THE ROLE OF ZAKAT IN PROMOTING SUSTAINABLE FINANCE AND ACHIEVING THE SDGS

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Abstract

The study aims to systematically examine the role of zakat in promoting sustainable finance and achieving the Sustainable Development Goals (SDGs). Through the Systematic Literature Review (SLR) method, this study identifies, analyzes, and synthesizes various empirical studies and national data related to the contribution of zakat to economic, social, and environmental development. Zakat, as an Islamic social finance instrument, has great potential in strengthening the inclusive financial ecosystem and supporting community welfare. The literature review shows that zakat plays a significant role not only as a financial instrument of redistributing prosperity but also as a catalyst for sustainable development through environmental conservation, economic empowerment, enhanced social resilience, and increased financial inclusion. The integration of zakat into the sustainable finance policy framework has been proven to support the achievement of several SDGs, particularly the goals of poverty eradication (SDG 1), decent work and economic growth (SDG 8), and reducing inequality (SDG 10). Therefore, optimizing the potential of zakat through good governance, digital innovation, and cross-sector collaboration is a strategic key to accelerating the realization of sustainable finance and achieving the SDGs in Indonesia.

Keywords: Zakat; Sustainable Finance; SDGs

INTRODUCTION

The Sustainable Development Goals (SDGs) agenda, established by the United Nations, demands significant financing at both the global and national levels. To achieve the 17 goals and 169 targets of the SDGs, developing countries, including

Indonesia, cannot rely solely on external funding sources such as foreign loans or international aid. Domestic resource mobilization through the optimization of domestic financial resources is key, particularly those that are sustainable and inclusive. In this context, strengthening the sustainable finance ecosystem and utilizing Islamic social finance instruments such as zakat (alms) is highly strategic.

Sustainable finance includes capital allocation and management practices that consider not only financial returns, but also environmental, social, and governance (ESG) impacts (Bhattacharya & Sharma, 2023). This approach brings sustainability into investment decisions and financial policies. It directs funds to activities that promote environmental conservation, reduce social disparities, and support transparent governance (de la Fuente & Velasco, 2024). In Indonesia, sustainable finance is gaining attention through regulatory and policy initiatives. However, more support from instruments tailored to the socio-religious context is still necessary (Jamal & Fisa, 2025).

Zakat, as a mandatory Islamic social finance instrument, possesses unique characteristics that differentiate it from other financial mechanisms. It is faith-based, rooted in religious belief and devotion, which fosters strong compliance among Muslims (Riyaldi et al., 2020a). Additionally, zakat is countercyclical, as the obligation to pay persists even during economic downturns, enabling it to function as a socio-economic buffer in times of crisis (Ul Hikmah et al., n.d.). This buffering role became evident during the Covid-19 pandemic, when amil zakat institutions mobilized and distributed funds to help affected communities (Athief, Rizki, Masthuroh, & Jakti, 2023). In Indonesia, which has the largest Muslim population globally, the national zakat potential is estimated at approximately IDR 327 trillion per year (Zaenal et al., 2024). However, actual zakat collection remains significantly below this potential, highlighting considerable opportunities for optimization within the framework of sustainable development. Cross-country evidence also shows that regulatory approaches, such as making zakat mandatory and linking it with taxation policy, are associated with differences in zakat collection performance (Athief, Rachman, et al., 2022).

Historically, zakat has primarily been utilized as a tool for income redistribution, providing financial assistance to the poor and vulnerable. However, literature and practice show that zakat can also support economic empowerment, micro and small enterprises, human resource development, and long-term social programs (Ul Hikmah et al., 2022). Managed with prudence, sustainability, and good governance, zakat could become a vital part of Indonesia's sustainable finance ecosystem. Integrating zakat into a sustainable finance policy framework can help accelerate several SDGs, especially Goal 1 (No Poverty), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequalities) (Riyaldi et al., 2020a). Productive zakat programs enable beneficiaries to access capital, business mentoring, and skills development, fostering economic independence—not just temporary relief (Nurhasanah, 2023). Studies of zakat, infaq, and sadaqah management at BAZNAS likewise show how the methods used to manage these funds shape improvements in the quality of life of mustahiq (Rizki, 2021). This supports job creation, productivity, and reduced income inequality. Linking zakat to ESG principles also guides the management of zakat institutions to be more environmentally friendly, inclusive, and governance-oriented.

