

Why Infaq Remains Consumptive in Some Regions: A Comparative Study of Local Islamic Social Finance Practices

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ABSTRACT

Islamic social finance is increasingly recognized as a strategic instrument for economic empowerment; however, infaq utilization remains predominantly consumptive in many institutional contexts. This study develops an institutional governance explanation for why infaq functions productively in some regions while remaining consumptive in others. Drawing on institutional governance theory and Islamic social finance literature, this study argues that the transformation of infaq depends on governance capability, policy coherence, and ecosystem integration rather than on the intrinsic characteristics of the instrument. Using a qualitative comparative design based on secondary data from four regions in Indonesia, this study examines variations in institutional capacity, governance structure, and program integration. The findings show that productive infaq utilization is closely associated with institutional capability configuration, including structured program design, policy alignment, and integration with microenterprise empowerment systems. This study introduces the Localized Productive Infaq Governance (LPIG) model, which explains how governance capability enables the transformation of philanthropic funds into productive social capital. This study contributes to Islamic social finance literature by advancing a governance-centered theoretical framework and offering a transferable institutional model applicable to diverse Islamic social finance ecosystems.

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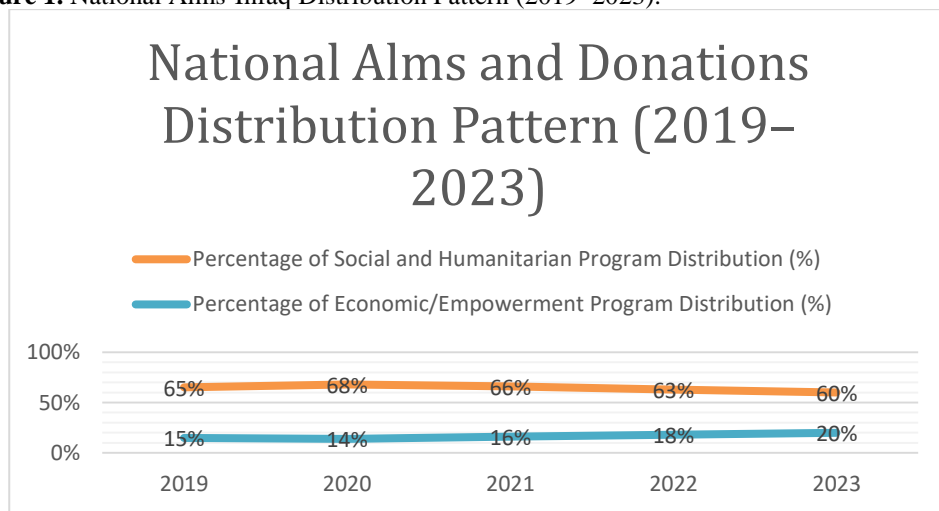
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1. Introduction

Theoretically, Islamic social finance is positioned as an instrument for distributing welfare that is not only charitable but also transformative through a productive approach and economic empowerment (Fauzan et al., 2025; Widiastuti et al., 2022). Contemporary Islamic finance literature places infaq alongside zakat, sadaqah, and waqf as part of the Islamic social finance ecosystem that has the potential to support financial inclusion and sustainable poverty reduction (Herianingrum, Iswati, et al., 2024; Rahman Ramadhan et al., 2023). As a result, in institutional practice, infaq is more directed at meeting consumptive needs than being developed as productive social capital capable of driving economic empowerment. This condition reflects a critical theoretical paradox within Islamic social finance, where an instrument with high economic empowerment potential remains structurally constrained within a consumptive distribution paradigm.

From the perspective of economic Islam governance theory, the consumptive or productive orientation of alms is not solely determined by donor preferences, but is heavily influenced by institutional capacity, local policy design, and the relationships between actors within the Islamic social finance ecosystem (Tahiri Jouti, 2019; Widiastuti et al., 2022). The absence of a clear integration framework between alms management institutions and Islamic microfinance institutions leads to alms being positioned as social assistance funds, rather than as part of a community-based microfinance scheme. From an institutional governance perspective, this situation represents a capability gap, where Islamic social finance institutions lack the structural, organizational, and ecosystem integration capacity required to transform philanthropic funds into productive financial capital. Empirically, national data shows that the distribution of alms and charity funds in Indonesia is still dominated by consumptive social and humanitarian programs, while the portion allocated to productive economic activities is relatively small, although it has shown a limited upward trend in recent years (*Badan Zakat Nasional, 2023*). The following data demonstrates the dominance of alms use in consumptive programs (see figure 1).

Figure 1. National Alms-Infaq Distribution Pattern (2019–2023).



