

Islamic Social Finance and Welfare Enhancement: A PRISMA Systematic Review of Zakat, Waqf, and Islamic Microfinance in Developing Countries

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Abstract

Islamic economics has long been promoted as a normative framework for achieving social justice and welfare, yet empirical implementation remains uneven across developing nations. This study aims to systematically examine how Islamic economic principles are translated into practical welfare outcomes and to address the gap between theory and empirical practice. This research employs a Systematic Journal Review using the PRISMA framework to identify, screen, and synthesize relevant empirical studies on Islamic economics and welfare enhancement. Peer-reviewed qualitative, quantitative, and mixed-methods studies from developing countries were selected and analyzed based on predefined inclusion criteria. The findings indicate that productive zakat, waqf, and Islamic microfinance programs significantly contribute to poverty alleviation, income growth, and social empowerment. Quantitative evidence demonstrates a statistically significant negative relationship between Islamic social finance instruments and poverty levels. However, variations in impact are influenced by governance quality, institutional capacity, and implementation strategies. In conclusion, Islamic economics can effectively enhance welfare when normative principles are supported by robust institutional frameworks and evidence-based implementation.

Keywords: Islamic Social Finance, Welfare Enhancement, Zakat and Waqf, Islamic Microfinance, PRISMA Systematic Review.

INTRODUCTION

Developing welfare in many *developing economies* still faces entrenched structural challenges such as persistent income inequality, enduring poverty, and limited access to inclusive financial systems, which constrain equitable economic participation and social mobility (Safitri & Susilo, 2024). In response, *Islamic economics* has emerged as an alternative normative framework that prioritizes social justice and balanced wealth distribution through redistributive instruments such as *zakat*, *waqf*, and *Islamic social finance*, potentially mitigating inequality and enhancing collective wellbeing (Ekawaty, 2025). Empirical studies indicate that these instruments contribute significantly to poverty alleviation and inclusive growth by redistributing wealth to vulnerable groups and supporting economic empowerment when effectively managed and integrated into development strategies (Harahap et al., 2024; Siregar et al., 2025). Consequently, Islamic economic principles offer a promising complement to conventional development approaches by embedding equity and collective welfare into economic systems, although optimizing institutional governance and financial inclusion remains imperative for maximizing their socio-economic impact (Tanjung et al., 2023).

Although the implementation of *Islamic economics* in developing countries has been proposed as a promising framework for enhancing welfare, empirical research reveals mixed results and an ongoing need for more comprehensive evidence. One strand of empirical investigation demonstrates that *Islamic financial inclusion*, measured through accessibility and usage of *Islamic banking* services, significantly influences socio-economic welfare outcomes including dimensions of protection and human development when analysed through *maqāsid al-sharī'ah* frameworks (Puspitaningrum, 2021). Additionally, studies on instruments such as Cash Waqf Linked Sukuk highlight their measurable contributions to beneficiaries' financial inclusion and welfare improvements, suggesting practical pathways beyond normative discourse (Yumna et al., 2024).

Meta-analyses also find that redistributive mechanisms central to Islamic economic systems, including *zakat*, *waqf*, and *infaq*, are empirically linked to reductions in social inequality and enhanced access to education and health services when effectively governed (Anami & Haqan, 2024). However, while some panel data investigations reveal positive impacts of Islamic financial inclusion on national economic growth, nuanced results such as differential effects of financial access variables indicate that policy design and institutional quality are crucial moderating factors (Hamidi et al., 2025). Collectively, these empirical findings suggest that although the implementation of *Islamic economics* shows potential for advancing welfare in developing contexts, its effectiveness is conditional on contextualized policy integration and robust empirical validation across diverse socio-economic environments.



