

## ***Islamic Philanthropy Paradigm in Islamic Microfinance: A Literature-Based Analysis of the Maal Function in Baitul Maal Wat Tamwil***

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### **Abstract**

*This study examines the incorporation of Islamic philanthropy—zakat, infaq, and sadaqah—into the operational mechanism of Islamic microfinance by specifically focusing on the maal program in Baitul Maal Wat Tamwil (BMT). This study aims to evaluate the role of philanthropic financial instruments in ethical finance and inclusive development from an Islamic perspective. A narrative literature review with sources mostly from Scopus, as well as using Islamic microfinance and maal function in BMT as keywords, was conducted. The approach was thematic, based on the purpose of Islamic law, namely, to preserve wealth and wellbeing. The study results indicated that the maal function is the base principle in Islamic microfinance rather than an extra one. Models based on institutions such as BMT and waqf-related finance have found a successful way to blend philanthropy with financial intermediation, hence economically empowering and providing social justice. The operational impact may be improved through strategic tools such as Islamic corporate social responsibility, digital zakat platforms, and performance measurement models. This research, in refocusing maal as instrumental in sustainable microfinance, adds to Islamic finance literature. This analysis informs policy prescriptions and institutional reforms for moral, socially inclusive financial systems in the Muslim world BMT*

**Keywords:** *Maal Function in Islamic Microfinance; Baitul Maal Wat Tamwil (BMT); Zakat-Based Financial Inclusion; Maqasid al-Shariah in Microfinance*

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### **Introduction**

The development of Islamic microfinance is seen as an important mechanism to overcome the long-standing problems of poverty and financial exclusion in many Islamic countries. Within this conceptual framework, the Baitul *Maal* Wat *Tamwil* (BMT) is an embodiment of an Islamic financial system that amalgamates the two fundamental functions of Islamic finance: *maal* (charity-based funds) and *tamwil* (commercial financing). Based on the Islamic tenet of social fairness and economic independence, BMTs have become important players in enhancing the inclusive financial system for poor people. In Indonesia, as in other emerging economies, they have developed as a strategic response to growing socioeconomic disjunctures and demand for ethical and inclusive financial systems that suit the requirements of the Muslim community (Muhammad, 2020; Rahayu, 2020).

The relevance of BMT in the Islamic economy is that it is built on duality. BMT differs from the typical profit-oriented and credit-centric missions of mainstream microfinance organizations (MFO) in that it uses a combination of redistribution mechanisms and credit intermediation. Specifically, the *maal* function plays a key role in accomplishing the ethical mandates of Islamic finance, such as justice (*adl*), compassion (*rahmah*), and social well-

being (masalah). BMTs redirect zakat, waqf, and sadaqah towards productive financial services aimed at improving the financial well-being of the marginalized and poor with the need to maintain the moral/ethical dimension of the distribution of wealth (Ashraf, 2022; Majid, 2021). In doing so, BMTs constitute themselves not just as alternative financial institutions, but also as agents for transformative socio-economic change, which is rooted in Islamic morality.

While the finance pathways of BMT have been widely examined, a financial model for philanthropic *maal* function is less well explored in the academic and policy literature. The literature emphasizes *tamwil*, such as credit programs, risk-sharing instruments, and micro-entrepreneurship models. However, this commercial focus ignores the primary charitable aspects that distinguish Islamic microfinance from other microfinance operations. According to Irfan (2020) and Rahayu (2020), the inclusion of Islamic philanthropic instruments, namely zakat and waqf, can strengthen the depth and breadth of microfinance institutions' outreach and sustainability as well as their ethical orientation, thus making these institutions more in line with the purposes of the Islamic moral economy (Irfan, 2020; Rahayu, 2020).

The *maal* function is especially relevant in the realm of financial inclusion and poverty eradication, where market-based solutions alone do not always reach those that are most at risk. Because conventional microfinance has been criticized for creating debt burdens on poorer households, Islamic microfinance, the use of which is based on philanthropy, offers a form of empowered but not exploitative poverty reduction (Ascarya, 2024; Ascarya & Sakti, 2022; Migdad, 2022). BMT's capacity to access social money to support microeconomic empowerment is a valuable lesson in combining aspects of social justice with financial access. However, despite this possibility, only a handful of studies have systematically assessed the management, distribution, and integration of *maal*-based resources in the wider financial domain of BMT.