Source : (Badan Zakat Nasional, 2023)

Based on Figure 1, it is indicated that the growth in alms collection has not automatically been followed by a transformation in distribution orientation. This phenomenon raises important questions regarding the factors that cause alms to remain consumptive in many regions, despite the high need for micro-enterprise financing and economic empowerment of the poor. Differences in alms management practices are also evident at the local level. This study specifically compares four

regions: Bandung City and Sleman Regency, which are relatively more advanced in developing productive alms programs (Sabila & Saptutyningsih, 2020) and Pandeglang Regency and Lebak Regency, which show a strong tendency toward consumptive alms distribution. These four regions share strong socio-religious characteristics and vibrant philanthropic activities, but exhibit significant variation in institutional capacity, integration with Islamic microfinance institutions, and the orientation of empowerment programs. This variation provides a natural institutional setting to examine how governance capability, policy coherence, and ecosystem integration

Previous research on Islamic social finance has largely focused on the role of zakat and waqf in poverty alleviation and economic empowerment (Haji-Othman et al., 2025; Tabarik & Alfarezel, 2025). Several studies have shown that integrating zakat and waqf with Islamic microfinance institutions can improve access to financing for the poor and strengthen the sustainability of micro-enterprises (Ascarya, 2022a; Haji-Othman et al., 2025; Herianingrum, Supriani, et al., 2024; Judijanto et al., 2025). However, studies specifically addressing infaq are relatively limited and generally position it as a complementary instrument in Islamic philanthropy, rather than a primary component of productive financing schemes. Furthermore, research examining infaq practices at the local level tends to be descriptive and focuses on the success of specific programs, without conducting cross-regional comparisons or in-depth institutional analysis. Comparative studies examining why infaq remains consumptive in some regions, despite similar socio-religious contexts, are still rare. Thus, the existing literature fails to fully explain the role of institutional factors, governance, and local ecosystems in shaping the orientation of infaq management.

Based on these theoretical and empirical issues, this study aims to analyze the institutional and governance factors that influence the consumptive and productive orientations in alms management at the local level, through a comparative study of four regions in Indonesia: Bandung City, Sleman Regency, Pandeglang Regency, and Lebak Regency. This study specifically seeks to identify differences in institutional capacity, integration between Islamic social finance actors, and local policy patterns that shape alms distribution practices in each region.

The research gap lies in the lack of secondary data-based comparative studies that explicitly explain why alms remain consumptive in some regions, rather than transforming into an instrument of economic empowerment. Different from previous research that focuses on zakat and waqf or on single case studies, this article offers a contribution by placing alms as the primary object of analysis and using a cross-regional comparative approach to uncover variations in institutional practices. Thus, this study is expected to enrich the Islamic social finance literature and provide a conceptual basis for the development of more contextual and sustainable productive alms policies at the local level.

This study aims to analyze the orientation of infaq management at the local level within the framework of Islamic economics through a comparative study between regions. Specifically, this study aims to: (1) identify the existing conditions of infaq management and utilization in the four research areas; (2) analyze the institutional factors and Islamic social financial management that influence the consumptive and productive orientation of infaq management based on the theoretical framework used; and (3) formulate a conceptual model of productive infaq management that is relevant to the local context and supports community-based economic empowerment.

2. Methodology

Research design

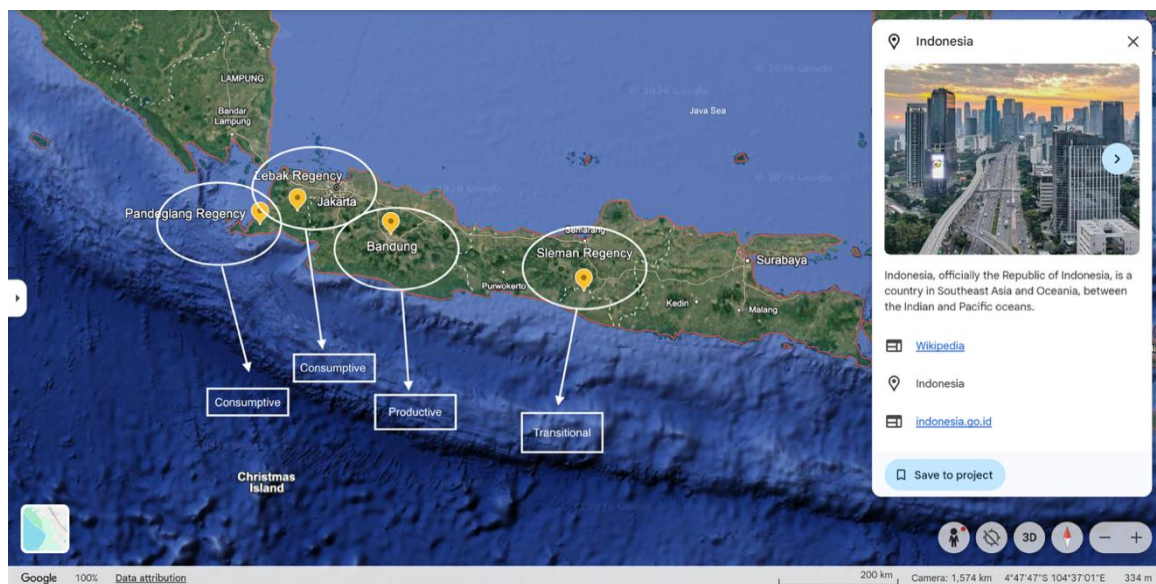
This study applies a qualitative comparative study design (Creswell & Poth, 2016) based on secondary data (Heaton J, 2012; Tight, 2019) within the framework of Islamic economics to analyze variations in the orientation of infaq management at the local level. This study compares four regions, namely Bandung City and Sleman Regency as areas with a tendency to use infaq