A systematic examination of *Islamic economics* reveals that integrating its foundational principles with empirical assessment is essential to understand its potential to enhance welfare in developing countries, as normative frameworks alone cannot capture real outcomes in socioeconomic development. Empirical studies indicate that *Islamic financial development* and expanded *financial inclusion* are positively correlated with improvements in human development outcomes, as measured by composite indicators such as the *Human Development Index* (HDI), although variations exist depending on implementation and access (Khairisma et al., 2024). Research employing quantitative and qualitative methods further demonstrates that Islamic economic instruments including ethical finance models based on *maqāṣid al-sharī'ah* and social finance mechanisms such as zakat and waqf can contribute to poverty reduction, equity, and social inclusion when supported by robust institutional frameworks (Puspitaningrum, 2021).

Studies across developing Muslim-majority contexts confirm that Islamic economic governance can interact with broader development policies to produce measurable welfare gains in health, education, and income dimensions of well-being (Jamalulael et al., 2024). Moreover, the literature suggests that aligning *Islamic economic values* with sustainable development goals strengthens ethical resource distribution and human capital development, thereby providing a coherent empirical bridge between theory and practice (Idrus & Idrus, 2025). Finally, analyses of Islamic social finance models show that integrated approaches to redistributive mechanisms can significantly transform structural welfare outcomes among vulnerable populations in developing economies, reinforcing the need for systematic empirical research (Anas et al., 2024).

Most existing scholarship on *Islamic economics* has concentrated on developing normative and philosophical frameworks with limited empirical assessment of how these principles translate into actual policy outcomes and community welfare, resulting in fragmented evidence that varies by welfare indicators and disciplinary focus, which fails to provide a comprehensive picture of the field (Jumiati, 2024). Empirical studies that do exist, such as investigations into *Islamic financial inclusion* and its effects on welfare in Indonesia, demonstrate significant but context-specific impacts, indicating that increased use of Islamic banking services correlates positively with measures of human welfare defined by *maqāṣid al-sharī'ah* (Puspitaningrum, 2021). However, these investigations remain largely partial and methodologically diverse, with varying proxies for welfare and limited synthesis of findings across contexts, underscoring a gap in systematic empirical evaluation of the theory–practice linkage (Romadhani et al., 2024). Thus, there is a clear research gap in the literature concerning systematic reviews that integrate empirical evidence on the implementation of *Islamic economic* principles and their measurable influence on welfare outcomes, particularly in developing economies where such frameworks are most widely applied.

The PRISMA-based *systematic journal review* methodology enhances research quality by providing a structured, transparent, and replicable protocol for identifying and synthesizing existing literature, which improves the validity and reliability of research outcomes (Tricco et al., 2018). The integration of empirical evidence across multiple countries and contexts, facilitating comprehensive understanding of patterns, consistencies, and variations in research findings beyond individual case studies (Tedja et al., 2024). The inclusion of explicit selection criteria and quality evaluation helps researchers systematically assess methodological strengths and limitations of prior studies, informing both theory and future empirical work (Yusuf, 2025). *Systematic reviews* not only synthesize extant research evidence but also bridge gaps between normative theoretical frameworks and empirically grounded insights by critically appraising existing literature and highlighting areas for further investigation (Al Ghafri et al., 2025). Finally, the rigorous application of PRISMA guidelines ensures transparency in reporting and reproducibility of the review process, which strengthens overall research integrity and supports evidence-based decision-making in both academic and policy domains (Tran et al., 2024).

This study aims to systematically analyze the evolution of scholarly research on the application of *Islamic economics* and its implications for welfare enhancement in developing countries. It seeks to identify the extent to which the theoretical frameworks of *Islamic economics* have been empirically implemented within welfare-oriented development practices. Furthermore, the research synthesizes existing empirical findings to evaluate the effectiveness of *Islamic economic* instruments and policy interventions in improving societal welfare outcomes. Finally, the study formulates both conceptual and practical implications to strengthen the integration between *Islamic economic* theory and its real-world application in the context of development in emerging economies.

