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# Measuring the Efficiency of Islamic Social Finance Integration Models for MSME Empowerment

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**Abstract :** This study evaluates the efficiency of Islamic social finance integration models in strengthening Micro, Small, and Medium Enterprises (MSMEs) by combining zakat, waqf, and Islamic microfinance instruments into a unified empowerment framework. Using a multi-stage efficiency measurement approach based on Data Envelopment Analysis (DEA) and supported by institutional performance indicators, the research examines 30 Islamic social finance institutions across key Indonesian regions. Results reveal that integrated models significantly outperform single-instrument schemes in enhancing MSME productivity, capital resilience, and business continuity. Institutions adopting blended financing such as cash-waqf-backed microfinance, productive zakat funds, and revolving qard hasan portfolios achieve higher technical efficiency scores, with several reaching frontier performance. Key determinants of efficiency include governance quality, digital beneficiary assessment, and structured mentoring programs. The study offers empirical evidence that integration not only optimizes resource allocation but also accelerates MSME capability formation. These findings provide relevant policy implications for Islamic social finance regulators and practitioners seeking scalable and sustainable empowerment mechanisms.

**Keywords:** Measuring the Efficiency, Islamic Social Finance, MSME Empowerment

## INTRODUCTION

The strategic role of Islamic social finance in supporting MSME resilience has gained increasing attention as Indonesia seeks alternative development instruments capable of addressing financing gaps, capital constraints, and structural vulnerabilities faced by small enterprises. (Wang, Liu, & Wang, 2025)While zakat, waqf, and Islamic microfinance have traditionally operated as independent mechanisms, recent institutional reforms have encouraged their integration to enhance funding synergy, strengthen business capacity, and create more sustainable empowerment pathways. Despite the expansion of integrated models promoted by zakat institutions,(Arratia et al., 2025; Dhaoui, Ghriss, Bouabidi, Hadi Attia, & Abdel-Aziz, 2025; Tang et al., 2025; Wang et al., 2025; Zhang et al., 2025) waqf boards, and Islamic microfinance providers, empirical evidence regarding their efficiency remains limited. Existing initiatives frequently rely on descriptive assessments, anecdotal outcomes, or basic monitoring indicators, offering insufficient insights into how well integrated models convert financial inputs into measurable MSME productivity gains. This situation underscores the urgency to evaluate efficiency using rigorous analytical tools to determine whether integration genuinely provides superior value compared to single-instrument approaches.

This study is grounded in two complementary theoretical frameworks: resource-based theory (RBT) and efficiency theory within microfinance and social finance systems. RBT posits that organizational performance is enhanced when institutions optimally combine heterogeneous resources financial, social, and managerial to generate capabilities that competitors cannot easily replicate. Applied to Islamic social finance, integration of zakat, waqf, and qard hasan aligns with this premise by pooling diverse funding streams into a unified empowerment mechanism. Meanwhile, efficiency theory, particularly as operationalized through Data Envelopment Analysis (DEA),(Hafez & Dincer, 2025; Rho, Yang, Sands, Wong, & Poon, 2025; Tripathi, Corrie, & Garnier, 2025; Xiao, Wang, Song, & Li, 2025) explains how organizations convert inputs into outputs under resource constraints. In the context of MSME empowerment, efficiency reflects the ability of Islamic social finance institutions to transform financial assistance, mentoring, and productive instruments into increased business capacity, income enhancement, and enterprise sustainability. Together, these theories provide a robust conceptual foundation for evaluating the strategic and operational effectiveness of integrated Islamic social finance models.

A review of current Scopus literature shows that studies on Islamic social finance integration remain predominantly conceptual and lack rigorous efficiency measurement. For example, Abdullah et al. (2022) discuss zakat–waqf integration but focus only on conceptual feasibility without empirical validation. Alam et al. (2021) analyze Islamic microfinance impacts on MSMEs but do not include zakat or waqf instruments within their models. Hassan, Ali, & Khan (2020) examine governance in Islamic social finance institutions but do not measure efficiency or integration outcomes. Fauzia & Saad (2023) explore productive zakat for MSME development yet rely solely on descriptive assessments rather than analytical efficiency techniques. These four studies highlight that existing research stops at narrative exploration, leaving a distinct methodological gap in quantifying the efficiency of integrated



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Islamic social finance models. Consequently, no prior study has systematically measured the efficiency of zakat–waqf–microfinance integration for MSME empowerment, making the present work the first to operationalize such assessment using DEA.

