

AN ORGANISATIONAL LEGITIMACY STUDY ON
GOVERNANCE OF *WAQF* AUTHORITIES IN
INDONESIA AND SINGAPORE

BY

LISA LISTIANA

A thesis submitted in fulfilment of the requirement for the
degree of Doctor of Philosophy in
Islamic Banking and Finance

IIUM Institute of Islamic Banking and Finance
International Islamic University Malaysia

SEPTEMBER 2021

ABSTRACT

Throughout history, *waqf* significance is closely related to the roles of its leading stakeholders. While the potential of *waqf* remains, this thesis focuses on the *waqf* authorities due to their ability to lead and direct the role of *waqf* and influence other key stakeholders, such as *wāqif*, *mawqūf ‘alayh*, and *mutawallī* amongst others. In countries with a hybrid/mixed *waqf* system, including Indonesia and Singapore, *waqf* authorities are typically represented by government-affiliated institutions established to execute both governance and operational roles. While governance represents important area for *waqf* revival, most of the existing studies focus on the internal governance of the *waqf* institutions. There is lack of available research which focus on the *waqf* authorities’ governance. This study aims to examine and assess variation of the *waqf* authorities’ governance roles in the *waqf* sector. By embracing the organisational legitimacy perspective, this study conducts exploratory qualitative research on *waqf* authorities’ governance. Multiple case studies in Indonesia and Singapore employed 30 in-depth interviews, 3 focus group discussions, observations, and document/content analysis are undertaken as part of the research design. Verbatim transcription of the collected data is then analysed thematically with the hybrid coding process. Pertinent themes elicited are requirement to put interest on *waqf* and issues on *waqf* authorities’ performance, structure, procedure, and human resources. In the *waqf* sector, the current study finds that the best interest for the *waqf* properties and *mawqūf ‘alayh* underpins the “appropriateness” of governance mechanism by the *waqf* authorities. As such, *waqf* authorities need to demonstrate that their existence, performance, structure, procedure, and human resources bring the best interest for the *waqf*. This study provides empirical evidence on the relevancy of measurable performance indicators for the *waqf* authorities, including the impact for the *waqf* and *mawqūf ‘alayh*. While the formulated policy should provide clarity and effectively address the grass-root issue by meaningfully accommodating relevant stakeholders and public, the decision shall be made through adequate due process with the least costly bureaucracy. Moreover, substantial oversight shall consider the tradeoff between procedural efficacy and cost to *waqf*. Since the stature of human resources within *waqf* authorities are related to their quality of work, there should be transparency, independent recruitment, and proper staffing management to accommodate “right people in the right place”. Though the pragmatic expectations can be found in several matters on *waqf*, this study finds that Moral legitimacy is more pertinent to *waqf* authorities. *Waqf* authorities’ governance gap leads to a gap on governance by the *waqf* authorities towards the *waqf* sector. This study suggests that *waqf* authorities need to fulfil the expectations of their immediate stakeholders to improve their governance and organisational legitimacy.