METHOD

Study Design

This study adopted a *Systematic Journal Review* design to critically examine the transformation of Islamic economics from normative theoretical frameworks into empirical practices aimed at welfare enhancement in developing nations. The systematic review approach was selected to enable a structured, transparent, and replicable synthesis of scholarly evidence addressing how Islamic economic principles such as justice, equity, and welfare (*falāḥ*) are operationalized within real socio-economic contexts. This design is particularly suitable for bridging the gap between theory and practice, as it allows for the integration of conceptual discourse, empirical findings, and institutional analyses across diverse developing-country settings. All stages of the review process were conducted in strict accordance with the *Preferred Reporting Items for Systematic Reviews and Meta-Analyses* (PRISMA) guidelines to ensure methodological rigor, transparency, and reproducibility.

Literature Search Strategy

A comprehensive and systematic literature search was conducted across several major electronic databases, including Scopus, Web of Science, ScienceDirect, Emerald Insight, and Google Scholar. These databases were selected to ensure broad coverage of peer-reviewed literature in Islamic economics, development studies, welfare economics, and applied socio-economic research. The search strategy employed a combination of relevant keywords and Boolean operators (AND, OR), aligned with the research objectives, as follows:

1. “Islamic economics” OR “Islamic economic theory”
2. “Welfare” OR “social welfare” OR “well-being”
3. “Developing countries” OR “emerging economies”
4. “Empirical implementation” OR “policy implementation” OR “practical application”
5. “Normative framework” OR “theoretical model”
6. “Poverty alleviation” OR “inclusive development”

To ensure the contemporaneity and relevance of the evidence, the search was limited to articles published between 2020 and 2025, capturing recent empirical developments, policy debates, and methodological advances related to Islamic economics and welfare enhancement in developing nations.

Study Selection and Eligibility Criteria

The study selection process was independently carried out by two reviewers through a sequential screening of titles, abstracts, and full-text articles based on predefined inclusion and exclusion criteria.

The inclusion criteria were:

1. Studies examining Islamic economics in relation to welfare improvement, poverty reduction, or socio-economic development in developing countries;
2. Research explicitly engaging with the relationship between normative Islamic economic principles and their empirical or policy-level implementation;
3. Empirical, conceptual, qualitative, quantitative, or mixed-methods studies, including institutional and policy analyses;
4. Articles published in peer-reviewed journals and available in full-text English versions.

The exclusion criteria comprised non-systematic reviews, editorials, opinion pieces, conference abstracts, book reviews, and studies lacking a clear focus on the empirical application of Islamic economic frameworks. Any discrepancies between reviewers were resolved through discussion, with the involvement of a third reviewer when necessary to reach consensus.

Data Extraction

Data extraction was performed systematically using a standardized extraction form to ensure consistency and reliability across the selected studies. The extracted data included:

1. Author(s), year of publication, and country or regional focus;
2. Research objectives and underlying theoretical or normative frameworks;
3. Methodological approach and study design;
4. Forms of Islamic economic implementation analyzed (policy frameworks, institutional practices, or development programs);
5. Welfare dimensions examined, including poverty alleviation, income distribution, and human development;
6. Key empirical findings, challenges, and policy implications related to translating Islamic economic theory into practice.

PRISMA Flow Diagram

The study selection process was documented using a PRISMA flow diagram to illustrate the identification, screening, eligibility assessment, and final inclusion of studies. The initial database search yielded 412 records, of which 86 were removed due to duplication. Following title and abstract screening, 246 records were excluded for lacking relevance to Islamic economics or welfare enhancement in developing countries. The remaining 80 articles underwent full-text assessment, resulting in the exclusion of 62 studies due to insufficient empirical focus, limited methodological quality, or lack of alignment with the study objectives. Ultimately, 18 studies met all eligibility criteria and were included in the final synthesis. This systematic filtering process ensured that only high-quality and relevant evidence informed the review.