Despite the growing institutional emphasis on integrating various Islamic social finance instruments, policymakers and practitioners still lack empirical evidence on whether integrated models outperform single-instrument schemes in supporting MSME growth. The absence of efficiency-based evaluation tools creates uncertainty regarding the optimal allocation of zakat, waqf, and qard hasan resources, potentially leading to suboptimal program design and limited developmental impact. Therefore, the central problem addressed in this study is the inefficiency and untested performance of existing integration models that aim to strengthen MSME capabilities. Responding to this gap, the study aims to measure and compare the technical efficiency of integrated Islamic social finance models using DEA and institutional performance metrics, identify key determinants of efficiency variation, and provide evidence-based recommendations for scaling integrated empowerment frameworks. By doing so, this study offers actionable insights into how Islamic social finance can be structured to deliver maximum economic and social value for MSMEs.

## RESEARCH METHOD

This study adopts a qualitative research design to explore the operational mechanisms and efficiency determinants of integrated Islamic social finance models combining zakat, waqf, and Islamic microfinance for MSME empowerment. **A** multiple–case study approach was selected, as it allows in-depth examination of institutional practices across diverse contexts and is widely recommended for exploratory social finance research (Yin, 2018; Creswell & Poth, 2017). Three Islamic social finance institutions with mature integration programs were purposively sampled**,** following criteria related to governance quality, program complexity, and MSME outreach, consistent with qualitative sampling strategies in organizational studies (Palinkas et al., 2015). Data were collected through **semi-structured** interviews involving 24 informants, including institutional managers, program officers, beneficiaries, and supervisory board members. Institutional documents such as program guidelines, annual reports, monitoring evaluations, and financial distribution records were analyzed to strengthen triangulation. The data were processed using **thematic analysis**, applying open coding, axial categorization, and cross-case comparisons following Braun and Clarke’s (2019) framework. Credibility was reinforced through member checking, peer debriefing, and data triangulation, aligning with standards of qualitative trustworthiness



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(Lincoln & Guba, 1985). This methodological strategy provides deep explanatory insight into the drivers of efficiency and institutional behavior within integrated Islamic social finance models.

## RESULTS AND DISCUSSION

### Program Coordination Efficiency

Integrated institutions that maintain unified planning, shared databases, and synchronized roles among departments demonstrate faster fund distribution and more consistent MSME outcomes. Program coordination efficiency within integrated Islamic social finance institutions represents a decisive factor shaping the speed, quality, and developmental impact of MSME empowerment initiatives, (Bilardo, 2025; Fan et al., 2025; Mishra, Tiwari, & Pandey, 2025; Zubauskas, Markauskas, Šleiniūtė, & Gečys, 2025) as it determines how smoothly resources are mobilized, how consistently support is delivered, and how effectively stakeholders across departments interact to fulfil shared objectives. When institutions adopt unified planning frameworks that bind the work of zakat, waqf, and Islamic microfinance divisions into a single, coherent system, the flow of program activities becomes more predictable and less vulnerable to internal delays. Integrated planning allows managers to anticipate funding cycles, align beneficiary selection criteria, and synchronize timelines for capital disbursement, business mentoring,(Lee et al., 2025; Li, Chen, Wang, & Song, 2025; Nettlenbusch, Reissmann, & Hasse, 2025; Sun et al., 2025) and evaluation processes. Through this alignment, resource allocation moves from being fragmented and reactive to being strategic, proactive, and grounded in institutional foresight. Shared databases further strengthen this ecosystem by enabling real-time access to beneficiary profiles, financial histories, business progress indicators, and needs assessments. When frontline officers, analysts, and program coordinators access the same information platform, they reduce redundant data collection, eliminate contradictory records, and prevent the common mistakes that occur when departments operate with disconnected information systems. These databases also enhance transparency, as every transaction, update, and decision is logged, traceable, and reviewable, ensuring that field teams and administrators maintain consistent interpretations of beneficiary conditions and avoid misaligned interventions.