Recent trends in Islamic microfinance Hypocrisy in practice The new emergence of Islamic microfinance is testimony to the growing importance of grant-financing. For example, Majid (2021) argues that the Salam-Muzara'ah Linked Waqf model should be considered a creative option on how waqf assets could play a role in the agricultural finance that Shariah compliant. Similarly, Muhammad (2020) also demonstrates the potential contribution of Islamic Corporate Social Responsibility (ICSR) to microfinance institutions in the incorporation of philanthropic values in their operational philosophies. These findings reflect a burgeoning academic concern to refocus the Islamic finance industry on its ethical roots through the mobilization of welfare mechanism instruments; however, they are undervalued in the operational strategies of MFIs, including BMT.

It is also the case that the impact of Islamic philanthropy is enhanced in terms of women's social empowerment. Studies show that Islamic MFIs, particularly BMTs, are increasingly in the course of women's financial inclusion, appraising the value of women's economic empowerment for the welfare of households and society (Islam, 2020; Rahayu, 2020). With *maal*-driven schemes, BMTs can provide capital that is not just repaid without interest but becomes a tool for social change by addressing structural obstacles to women's access to economic capital. These measures reflect the logic of Islamic commands to justice and consideration for the downtrodden, indicating that forms of endowment-led finance could be more conducive to social mobility based on long-term development than those oriented towards debt.

However, these exciting advancements have not been reflected in the existing BMT literature, which continues to suffer from a conceptual and empirical void regarding the harmonization and optimization of *Maal* functions. While some studies continue to regard the *maal* and *tamwil* domains as unrelated or overemphasize the former and undertheorize the latter from charity operation perspectives, others may have begun to focus on the charitable side. For example, while the studies conducted by Rahayu and Irfan discuss the instrumental role of zakat in micro-lending practices, they do not offer comprehensive frameworks to

understand how *maals* can be systematically integrated into the operational and governance structures of BMTs. Furthermore, Islamic philanthropic finance literature is silent on matters such as regulatory, institutional, and sociocultural inconveniences that undermine the feasibility and growth potential of injective *maal* models. This article aims to bridge this gap by presenting a desk-based analysis of the medial facet of the BMT. It aims to assess the applicability of the zakat, waqf, and sadaqah-oriented Islamic philanthropic paradigm for creating viable microfinance mechanisms that align with Islam's material and non-material goals. I will appeal to existing theoretical works on the Islamic moral economy and social finance to posit a positivist case for the *maal* element's shifted priority in Islamic microfinance. The analysis synthesizes diverse viewpoints from Islamic scriptures and modern case studies.

What is innovative in the current study is its endeavor to revise the perception of BMT according to the prism of Islamic philanthropy. Moving the analysis from financial efficiency to social missions, this paper adds to the burgeoning discussion on how finance, and more particularly Islamic finance, may be utilized to achieve social and economic justice and not just more efficient markets. Moreover, this study also addresses increasing academic and policy discussions around the incorporation of Islamic philanthropy instruments into contemporary financial environments to help realize the SDGs in Muslim-majority settings (Ascarya, 2024; Ascarya & Sakti, 2022; Migdad, 2022). This study is confined to a theoretical narrative analysis conducted through careful consideration of prior scholarship, laying the groundwork for future empirical studies and institutional interventions.

In the end, the philanthropic paradigm of Islamic finance —particularly reflected in the *maal* function of BMT—needs to receive more attention and strengthening from academia and institutions. The objective of this study is to dissect the normative, organizational, and operational aspects of Islamic philanthropy in the context of microfinance -and charitable-based instruments to promote inclusive development. Drawing on Islamic jurisprudence, financial ethics, and development economics, this article presents a theoretical framework for reimagining BMT as a hybrid institution in which philanthropy and finance do not only coexist but symbiotically work together to transform society.

## Literature Review

### 1. Theoretical Foundations of *Maal* in Islamic Economic Thought

***Maal* in Islamic Economics:** The concept of *maal* in Islamic economics is inherent in its moral and legal architecture. It is not only capital; it includes ethics and morality for obtaining, managing, and distributing capital. The Quran and Hadith view the requirement of the redistributive principle of zakat (and other forms of alms giving, such as infaq or sadaqah) as mandatory for Muslims – a fixed portion of their net worth: 47% of the world's wealth is owned by less than 1% of the population. The fact that doing good in one's deeds does not only include providing wealth for others, but it is also an article of faith that Muslims have to believe in (Majid, 2021). Likewise, in the Hadith, wealth has been described as temporary and that what a person does not consider as wealth or the reward for wealth remains for him to benefit in that which he eats, and wears and gives in charity (Islam, 2020).