productively, and Pandeglang Regency and Lebak Regency as areas with a dominance of consumptive infaq distribution. This comparative design aims to identify differences in institutional characteristics and Islamic social financial management that influence the use of infaq as a community-based sharia microfinance instrument, as well as to explain how differences in local contexts shape the effectiveness of infaq in supporting economic empowerment goals according to Islamic economic principles.

Research site

The selection of Bandung City, Sleman Regency, Pandeglang Regency, and Lebak Regency as research locations was done purposively to represent the variation of infaq management practices in the context of Islamic economics at the local level. Bandung City and Sleman Regency were chosen because they showed relatively more advanced development in the utilization of productive infaq and integration with sharia microfinance and economic empowerment programs. Conversely, Pandeglang Regency and Lebak Regency were selected because they still show a dominance of consumptive infaq distribution despite having great potential for Islamic philanthropy. These empirical variations between regions allow for relevant comparative analysis to identify institutional and governance factors that shape differences in the orientation of infaq management (see Figure 2).

Figure 2. Research Location.



Source: Google Earth imagery, accessed 2026.

Data collection

This study relies entirely on secondary data obtained from publicly accessible documents and institutional records. Secondary data analysis is widely used in governance and policy research because it enables researchers to systematically examine existing institutional documents, reports, and official publications in order to understand policy implementation patterns and program outcomes (Heaton J, 2012; Tight, 2019). In this study, the data were collected from several types of sources, including official policy and regulatory documents related to the management of Islamic social finance instruments such as zakat, infaq, and sadaqah; institutional reports and official

publications issued by zakat management organizations, particularly annual reports and program reports published by regional BAZNAS institutions; official statistical publications released by nationally recognized institutions; and previous empirical studies discussing the utilization of infaq for community economic empowerment and small business development.

The data used in this research cover the period 2019–2025, which represents the most recent policy and reporting cycle available across the selected research locations. Using this time range allows the study to maintain temporal consistency while capturing recent developments in the governance and implementation of infaq-based economic empowerment programs. To ensure methodological rigor, the selection of documents followed specific inclusion and exclusion criteria. Documents were included if they explicitly contained information regarding the collection, distribution, or utilization of infaq programs, originated from officially recognized institutions within the Islamic social finance system, such as BAZNAS or authorized zakat institutions (LAZ), and were publicly accessible and clearly documented in institutional publications or official reports. Conversely, documents were excluded if they did not clearly distinguish infaq from other Islamic philanthropic instruments such as zakat or waqf, did not specify the reporting period or regional context, or consisted of opinion-based or promotional materials without formal institutional documentation.

To strengthen the reliability of the data, priority was given to documents issued by official government or institutional bodies that follow standardized reporting procedures and are widely used in Islamic social finance research. These sources include national BAZNAS publications as well as annual institutional reports from regional BAZNAS offices in Bandung City, Sleman Regency, Pandeglang Regency, and Lebak Regency. The collected documents were subsequently organized and categorized according to their relevance to the research objectives, particularly in relation to institutional governance, program orientation, and the role of infaq in supporting community economic empowerment. A summary of the data sources used in this study is presented in Table 1 (see Table 1).