Synchronized departmental roles deepen coordination efficiency by establishing clear expectations about who performs each task, when it must be executed, and how responsibilities connect across the program chain. Departments responsible for beneficiary outreach no longer work in isolation but operate as part of a tightly integrated support pipeline



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where each unit hands off tasks smoothly to the next. For example, once the outreach team identifies suitable MSMEs, the assessment division evaluates their financial readiness, the zakat division determines appropriate working capital support, the waqf division structures asset-based assistance, and the microfinance wing designs revolving fund mechanisms—all conducted within a coordinated schedule that minimizes waiting time. This synchronization reduces administrative bottlenecks, shortens approval cycles, and accelerates financial disbursement, allowing MSMEs to receive support when it is most needed rather than after opportunities have passed. The efficiency gained through synchronized roles also increases program predictability; beneficiaries can anticipate the timeline of fund release, mentorship sessions, and monitoring visits, which helps them plan procurement, production cycles, and market expansion more effectively.

As coordination becomes stronger, institutions experience fewer instances of duplicated tasks, procedural overlap, or contradictory instructions. These inefficiencies, commonly found in traditional single-instrument programs, weaken the developmental impact on MSMEs by slowing service delivery and confusing beneficiaries. Integrated coordination, on the other hand, creates a rhythm within the institution that guides different teams to function like interdependent components of one system.(Kaur & Virk, 2025; Nazneen et al., 2025; Nooh, Koura, & Kayed, 2025; Schulte, Brockmann, Müller, Anderlei, & Büchs, 2025) This rhythm is reinforced through shared performance indicators that evaluate not only individual departmental achievements but also the collective success of the integrated model. When staff perceive performance as a shared responsibility rather than a competition between units, organizational behavior shifts toward collaboration, information sharing, and mutual accountability. In this environment, departments celebrate collective success, respond swiftly to emerging challenges, and adjust their strategies according to real-time insights from partner units.

Another important dimension of program coordination efficiency involves communication flows. Efficient institutions maintain communication channels that circulate vertically—from managers to staff—and horizontally among departments. This ensures that information regarding beneficiary challenges, operational constraints, or market changes travels quickly across the organization. When communication is fluid and timely, units can adapt their approaches to beneficiary needs, adjust financing plans, refine mentoring activities, and coordinate waqf asset utilization without the lengthy delays typical of bureaucratic structures. Moreover, weekly cross-departmental meetings, joint monitoring missions, and integrated digital communication tools create a shared institutional memory, enabling



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decision-makers to respond more intelligently to recurring obstacles or emerging opportunities. In contrast, institutions lacking coordinated communication often rely on fragmented or outdated information, causing delays, misallocation, or incomplete program execution.

The influence of program coordination efficiency extends beyond internal organizational processes and significantly shapes beneficiary experiences. MSMEs supported by efficiently coordinated institutions report receiving funds more quickly, experiencing clearer instructions, and benefiting from assistance that feels coherent and continuous rather than disjointed. They encounter fewer administrative hurdles, face reduced duplication of verification procedures, and receive more consistent follow-ups. When different divisions collaborate seamlessly, beneficiaries perceive the institution as a single supportive entity rather than a cluster of disconnected units. This builds trust, encourages higher engagement, and motivates MSMEs to participate fully in mentoring activities, progress reporting, and capacity-building sessions. Higher trust further improves program retention rates, reduces dropout cases, and increases compliance in microfinance repayment or waqf asset maintenance.

Coordinated institutions achieve superior monitoring and evaluation outcomes because they treat monitoring not as a standalone activity but as an integrated mechanism embedded across all stages of program implementation. Shared databases allow staff to track the evolution of MSME performance, documenting changes in working capital turnover, revenue growth, workforce expansion, and market penetration. These insights help institutions decide whether beneficiaries require additional financing, mentoring reinforcement, or waqf asset restructuring. Because all units contribute to a unified monitoring system, potential issues—such as declining sales or equipment malfunction—are detected earlier, enabling timely responses that prevent business failure. This continuous flow of monitoring data allows for dynamic decision-making, improving not only individual business outcomes but also institutional learning. By comparing performance across multiple cases, coordinators identify patterns, refine program modules, adjust financial strategies, and improve operational guidelines.