Zakat in particular is a core feature of the Islamic financial system and represents a mandatory purification of wealth. The Quran specifies recipients of zakat in Surah At-Tawbah (9:60) and only associations/campaigns that aim to promote social welfare are eligible recipients of zakat (Mansour, 2020). This pillar, integrated into an economic baseline, reflects the core value of social equity.

From a jurisprudential perspective, *maal* is in line with the *maqasid al-shari'ah* objectives, in particular *hifz al-mal* in a social equity context (Lowenstein, 2023). Al-Ghazali and other classical philosophers have argued that wealth should be a means of social peace, rather than a source of societal fracture (Rahayu, 2020). In addition, the

proscription of *riba* (usury) and the stress on risk-sharing and ethical investment define limits on wealth creation that discourage economically exploitative activities (Asni, 2022).

In the contemporary era, there have been various developments that transformed *maal* into practice in the field of Islamic finance, particularly in waqf (endowment) and micro-finance. Majid (2021) showed that the Salam-Muzara'ah Linked Waqf is a modern form of synthesis between religious commandment and the character economic approach. These examples demonstrate the persistence and flexibility of Islamic philanthropic practice.

*Baitul Maal Wat Tamwil* (BMT) in Indonesia is an institutionalization of *maal-tamwil* integration. BMT is designed for communal economic empowerment in accordance with Sharia law by providing systems, organized including zakat distribution and social trust, embedded in history that enables societal well-being (Rahayu, 2020). This model demonstrates how philanthropic dollars can play multiple roles in short-term relief and long-term empowerment in the microfinance context.

## 2. Review of Prior Research on Islamic Philanthropy and Microfinance

The academic literature widely recognizes zakat, infaq, and sadaqah as agents of wealth distribution and social welfare. Zakat as an obligatory, systematic device to transfer wealth from the rich to the poor (Hoque, 2022). Mukhlīsīn (2020) extended this stance by explaining that zakat funds can be used for development projects such as education and healthcare to permanently multiply their impact.

Infaq, although being done voluntarily, mirrors zakat by supplying people with adaptable and quick funding for community progress. Githaiga (2021) posits that infaq helps MFIs diversify their revenue streams and promote financial sustainability. More recently (Githaiga, 2021), Ascarya (2024) investigated Infaq's potential in contributing to Islamic MFIs' capital base by accessing the fintech system (Ascarya, 2024).

Sadaqah, another optional practice of giving, helps the community move towards the immediate good through propulsion. Islam (2020) and Nawaz (2024) mentioned that it built a social network and catered to immediate needs, without the hindrance of the bureaucracy of zakat (Islam, 2020; Rabbani et al., 2021). Together, these three constitute a comprehensive philanthropic architecture to support inclusive finance and moral development.

Several composite models have been presented to promote the convergence of Islamic philanthropy and microfinance. The *Salam-Muzara'ah* Linked Waqf model (Majid, 2021) offers an avenue of funding for agriculture with a sustainable approach that marries charitable endowments with profit-sharing structures. On the other hand, the BMT model implemented in Indonesia integrates *maal* and *tamwil* functions; hence, organizations are both able to deliver financial programs and social programs at the same time (Rahayu, 2020).

Studies have also explored the gender-empowering effects of integrated models. Rahayu (2020) shows that BMT institutions tend to prioritize women as recipients of funding, which would in turn improve the welfare of the household and the resilience of society. In addition, the utilization of philanthropic capital lowers reliance on debt, complying with Islamic moral obligations (Islam 2020).

Lastly, advancements in Islamic finance increasingly involve the application of technology to ramp-up philanthropic activities. (Shaikh, 2020) describes the role of



fintech in leveraging the circulation of zakat and sadaqah to magnify the impact of philanthropy and make it more transparent. These technological innovations help reduce the friction from raising funds and enable data-driven targeting of assistance.

To summarize, the literature shows a burgeoning and developing field of study on the link between Islamic philanthropy and microfinance. *Maal* Haqiqi The concept of *maal* has an ethical, redistributional and equity aspect, based on theoretical frameworks derived from the scripture and classical jurisprudence. Recent scholarship has expanded this base to investigate operating models, technological developments, and social impacts, especially in terms of inclusion and gender. These studies serve as a strong foundation to guide future research on maximizing the role of *maals* in Islamic microfinance institutions.