Table 1. Data Collection

| Data Category | Source | Brief Relevance |
|--|---|---|
| Official national policy and statistical documents | Badan Zakat Nasional (2023) | Provides authoritative national-level data on zakat and infaq management trends, institutional reporting practices, and distribution patterns used as contextual benchmarks |
| Official local institutional reports | National Zakat Board (BAZNAS) of Bandung City (2026); National Zakat Board (BAZNAS) of Sleman Regency (2026); National Zakat Board (BAZNAS) of Pandeglang Regency (2026); National Zakat Board (BAZNAS) of Lebak Regency (2026) | Serve as primary secondary data sources for comparing local infaq governance, program orientation, institutional capacity, and reporting transparency across research sites |
| Previous empirical studies | Arisnawati (2021); Rizal et al. (2024); Rohmah (2023); Efendi & Chairunnisa (2021); Murwenie et al. (2022); Nasution et al. (2025); A scarya (2022); Fauzan et al. (2025); Haji-Othman et al. (2025); Tahiri Jouti (2019); | Provide empirical evidence on productive infaq utilization and its outcomes for SME and community economic empowerment |
| Methodological foundations for qualitative secondary data analysis | Heaton (2012); Tight (2019); Creswell & Poth (2016); Miles et | Justify the use of secondary |

al. (2018); Woolf & Silver (2017) qualitative data, comparative research design, and NVivo-based thematic coding procedures

Source: Various Source, 2026.

Data analysis

Data analysis was conducted in stages using NVivo (Miles et al., 2018; Woolf & Silver, 2017) to answer each research question systematically. The coding process was conducted iteratively. First, all documents were imported into NVivo and subjected to initial open coding to identify recurring themes related to infaq utilization and institutional practices. Second, related codes were grouped into broader analytical categories through axial coding to examine relationships between institutional capacity, policy support, and ecosystem integration. Finally, selective coding was applied to identify dominant patterns across cases and to construct a comparative explanation of how institutional governance influences the orientation of infaq management. For RQ1, the analysis focused on mapping the existing conditions of infaq management in each region through descriptive coding. Coding was directed at identifying the forms of consumptive and productive infaq distribution, types of programs, purposes of fund use, and target beneficiaries. The results of this analysis were presented in the form of a cross-regional comparative matrix to illustrate the variations in the orientation of infaq management.

For RQ2, theory-driven coding was carried out based on the Islamic economic framework and Islamic social financial management. Through axial coding, codes related to institutional capacity, integration with Islamic microfinance institutions, zakat program design, and local policy support were analyzed to explain the relationship between institutional factors and the orientation of infaq utilization in each region. This stage aimed to reveal the institutional mechanisms that explain why infaq tends to be consumptive or productive in different local contexts. For RQ3, the analysis continued with selective coding and cross-case comparison to synthesize the findings of RQ1 and RQ2. This stage was used to identify patterns of institutional factors that were consistently associated with productive infaq management, while isolating inhibiting factors in areas dominated by consumptive infaq. Based on this synthesis, a conceptual model of community-based productive infaq management was formulated that is relevant to Islamic economic principles and the local context.

To operationalize the key concepts used in this study, several analytical categories were developed based on the Islamic social finance governance framework. Institutional capacity refers to the organizational capability of zakat institutions to design and manage structured infaq programs. Policy support refers to the presence of local policies or regulatory frameworks that enable productive infaq initiatives. Ecosystem integration reflects the extent of collaboration between zakat institutions, Islamic microfinance institutions, MSMEs, and community empowerment programs. These categories were used as the primary coding framework during the NVivo analysis (see Table 2).

Table 2. NVivo Coding Framework

| Coding Category | Description | Analytical Purpose |
|------------------------|--|---------------------------------|
| Institutional Capacity | Evidence of structured programs, governance structure | Identify governance capability |
| Policy Support | Presence of local policy enabling productive infaq | Evaluate governance coherence |
| Ecosystem Integration | Collaboration with MSMEs, microfinance, empowerment programs | Identify integration capability |

| | | |
|-------------------------|---|----------------------------------|
| Consumptive Utilization | Direct aid, humanitarian distribution | Identify consumptive orientation |
| Productive Utilization | Microenterprise support, capital assistance | Identify productive orientation |

3. Results And Discussion

Existing Conditions of Infaq Management at the Local Level

This subsection presents the existing conditions of alms management and utilization in the four research areas, focusing on the distribution and orientation of funds. Data are presented comparatively based on information available in official reports from alms management institutions, regional policy documents, and publicly accessible program publications (see Table 2).