Comprehensive studies that systematically examine zakat from a sustainable finance perspective and its contribution to the SDGs in Indonesia are still limited. Many studies focus on poverty alleviation, economic empowerment, or the performance of

zakat institutions (Ayuniyyah et al., 2018; Odeduntan et al., 2016; Sari et al., n.d.; Shaikh, 2017). However, few integrate these topics into the broader framework of sustainable finance and the SDGs. Meanwhile, Indonesia's regulatory and policy developments in sustainable finance—from banking to Islamic social finance—create opportunities to make zakat a pillar for funding sustainable development.

Given this knowledge gap, research is needed to identify, analyze, and synthesize empirical findings on the role of zakat in sustainable finance and the SDGs. The Systematic Literature Review (SLR) method is suitable for building a comprehensive understanding of how zakat has contributed, and can continue to contribute, to sustainable development—especially in Indonesia (Galvão & Ricarte, 2019). Using SLR enables a methodical review of national studies and data, providing a systematic understanding of the patterns, trends, opportunities, and challenges in linking zakat to sustainable finance and the SDGs (Haynes & Alemna, 2022). Accordingly, this research aims to provide a robust theoretical and empirical foundation for stakeholders—including government, regulators, zakat institutions, Islamic financial institutions, and civil society organizations—to design policies and programs that maximize the role of zakat as a sustainable financial instrument. Optimizing zakat's potential through good governance, digital innovation, and cross-sector collaboration is expected to be a key strategy for accelerating sustainable finance and supporting the achievement of SDGs in Indonesia. Theoretically, this research is expected to enrich the literature on zakat, Islamic social finance, and sustainable finance from a perspective of sustainable development. Practically, the results of this study are expected to provide input for policymakers and zakat institution managers in designing zakat management and distribution strategies that are more targeted, measurable, and synergistic with the SDGs agenda, so that Indonesia's vast zakat potential can be optimally mobilized to support inclusive and sustainable development.

METHOD

The research method used in this study is a Systematic Literature Review (SLR), with a primary focus on answering the research question: "How does zakat promote sustainable finance and contribute to the achievement of the Sustainable Development Goals (SDGs)?" The SLR approach was chosen because it enables researchers to systematically collect, categorize, analyze, and synthesize various studies to obtain a comprehensive understanding of the position and role of zakat within the framework of sustainable finance and sustainable development, particularly in Indonesia. SLR and bibliometric designs have also been widely applied to map developments in Islamic economics and Islamic finance in Indonesia (Al Afif et al., 2024; Athief, Rizki, & Pratwindya, 2022; Rizki et al., 2023). The research period was limited to 2010–2025. This limitation was determined based on the significant developments in the discourse on the SDGs, sustainable finance, and Islamic social finance during this period. The SDGs agenda officially began in 2015, while policy and regulatory initiatives related to sustainable finance in Indonesia, as well as strengthening zakat management and Islamic social finance, have been intensively discussed and implemented over the past decade. Therefore, this period is considered representative enough to capture the dynamics of thinking and practice related to zakat, sustainable finance, and the SDGs.

The primary data sources for this study consist of three major groups: peer-reviewed scientific articles, policy reports, and national statistical data related to zakat. The scientific articles were obtained from various national and international journals that discuss zakat in relation to poverty alleviation, economic empowerment, financial

inclusion, the SDGs, sustainable finance, ESG, and Islamic social finance. The search was conducted through scientific databases such as national and international journal portals and Google Scholar, using a combination of keywords in Indonesian and English, such as "zakat," "sustainable finance," "sustainable finance," "zakat and SDGs," "zakat and ESG," "Islamic social finance," and similar terms.

In addition to scientific articles, this research also utilized policy reports and official documents from relevant institutions. Reports from the Financial Services Authority (OJK) were used to understand the sustainable finance policy framework and its potential integration with Islamic social finance instruments. Documents from international institutions such as the United Nations (UN/UNDP) and the Islamic Development Bank (IsDB) and its research institute (IRTI) were consulted to examine how zakat and Islamic social finance are positioned within the global discourse on the SDGs and development financing. Furthermore, national zakat statistics were drawn primarily from annual reports and official publications of the National Zakat Agency (BAZNAS), which contain information on zakat potential, collection realization, distribution patterns, and various programs in Indonesia. The SLR process involved rigorous screening to ensure that the literature analyzed was truly relevant to the research focus. Inclusion criteria encompassed several aspects. First, publications must have been published between 2010 and 2025. Second, publications could be journal articles, conference papers, working papers, policy reports, or official institutional reports, as long as they met acceptable scientific standards. Third, zakat must be discussed substantively, not merely mentioned in passing without a thorough examination. Fourth, there must be a clear link between zakat and the SDGs, sustainable finance, ESG, sustainable development, or Islamic social finance that is relevant to the objectives of this study. Fifth, the work must contain empirical elements (e.g., quantitative data, case studies, surveys) or a structured conceptual framework that allows for systematic analysis.