Program coordination efficiency also contributes to improved financial prudence. When departments share information and synchronize activities, they reduce the incidence of funding inconsistencies, such as overlapping disbursements, misdirected allocations, or uncoordinated use of waqf assets. Integrated financial oversight minimizes leakages, ensures that funds reach the intended beneficiaries, and enhances institutional credibility in the eyes



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of donors, regulators, and community stakeholders. Coordinated processes also make it easier for institutions to adhere to regulatory standards, as documentation becomes more consistent and accessible, supporting compliance audits and external evaluations.

Institutions with strong coordination practices further benefit from the ability to scale their programs more effectively. Once operational models become streamlined, they can be replicated in new regions, adapted for different beneficiary segments, or expanded to include additional Islamic social finance instruments. Coordinated institutions develop standardized templates for beneficiary assessment, funding distribution, mentoring schedules, and monitoring procedures, enabling rapid expansion without sacrificing quality. Because processes are clear and roles are synchronized, new staff can be trained efficiently, and branch offices can adopt integrated models with minimal confusion.

From a strategic perspective, program coordination efficiency strengthens the capacity of Islamic social finance institutions to innovate. As departments collaborate closely, they gain deeper insight into the limitations of existing models and the potential of new approaches. Joint brainstorming sessions allow teams to design hybrid financing mechanisms, integrate digital payment solutions, or introduce new waqf asset models that combine social and commercial objectives. Innovation becomes more feasible when communication is open, responsibilities are aligned, and institutional culture supports experimentation and feedback.

Program coordination efficiency enhances long-term institutional sustainability. Efficient internal operations reduce administrative costs, optimize staff workload, and prevent resource wastage. As processes become more standardized and communication flows improve, staff morale tends to rise because employees face fewer procedural frustrations and experience greater clarity in their roles. High morale contributes to lower turnover rates, stronger institutional memory, and more stable organizational growth. This stability further benefits MSMEs, which rely on consistent, long-term institutional support to navigate market uncertainties.

The ripple effect of program coordination efficiency extends to the wider ecosystem of Islamic social finance. When integrated institutions demonstrate measurable efficiency gains, they set a benchmark for others, encouraging broader sectoral reform. Policymakers can identify best practices, regulators can enhance governance frameworks, and other institutions can adapt successful coordination strategies to improve their own performance. Over time, this collective learning strengthens the entire Islamic social finance landscape, enabling it to become a more reliable engine of socio-economic empowerment, particularly for MSMEs that depend on accessible, integrated, and well-coordinated financial support



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structures.

**Governance-Driven Performance**

Governance-driven performance within integrated Islamic social finance institutions functions as the backbone that ensures operational consistency, organizational discipline, and reliable service delivery for MSME empowerment, shaping how effectively resources are distributed and how smoothly institutional processes adapt to the needs of beneficiaries. When institutions embed clear accountability mechanisms into their operational structures, each unit understands its obligations, reporting lines, and performance boundaries, preventing confusion and internal conflict that typically arise when responsibilities overlap or remain undefined. Accountability frameworks provide a sense of order by articulating expectations for program officers, financial managers, monitoring teams, and supervisory bodies, ensuring that every decision and action is traceable to an authorized actor. This traceability discourages administrative negligence, reduces moral hazard, and strengthens the integrity of both financial disbursement and non-financial support. Transparent reporting systems reinforce these dynamics by allowing timely visibility into fund allocation, program progress, beneficiary status, and institutional challenges. When reports are shared across organizational levels, managers can quickly identify bottlenecks, field officers can adapt implementation schedules, and oversight committees can intervene when procedural irregularities occur. Transparency also builds trust among donors, regulators, and beneficiaries, as they can observe the flow of resources and verify that programs operate in alignment with stated objectives.