Table 2. Existing Conditions of Infaq Management at the local Level

| Indicator | Bandung | Sleman | Pandeglang | Lebak |
|---------------------------------------|---|--|---|--|
| Dominant form of infaq utilization | Productive-oriented programs and mixed social-economic assistance | Productive-oriented programs with microenterprise support | Consumptive social assistance | Consumptive social and humanitarian assistance |
| Main program types | Microenterprise support, revolving capital, training-based assistance | UMKM support, community business groups, livelihood assistance | Direct aid, basic needs distribution | Direct aid, religious and social assistance |
| Presence of productive infaq programs | documented | documented | Limited and sporadic | Limited and sporadic |
| Target beneficiaries | Micro-entrepreneurs, low-income households | Micro-entrepreneurs, community groups | Poor households | Poor households |
| Program continuity | Regular and institutionalized | Regular and institutionalized | Irregular | Irregular |
| Source | (National Zakat Board (BAZNAS) of Bandung City, 2026) | (National Zakat Board (BAZNAS) of Sleman Regency, 2026) | (National Zakat Board (BAZNAS) of Pandeglang Regency, 2026) | (National Zakat Board (BAZNAS) of Lebak Regency, 2026) |

Source: Various sources, 2026.

Based on Tabel 2, the variation in the use of alms in the four research areas. Bandung City and Sleman Regency have documented productive alms programs that are implemented on a relatively sustainable basis, targeting micro-businesses and low-income communities. In contrast, Pandeglang Regency and Lebak Regency exhibit a predominance of direct assistance and social-humanitarian alms programs, with limited productive programs that are not implemented regularly. These differences are reflected in the types of programs, targeted beneficiaries, and the level of program sustainability reported in official documents for each region.

Institutional and Governance Conditions of Infaq Management

This subsection reports on the institutional conditions and governance of alms management in each region, as reflected in organizational structure, policy support, and links to economic empowerment programs. The presentation of results focuses on differences in institutional characteristics across regions without analyzing causal relationships (see table 3).

Table 3. Institutional and Governance Conditions of Infaq Management

| Indicator | Bandung | Sleman | Pandeglang | Lebak |
|--|--|---|-------------------------------------|-------------------------------------|
| Existence of local policy support for productive infaq | Explicit references in local development documents | Explicit references in local development documents | No explicit reference | No explicit reference |
| Institutional capacity of infaq management | Relatively high, with specialized programs | Relatively high, with structured programs | Limited institutional capacity | Limited institutional capacity |
| Integration with Islamic microfinance or economic programs | Documented collaboration with economic empowerment initiatives | Documented collaboration with UMKM and community programs | Minimal or undocumented integration | Minimal or undocumented integration |
| Availability of program guidelines | Available and publicly accessible | Available and publicly accessible | Limited documentation | Limited documentation |
| Reporting and transparency | Regular and detailed reporting | Regular and detailed reporting | Basic reporting | Basic reporting |

Source: Various Sources. 2026.

Based on Table 3, differences in institutional characteristics and governance of alms management across the study areas. Bandung City and Sleman Regency demonstrated local policy support, more comprehensive program documentation, and relatively routine and structured reporting. The integration of alms management with economic or community empowerment programs was also documented in official documents in both regions. Meanwhile, Pandeglang Regency and Lebak Regency exhibited limitations in policy support, program documentation, and institutional reporting, with integration being minimal or not explicitly documented in the official sources analyzed.

Discussion

The findings of this study indicate that the orientation of alms management at the local level remains highly variable, with a strong tendency toward consumptive distribution in Pandeglang and Lebak Regencies, and relatively more productive use in Bandung City and Sleman Regency. This pattern reinforces the findings of several previous studies that suggest that alms, unlike zakat and waqf, tend to be positioned as an instrument of short-term philanthropy and social assistance (Efendi & Chairunnisa, 2021; Mubarak et al., 2021; Nasution et al., 2025). These studies emphasize that the voluntary nature of alms and the absence of strict regulations often encourage managing institutions to prioritize consumptive programs that are quickly distributed and easily accounted for. However, the results of this study also demonstrate that the consumptive orientation of alms is not inherent or unchangeable. Findings from Bandung City and Sleman Regency indicate a variety of practices that do not fully align with research arguments that suggest that infaq is structurally

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unsuitable for productive financing. Rather, these findings align more closely with research suggesting that infaq can be developed as an economic empowerment instrument when supported by clear program design and institutional sustainability (Arisnawati, 2021; Muhamad Rizal et al., 2024; Rohmah, 2023).

More importantly, these findings challenge the prevailing assumption that the consumptive nature of infaq is determined primarily by its voluntary and philanthropic character. Instead, this study demonstrates that the functional orientation of infaq is fundamentally an institutional governance outcome, shaped by the capability of managing institutions to design, integrate, and sustain productive financial mechanisms (North, 1990; Scott, 2014; Tahiri Jouti, 2019; Widiastuti, T., Mawardi & Herianingrum, 2022). This suggests that infaq should not be viewed merely as a charitable instrument, but as a form of latent productive social capital whose economic function depends on governance configuration and institutional capability (Ascarya, 2022b; Tok et al., 2022a).