Conversely, several types of literature were deliberately excluded from the analysis. Writings that solely contain normative claims about the theological virtues of zakat, without supporting data, empirical analysis, or a clear conceptual framework, were not included in the review. Similarly, publications discussing zakat without linking it to the dimensions of sustainable development, the SDGs, sustainable finance, or ESG were deemed less relevant to the research focus. Literature focused entirely on foreign contexts and lacking clear relevance to the zakat policy framework or practice in Indonesia was also often excluded, unless it offered a strong and adaptable conceptual foundation. Furthermore, if there was duplication of publications—for example, working papers later republished as journal articles with the same substance—only the most complete, peer-reviewed version was retained in the analysis. After the screening process was complete, each publication that passed the selection process was further analyzed through a data extraction stage. At this stage, the basic identity of the publication (author name, year of publication, document type, journal, or publishing institution) was recorded, along with the study context, including the research location, the zakat institution or program being studied, and the objectives and research questions of each work. Furthermore, the research methods used (quantitative, qualitative, mixed-method, or conceptual) were also documented to understand the variety of approaches used in studying the role of zakat.

The next stage was the extraction of substantive findings. Researchers examined how zakat is positioned and operationalized in various contexts, such as serving as an instrument for poverty alleviation, economic empowerment, increasing financial

inclusion, or strengthening social resilience. Furthermore, they specifically examined how the literature links zakat to SDG indicators or goals, particularly SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities), as well as the extent to which zakat is incorporated into sustainable finance and ESG frameworks. This process also identified supporting and inhibiting factors, such as zakat institution governance, regulatory frameworks, institutional capacity, digital innovation, and forms of collaboration with other stakeholders. The collected findings were then analyzed thematically. Through a coding process, the literature was grouped into specific themes—for example, zakat and poverty reduction, zakat and decent work, zakat and inequality reduction, the integration of zakat with sustainable finance policies, and zakat institution governance and innovation. For each theme, a narrative synthesis was developed that describes the patterns, trends, similarities, and differences in the research results, thus providing a structured overall answer to the main research question. However, this study acknowledges several limitations. One important limitation is the heterogeneity of metrics and indicators used across studies. The diverse methods for measuring the success of zakat programs, intervention effectiveness, and SDG and sustainable finance indicators make direct quantitative comparisons difficult and limit the possibility of statistical meta-analyses.

Furthermore, the issue of attribution versus contribution arises, as zakat programs often operate alongside other interventions such as government aid or international agency programs. This makes it difficult to determine the extent to which an outcome is entirely due to zakat (attribution) or simply one of many contributing factors. Another limitation relates to the variation in definitions and concepts across the institutions and studies reviewed. Sustainable finance, ESG, productive zakat, and specific SDG categories can be defined slightly differently, necessitating caution in equating terms and interpreting results. Furthermore, limitations in access and language cannot be ignored, as not all documents or reports are publicly available, and some local literature may not be indexed in the databases used. Nevertheless, employing a systematic and transparent SLR approach, this study aims to present the most comprehensive synthesis of available literature and data, and provide a solid foundation for future studies on the role of zakat in promoting sustainable finance and achieving the SDGs in Indonesia.

FINDINGS

The Systematic Literature Review (SLR) reveals zakat as a central pillar in Islamic social finance, strongly linking it to contemporary sustainable finance and the Sustainable Development Goals (SDGs). The main findings are outlined below.

