizing zakat-based poverty reduction. Rather than positioning productive zakat as a standalone solution, it should be understood as one component within a broader developmental architecture. *Dompét Dhuafa*'s programs represent promising pilots, yet to transition from poverty alleviation to poverty eradication, Islamic social finance must evolve into a system embedded in longitudinal planning, cross-sector coordination, and structural reform. Only through such systemic alignment can income gains translate into durable economic emancipation.

### Livelihood Asset Strengthening

*Dompét Dhuafa's* economic empowerment initiatives are structurally oriented toward strengthening community-based productive sectors, particularly agriculture, livestock, and micro–small enterprises (Program, 2022). When mapped onto the Sustainable Livelihood Framework (Development, 1999b), the programs demonstrate a deliberate attempt to enhance multiple forms of capital. Human capital is developed through technical training, entrepreneurial mentoring, and managerial guidance. Financial capital is provided in the form of non-riba business capital, often structured as revolving funds or grant-based productive assistance. Social capital is reinforced through the formation of business groups, cooperatives, and peer-support clusters. Physical capital emerges through the provision of productive assets such as livestock, farming equipment, and small-scale processing tools. Natural capital, however, is more selectively addressed, typically limited to beneficiaries who already possess access to land or specific commodities.

Empirical evaluations of productive zakat schemes in Indonesia corroborate these patterns. Ali and Hatta observe statistically significant improvements in human and financial capital among recipients, particularly in the early stages of program implementation (Ali & Hatta, 2014). Enhanced skills and improved access to capital contribute to increased productivity and higher business turnover. Similar dynamics are evident in agricultural zakat models, such as those implemented in Desa Mangga, where zakat funds are directed toward palm sugar production and farmland management, promoting greater economic self-reliance among beneficiaries (Saputra & Tanjung, 2024). These findings suggest that targeted asset injection, when combined with technical assistance, can generate tangible livelihood gains at the household level.

Nevertheless, the distribution of gains across asset categories remains uneven. While training and capital support are robust, diversification into alternative income streams is less systematically embedded. Most *Dompét Dhuafa*-supported enterprises remain concentrated in primary sectors crop cultivation, animal husbandry, or small-scale trading. Although these sectors are accessible and culturally embedded, they are also characterized by price volatility, climate exposure, and limited value addition. Consequently, improvements in human and financial capital are not always accompanied by strengthened natural capital management or diversification strategies. This imbalance raises critical questions about long-term livelihood resilience, particularly in contexts vulnerable to environmental and market shocks.

The livelihood resilience literature emphasizes that asset enhancement alone is insufficient without diversification and adaptive capacity (Scoones, 1998). In rural Indonesia, economic stability is closely tied to households' ability to combine multiple income sources and adjust to environmental variability. Empirical studies on adaptive mechanisms among Indonesian farmers demonstrate that resilience depends not only on capital access but also on flexibility in production systems, ecological awareness, and social networks that facilitate rapid response to crises (Sina et al., 2019). When assessed against these criteria, *Dompét Dhuafa's* empowerment model exhibits strengths in capital injection but faces structural limitations in fostering adaptive diversification.

Comparative livelihood models offer instructive contrasts. Agrosilvopasture systems on the southern slope of Mount Slamet, for example, integrate crop farming, forestry, and livestock to balance environmental preservation with economic returns (Budiyoko et al., 2024). Such integrated systems reduce dependency on a single commodity and buffer households against seasonal fluctuations. Similarly, natural capital-based strategies in South Sumatra combining gelam wood harvesting, edible bird nest cultivation, and rice farming illustrate how ecological resource management can be aligned with diversified income portfolios (Ulya et al., 2021). These models demonstrate that sustainable livelihoods require horizontal integration across sectors, rather than vertical improvement within a single activity.

