
Comparison of the Effectiveness of Productive Waqf Management in Indonesia and Singapore: A Comparative Study

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Abstract

Waqf, as an instrument of Islamic philanthropy, has great potential in developing a sharia-based economy. In the Indonesian context, waqf can be used as a source of Muslim funds that can assist in managing waqf assets. Even though Indonesia has the largest Muslim population in the world, waqf management in Indonesia is still low. Singapore, as a country with a Muslim minority, has demonstrated the ability to utilize waqf funds optimally and productively. This research compares the regulation and management of waqf in Indonesia and Singapore with the aim of improving waqf management in Indonesia. The results of this research show that waqf regulations in Indonesia are contained in Law Number 41 of 2004 and Government Regulation Number 42 of 2006, while in Singapore they are contained in the Administration of Muslim Law Act (AMLA) Number 27 of 1966. In the development of productive waqf in Singapore, the istibdal method is used to increase the value and productivity of waqf assets. The Management of waqf in Singapore entrusted to the Islamic Assembly of Singapore (MUIS) and WAREES Investment Pte Ltd (Waqaf Real Estate Singapore) to manage endowment funds in Singapore. Management in the development of productive waqf in Singapore uses the istibdal method which is applied in various forms. Therefore, the role of regulations in implementing waqf management must have an impact on the development of waqf in a country, so that waqf becomes one of the instruments of Islamic philanthropy that can be used as a source of funds for Muslims who are able to encourage the economic progress of a country and improve the welfare of society.

Keywords: Management; Regulation; Waqf

1. INTRODUCTION

Productive waqf is a scheme for managing waqf donations to generate sustainable surplus. Donations can be in the form of movable (money, precious metals) or immovable (land, buildings) assets. This surplus becomes a permanent source of funds for the needs of the community, such as education and health. Productive waqf emerges as an innovative solution to improve community welfare and advance the community's economy. Historically, waqf funds have played a vital role in supporting education, healthcare, and other societal needs (Mohsin, 2013). Unlike consumptive waqf, which is only distributed directly to beneficiaries, productive waqf is managed by investing in various productive assets.

The investment profits are then used to finance various community welfare programs. Productive waqf can be done in various forms, such as land waqf for agriculture, money waqf for

education scholarships, or stock waqf for business development. With professional and accountable management, productive waqf can provide sustainable benefits for the community. However, the effectiveness of waqf management varies significantly across Muslim-majority countries.

Indonesia, despite its vast potential, lags behind its peers in maximizing the impact of waqf. Unlike Singapore, the majority of Indonesian waqf assets remain concentrated in immovable property such as land and buildings. Additionally, research by Ali (Ali et al., 2018) (Achta Pratama, 2022; Rosalina Rosa et al., 2022) highlights internal challenges within Indonesian waqf management, such as a lack of professional expertise among Nazhirs (waqf administrators). Furthermore, external factors like limited public understanding of waqf and shortcomings in regulations hinder progress (Haura et al., 2016; Rusydiana, A. S., & Devi, 2018).

In stark contrast, despite being a muslim minority country, Singapore presents a model of successful waqf management. Institutions like WAREES (Waqaf Real Estate Singapore) prioritize maximizing community empowerment through efficient waqf asset management (Karim, 2010). Notably, Singapore boasts a significantly higher utilization rate of waqf funds compared to Indonesia.

This research seeks to bridge this gap by comparatively examining the regulations and management practices governing waqf institutions in Indonesia and Singapore. By analyzing the regulatory frameworks and management strategies employed in both countries, we aim to identify best practices and potential improvements for Indonesia's waqf system. The ultimate goal is to leverage the insights gained from this comparative study to inform the development of a more effective and impactful waqf management system in Indonesia.

2. RESEARCH METHODS

This study employs a qualitative descriptive research approach to investigate and analyze the management of waqf in Indonesia and Singapore. Utilizing a statute approach, the primary legal materials examined include Law Number 41 of 2004 and Government Regulation No. 42 of 2006 in Indonesia, as well as the Administration of Muslim Law Act (AMLA) of 1966 in Singapore. These statutes are scrutinized to understand the regulatory frameworks governing waqf in both countries.