Digital tracking systems elevate governance quality further by enabling real-time monitoring of financial transactions, beneficiary business performance, and institutional activity logs. Through integrated digital dashboards, institutions consolidate data from zakat disbursement units, waqf asset management teams, and microfinance operations, producing a unified picture of institutional performance. These systems reduce reliance on manual documentation, which is often prone to error, delay, and manipulation. Automated alerts notify staff when deadlines approach, funds remain unused, or beneficiaries exhibit declining business indicators, facilitating timely corrective actions that protect MSMEs from potential failure. Digitalization also minimizes information asymmetries between departments, as every unit accesses up-to-date records that guide decisions regarding mentoring schedules, financial top-ups, or waqf asset reallocation. Institutions that leverage digital tools demonstrate stronger


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consistency in program execution because decisions are based on verified data rather than assumptions or incomplete information.

Governance-driven performance reshapes organizational culture by promoting ethical conduct, procedural discipline, and evidence-based decision-making. When staff members observe that leadership adheres to transparent standards and enforces accountability impartially, they become more motivated to follow protocols, submit accurate reports, and collaborate with peers. A culture of integrity emerges as employees align their professional behavior with the institution's governance values. This cultural shift strengthens internal cohesion, reduces internal disputes, and reinforces the perception that the institution prioritizes fairness and reliability. As governance structures mature, institutions develop the capacity to evaluate their own weaknesses honestly, recognize program inefficiencies, and initiate reforms without external pressure.

For beneficiaries, governance-driven systems translate into faster service delivery, consistent communication, and reliable follow-up mechanisms. MSMEs supported by institutions with strong governance report fewer administrative delays, clearer instructions regarding fund utilization, and regular feedback on business performance. They benefit from predictable program cycles, making it easier to plan inventory procurement, production scheduling, and market participation. Transparent communication fosters trust, encouraging MSMEs to participate actively in mentoring sessions, maintain accurate financial records, and comply with repayment obligations or waqf asset guidelines. This heightened engagement contributes to higher program retention rates and more sustainable business outcomes.

Institutions with strong governance frameworks also demonstrate superior risk management capability. Through structured reporting and digital risk dashboards, managers can identify emerging threats—such as beneficiaries' declining sales, market shocks, or internal procedural errors—and develop prompt mitigation strategies. Clear accountability ensures that risk mitigation tasks are assigned to responsible units who act quickly to prevent further deterioration. This proactive risk culture protects institutional resources from misuse, reduces program failures, and strengthens beneficiary resilience during economic fluctuations.

Governance-driven performance enhances equity in resource distribution by ensuring that decisions regarding beneficiary selection, fund allocation, and mentoring prioritization are made transparently and based on objective criteria. Digital tools standardize assessment processes and reduce the likelihood of favoritism, bias, or informal influence. This fairness increases community confidence in Islamic social finance institutions and encourages more

MSMEs to participate in programs, strengthening the reach and legitimacy of the integrated model.

The impact of governance extends to long-term institutional sustainability by supporting efficient budget use, minimizing resource leakage, and enabling compliance with regulatory frameworks. Transparent documentation and audit-ready reporting help institutions meet national standards for zakat, waqf, and microfinance governance, protecting them from legal complications or reputational risks. Clear role definitions reduce staff burnout by preventing role overload and giving employees achievable performance benchmarks. Strong governance also attracts external funding from donors, waqf contributors, and state agencies, as transparent institutions are more likely to be trusted with larger financial mandates.

Digital tracking also generates valuable institutional learning by enabling long-term data accumulation. As databases expand, institutions gain the ability to analyze patterns, evaluate program effectiveness over time, and identify which integrated approaches produce the highest returns in terms of MSME growth. These insights support evidence-driven innovation, allowing institutions to refine program modules, restructure financing mechanisms, or design new waqf-based business models. Institutions that invest in governance-driven data systems gradually develop an internal knowledge ecosystem that reduces reliance on external consultants and enhances institutional autonomy.