The difference between consumptive and productive infaq utilization reflects variations in institutional capacity to transform philanthropic funds into productive financial assets (Barney, 1991; Scott, 2014; Teece, 2007). In regions such as Bandung and Sleman, institutional actors demonstrate higher governance capability through structured program design, integration with microenterprise support systems, and sustained program implementation. This institutional capability enables the conversion of voluntary philanthropic funds into productive capital that supports economic empowerment (Murwenie et al., 2022; Widiastuti, T., Mawardi & Herianingrum, 2022). Conversely, in regions with weaker institutional structures, such as Pandeglang and Lebak, infaq remains trapped within a consumptive distribution model due to limited governance capacity, weak program integration, and the absence of structured empowerment mechanisms, consistent with institutional constraint theory (Napitupulu et al., 2024; North, 1990).

This study also found that variations in the orientation of alms management are closely related to differences in institutional capacity, local policy support, and the level of integration between alms managers and community-based economic programs. This finding aligns with the literature on Islamic social finance governance, which emphasizes the importance of institutions, actor coordination, and policy design in determining the effectiveness of Islamic philanthropic instruments (Murwenie et al., 2022; Napitupulu et al., 2024; Tok et al., 2022b). In this context, alms managed within a more structured institutional environment tend to have more room to be directed toward productive programs. On the other hand, several previous studies have argued that the limitations of alms as an uncertain and unsustainable source of funds make it less suitable for financing micro-enterprises (Bayai & Ikhida, 2016; Hakim & Dalimunthe, 2022). This argument is partly reflected in the cases of Pandeglang and Lebak Regencies, where limitations in documentation, policies, and institutional integration coincide with the dominance of consumer programs.

However, this study extends the existing literature by demonstrating that funding uncertainty alone does not determine the consumptive orientation of infaq. Instead, governance capability functions as a moderating mechanism that enables institutions to manage uncertainty and deploy philanthropic resources productively (Ascarya, 2022b; Teece, 2007; Tok et al., 2022a). The empirical evidence from Bandung and Sleman indicates that when institutional governance structures are capable of integrating infaq with microenterprise development programs, risk management mechanisms, and structured empowerment initiatives, infaq can function as a sustainable productive financial resource despite its voluntary nature (Murwenie et al., 2022; Napitupulu et al., 2024). This finding contributes to institutional governance theory by showing that the economic function of Islamic philanthropic instruments is not determined by their intrinsic

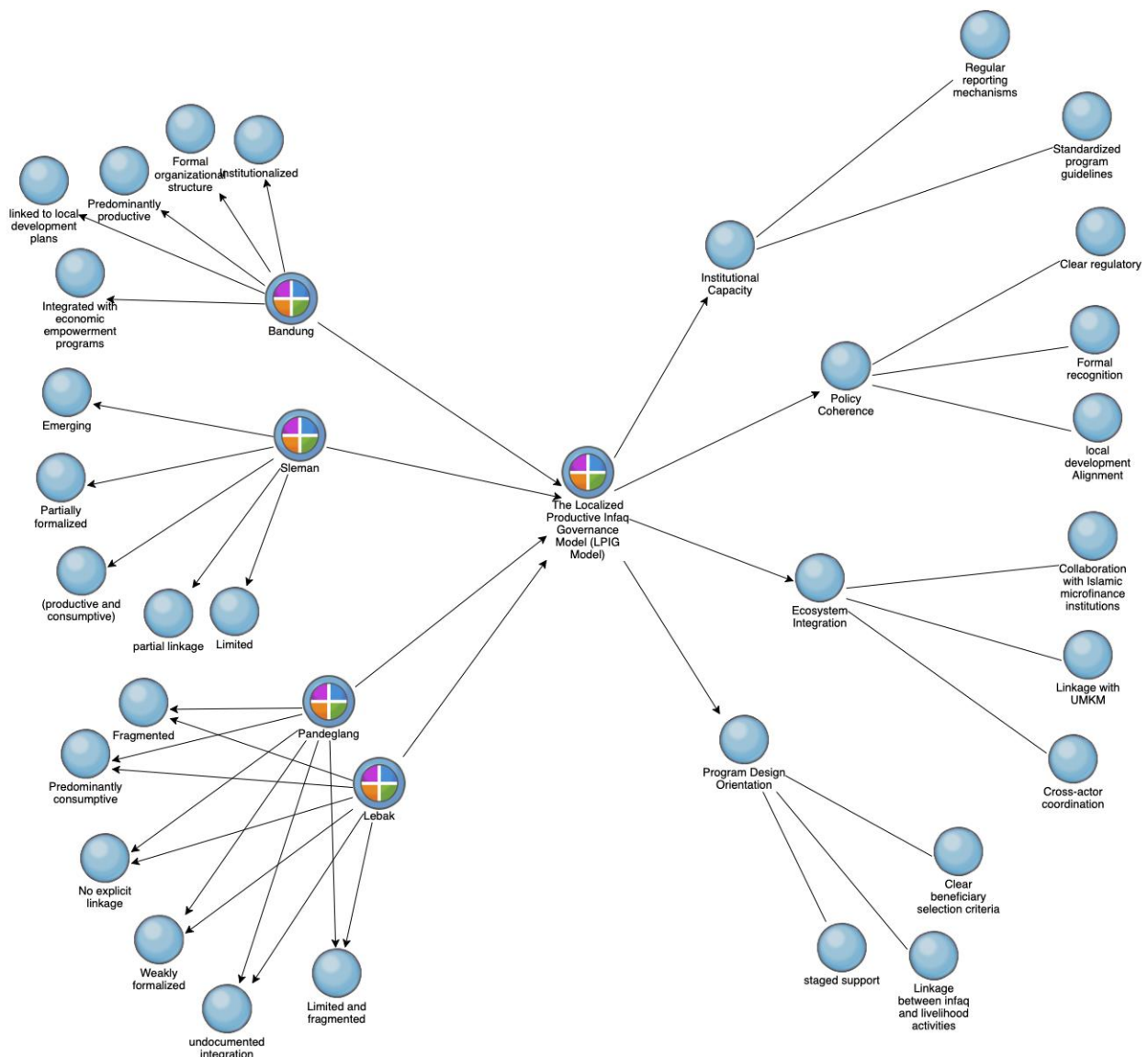
financial characteristics, but by the governance capability of institutions managing them (North, 1990; Scott, 2014; Tahiri Jouti, 2019). This shifts the theoretical focus from instrument-level limitations to governance-level capability as the primary determinant of productive Islamic social finance transformation (Tok et al., 2022a; Widiastuti, T., Mawardi & Herianingrum, 2022).