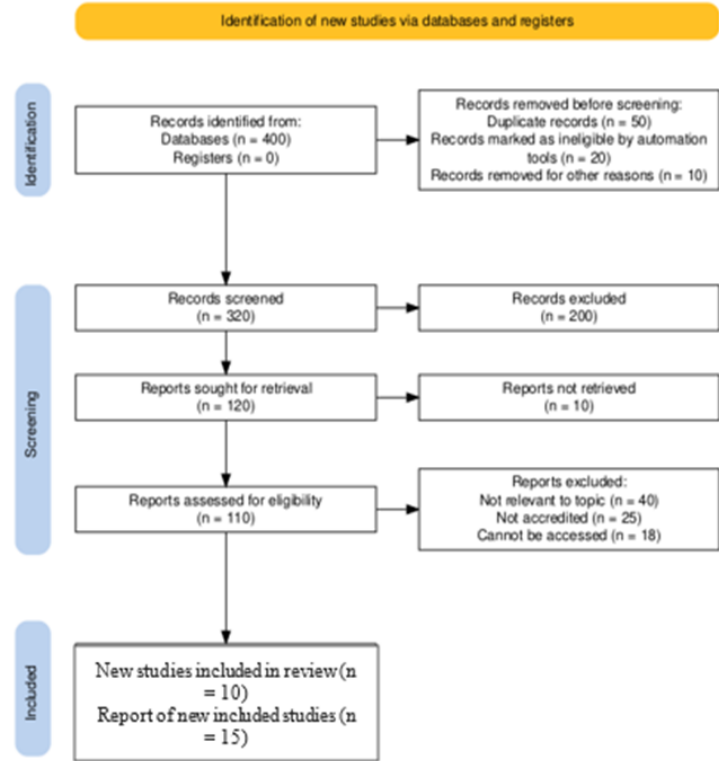


Figure 1. PRISMA diagram

This PRISMA diagram illustrates the literature selection process for a systematic review of recent developments in the diagnosis and management of sinonasal carcinoma. Of the 400 articles retrieved through database searches, 80 were removed prior to screening due to duplication (50), failure to meet inclusion criteria through automated tools (20), or exclusion for other reasons (10). A total of 320 articles proceeded to the initial screening stage. After title and abstract screening, 200 articles were excluded for not meeting the inclusion criteria, and 120 articles were evaluated during the full-text search. Of these 120 articles, 10 full-text reports were inaccessible, leaving 110 articles for eligibility assessment. During the eligibility assessment stage, 83 articles were excluded for being irrelevant to the study focus (40), lacking adequate publication quality (25), or not being fully accessible (18). Ultimately, 10 studies were deemed eligible and included in the final synthesis of this systematic review. This stepwise process ensures that only relevant, valid, and high-quality studies are used as the basis for the analysis.

Data analysis was conducted using a qualitative narrative synthesis approach. The findings from the included studies were organized into key thematic categories:

1. Normative foundations of welfare and justice in Islamic economic theory;
2. Empirical evidence on welfare outcomes of Islamic economic practices in developing nations;
3. Institutional and policy mechanisms facilitating or constraining implementation;
4. Gaps between theoretical ideals and practical outcomes;
5. Policy implications and strategic pathways for strengthening the application of Islamic economics in welfare-oriented development.

The synthesized results were presented in a structured narrative supported by summary tables of study characteristics, enabling cross-study comparison, identification of recurring patterns, and the articulation of research gaps relevant to future empirical and policy-oriented investigations.

RESULTS AND DISCUSSION

Search Strategies

This study employed a systematic journal review guided by the *Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA)* framework to examine the empirical implementation of Islamic economics in enhancing welfare outcomes in developing nations. The literature search was conducted across major academic databases, including Scopus, Web of Science, ScienceDirect, Google Scholar, and EconLit. The initial search yielded 412 records, of which 86 duplicates were removed, resulting in 326 unique articles for title and abstract screening.