Institutional factors further mediate the success of community-based enterprises. Studies on Community-Based Enterprises (CBEs) and Village-Owned Enterprises (BUMDes) in Indonesia underscore the importance of governance quality, government support, and participatory decision-making (Muttaqin et al., 2025; Wahyono et al., 2025). Without structured institutional backing, collective enterprises struggle to scale beyond subsistence. *Dompét Dhuafa's* group-based approach strengthens social capital; however, the depth of governance training and long-term organizational mentoring varies across program sites. While initiatives such as *Zona Madina* reflect social innovation in integrating *zakah* with community-based economic clusters (Piliyanti, 2023), replication beyond pilot areas requires sustained institutional embedding.

Furthermore, digital interaction and peer-based communication have been shown to enhance microenterprise networks. Suarniki documents how small business communities benefit from dynamic exchanges through digital platforms, facilitating partnerships and information sharing (Suarniki et al., 2019). Such mechanisms remain underutilized in many *zakah*-supported programs, where technological adoption is uneven. Broader Islamic microenterprise development literature emphasizes that empowerment strategies must integrate marketing performance improvement, human resource upgrading, and financial access to generate durable competitiveness (Agus & Barus, 2025). Without these complementary dimensions, enterprises risk stagnation once initial capital is exhausted.

Importantly, the integration of *zakat* and *waqf* has been proposed as a strategy to address multidimensional development challenges. Combining short-term liquidity support (*zakah*) with long-term asset endowment (*waqf*) could enhance both immediate welfare and structural resilience. Yet, fragmented management and limited public understanding continue to constrain this integration. From a governance perspective, strong local leadership with entrepreneurial orientation plays a pivotal role in mobilizing community participation and sustaining collective initiatives (Kusmulyono et al., 2024). Where such leadership is absent, livelihood strengthening efforts may plateau.

The empirical patterns observed in *Dompét Dhuafa*'s programs suggest that its empowerment strategy is particularly effective in augmenting human and financial capital, thereby improving immediate productive capacity. However, when interpreted through the lens of livelihood resilience, these gains represent only the foundational layer of sustainable poverty exit. Income improvements frequently reposition beneficiaries within the near-poor category rather than securing durable economic advancement. Reinforces this vulnerability: households dependent on single-sector activities remain exposed to external shocks, including commodity price volatility, climate disruptions, and market saturation.

From a theoretical standpoint, the findings highlight the distinction between asset accumulation and resilience formation. The Sustainable Livelihood Framework (Development, 1999a) conceptualizes resilience as the capacity to maintain or enhance well-being in the face of stressors. While *Dompét Dhuafa*'s interventions strengthen specific capitals, the interlinkages among them particularly between natural capital management and diversified financial strategies require deeper institutional articulation. Without systematic diversification, improvements in one asset category may be offset by weaknesses in another.

Practically, this calls for recalibrating empowerment models toward integrated livelihood systems. Incorporating diversified agricultural models, such as agrosilvopasture (Budiyoko et al., 2024), or natural capital-based innovations (Ulya et al., 2021), could mitigate dependency risks. Embedding digital networking and marketing channels (Suarniki et al., 2019) would expand market access and reduce informational asymmetries. Moreover, strengthening governance structures in community enterprises (Muttaqin et al., 2025; Wahyono et al., 2025) could ensure continuity beyond initial program cycles.

The broader implication is that Islamic social finance, to function as a structural poverty exit mechanism, must move beyond asset injection toward resilience architecture. This involves integrating *zakah* with *waqf* endowments, aligning empowerment efforts with SDG-oriented frameworks (Asyifa et al., 2024; Herianingrum et al., 2024; Saoqi et al., 2025) and cultivating leadership capacities within beneficiary communities (Kusmulyono et al., 2024). Such integration would enable Islamic philanthropic institutions to address multidimensional deprivation more holistically.

*Dompét Dhuafa*'s livelihood strengthening initiatives demonstrate meaningful progress in enhancing productive capacities at the micro level. Yet, the sustainability of these gains depends on advancing from capital provision to systemic resilience building. Only by embedding diversification, adaptive capacity, and institutional governance into its empowerment architecture can Islamic social finance substantively contribute to long-term poverty transformation rather than cyclical vulnerability reduction.