Moreover, a thorough review of relevant literature such as books, journals, and e-books is conducted to gain insights into waqf management practices, focusing on the collection, management, and utilization of waqf funds. Data analysis involves qualitative techniques, including comparative analysis, to identify similarities and differences in the effectiveness of waqf management between Indonesia and Singapore.

This analysis encompasses key aspects such as collection methods, management practices, and utilization strategies of waqf funds. Research methods include observation, in-depth interviews, and documentation analysis. Through a combination of these methods, the study aims to provide a comprehensive understanding of waqf management practices in both countries, shedding light on factors contributing to success or challenges faced in the management of waqf assets.

3. RESULTS AND DISCUSSION

Waqf Regulation in Indonesia

Effective management of waqf in a nation is supported by robust regulations or laws. The regulations concerning waqf in Indonesia have evolved in accordance with changing circumstances. The initial legislation governing waqf was Law No. 05 of 1960 concerning

Agrarian Principles, specifically in Article 49. Subsequently, as a means of enforcing this law, Government Regulation No. 28 of 1977 concerning Property Rights Representatives was enacted 17 years later on May 17, 1977. With the passage of time, the complexity of endowments in Indonesia necessitated laws with specific directives and enforcement, leading to the enactment of Law Number 41 of 2004 concerning Waqf. Government Regulation Number 42 of 2006 serves as the implementing regulation for the waqf law ([Regulations, 2004](#)).

In essence, Law No. 41 of 2004 regulates several aspects concerning endowments, including the following: The law introduces a new provision regarding movable waqf objects in Article 16, stating: 1. Waqf property consists of: (a) Immovable objects; and (b) Moving objects. This provision reflects the government's efforts to facilitate the rapid development and accessibility of waqf to all segments of society. One notable asset among movable waqf objects is money waqf, which, if managed professionally and transparently, can have a positive economic impact on Indonesia's development. The implementation of Law No. 41 of 2004 is supported by Government Regulation No. 42 ([Regulations, 2006](#)).

Waqf Regulation in Singapore

AMLA, which stands for Administration of Muslim Law Act, is a regulation that handles cases related to the Muslim community in Singapore. One of them is related to waqf matters. Before the existence of AMLA, regulations related to waqf in Singapore were regulated through the Muhammadan and Hindu Waqf Regulations which were in effect on 8 September 1905. However, starting on 1 July 1968, the authority to manage waqf was transferred to MUIS (Majlis Ugama Islam Singapore) ([AMLA, 1968](#)).

Before waqf came under MUIS, waqf was managed by the private sector and supervised by nazhir. This causes vulnerabilities in the management system and cases of abuse, such as selling waqf land or buildings without permission from MUIS. Until finally in 2000, all 100 waqf assets in Singapore had been registered and were under the supervision of MUIS. According to Article 64 paragraph 1 of the Islamic Law Administration Law (AMLA), every waqf, whether made before or after 1 July 1968, must be registered at the Majlis office. Meanwhile, Article 64 paragraph 2 confirms that waqf registration is carried out by the mutawwali (waqf manager). The procedures and conditions for registering waqf are regulated in Article 64 paragraph 3-8 AMLA.

Based on these provisions, the waqf registration carried out is mutawwali, which means waqf management. The waqf registration process involves steps such as outlining the terms of the waqf, submitting the amount of annual income from waqf management, estimated annual expenses, salary of the mutawwali, and attaching documents as proof of the waqf assets managed. After the mutawwali submits a registration application along with the necessary conditions and documents, the Majlis then carries out an investigation in the field to ensure the match between the documents submitted and the actual waqf assets. In accordance with the provisions regulated by AMLA in article 64 paragraphs 9-10, the recording and documentation of waqf is carried out by the Majlis, and can even be done electronically via computer. This is as contained in AMLA ([AMLA, 1968](#)).

Based on the AMLA ([AMLA, 1968](#)), mutawwali who do not register the waqf or provide false information are prohibited from carrying out inspections of the waqf assets. This action is considered a violation of the law and may be subject to criminal sanctions. Possible sanctions are a maximum fine of \$5,000 or imprisonment with a maximum term of 12 months, or both can be applied simultaneously. This matter is stated in AMLA ([AMLA, 1968](#)).