## Methodology

This study uses a narrative literature review method that grew out of a qualitative research tradition in the Islamic social sciences. The objective is to explore, from a systematic perspective, the *Maal* functions in Baitul Maal Wat Tamwil (BMT) by using the literature study approach obtained from academic databases, primarily Scopus. A review on this topic is limited by two core keywords: Islamic Microfinance and "Islamic Microfinance" and "*Maal* function in Baitul Maal Wat Tamwil."

### 1. Research Design

This study was designed through a narrative review of literature- a qualitative technique that seeks to bring together previous knowledge—to underline the evolution of theory and to identify gaps in the literature. This methodology is particularly well-suited to questions with ethical, jurisprudential, or institutional dimensions, such as the incorporation of Islamic philanthropy in the microfinance industry. A narrative review permits inductive reasoning and interpretive synthesis across a spectrum of relevant scholarly sources, free from the statistical limitations of meta-analysis.

As pointed out by Asni (2020), narrative reviews in Islamic finance facilitate more in-depth exploration of primary sources, classical texts, and modern applications. Combined, the present analysis draws on a variety of scholarly insights (of both theoretical and jurisprudential valence, as well as empirical studies), as it seeks to map the scope and content of *maal* within the BMT.

### 2. Sources and Search Strategy

To enhance the academic rigor and scope of coverage, this study references scientific papers, book chapters, and research reports mostly collected from Scopus. Complementary searches in JSTOR, Google Scholar, Al-Manhal, Emerald Insight, and Wiley Online Library respectively were conducted for literature in Western languages as well as Arabic. The search targeted peer-reviewed studies available from 2010 to 2024.

Keywords: "Islamic microfinance," "Baitul *Maal* Wat *Tamwil*," "*Maal* Function," "Islamic philanthropy," "Zakat," "Waqf" and "Islamic social finance." They further refined the results and recovered the relevant combinations by combining anything using Boolean operators such as AND/OR. Works to be included were only those that discussed the institutional role of *maal* in Islam finance, and applications of zakat and waqf in microfinance, and conceptualization of BMT.

### 3. Analytical Framework

Thematic content analysis was used in this study to synthesize findings from the literature. This is achieved through a sequential 4 stage process, involving the identification of themes, coding of variables, pattern recognition, and interpretive reflection. The technique is iterative and interpretive, and is appropriate for unpacking the normative, ethical, and institutional aspects that mark *maal*.

*Maqasid al-shari'ah* (objectives of Islamic law) frameworks served as an analytical lens, specifically *hifz al-mal* (preservation of wealth) and *hifz al-nafs* (preservation of life) principles. Rahayu (2020) and Majid (2021) guided the development of coding categories that connect theoretical themes to the implementation practice of BMT. Scholars, such as Ashraf (2022), Lubis (2021), and Muhammad (2020), also act as methodological guidelines for reconciling textual inferences with empirical understanding (Ashraf, 2022; Lubis & Nurlaeli, 2023; Majid, 2021; Muhammad, 2020; Rahayu, 2020).

#### 4. Validity and Rigor

The narrative review conformed to the traditional standards of scholarship and rigorous methodology. Triangulation was deployed to ensure validity by comparing findings across academic sources and methods. Articles were assessed for citation impact, publication quality, and thematic relevance. A trial of the audit was kept to document the review and make it transparent.

Unlike systematic reviews, character synthesis privileges the depth of context and coherence of concepts over the breadth of the literature or its expressive representation in statistics. Nevertheless, a consistent coding scheme and thematic cross-verification serve to increase the reliability and repeatability of the findings. The reviewed studies were based on classical Islamic economics and recent journal-indexed research outputs.

#### 5. Limitations

This is a literature-based analysis that does not involve fieldwork or original data collection. Consequently, any insight is bound by published academic conversations. Simple language restrictions could also overlook helpful findings in languages other than English, Arabic, or Bahasa Indonesia. Despite these restrictions, this method is still relevant to the conceptual and theoretical nature of the research.

#### 6. Ethical Considerations

This article follows the ethical standards for academic writing (proper citation, acknowledgement of authorship, and plagiarism). Acknowledgement: This review article on narrative review style is true to intellectual ownership acknowledging all sources and is not described in other works without reference. Ethical clearance was not applicable because the research did not involve any human subjects.