Based on the discourse between empirical findings and the literature related to this research, this study formulates a conceptual model for community-based productive alms management. This model demonstrates that the transformation of alms from a consumptive to a productive orientation does not occur linearly, but rather through the configuration of three main elements: (1) the institutional capacity of alms managers, (2) the support and coherence of local policies, and (3) integration with Islamic microfinance and community economic empowerment programs. These three elements form an Islamic social finance ecosystem at the local level that enables alms to function as productive social capital, not simply as short-term assistance. More fundamentally, this model conceptualizes productive infaq transformation as an institutional capability configuration process, where governance capability, policy alignment, and ecosystem integration collectively enable the conversion of philanthropic funds into productive financial capital (Barney, 1991; Teece, 2007; Widiastuti, T., Mawardi & Herianingrum, 2022). This governance configuration functions as an enabling mechanism that determines whether infaq remains a consumptive transfer or evolves into a productive empowerment instrument (Tahiri Jouti, 2019; Tok et al., 2022a).

This model contributes to the literature by bridging the debate between those who view alms as a purely charitable instrument and those who promote it as part of transformative Islamic social finance. Unlike prior studies that primarily focus on program outcomes or instrument characteristics, this model provides a governance-based theoretical explanation that identifies institutional capability and governance configuration as the primary drivers of productive transformation (Napitupulu et al., 2024; North, 1990; Scott, 2014). By placing local governance as a key factor, this model emphasizes that the success of productive alms is determined not by the amount of funds alone, but by the institutional capacity to integrate governance, policy, and economic empowerment ecosystems (Tok et al., 2022a; Widiastuti, T., Mawardi & Herianingrum, 2022) (see Figure 3).

Thus, the Localized Productive Infaq Governance (LPIG) model introduced in this study advances Islamic social finance literature by providing a theoretically grounded institutional governance framework that explains the mechanisms through which philanthropic resources can be transformed into productive social capital (Ascarya, 2022b; Tahiri Jouti, 2019). This model offers broader theoretical implications beyond the Indonesian context, suggesting that governance capability and institutional integration are universally relevant determinants of productive Islamic social finance across diverse institutional environments (Anas et al., 2025; Tok et al., 2022a).

Figure 3. The Localized Productive Infaq Governance Model (LPIG Model)



Source: Nvivo Analysis, 2026.

Based on figure 3, The Localized Productive Infaq Governance (LPIG) model explains that the transformation of infaq management from a consumptive to a productive orientation is highly dependent on the strength of local governance, not merely the nature of the instrument. This model conceptualizes productive infaq transformation as a governance-driven institutional process, where institutional capability, policy coherence, and ecosystem integration function as enabling mechanisms that convert philanthropic funds into productive social capital (North, 1990; Scott, 2014; Widiastuti, T., Mawardi & Herianingrum, 2022).