The Normative Role of Zakat in Islamic Social Finance

The literature clearly establishes zakat as a mandatory obligation in Islam, imposed on Muslims who meet nisab and haul requirements. Unlike voluntary giving, zakat is a religious duty with a firm legal basis, making it a fundamental component of wealth distribution (Hassan et al., 2024). Zakat is distributed to eight eligible groups (asnaf): the poor, needy, administrators, recent converts, those in bondage, debtors, those striving in Allah's way, and wayfarers (Sulistyowati, 2023). This framework targets economic, social, and spiritual vulnerability. This structure makes zakat a cornerstone of Islamic social finance, integrating worship, solidarity, and economic redistribution into a single institutional instrument.

Zakat in the Framework of Sustainable Finance

Sustainable finance is defined as the management of capital that accounts for environmental, social, and governance (ESG) risks and opportunities. The SLR highlights two critical aspects: integrating ESG factors into risk management, and the pursuit of positive impact through financing activities that support sustainability (Kamaruddin & Hanefah, 2021). Sustainable finance aims to avoid harm, such as environmental damage or exploitation, and directs investment into sectors like clean energy, financial inclusion, and poverty alleviation (Suprayitno, 2019). Zakat emerges as a key funding source for ESG-aligned activities, especially in social and governance areas. Effective zakat programs can be integrated into sustainable finance strategies.

Alignment Between *Maqasid al-Shariah* and the SDGs

The SLR finds a strong alignment between *maqasid al-shariah* and the SDGs. *Maqasid al-shariah* consists of five major objectives: the preservation of religion, life, intellect, lineage, and wealth. The SDGs aim to enhance human well-being by eradicating poverty, promoting health, education, equality, and environmental sustainability (Arif Zunaidi et al., 2023). Both frameworks focus on human dignity, social justice, and sustainability. Maqashid sharia achievement has also been used as a measure of the outcomes of faith-based empowerment programs, for example, mosque-based empowerment of micro, small, and medium enterprises (Fathma et al., 2024). For example, preserving life and wealth in *maqasid* aligns with SDG 1 (No Poverty) and SDG 8 (Decent Work), while protecting lineage and intellect links to health, education, and equality (LAHJOUJI & LAHJOUJI, 2024). Thus, zakat safeguards the livelihoods of mustahik individuals and helps realise the maqasid al-shariah and the SDGs. The review shows Islamic social finance—including zakat, waqf, and sadaqah—has significant potential to complement public budgets and private impact capital. Traditional development finance often faces constraints and demand for high financial returns (Isman & Amalia, 2023). Islamic social finance is strategic: philanthropic funds do not require returns, making them well-suited to fill financing gaps in critical sectors, such as poverty reduction and microenterprise support, which commercial funds often avoid (Riyaldi et al., 2020a). Within this system, zakat serves as a stable, mandatory tool that acts as a social buffer during economic shocks.

Notably, zakat can absorb risks and social costs that are unattractive to commercial financiers, thereby stimulating private investment in high-impact projects. These findings confirm that zakat is more than a religious obligation (Adebayo, 2020). It is a key part of Islamic social finance that can be systematically incorporated into sustainable finance and SDG frameworks. Through improved governance and alignment with national policy, zakat can help build a foundation for sustainable development financing in Indonesia (Riyaldi et al., 2020a).

Zakat as a Sustainable Finance Mechanism

This section describes zakat as a sustainable finance mechanism, outlining the sequence of inputs, activities, outputs, outcomes, and impacts, with a focus on accountability and Shariah compliance (Pratama et al., 2023). At the input stage, zakat is funded by required contributions from eligible payers, producing stable, recurring flows and making it a continuous social financing pillar. Formal institutions, such as BAZNAS and LAZ, manage zakat funds, with governance, transparency, and professionalism determining public trust and program success. Digital infrastructure now supports zakat collection and distribution, making it easier for payers, expanding reach, improving efficiency, and enabling accurate records. Based on these inputs, institutions deliver programs to meet the short- and long-term needs of mustahik. Productive zakat allocates funds for business assets, capital, tools, and training,

enabling individuals to become self-reliant rather than relying solely on aid. Zakat also provides social protection through direct aid, basic needs, emergency response, education, and health support (Joan et al., 2019).