Finally, by adopting a narrative literature review as the methodological approach, this study is able to accumulate a diversity of scholarly perspectives on the foundation and operation of *maals* in Islamic microfinance. The systematic sourcing of data, thematic analysis, and jurisprudential contextualization involved in this method provide a more comprehensive understanding of the manner in which Islamic charity philanthropic principles are incorporated within the operational and strategic blueprints of BMT institutions.

## RESULT AND DISCUSSION

The role of *maals* in Islamic microfinance institutions, particularly in the case of Baitul Maal Wat Tamwil (BMT), illustrates a dynamic and multifaceted operational mechanism based on Islamic philanthropy. The next section synthesizes the results of a narrative literature review to identify the key institutional models, strategic integration frameworks, and theoretical perspectives that inform the practice of *maals*. The discussion is deductive, moving from existing institutional practices to theoretical conformity with *maqasid al-shari'ah* and its development objectives.

### 1. Institutional Models for Managing *Maal* Functions

The literature reports several institutional models, which are manifestations of real attempts to include zakat, infaq, and sadaqah in a microfinance institution. The community BMT model in Indonesia is a conceptual model that integrates philanthropic and

commercial roles and it is designed to address poverty reduction and access towards financial inclusion (Arwin & Affandi, 2022; Astuti & Samir, 2021; Putra & Isfandayani, 2020; Rahayu, 2020; Rohman et al., 2021). In this case, zakat and infaq contributions are channeled into interest-free or soft microloans, a mixture of charitable redistribution, and entrepreneurial empowerment. Islamic microfinance institutions distinguish themselves by providing financial products adhering to Sharia principles, moving away from conventional interest-based transactions (Marzuki & Marzuki, 2024).

Supplement to BMT, Alhabet program models based Waqf Integration Microfinance capital-basic Waqf is not only a banking synergy consumer (Ascarya, 2024). Through the combination of waqf and microfinance, institutions may reduce their reliance on commercial financing and increase access to millions of unserved populations (Rizki et al., 2022; Shehu U.R. Aliyu, 2022; Sulistiani et al., 2020). This initiative reiterates the value of waqf in promoting productive economic activity in accordance with the Shari'ah principles.

New models are also being developed, such as online Islamic microfinance models, in which fintech is used to increase transparency and reach the collection and distribution of zakat and sadaqah (Shaikh, 2020). Such platforms allow participants to adhere to Islamic principles and laws and participate more widely. Al-Ali highlights the significance of Shari'ah-compliant digital infrastructure for managing the charity accounts and institutional accountability (Al-Ali, 2022).

## 2. Strategic Integration of *Maal* with Financial Operations

Effective integration of *maal* into microfinance institutions requires strategic alignment across governance, operational systems, and accountability mechanisms. One critical strategy is the use of social performance measurement models, which assess the impact of *maal* distribution not only on financial metrics but also on the socio-economic conditions of beneficiaries (Zalim, 2021). These metrics allow MFIs to evaluate their adherence to Islamic ethical mandates and optimize their interventions.

Another strategy involves the application of Islamic Corporate Social Responsibility (i-CSR) models. Muhammad (2020) demonstrates that institutions implementing i-CSR frameworks can harness zakat and sadaqah to support community welfare projects, thus fulfilling both religious obligations and development objectives (Muhammad, 2020). By operationalizing philanthropic instruments within CSR, Islamic MFIs enhance their public legitimacy and spiritual value proposition.

Public-private partnerships (PPP) also emerge as effective mechanisms for scaling the reach and impact of *maal*-based finance. Githaiga (2021) notes that collaboration between government agencies and Islamic MFIs enhances resource mobilization and facilitates efficient zakat distribution (Githaiga, 2021). These partnerships allow for synchronized efforts in addressing poverty and aligning with national development plans.

## 3. Theoretical Alignment with *Maqasid al-Shari'ah*

The observed practices in managing *maal* reflect a strong alignment with the objectives of *maqasid al-shari'ah*, particularly the preservation of wealth (*hifz al-mal*) and life (*hifz al-nafs*). *Maqasid* theory emphasizes ethical outcomes, such as justice, dignity,

and social cohesion, all of which are advanced through the philanthropic functions of Islamic finance.