### **Institutional Sustainability and Scalability**

The long-term sustainability and scalability of *Dompét Dhuafa*'s empowerment model must be situated within the broader ecosystem of Islamic social finance and national development governance. *Dompét Dhuafa* operates as a prominent civil society actor with a wide-reaching

operational network, yet it functions outside the formal macroeconomic policy structure. Unlike state agencies, it lacks fiscal authority, regulatory leverage, or legislative backing to influence poverty reduction at scale. As such, its interventions while effective at the meso and micro levels remain disconnected from systemic economic planning and policy frameworks (Mohieldin et al., 2012b)

This structural constraint is particularly evident when considering the fiscal and institutional architecture required for scalable poverty alleviation. According to Mohieldin global Islamic social finance possesses substantial latent potential, but its operationalization is hindered by the absence of governance standardization, policy integration, and regulatory harmonization (Mohieldin et al., 2012b). In Indonesia, despite the large volume of zakat and waqf funds, these resources remain fragmented across decentralized actors, including BAZNAS, LAZ, and numerous independent philanthropic institutions. *Dompot Dhuafa*, although among the most organized and transparent entities, operates within this fragmented ecosystem and thus faces structural limitations in scaling its impact beyond localized contexts.

The sustainability of *Dompot Dhuafa*'s model relies heavily on community engagement, donor trust, and programmatic innovation. Its empowerment architecture exemplified through programs like *Zona Madina* demonstrates how Islamic philanthropy can achieve functional integration between religious ethics, economic productivity, and social development (Piliyanti, 2023). However, these efforts are not institutionally embedded within Indonesia's broader poverty governance framework. Without mechanisms for fiscal linkages or policy co-alignment, the replication and expansion of such models depend on the organization's internal capacity rather than state-facilitated scaling pathways.

The juxtaposition of *Dompot Dhuafa*'s empowerment trajectory with global and regional trends highlights the structural disjunctions between civil society innovation and macro-level integration. World Bank reports and UNDP policy papers consistently argue that sustainable poverty reduction requires interlocking mechanisms between fiscal policy, labor markets, and social protection systems (A. R. Bank, 2023; Mohieldin et al., 2012b). Faith-based organizations (FBOs), while impactful at the grassroots level, rarely possess the institutional leverage to influence these domains unless their interventions are recognized and absorbed into national strategies (Haynes, 2016; Jennings et al., 2021)

Comparative evidence from countries like Malaysia and Bangladesh illustrates the advantages of embedding zakat within formal policy structures. Malaysia's legal codification of zakat and integration into public policy has improved efficiency, transparency, and alignment with development objectives (Daud et al., 2025). Similarly, in Bangladesh and Uzbekistan, zakat has been strategically tied to fiscal frameworks to optimize redistributive impact and reduce informal economic leakages (Asadov et al., 2024; Hassan et al., 2024). These cases underscore the role of state apparatuses in enabling scale, ensuring regulatory oversight, and linking religious finance with national development planning.

By contrast, *Dompot Dhuafa*'s position as a non-state actor limits its macro-transformative potential. Its programs operate as parallel welfare mechanisms, effectively filling gaps in public service delivery but lacking the policy hooks to influence systemic poverty dynamics. This reflects a broader pattern noted by Ibrahim and Karlsson, who observe that civil society organizations (CSOs) often compensate for institutional deficiencies in state service provision but struggle to catalyze structural change without political alignment or bureaucratic partnership (Ibrahim, 2012; Karlsson & Vamstad, 2020). In Indonesia's Islamic philanthropic sector, this has resulted in a proliferation of initiatives with overlapping mandates and uncoordinated impact trajectories.

Technological and institutional innovations offer partial remedies. Proposals to integrate crowdfunding and blockchain into zakat and *waqf* management hold potential for improving transparency and scalability (Khan, 2023). However, such innovations require complementary investments in digital infrastructure, regulatory clarity, and digital literacy factors that remain uneven across Indonesia's philanthropic landscape (Widiastuti et al., 2022). *Dompot Dhuafa*'s use of technology has improved donor engagement and program tracking, yet without inter-agency data sharing and policy convergence, these tools operate within institutional silos.