In this framework, governance capability operates as the critical mediating variable that determines whether infaq remains a passive redistributive instrument or evolves into an active instrument of economic empowerment. Findings in Bandung and Sleman prove that mature institutional capacity, policy coherence, and ecosystem integration with MSMEs can mitigate the risk of infaq fund uncertainty. These institutional characteristics reflect the presence of dynamic governance capability, which enables managing institutions to coordinate stakeholders, integrate

financial and empowerment programs, and sustain productive utilization despite the voluntary and uncertain nature of infaq funds (Teece, 2007; Tok et al., 2022a).

Conversely, the dominance of consumptive programs in Pandeglang and Lebak is triggered by limited documentation, weak institutional integration, and a lack of risk management mechanisms. This condition reflects a structural governance limitation, where the absence of institutional integration and programmatic capability constrains the ability of managing institutions to deploy infaq beyond short-term consumption purposes, consistent with institutional constraint theory (Napitupulu et al., 2024; North, 1990). Without governance capability, philanthropic funds remain trapped within low-impact redistribution cycles, preventing their transformation into sustainable economic empowerment instruments.

Thus, this model emphasizes that through structured program design and local policy support, infaq can be repositioned as an instrument of sustainable and accountable economic empowerment. More fundamentally, the LPIG model advances a governance-centered theoretical proposition that the productive potential of Islamic social finance instruments is determined primarily by institutional governance configuration rather than financial characteristics alone, thereby providing a transferable framework for strengthening Islamic social finance systems across diverse institutional contexts (Ascarya, 2022b; Tahiri Jouti, 2019; Tok et al., 2022b).

This study advances Islamic social finance literature by introducing a governance-centered theoretical explanation for the productive transformation of infaq. Unlike prior studies that primarily focus on the financial characteristics or voluntary nature of infaq, this study demonstrates that institutional governance capability is the primary determinant of whether infaq functions as consumptive charity or productive social capital. This finding extends institutional governance theory by showing that philanthropic financial instruments require governance capability configuration including institutional capacity, policy coherence, and ecosystem integration to enable productive transformation (North, 1990; Scott, 2014; Widiastuti, T., Mawardi & Herianingrum, 2022).

Furthermore, the LPIG model provides a conceptual framework that explains how governance capability functions as an enabling mechanism that converts philanthropic funds into productive economic assets. This contribution extends dynamic capability theory into the context of Islamic social finance by demonstrating how institutional actors integrate financial resources, policy frameworks, and empowerment ecosystems to achieve sustainable economic impact ((Teece, 2007; Tok et al., 2022b). The LPIG model thus offers a transferable governance framework applicable beyond Indonesia, contributing to the broader theoretical understanding of institutional capability and governance in Islamic social finance systems globally.

4. Conclusion and Limitations

Research shows that the orientation of infaq management at the local level is not homogeneous and is greatly influenced by the institutional context and Islamic social financial governance. Through a comparative study of four regions, this research shows that the dominance of consumptive infaq and the development of productive infaq are related to variations in institutional capacity, local policy support, and the level of integration with community-based Islamic microfinance programs. These findings confirm that infaq has the potential to function as an instrument of economic empowerment, but the realization of this potential depends on institutional configurations and governance at the local level.

Thus, this study enriches the literature on Islamic social finance by offering a more contextual understanding of the factors that shape the transformation of infaq from short-term assistance to a more sustainable economic instrument. This study has several limitations that need to be considered. First, the use of secondary data limits the study's ability to capture the internal dynamics

of decision-making and operational practices of infaq management institutions that are not publicly documented. Second, the limited scope of the study to four regions limits the generalization of findings to other local contexts in Indonesia that have different social, institutional, and philanthropic characteristics. Third, this study does not quantitatively evaluate the economic impact of productive infaq programs at the beneficiary level, so the results of the study emphasize institutional and governance aspects. This limitation opens up opportunities for further research to combine primary data, quantitative approaches, or broader geographical coverage to deepen understanding of the effectiveness of productive infaq in supporting economic empowerment.

Author contribution statement

Conceptualization, I.N.A, S.H, F.H, N,N, and S,S.; Supervision, I.N.A, S.H, F.H, N,N, and S,S.; methodology, software, machine learning, and prediction, I.N.A, S.H, F.H, N,N, and S,S.; data curation, Investigation, writing—original draft preparation. I.N.A, S.H, F.H, N,N, and S,S.; writing—review and editing. I.N.A, S.H, F.H, N,N, and S,S. All authors have read and agreed to the published version of the manuscript.

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