More recently, as part of the evolving strategy, pilot initiatives have begun to link zakat to climate resilience. For instance, some programs empower low-income farmers through climate-adaptive cropping patterns, improved water resource management, or enhanced community preparedness for disasters. These cases illustrate the expanding focus of zakat. These activities generate outputs at both household and enterprise levels, including increased assets, improved skills, and greater resilience to shocks. For micro and small enterprises, zakat provides working capital, expands production, and supports diversification, raising income. Social protection, education, and health reduce the risks of deeper poverty (Mahmudi & Absor, 2023). Together, these boost assets, skills, and resilience. Accumulated outputs from various programs lead to medium-term outcomes. At the individual and household level, improved assets, capabilities, and access to basic services contribute to *poverty exits—mustahik* crossing above the poverty line—evidenced by higher income, more stable consumption, and reduced dependence on assistance (Anindita & Sidiq, 2018).

At the community level, the expansion of microenterprises supported by zakat stimulates local economic activity, generating new jobs and contributing to more inclusive economic growth and improved employment opportunities. When programs are designed to be inclusive—targeting vulnerable groups such as female-headed households, informal workers, and marginalised communities—zakat can also help reduce income inequality and social disparities (Joan et al., 2019). In addition, integrating zakat with formal financial services and digital channels advances financial inclusion. *Mustahik* who receive assistance through savings, bank accounts, or access to Islamic financial services become more familiar with and begin to utilise the formal financial system(Joan et al., 2019). This approach aligns with sustainable finance objectives that prioritise expanding financial access to previously excluded groups. Environmental programs are also beginning to show the emergence of greener practices, such as water-saving agricultural techniques, basic waste management, or small-scale renewable energy use. Although still in its early stages, these developments highlight the potential of zakat to support the transition toward more sustainable economic practices (Anindita & Sidiq, 2018).

Ultimately, the sequence of inputs is intended to culminate in impact by accelerating progress toward SDG targets in a targeted, accountable, and Shariah-compliant manner. Integrated into sustainable finance frameworks, this approach can accelerate the achievement of SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). The impact is reflected not only in lower poverty rates but also in enhanced dignity and autonomy of *mustahik*, expanded economic opportunities, and stronger social cohesion. Because zakat management is grounded in Islamic legal and ethical norms, these impacts are realised while maintaining Shariah compliance and accountability to both the public and Allah SWT. Consequently, zakat becomes an integral component of a sustainable development financing architecture that incorporates moral, social, economic, and environmental dimensions.

DISCUSSION

The review demonstrates that zakat's role within sustainable finance aligns directly with several core SDGs, particularly SDG 1, SDG 8, and SDG 10, while also

generating spillover effects on additional goals. Zakat contributes to SDG 1 through a combination of cash transfers, food assistance, and the provision of productive assets for *mustahik*. Cash and food assistance serve as short-term social safety nets, preventing poor households from falling deeper into poverty when facing shocks such as job loss, illness, or surges in basic commodity prices (Ansoriyah et al., 2022). Simultaneously, zakat distributed as productive assets, such as business capital, livestock, tools, or production equipment, contributes to the sustainable enhancement of the mustahik's economic capacity. The combination of consumptive and productive support enables some *mustahik* to rise above the poverty line through increased income, asset accumulation, and greater economic resilience (Hassan et al., 2024). Therefore, zakat functions not only as a short-term charitable instrument but also as a structural mechanism for long-term poverty reduction (Jaenudin & Herianingrum, 2022).

Zakat's contribution to SDG 8 is evident in programs focused on decent work and grassroots economic development. Micro and small enterprise (MSME) seeding programs, financed by zakat, provide initial capital for those in need, wishing to start or expand a business (Rejab & Lateh, 2022). In many cases, this support is combined with vocational training and entrepreneurship mentoring, so beneficiaries gain not only capital but also technical and managerial skills. This process encourages the creation of new enterprises, expands local economic activity, and gradually generates employment for both direct beneficiaries and their families or communities (Intezar & Zia, 2020). Other Islamic social finance channels, such as micro waqf banks (Bank Wakaf Mikro), have similarly been evaluated as financing institutions for micro enterprises since 2017 (Athief, Rizki, & Pratwindya, 2022). As a result, zakat contributes to more inclusive economic growth and increased decent work opportunities for groups previously excluded from mainstream economic activity.

Zakat's relationship with SDG 10 emerges from its targeted distribution to specific *asnaf* groups. Transfers directed to the poor, the needy, debtors, wayfarers, and other vulnerable categories reduce vertical inequality between the wealthy (*muzakki*) and the poor (*mustahik*) through direct wealth redistribution (Rokhlinasari & Widagdo, 2024). Because some *asnaf* groups also reflect different forms of social vulnerability (such as *mu'allaf* or those facing social marginalisation), zakat can also reduce horizontal inequalities between social groups that have limited access to resources and basic services. In other words, zakat serves as an instrument to lower wealth concentration and strengthen social justice across diverse groups (Muttaqin et al., 2023).