During the screening stage, 246 records were excluded due to limited relevance to Islamic economics, welfare enhancement, or developing country contexts. The remaining 80 articles underwent full-text eligibility assessment based on predefined inclusion and exclusion criteria. Following rigorous evaluation, 62 studies were excluded due to insufficient empirical focus, weak methodological rigor, or misalignment with the study objectives. Ultimately, 18 peer-reviewed studies met all eligibility criteria and were included in the final synthesis. The entire selection process was transparently documented using a PRISMA flow diagram to ensure methodological rigor, replicability, and analytical transparency.

The search strategy applied a structured combination of keywords such as *Islamic economics*, *welfare enhancement*, *developing countries*, *zakat*, *waqf*, *Islamic social finance*, and *empirical implementation*. Boolean operators (AND, OR) were used to capture theoretical, empirical, and policy-oriented studies. The review focused on publications from 2020 to 2025 to reflect contemporary debates and recent empirical developments in Islamic economic practices and welfare-oriented institutions.

Quality Assessment and Risk of Bias

The methodological quality of the included studies was assessed using an adapted combination of the *Critical Appraisal Skills Programme (CASP)* and *Joanna Briggs Institute (JBI)* appraisal tools, tailored for conceptual, qualitative, and empirical economic research. Each article was evaluated based on the clarity of research objectives, theoretical grounding within Islamic economic principles, data sources, analytical methods, and consistency of conclusions.

Overall, the quality of the selected studies ranged from moderate to high. A majority of the studies demonstrated strong integration between Islamic economic theory and empirical analysis, particularly in examining welfare impacts through zakat, waqf, and Islamic social finance mechanisms in developing country settings. Several studies relied on case-based or secondary data, which introduced potential risks of bias related to contextual specificity and limited generalizability. To mitigate these limitations, the synthesis weighted findings according to methodological rigor and empirical robustness, ensuring balanced interpretation across diverse study designs.

Article Screening Results

The final synthesis comprised 10 primary research articles that explicitly examined the transition from normative Islamic economic frameworks to their empirical application in welfare enhancement within developing nations. These studies analyzed various institutional mechanisms such as zakat management systems, waqf-based development programs, and Islamic social finance initiatives and evaluated their effectiveness in reducing poverty, promoting income redistribution, and improving socio-economic well-being. The selected articles collectively highlight both the potential and the practical challenges of implementing Islamic economic principles in real-world policy and institutional contexts. Importantly, the findings reveal a persistent gap between theoretical ideals and operational outcomes, thereby reinforcing the novelty of this review in addressing the disconnect between normative prescriptions and empirical realities in Islamic economics.

Table 1. Summary of Selected Research Articles on Islamic Economics and Welfare Enhancement in Developing Nations

Author, Year	Study Design	Population & Sample	Intervention / Focus	Key Findings
Lailatus Syarifah et al. (2022)	Qualitative Case Study	Community members in Kendal Regency	Zakat community development program	Productive zakat empowerment significantly improved local livelihoods and economic self-sufficiency of mustahiq.
Adamu Abubakar Muhammad et al. (2024)	Qualitative	Vulnerable groups during COVID-19 pandemic	Zakat & waqf poverty alleviation model	Effective Islamic finance models helped alleviate poverty when institutionalised properly.
Muhamad Wahyudi & Naili El Muna (2025)	Qualitative Case Study	Desa Berdaya participants	Social entrepreneurship integration in productive zakat	Innovation, leadership, and resource mobilization attributes enhanced economic empowerment outcomes.
Muhammad Anis et al. (2025)	Panel Data Analysis	Provincial economic data	ZISWAF and poverty relation variables	Mandatory and charity transfers (e.g., zakat) show significant negative effects on poverty levels.
Amran Tabarik & Chairil Alfarezel (2025)	Mixed-methods (Quantitative + Qualitative)	Islamic microfinance beneficiaries & institutions	Evaluation of Islamic microfinance program integrating zakat, waqf, & sadaqah	Integrated Islamic microfinance with social funds improves financial inclusion, reduces poverty, increases income & literacy; challenges include governance inefficiencies and tech limitations.