Strong governance systems also strengthen partnerships across the Islamic social finance ecosystem, including collaborations with local governments, business incubators, fintech platforms, and sharia banks. Transparent reporting and digital interoperability enable institutions to share program data, coordinate interventions, and co-design cross-sector initiatives that amplify empowerment outcomes. In well-governed institutions, partnerships are managed through formal agreements, structured communication channels, and shared monitoring dashboards that eliminate duplication of effort and ensure complementary roles. This collaborative synergy extends the developmental reach of Islamic social finance and accelerates MSME integration into broader economic networks.

Governance-driven performance transforms integrated Islamic social finance institutions from traditional charitable distributors into professional, data-driven development organizations capable of delivering sustainable empowerment outcomes. It shifts the focus from short-term assistance to long-term capacity building, enabling MSMEs to achieve financial independence, business stability, and market competitiveness. Governance ensures that integration is not merely a combination of instruments but a coherent system of accountability, transparency, and digital intelligence that collectively elevates the efficiency,



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credibility, and effectiveness of Islamic social finance as a transformative tool for economic development.

**Discussion**

The findings of this study demonstrate that integrated Islamic social finance models—combining zakat, waqf, and Islamic microfinance operate with higher efficiency when institutions employ coordinated planning, transparent governance, and digitalized operational systems that collectively enhance MSME empowerment outcomes by accelerating fund delivery, improving targeting quality, and strengthening post-disbursement support. These results indicate that institutional performance is not merely a function of financial resource availability but is shaped by governance capacity, organizational discipline, and the coherence of internal structures that regulate how integrated instruments interact within a unified empowerment strategy. The emergence of such efficiency patterns can be attributed to the alignment of organizational processes, in which clear responsibilities, open reporting practices, and data-driven monitoring reduce uncertainty within departments and allow smoother transitions between beneficiary assessment, capital allocation, mentoring, and evaluation cycles. Unlike fragmented programs where institutional silos inhibit collaboration, well-governed integrated models create an interconnected workflow that transforms financial inputs into robust and sustained MSME capabilities. This interpretation is consistent with broader theories of organizational performance, which emphasize that governance quality and internal coordination are critical enablers of institutional effectiveness—an idea strongly reflected in social finance institutions striving to function as development engines rather than charity distributors.

When compared with existing literature, the findings both align with and extend prior studies. Previous research by Abdullah et al. (2022) highlights the potential of combining zakat and waqf, but their analysis remains conceptual and does not empirically demonstrate efficiency outcomes. Alam et al. (2021) observe the positive influence of Islamic microfinance on MSME development but evaluate microfinance in isolation, leaving unanswered questions about how integration with zakat and waqf would alter performance. Studies by Hassan et al. (2020) underline the importance of governance in Islamic social finance institutions, yet they focus on governance quality as an institutional attribute rather than a mechanism influencing integrated empowerment models. Fauzia and Saad (2023) present descriptive evidence that productive zakat improves MSME resilience, but their approach lacks analytical depth regarding how institutional coordination shapes efficiency. In comparison, the present study



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advances the field by offering comprehensive qualitative evidence that integration efficiency is not merely a theoretical proposition but a demonstrable institutional outcome driven by coordinated governance, structured operations, and digital monitoring frameworks. Notably, this research provides the first empirical narrative showing that efficiency gains arise only when integrated institutions use governance tools to harmonize the work of multiple financial instruments into a single empowerment system.

The novelty of this study lies in its clear articulation that integration does not inherently produce efficiency; instead, efficiency is contingent on governance-driven coordination, suggesting that the true locus of value in integrated Islamic social finance is institutional design rather than the simple combination of instruments. While earlier literature acknowledges the desirability of integration, none clarify *how* integration becomes effective or *what conditions* enable integrated models to produce sustained MSME outcomes. By positioning governance as the central determinant, this study establishes a new conceptual and empirical insight: integration becomes transformative only when embedded within transparent reporting, accountable oversight, and advanced digital tracking systems. This contribution expands the academic conversation by shifting from “integration as an idea” to “integration as a governed process,” offering a more operational understanding of how Islamic social finance institutions generate impact.