The analysis thus far reveals a critical distinction between organizational sustainability and system-wide scalability. *Dompot Dhuafa*'s model is institutionally robust driven by community legitimacy, operational innovation, and diversified program portfolios. However, as noted, such internal strengths do not automatically translate into macroeconomic relevance. Without integration

into Indonesia's national poverty governance, its transformative capacity remains bounded to localized domains.

This points to a central implication: Islamic social finance must evolve from a standalone ethical practice into a systemic development instrument. This transition requires deliberate policy convergence, where zakat and waqf are not merely managed by parallel institutions but are integrated into fiscal, social, and economic planning. The success of models like Malaysia's zakat-public policy interface and Bangladesh's fiscal alignment initiatives demonstrates that religious finance can be mainstreamed without compromising its normative ethos (Daud et al., 2025; Hassan et al., 2024) For *Dompét Dhuafa*, such integration could amplify its localized innovations and enable policy dialogue at the national level.

From a developmental theory perspective, this necessitates reframing Islamic social finance as an institutional actor within the broader political economy of poverty alleviation. Its contribution to the Sustainable Development Goals (SDGs) particularly in relation to decent work, reduced inequalities, and strong institutions remains underleveraged due to siloed implementation (Izhar & Kasri, 2021). Initiatives such as the Community Climate *Waqf-Zakah* Model (CCWZM) exemplify how integrated frameworks can bridge the gap between religious finance and SDG programming (Korkut, 2025). *Dompét Dhuafa* could adapt similar hybrid models to align its efforts with climate resilience, health, and education targets, thereby expanding its strategic relevance.

Practically, this would entail forging partnerships with state agencies, international donors, and other CSOs to coordinate agendas, pool resources, and synchronize evaluation metrics. Enhancing collaborative networks and strengthening digital governance platforms would improve data interoperability and reduce programmatic fragmentation (Asyifa et al., 2024). Moreover, institutional reforms aimed at standardizing zakat management and increasing public understanding of its developmental role would provide the legitimacy and support needed for broader policy inclusion.

*Dompét Dhuafa* exemplifies a sustainable civil society model in Islamic social finance, its ability to scale and structurally transform poverty landscapes hinges on systemic integration. Aligning with state policy, leveraging technological innovations, and engaging in multi-actor coalitions will be crucial to transition from impactful locality to national development actor. This alignment is not merely strategic it is essential for reconfiguring Islamic social finance from a parallel welfare mechanism into a pillar of inclusive, resilient, and scalable development architecture.

## Conclusion

This study has critically evaluated *Dompét Dhuafa's* economic empowerment programs through a document-based institutional analysis, integrating empirical findings, poverty benchmarks, and theoretical frameworks. The findings reveal that while *Dompét Dhuafa* demonstrates strong institutional performance evidenced by consistent fund mobilization, programmatic innovation, and localized impact its structural contribution to national poverty alleviation remains constrained by the absence of integration with broader macroeconomic and policy systems. Income effects among *mustahik* indicate a movement from extreme poverty toward vulnerability reduction rather than full poverty exit, underscoring the limitations of income-based interventions in the absence of long-term livelihood diversification and adaptive capacity.

Program impacts on livelihood assets are most visible in human and financial capital but limited in natural capital access and income stream diversification key indicators of resilience according to the Sustainable Livelihood Framework. Institutionally, *Dompét Dhuafa's* model remains exemplary among civil society actors; however, without strategic policy alignment and systemic scalability, it operates largely as a parallel welfare mechanism rather than a transformative poverty engine. The integration of zakat into national fiscal and development planning, as seen in other countries, remains an unrealized opportunity in the Indonesian context.

This study contributes to the literature on Islamic social finance by demonstrating that productive zakat, while impactful at the micro-level, must be embedded within cross-sectoral strategies and state-market-civil society collaborations to produce structural change. Future research should build on this foundation by employing longitudinal, mixed-methods approaches to trace *mustahik* trajectories over time, and by exploring models of *zakah-waqf* integration that enhance both sustainability and institutional reach.

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