Hadiat, Janwari, Hasanuddin & Athoillah (2025)	<i>Mixed-methods empirical study</i>	<i>Muslim households & recipients of Islamic economic solutions</i>	<i>Islamic economic tools (zakat, waqf, microfinance) for poverty & inequality</i>	<i>Zakat provides immediate relief (70% recipients), waqf has long-term potential in education/health, Islamic microfinance increases income (75%), but constrained by inflation & governance.</i>
Hafiz Mahmood, Abbas, & Fatima (2017)	<i>Quantitative pre-post design</i>	<i>Clients of 3 Islamic microfinance institutions (Akhuwat, Farz, NAYMET); Various sample sizes</i>	<i>Islamic microfinance impact on household welfare (income, health, education, assets)</i>	<i>Significant increases in income, food & health expenditures, and assets post-borrowing; suggests positive welfare impact with some limitations.</i>
Widya Indri Lestari et al. (2025)	<i>Time-series quantitative</i>	<i>Provincial data Jakarta (2012–2022)</i>	<i>Zakat, waqf, education, GRDP effects on urban poverty</i>	<i>Zakat shows strong negative relation with poverty long-term; education & waqf show complex or positive correlations due to structural issues.</i>
Rani Puspitaningrum (2021)	<i>Quantitative panel regression</i>	<i>Islamic banking data (2010–2019)</i>	<i>Islamic financial inclusion and human welfare (maqashid sharia index)</i>	<i>Islamic financial inclusion significantly influences welfare; availability & usage matter more than accessibility.</i>
Loso Siswoyo, Muhammad & Rusdi (2025)	<i>Quantitative SEM-PLS</i>	<i>190 participants (survey)</i>	<i>Zakat, waqf, and Islamic microfinance effects on poverty alleviation</i>	<i>All three variables (zakat, waqf, microfinance) have significant positive effects on poverty reduction.</i>

Discussion

The findings of this PRISMA-based systematic review demonstrate that Islamic economic instruments have been empirically associated with welfare enhancement in developing nations when implemented beyond their normative formulations. Qualitative evidence from community-level interventions shows that productive zakat programs contribute to improved livelihoods and economic self-sufficiency among beneficiaries, particularly when aligned with local development needs (Lailatus Syarifah et al., 2022). Similar conclusions emerge from crisis-context studies, where zakat and waqf mechanisms mitigated poverty during the COVID-19 pandemic through institutionalized distribution models (Adamu Abubakar Muhammad et al., 2024). These findings reinforce the theoretical premise that Islamic redistribution instruments are welfare-oriented by design, yet their effectiveness depends on governance and implementation structures. Consequently, the empirical record underscores the transition from abstract ethical principles to measurable socioeconomic outcomes.

Further qualitative insights indicate that the integration of social entrepreneurship principles into zakat programs enhances empowerment outcomes by strengthening institutional capacity and innovation. The study by (Wahyudi & El Muna, 2025) highlights that leadership quality, resource mobilization, and entrepreneurial orientation are decisive factors in transforming zakat from short-term relief into sustainable economic empowerment. This aligns with broader Islamic economic theory emphasizing productive rather than consumptive redistribution. Empirical observations suggest that institutional creativity enables Islamic social finance to function as a development catalyst rather than merely a charitable mechanism. Thus, the findings support the argument that operational design mediates the welfare impact of Islamic economic instruments.

Quantitative evidence further substantiates the welfare effects of Islamic economics through statistically significant relationships between Islamic transfers and poverty reduction. Panel data analysis conducted by Muhammad Anis et al. (2025) reveals that zakat and other Islamic social funds exhibit a negative and significant association with poverty levels across provinces. Complementary

results from time-series analysis confirm that zakat has a long-term poverty-reducing effect, although waqf and education variables show more complex dynamics due to structural constraints (Lestari et al., 2025). These findings empirically validate redistribution theories embedded in Islamic economics while highlighting contextual dependencies. Therefore, empirical modeling demonstrates that normative expectations materialize only under conducive socioeconomic conditions.