Productive Waqf Management in Indonesia

Based on BPS census data (BPS, 2010), 87.18% of the Indonesian population adheres to Islam, totaling 237,641,326 people. With such a large Muslim population in Indonesia, the potential for Islamic financial instruments, one of which is waqf, has grown within the community. In Indonesia, waqf management is overseen by Nazhirs, categorized into three groups: individual Nazhirs, organizational Nazhirs, and legal entity Nazhirs (Ali et al., 2018). The management of waqf in Indonesia is entrusted to the Indonesian Waqf Board (BWI), a non-structural government agency directly accountable to the President (Nizar, 2017).

Generally, waqf management in Indonesia primarily involves immovable property, especially land. Statistically, waqf land in Indonesia reached 435,768 plots covering an area of 4,405,128,860.2 m² or 440,512.89 ha in 2015. Indonesia holds the largest amount of waqf (land) assets globally (Nizar, 2017). Most of these waqf assets are allocated for religious purposes (worship) at 73.17%, with 13.83% designated for educational facilities, and the remainder for social purposes and graves.

The area of waqf land in Indonesia, according to Beik (2013), is comparable to twice the size of Singapore's area of 1400 km². The value of waqf assets in Indonesia reaches IDR 590 trillion. However, the majority of these waqf assets remain idle. This asset potential could contribute to the country's development in enhancing community welfare. Philosophically, waqf property should yield beneficial results and not remain dormant (Harahap, 2011). To date, data or information regarding productively developed waqf assets remain limited. Several examples of waqf asset development have been implemented in Indonesia, including those outlined by Hosen and DEKS BI (Hosen, 2016).

On the other hand, the management of movable property waqf in Indonesia, particularly money waqf, involves three stages as per Article 16 paragraph (1) of Law No. 41 of 2004: fundraising involving waqf and waqf fund parties; fund management, determining the investment direction of waqf property under Nazhir management; and distribution of fund management results to mauquf alaih (Nizar, 2017). The potential of money waqf in Indonesia reaches 3 trillion per year, with an estimated 10 million generous Muslims and an average monthly income ranging from Rp 500,000 to Rp 10,000,000 (Ali et al., 2018). According to BWI data, 102 waqf (Nazhir) institutions have registered with BWI, with several renowned for operating cash waqf, including those mentioned by Rozalinda (2015), Hosen (2016), and Muljawan et al. (Hosen, 2016).

Based on the management of movable property waqf, particularly money waqf, it offers numerous benefits. According to Mohamad, money waqf serves as an alternative to achieve modern macroeconomic development, reducing government spending, dependence on deficit debt, budget, and financial development projects (Haron et al., 2016). Thus, waqf management in Indonesia, as per previous literature, presents several avenues for funding social objectives through waqf, including businesses for financing education programs, health, microfinance, and cash waqf (Salarzehi et al., 2010; Thaker et al., 2016; Wulandari et al., 2016).

Productive Waqf Management in Singapore

Waqf management in Singapore is carried out by the Islamic Council of Singapore (MUIS), a legal entity that is part of the Singapore government. MUIS formed a subsidiary or Waqf Institution such as WAREES Investment Pte Ltd (Waqaf Real Estate Singapore) to manage waqf assets in Singapore.

There is a display of roles between MUIS and WAREES. MUIS is responsible for managing waqf assets and maximizing its potential, while WAREES plays a more involved role in the commercial aspect. This separation aims to increase management effectiveness and efficiency and reduce waqf investment risks (Fahrurroji, 2015).

The development of productive waqf in Singapore uses the istibdal method, where waqf land that is less useful can be sold and the proceeds used to buy new, more suitable land. Istibdal has been practiced in several countries, including Singapore, with approval from the Singapore Fatwa Committee in certain situations.

The Singapore Fatwa Committee allows istibdal on the following conditions (Fahrurroji, 2015):

1. If the waqf assets are damaged;
2. If the waqf assets are at risk of being acquired;
3. If the location of the waqf assets is not suitable for certain reasons; And
4. By rebuilding so that waqf assets can produce better profits.