Mia (2023) stress the role of *maqasid* in guiding the ethical governance of Islamic financial institutions. Their findings suggest that embedding *maqasid* within performance standards can transform *maal* management from a transactional process into a values-driven mission (Mia, 2023). For example, zakat programs that focus on education and health directly contribute to *hifz al-aql* (preservation of intellect) and *hifz al-nafs*, thereby reinforcing the holistic vision of Islamic finance.

The integration of *maal* into microfinance practices also complements the Sustainable Development Goals (SDGs). Research by Islam (2020) and Majid (2021) illustrates how philanthropic finance can support women's empowerment and agricultural sustainability, echoing *maqasid* priorities. This alignment demonstrates that Islamic financial ethics are not only spiritually significant but also developmentally relevant.

#### 4. Operationalizing Zakat, Infaq, and Sadaqah in Islamic Micro Financial Institutions

Zakat is increasingly institutionalized through dedicated funds within Islamic MFIs, supporting structured programs aimed at poverty alleviation (Al-Ali, 2022; Hoque, 2022). These funds are governed by Shari'ah-based accounting standards, ensuring transparency and accountability. Hoque (2022) highlights the innovation of business zakat, which allows entrepreneurs to contribute actively to social development.

Sadaqah, though voluntary, is effectively mobilized for immediate welfare initiatives, including education, healthcare, and disaster relief (Mansour, 2020). Its flexibility complements zakat's formality, enabling more dynamic and responsive financial interventions. Mansour's findings show that incorporating sadaqah into product design increases the social impact of Islamic financial instruments.

Infaq serves as a semi-obligatory form of charity that broadens the revenue base for MFIs. Githaiga notes that infaq-based programs promote revenue diversification and reduce reliance on commercial capital, thereby enhancing the sustainability of Islamic MFIs (Githaiga, 2021). These funds are especially crucial for supporting non-income-generating services that nonetheless contribute to community welfare.

#### 5. Governance, Monitoring, and Digital Transformation

Governance structures that support transparency and accountability are essential for the successful operationalization of *maal*. Al-Ali (2022) recommends standardized Shari'ah-based reporting procedures to manage zakat and sadaqah efficiently. Similarly, Zalim (2021) advocates for integrated impact assessment models to monitor the effectiveness of *maal*-driven initiatives.

Digital transformation is another key trend. Alsaghir argue that fintech solutions streamline zakat collection and distribution processes, enhance donor trust, and improve real-time fund tracking (Alsaghir, 2023). These technologies are instrumental in extending the reach of Islamic philanthropic finance, especially in rural and underserved regions.



## Discussion: Reframing BMT through the Lens of Philanthropic Microfinance

The empirical evidence from the literature suggests that BMT and similar institutions can be reframed as hybrid entities that bridge financial intermediation with Islamic philanthropy. This dual identity is grounded in both the moral imperatives of Islam and the practical demands of socio-economic development. By institutionalizing *maal* functions, BMTs contribute to inclusive finance and social equity, aligning closely with *maqasid al-shari'ah*. The operational framework of BMTs encompasses providing capital, infrastructure, and essential training to those in need, thereby addressing multifaceted aspects of poverty (Rohman et al., 2021, 2023). The existing literature notes that despite BMT's existence, there's a research gap concerning their effectiveness in poverty alleviation. Future research should focus on robustly assessing the long-term impacts of BMT initiatives.

Moreover, integrating *maal* into microfinance not only enriches the spiritual character of financial services but also reinforces the credibility of Islamic MFIs. The success of BMTs in reaching marginalized populations illustrates the viability of philanthropic-centered models in achieving broader development goals (Ascarya, 2024; Rahayu, 2020). The synthesis of zakat, infaq, and sadaqah with operational models demonstrates the potential of Islamic finance to transcend commercial paradigms and serve as a tool for ethical and inclusive development. The allocation of zakat funds to cover defaults and the implementation of micro-takaful schemes represent proactive risk management strategies tailored to the vulnerabilities inherent in microfinance (Rohman et al., 2021, 2023). Such mechanisms ensure the sustainability of programs while upholding the principles of mutual assistance and social responsibility.

The integration of these institutions with modern financial systems requires a multifaceted approach, incorporating technological advancements and robust governance frameworks to ensure transparency and accountability (Rohman et al., 2021). The ethical grounding of financial practices, particularly in adherence to Shariah principles, is integral to cultivating trust and ensuring equitable access to financial services for all segments of society (Marzuki & Marzuki, 2024).