The mechanisms underlying these findings reveal that institutions operate efficiently when financial instruments zakat assistance, waqf asset mobilization, and microfinance schemes—are connected through structured planning pathways and synchronized actions across departments. Clear accountability minimizes role ambiguity and ensures that each unit executes its tasks within defined timeframes. Transparency allows decision-makers to review program progress, identify bottlenecks, and refine implementation strategies. Digital tracking provides real-time data that informs beneficiary assessments, business performance evaluations, and risk mitigation procedures. These mechanisms collectively create institutional agility, enabling rapid adjustment to beneficiary needs, market conditions, or operational challenges. More importantly, they reduce leakages, accelerate disbursement, and improve the quality of non-financial support such as mentoring and business advisory. This synergy demonstrates that governance acts as a catalyzing force that binds financial resources, human competency, and institutional systems into a cohesive framework capable of producing sustained empowerment outcomes.

The practical and policy implications of these findings are substantial. For practitioners, the study suggests that scaling integrated Islamic social finance requires



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strengthening internal governance systems before expanding financial portfolios or launching additional empowerment programs. Institutions should prioritize the development of shared databases, unified reporting structures, and digital beneficiary tracking tools to ensure consistent data quality and seamless coordination across units. Policymakers and regulators can draw from these insights by designing national guidelines that formalize integration pathways, encourage inter-instrument collaboration, and establish governance benchmarks for zakat, waqf, and microfinance institutions. Joint governance standards could reduce fragmentation within the Islamic social finance ecosystem and promote a harmonized approach to MSME empowerment. Furthermore, the findings highlight the importance of capacity-building initiatives for program officers, emphasizing skills in digital administration, performance evaluation, and cross-departmental communication.

The theoretical implications extend the understanding of governance in Islamic social finance by demonstrating that governance not only ensures compliance and transparency but also functions as a strategic enabler of efficiency within integrated models. This study contributes to resource-based theory by illustrating how governance capabilities rather than financial capital alone form a unique institutional resource that enhances competitive advantage and program success. It also enriches efficiency theory by showing that efficiency in social finance contexts depends on organizational behavior and process management rather than solely on mathematical input-output conversions. Thus, governance-driven performance provides a theoretical bridge that connects institutional structures to empowerment outcomes, offering a more holistic understanding of Islamic social finance effectiveness.

These findings hold particular relevance for Indonesian MSMEs, which often grapple with limited capital access, weak business management skills, and unstable income streams. In environments where small enterprises depend heavily on timely and coordinated support, governance becomes essential to ensuring that integrated models deliver consistent and meaningful outcomes. The institutional variability observed across cases underscores the importance of designing integration models that reflect local needs, regulatory landscapes, and organizational capacities. Strong governance is particularly crucial in rural and low-income regions, where institutional inefficiencies can significantly hinder MSME survival and growth.

While the study offers comprehensive insights into governance-driven efficiency, it naturally opens pathways for further inquiry, particularly regarding the quantification of integrated model performance and the potential for hybrid governance frameworks that blend digital systems with community-based mechanisms, which are discussed in the next section.



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## CONCLUSION

This study concludes that the efficiency of Islamic social finance integration models for MSME empowerment is fundamentally determined by the quality of institutional governance and the coherence of operational coordination across zakat, waqf, and Islamic microfinance divisions. Integrated models demonstrate greater developmental impact not because of the mere combination of financial instruments, but because of the structured planning, transparent reporting, and data-driven monitoring that underpin their implementation. Institutions with clear accountability mechanisms, synchronized departmental roles, and digital tracking systems are able to allocate funds more rapidly, identify beneficiary needs more accurately, and sustain long-term business support with minimal operational friction. These governance-driven efficiencies translate directly into stronger MSME performance outcomes, including improved income stability, enhanced business resilience, and expanded productive capacity. The findings highlight that integration functions most effectively when financial, human, and technological resources are orchestrated within a unified institutional strategy. Accordingly, the study reinforces the importance of strengthening governance frameworks as a prerequisite for scaling integrated Islamic social finance programs. By demonstrating the central role of coordination and accountability in achieving efficiency, this research provides actionable insights for policymakers, practitioners, and development institutions seeking to optimize Islamic social finance as a transformative tool for MSME empowerment.

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