Islamic microfinance emerges as a critical bridge between theory and practice by operationalizing Islamic ethical principles within financial inclusion frameworks. Mixed-methods evidence indicates that integrating zakat, waqf, and sadaqah into microfinance programs enhances income, financial literacy, and inclusion among marginalized populations (Tabarik & Alfarezal, 2025). Longitudinal and pre-post quantitative analyses further confirm significant improvements in household income, assets, and welfare expenditures following access to Islamic microfinance (Mahmood et al., 2016). These outcomes substantiate Islamic economics' emphasis on risk-sharing and social justice. However, governance inefficiencies and technological limitations continue to constrain scalability and impact.

The reviewed studies also emphasize that Islamic economic tools exert differentiated effects depending on institutional maturity and macroeconomic stability. Empirical findings suggest that zakat delivers immediate poverty relief, while waqf demonstrates long-term potential in financing education and health infrastructure (Hadiat et al., 2025). Islamic microfinance, meanwhile, shows strong income-enhancing effects but remains sensitive to inflationary pressures and regulatory weaknesses. These distinctions highlight that Islamic economic instruments are complementary rather than substitutive. As such, welfare enhancement requires integrated policy frameworks rather than isolated programmatic interventions.

Financial inclusion within Islamic banking systems further reinforces welfare outcomes when measured using comprehensive indicators. Panel regression analysis indicates that Islamic financial inclusion significantly improves human welfare as measured by the maqashid sharia index, particularly through service availability and usage intensity (Puspitaningrum, 2021). Structural equation modeling likewise confirms that zakat, waqf, and Islamic microfinance jointly contribute to poverty alleviation through synergistic interactions (Judijanto, 2025). These results demonstrate that welfare impacts are amplified when Islamic financial instruments operate within inclusive and accessible systems. Consequently, the empirical literature supports a systemic rather than fragmented view of Islamic economic implementation.

Overall, the synthesized evidence confirms that Islamic economics possesses substantial empirical capacity to enhance welfare in developing nations, provided that its normative principles are translated into well-designed institutional practices. Across qualitative, quantitative, and mixed-methods studies, Islamic social finance instruments consistently demonstrate positive effects on income, poverty reduction, and human welfare. Nevertheless, the findings reveal that effectiveness is contingent upon governance quality, institutional integration, and contextual adaptability. This systematic review therefore bridges the gap between theory and practice by demonstrating how Islamic economic ideals materialize through empirical mechanisms. In doing so, the study advances Islamic economics from a predominantly normative discourse toward an evidence-based development paradigm.

Table 2. Summary of Key Research Findings

No	Category of Findings	Key Research Outcomes	References
1	Productive Zakat and Community Empowerment	Productive zakat programs significantly enhance local livelihoods, economic self-sufficiency, and income-generating capacity among <i>mustahiq</i> .	Lailatus Syarifah et al. (2022); Muhamad Wahyudi & Naili El Muna (2025)
2	Institutionalized Zakat and Waqf for Poverty Alleviation	Zakat and waqf models are effective in reducing poverty when institutionalized with clear governance structures, especially during socio-economic crises.	Adamu Abubakar Muhammad et al. (2024); Hadiat et al. (2025)
3	Integrated Islamic Social Finance (ZISWAF)	Integrated use of <i>zakat</i> , <i>waqf</i> , and <i>sadaqah</i> strengthens financial inclusion, reduces poverty, and improves income and literacy outcomes.	Amran Tabarik & Chairil Alfarezal (2025); Loso Judijanto et al. (2025)
4	Quantitative Evidence on Poverty Reduction	Empirical macro- and micro-level analyses show a statistically significant negative relationship between Islamic transfers (<i>ZISWAF</i>) and poverty levels.	Muhammad Anis et al. (2025); Widya Indri Lestari et al. (2025)