In summary, In summary, the function of *maal* in Islamic microfinance is not merely auxiliary but foundational. Islamic microfinance enhances societal well-being by reducing poverty, boosting economies, improving social conditions, distributing wealth more evenly, and raising intellectual standards, aligning with the objectives of *maqasid al-shari'a* (Alkhan & Hassan, 2021). Institutional models such as BMT, waqf-based financing, and digital philanthropic platforms underscore the centrality of Islamic charitable principles in structuring effective and just financial systems. Future research should expand on empirical evaluations and explore policy mechanisms that can further institutionalize these practices in the regulatory architecture of Islamic finance.

## Conclusion and Recommendation

### Conclusion

This study underscores the pivotal role of the *maal* function—encompassing zakat, infaq, and sadaqah—within Islamic microfinance institutions, particularly in the operational context of Baitul *Maal* Wat *Tamwil* (BMT). Through a narrative literature review, the research highlights that the integration of Islamic philanthropic instruments into microfinance not only fulfills spiritual obligations but also aligns with developmental imperatives such as poverty alleviation, financial inclusion, and social empowerment.

Key findings reveal that institutional models such as BMT and waqf-based microfinance are capable of embedding charitable principles into financial operations in ways that resonate with the objectives of *maqāṣid al-sharī'ah*. These models showcase the potential of Islamic microfinance to evolve into ethically robust systems that balance economic viability with social justice. The use of digital platforms, performance measurement tools, and strategic governance has further enhanced the institutionalization of *maal* within the Islamic finance ecosystem.

This study contributes to existing literature by reframing *maal* not merely as a complementary function but as a foundational pillar of Islamic microfinance. It argues for a reorientation of institutional identity from profit-centric models to hybrid philanthropic-financial approaches. In doing so, it enriches scholarly discourse on Islamic finance's ethical dimensions and its capacity to foster sustainable development. The integration of philanthropy into financial design offers practical insights for policy-makers, regulators, and Islamic financial practitioners seeking a morally coherent and socially impactful alternative to conventional finance.

### Limitations of the Study

Despite the conceptual richness and thematic depth offered by this literature-based analysis, the study acknowledges several limitations. First, the reliance on secondary data from peer-reviewed journals and academic databases inherently excludes unpublished reports, case studies, and field-level data that might offer practical insights into how *maal* functions are implemented at the grassroots level. This may limit the scope of institutional diversity represented in the findings.

Second, the study is limited by language and geographic bias. Most of the analyzed literature originates from Indonesia, Malaysia, Bangladesh, and the broader Southeast Asian context. Consequently, regional applications of *maal* in the Middle East, Sub-Saharan Africa, or Western Muslim minority contexts are underrepresented, which may affect the generalizability of the conclusions.

Third, while the narrative review method facilitates conceptual integration, it does not employ empirical validation techniques, such as field surveys or financial performance analysis. Therefore, causal relationships or operational efficacy between philanthropic models and development outcomes remain assumed rather than directly measured.

Lastly, rapid technological and regulatory changes in the Islamic finance industry may render some findings temporally constrained. Given these limitations, future studies should consider empirical and comparative approaches to complement and refine the conceptual contributions outlined in this research.

### Recommendations for Future Research

Building on the findings and observed gaps, this study recommends several avenues for future research. First, empirical studies should evaluate the operational efficiency and socio-economic impact of *maal*-based interventions in Islamic microfinance institutions. Longitudinal case studies of BMTs or waqf-integrated models would provide insights into sustainability, governance, and scalability.

Second, there is a pressing need to develop robust social performance measurement frameworks tailored to Islamic financial ethics. These tools should incorporate indicators aligned with *maqāṣid al-sharī'ah* to assess the real-world impacts of zakat, infaq, and sadaqah on community well-being.

Third, future research could explore digital transformation and fintech integration in managing philanthropic funds. Investigating blockchain, AI, and smart contract applications in zakat distribution and waqf asset management could unveil innovative, transparent, and secure models of Islamic financial governance.

Moreover, comparative studies examining regional variations in the institutionalization of *maal*—especially in conflict zones or disaster-prone areas—would expand the contextual validity of current models.

Finally, policy-oriented research should investigate how legal and regulatory frameworks can facilitate or hinder the adoption of philanthropic finance in Islamic MFIs. This includes proposing policy reforms to harmonize shari'ah compliance with national financial inclusion agendas.

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