Beyond these three priority goals, the review identifies spillover effects on other SDGs. Zakat-funded programs supporting basic health services, treatment for poor households, and community health infrastructure improve the health status of *mustahik*. Health cost assistance and nutrition programs help alleviate the financial burden of health shocks on low-income households (SDG 3: Good Health and Well-being) (Aziz et al., 2020).

Zakat contributes through scholarships, school fee support, the provision of learning materials, and support for educational institutions serving families in need. These investments enhance intergenerational social mobility by enabling children from zakat-recipient households to access better education, which in turn leads to improved employment prospects and higher income (SDG 4: Quality Education) (bin Lahuri et al., 2021). In emerging "green zakat" initiatives, zakat supports climate-resilient agriculture, sustainable land and water management, and assistance to disaster-affected communities. Such programs not only increase the economic and social resilience of

mustahik to climate risks but also encourage more environmentally friendly practices at the local level (SDG 13: Climate Action)(Ahmad & Ghiasul Haq, 2020). Collectively, this mapping demonstrates that, when managed in a focused and integrated manner, zakat can contribute to multiple SDGs simultaneously. It reduces poverty and inequality, enhances decent work, health, education, and climate resilience, and can thus be positioned as a strategic instrument within the broader sustainable development financing agenda (Riyaldi et al., 2020b). From a quantitative perspective, the potential of zakat to support sustainable development financing can be illustrated by its collection scale. Recent data indicate that total zakat collection has reached approximately IDR 32.3 trillion. This amount is equivalent to around 7.3% of national social security expenditures in 2023 (Zaenal et al., 2024). This suggests that zakat is no longer a marginal philanthropic source; it has become a socio-fiscal component relevant to discussions on domestic resource mobilisation and sustainable finance. Within a sustainable finance perspective, this proportion signals zakat's capacity to reinforce social safety nets and empowerment programs without increasing public debt, all while adhering to Shariah principles .

The actual potential of zakat is much larger. Estimates suggest that the national zakat potential is around IDR 327 trillion per year. If realised, this would amount to roughly 76% of social security expenditures in 2022 (Zaenal et al., 2024). Conceptually, this implies that substantial improvements in zakat governance and compliance could position zakat as a quasi-fiscal instrument capable of supporting a large share of social protection and economic empowerment efforts (Sa'adah & Hasanah, 2021). In other words, optimising zakat could significantly reduce the social development funding gap, complement state budgets (APBN/APBD) and commercial finance, and lessen dependence on external financing.

On the social impact side, data-based estimates suggest that in 2023, about 577,138 individuals moved above the poverty line due to zakat interventions. Of these, approximately 321,757 people came from areas or groups classified as extreme poverty, though definitions and criteria for "extreme poverty" vary across institutions and studies (Hasan, 2020). Substantively, these numbers suggest that zakat is not merely short-term assistance; it has contributed to upward social mobility for poor groups, leading to improved economic conditions. In the SDG framework, these achievements support the narrative that zakat contributes directly to SDG 1, while intersecting with SDG 8 and SDG 10 through productive and empowerment-oriented programs(Mahmudi & Absor, 2023).

The concept of green zakat introduces a new dimension by integrating zakat with climate resilience and environmental co-benefits. The underlying idea is that zakat distribution should not only address present-day poverty but also build the resilience of those in need to climate risks and environmental degradation (Santi & Asmaria, 2023). In Indonesia, a notable milestone was the launch of the Green Zakat Framework in 2025, a collaborative effort among the UNDP, BAZNAS, and BSI (Bambang Hermantoro & Zuraidah, 2023). This framework provides practical guidance to encourage zakat programs—within the limits of *asnaf* eligibility—to support climate resilience and environmental sustainability. Potential use cases include financing access to clean water and adequate sanitation for the poor, climate-resilient agriculture programs for smallholders, and small-scale clean energy solutions (such as household solar panels) for energy-poor families. As long as the primary benefits flow to eligible *asnaf*, zakat can play a dual role: alleviating poverty while encouraging more environmentally sustainable practices. In this way, zakat's contribution extends beyond

SDG 1, 8, and 10 to also support SDG 3, SDG 4, and SDG 13 (Ansoriyah et al., 2022). All these developments rest on a strong legal and regulatory foundation. In Indonesia, zakat management is governed by Law No. 23/2011 on Zakat Management, further elaborated by Government Regulation No. 14/2014 and various ministerial regulations. At the international level, zakat institutions can refer to AAOIFI Shari'ah Standard No. 35 (Zakah) to ensure Shariah compliance in the collection, management, and distribution of zakat (Hassan et al., 2024).