MUIS also applies the istibdal concept innovatively in developing waqf land. For example, MUIS exchanged 20 waqf lands that had low value to become more valuable. The waqf istibdal project run by WAREES involved the issuance of S\$25 million worth of musyarakah sukuk to purchase a building on Jalan 11 Pantai. This purchase aims to replace 20 waqf lands located in areas with low potential and outside the main development zone. This sukuk transaction is the first in Singapore to acquire a 6- storey building at a price of S\$31.5 million or around S\$919 per square meter. Through this istibdal approach, waqf assets in Singapore have been successfully converted into productive assets (Fahrurroji, 2015).

Singapore can be an example for Indonesia in managing waqf. The waqf institution in Singapore implements an automatic salary deduction scheme for its Muslim employees (Mandatory Cash Waqf Scheme), which can be a model for other countries in utilizing waqf for the welfare of the people (Hasim et al., 2016).

Comparison of the Effectiveness of Productive Waqf Management in Indonesia and Singapore

Effective means successful or something done successfully. The popular scientific dictionary defines effectiveness as the determination of use, useful results or supporting goals. An activity is said to be effective if it achieves the goals or objectives as determined. If the efforts or results of the work and actions taken are not appropriate so that the goals or expected targets are not achieved, then it is said to be ineffective (SAPRICO, 2022).

Productive waqf management, whether in the form of cash waqf, share waqf or other forms, can be said to be effective when it has achieved its goal, namely the welfare of the people. The emergence of productive waqf, therefore, becomes the main choice, when the people are amid acute poverty. Productive waqf means that existing waqf has top priority aimed at more productive efforts. Of course, with different paradigm measures from consumer waqf, it gives new hope to most of the Muslim community (Zainal, 2016).

Productive waqf has two visions at once; destroying unequal social structures and providing fertile ground for the prosperity of Muslims. This vision is directly achieved when totality is devoted to productive forms of waqf which are then followed up with tactical steps that lead to this achievement. Tactical steps, as a derivation from the philosophy of enshrining productive waqf which is more in the form of techniques for implementing productive waqf (Zainal, 2016).

The success of waqf management can be marked by the even distribution of income. The more equal the distribution of income, the less economic inequality will be. In measuring the level of inequality in Indonesia, BPS uses expenditure data as a proxy for income sourced from Susenas. The Gini ratio is one measure of expenditure inequality used. The Gini ratio value ranges between 0 (zero) and 1 (one). A Gini ratio value that is getting closer to 1 indicates a higher level of inequality (Rustariyuni, 2014).

The Central Statistics Agency (BPS, 2023) of Indonesia noted that Indonesia's Gini ratio in March 2023 was 0.388. Meanwhile, the Gini ratio in Singapore in the same year was recorded at 0.433. Based on existing benchmarks, Indonesia is at a low level of inequality while Singapore is entering a moderate level of inequality. This is a question because waqf management in Singapore can be said to be quite successful as proven by the benefits of waqf assets reaching overseas.

Effective and professional management of productive waqf has great potential to reduce the level of inequality and poverty in a country. However, economic inequality can occur due to many factors so to achieve this goal, there needs to be synergy from all parties involved, namely the government as regulator, waqf management institutions, and the community as wakif. With strong collaboration and commitment, waqf can become a powerful instrument for realizing more equitable social and economic justice.

4. CONCLUSIONS

This study compared the effectiveness of productive waqf management in Indonesia and Singapore, revealing strengths and weaknesses in each country's approach. Indonesia, despite its abundant waqf land, struggles with underutilization and limited data on the effectiveness of productive waqf initiatives. In contrast, Singapore demonstrates success through active management strategies like the istibdal method and innovative schemes such as the Mandatory Cash Waqf Scheme.

While Indonesia's Gini ratio suggests lower economic inequality compared to Singapore, the actual impact of waqf management remains unclear due to data limitations. Singapore's proactive approach offers a model for Indonesia to consider. This research contributes to understanding productive waqf management's potential in reducing economic inequality, highlighting the need for further investigation, particularly into the impact of such initiatives in Indonesia. Future research could focus on assessing the specific effects of productive waqf projects on income distribution and poverty reduction, as well as comparing different waqf management models across various countries.

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