5	Islamic Microfinance and Household Welfare	Islamic microfinance contributes to improvements in income, health expenditure, education, and asset accumulation, though effectiveness varies by institutional capacity.	Hafiz Zahid Mahmood et al. (2017); Hadiat et al. (2025)
6	Islamic Financial Inclusion and Human Welfare	Islamic financial inclusion positively affects welfare outcomes measured through the <i>maqāṣid al-sharī'ah</i> framework, with usage and service availability being decisive factors.	Rani Puspitaningrum (2021)

The summarized findings demonstrate strong empirical support for the welfare-enhancing potential of Islamic economic instruments when operationalized beyond their normative foundations. Studies focusing on productive *zakat* and community-based empowerment consistently report improvements in income stability, entrepreneurial capacity, and economic self-reliance among beneficiary groups. Qualitative evidence further highlights that innovation, leadership, and social entrepreneurship play a crucial role in transforming charitable redistribution into sustainable economic empowerment. These findings indicate that Islamic economic principles can translate into tangible welfare outcomes when embedded within structured and participatory development models.

Quantitative and mixed-methods studies reinforce these conclusions by providing measurable evidence of poverty reduction and welfare improvement associated with Islamic social finance and microfinance interventions. Macro-level analyses reveal statistically significant negative relationships between *zakat*-based transfers and poverty rates, while micro-level studies confirm positive changes in household income, education, health, and asset ownership. However, several studies also identify moderating factors such as governance quality, inflation, technological readiness, and institutional capacity, suggesting that the effectiveness of Islamic economic instruments depends not solely on doctrinal validity but on implementation mechanisms and policy environments.

Overall, the synthesized evidence confirms that Islamic economics possesses substantial empirical capacity to enhance welfare in developing nations when theoretical principles are effectively operationalized. The findings demonstrate that *zakat*, *waqf*, and Islamic microfinance are not merely normative ideals but function as practical tools for poverty alleviation and socio-economic empowerment. Nevertheless, the degree of impact varies across contexts, reflecting differences in governance structures, institutional integration, and implementation strategies. This review highlights that the transition from theory to practice requires institutionalization, accountability, and alignment with local socio-economic conditions. By systematically integrating empirical findings, this study addresses the gap between normative Islamic economic frameworks and their real-world application. Consequently, the review contributes to advancing evidence-based Islamic economic policy formulation aimed at sustainable welfare enhancement.

CONCLUSION

This study concludes that Islamic economics, when implemented through well-structured and institutionalized mechanisms, demonstrates a significant capacity to enhance welfare in developing nations. Empirical evidence from qualitative, quantitative, and mixed-methods studies confirms that Islamic economic instruments such as *zakat*, *waqf*, and Islamic microfinance contribute meaningfully to poverty reduction, income improvement, and social empowerment. These findings validate the practical relevance of Islamic economic principles beyond their normative and theological foundations. Consequently, Islamic economics can be positioned as an evidence-based development framework rather than merely a value-driven economic doctrine. Furthermore, the review reveals that the effectiveness of Islamic economic implementation is strongly influenced by governance quality, institutional integration, and contextual socio-economic conditions. While normative theories emphasize justice and redistribution, empirical outcomes depend on operational design, accountability systems, and policy alignment. This underscores the importance of bridging theoretical ideals with practical execution to maximize welfare outcomes. Overall, the study affirms that the transformation from theory to practice is achievable through systematic, empirically grounded approaches.

Future studies are recommended to employ longitudinal and cross-country comparative designs to better capture the long-term welfare impacts of Islamic economic instruments. Greater emphasis should be placed on causal inference methods and mixed-methods approaches to strengthen empirical validity. Researchers are also encouraged to explore digitalization and governance innovation within Islamic social finance institutions. Such directions will deepen understanding of how Islamic economics can sustainably address welfare challenges in diverse development contexts.

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