On the sustainable finance side, integration is reinforced by the regulatory framework of the Financial Services Authority (OJK), particularly Regulation POJK 51/2017 on sustainable finance and the Sustainable Finance Roadmap Phase II (2021–2025) (Jaenudin & Herianingrum, 2022). Thus, there is clear normative alignment between national zakat regulations, Shariah standards, and sustainable finance policies. From a governance perspective, essential practices requiring enhancement include transparent reporting, independent audits, risk management, beneficiary verification, and effective grievance-handling mechanisms (Rejab & Lateh, 2022). To ensure that zakat makes meaningful contributions to the SDGs, zakat institutions should adopt an explicit Theory of Change that clearly outlines the connections between inputs and activities, and the resulting outputs, outcomes, and impacts on SDG indicators (Rokhlinasari & Widagdo, 2024). Measurement approaches should employ mixed methods, combining CIBEST indices (which capture both material and spiritual dimensions), income and consumption indicators, enterprise performance metrics (such as turnover, profit, and number of employees), and resilience indicators (e.g., the capacity to withstand economic or climate shocks) (Muttaqin et al., 2023). Another important concept is the *additionality* of zakat—how far zakat programs generate benefits that are not already provided by state social protection programs, which are financed by the national budget (Belabes, 2022). The principle is "complement, not substitute": zakat complements, rather than replaces, the state's social protection obligations. This requires clear baselines, efforts to construct counterfactuals when possible, and engagement of independent evaluators to assess program effectiveness and impact objectively.

CONCLUSION

This study finds that zakat is a strong driver of inclusive and sustainable finance when well-governed and channelled through productive, empowerment-oriented programmes. Zakat not only redistributes wealth from muzakki to mustahik but also serves as a robust social finance tool. It builds economic resilience among poor households, stimulates micro-enterprise growth, and reduces socio-economic and climate-related risks. Many empirical studies show that zakat significantly helps achieve SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 10 (Reduced Inequalities). Zakat combines consumptive help, such as cash and food, with productive support, including business assets, working capital, training, and mentoring. As a result, many *mustahik* have surpassed the poverty line, increased their income, and built sustainable small businesses. Productive zakat initiatives encourage enterprise development, leading to higher incomes and reduced poverty among workers. Additionally, targeted zakat programmes for vulnerable groups help reduce both vertical inequality (between the rich and the poor) and horizontal inequality (across social groups).

This study also finds spillover effects of zakat on other development goals, such as health (SDG 3), education (SDG 4), and climate resilience (SDG 13). Zakat support

for basic health, medical assistance, and scholarships enhances human capital among the mustahik. Zakat financing for secondary and higher education further supports this. Early green zakat and climate-resilience-oriented efforts demonstrate that zakat can contribute to climate-resilient agriculture, access to clean water, and clean energy for the poor. These uses are possible as long as they fit the asnaf eligibility. Zakat therefore creates economic, social, and environmental impacts, in line with *maqasid al-shariah* and the SDGs. Despite the strength of the evidence on zakat's contribution, this study also highlights several key priorities that still require strengthening. First, concerted efforts are required to narrow the gap between zakat potential and actual collections, including through enhanced public trust, more effective fiscal incentives, payroll-based zakat schemes, and the use of diaspora channels. Second, there is a need for significant improvements in performance and impact measurement: zakat management must move beyond reporting nominal figures of collection and disbursement toward measuring outcomes and impacts that are explicitly linked to SDG indicators. Third, accelerating digital and green innovation is imperative, both through end-to-end digitalisation (from *muzakki* to *mustahik*) and through deeper integration of zakat with the broader sustainable finance and green finance agenda. Fourth, cross-sector collaboration among government, zakat institutions, Islamic financial institutions, the private sector, and international organisations is crucial so that zakat can operate as a strategic complement to national development financing.

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