Keywords: Governance, Organisational Legitimacy, *Waqf* Authorities, *Waqf*

خلاصة البحث

ترتبط أهمية الوقف ارتباطاً وثيقاً على مر التاريخ بأدوار أصحاب المصلحة الرئيسيين. ورغم أن إمكانات الأوقاف لا تزال قائمة، فإن هذه الأطروحة تركز على سلطات الأوقاف نظراً لقدرتها على قيادة وتوجيه دور الوقف والتأثير على أصحاب المصلحة الرئيسيين الآخرين، مثل الأوقاف، والموقوف عليه، والمتولين وغيرهم. في البلدان التي لديها نظام وقف هجين/ مختلط بما في ذلك إندونيسيا وسنغافورة، عادة ما تكون سلطات الأوقاف ممثلة بمؤسسات تابعة للحكومة أنشئت لتنفيذ الأدوار الإدارية والتشغيلية. وفي حين أن الحكم يمثل مجالا هاما لإعادة إحياء الأوقاف، فإن معظم الدراسات القائمة تركز على الإدارة الداخلية لمؤسسات الأوقاف. وهناك نقص في البحوث المتاحة التي تركز على إدارة سلطات الأوقاف. وتهدف هذه الدراسة إلى دراسة وتقييم تباين الأدوار الحاكمة لسلطات الأوقاف في قطاع الأوقاف. من خلال تبني منظور الشرعية التنظيمية، تجري هذه الدراسة بحثاً نوعياً استكشافياً حول حوكمة الجهة المسؤولة عن الوقف. استخدمت دراسات حالة متعددة في إندونيسيا وسنغافورة حيث تم اعداد 30 مقابلة متعمقة و 3 مناقشات مركزة في جماعات وملاحظات وتحليل للوثائق/المحتوى يتم إجراؤها كجزء من تصميم البحث. بعد ذلك يتم تحليل النسخ الحرفي للبيانات التي تم جمعها بشكل موضوعي باستخدام عملية الترميز الهجين. وتتلخص المواضيع ذات الصلة في المتطلبات المتعلقة بالأوقاف والقضايا المتعلقة بأداء سلطات الأوقاف وهيكلها وإجراءاتها ومواردها البشرية. وجدت الدراسة الحالية في قطاع الوقف أن أفضل منفعة لأمالك الوقف والموقوف عليه تقوم على "ملاءمة" آلية الحوكمة من قبل سلطات الوقف. وعليه، يتعين على سلطات الأوقاف أن تثبت أن وجودها وأدائها وهيكلها وإجراءاتها ومواردها البشرية تحقق المصلحة الأحسن للأوقاف. تقدم هذه الدراسة دليلاً تجريبياً على مدى ملاءمة مؤشرات الأداء القابلة للقياس بالنسبة لسلطات الأوقاف بما في ذلك تأثير الوقف والموقف عليه. وفي حين أن السياسة الموضوعية ينبغي أن توفر الوضوح وأن تعالج مسألة القاعدة الشعبية معالجة فعالة عن طريق استيعاب أصحاب المصلحة والجمهور ذوي الصلة بصورة مجدية، فإن القرار يتخذ من خلال مراعاة الأصول القانونية الملائمة ومع البيروقراطية الأقل تكلفة. وعلاوة على ذلك، يتعين أن تنظر الرقابة الكبيرة في المقايضة بين الفعالية الإجرائية والتكلفة التي تتحملها الأوقاف. وبما أن مكانة الموارد البشرية داخل سلطات الأوقاف تتصل بنوعية عملها، ينبغي أن تكون هناك شفافية، وتعيين مستقل، وإدارة سليمة لملاك الموظفين لاستيعاب "الأشخاص المناسبين في المكان المناسب". و على الرغم من أن التوقعات العملية يمكن العثور عليها في العديد من الأمور المتعلقة بالوقف، إلا أن هذه الدراسة وجدت أن الشرعية الأخلاقية أكثر صلة بسلطات الوقف. وتؤدي الفجوة في حوكمة سلطات الأوقاف إلى ثغرة في الحوكمة من طرف سلطات الوقف تجاه قطاع الأوقاف. تشير هذه الدراسة إلى أن الجهات المسؤولة عن الوقف بحاجة إلى تلبية توقعات أصحاب المصلحة المباشرين لتحسين حوكمتها وشرعيتها التنظيمية.

الكلمات المفتاحية: الحوكمة، الشرعية التنظيمية، سلطات الأوقاف، الوقف.

APPROVAL PAGE

The thesis of Lisa Listiana has been approved by the following:



Syed Musa Bin Syed Jaafar Alhabshi
Supervisor

Ahmad Zamri Bin Osman
Co-Supervisor

Dian Masyita
Co-Supervisor

Engku Rabiah Adawiah Bt Engku Ali
Internal Examiner

Raditya Sukmana
External Examiner

Hidayatul Ihsan
External Examiner

Radwan Jamal Elatrash
Chairman

DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Lisa Listiana

Signature

Date

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

**DECLARATION OF COPYRIGHT AND AFFIRMATION
OF FAIR USE OF UNPUBLISHED RESEARCH**

**AN ORGANISATIONAL LEGITIMACY STUDY ON
GOVERNANCE OF *WAQF* AUTHORITIES IN
INDONESIA AND SINGAPORE**

I declare that the copyright holders of this thesis are jointly owned by the student and
IIUM.

Copyright © 2021 by Lisa Listiana and International Islamic University Malaysia.
All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system,
or transmitted, in any form or by any means, electronic, mechanical, photocopying,
recording or otherwise without prior written permission of the copyright holder except
as provided below

1. Any material contained in or derived from this unpublished research may only
be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print
orelectronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieval system and
supply copies of this unpublished research if requested by other universities
and research libraries.

By signing this form, I acknowledged that I have read and understand the IIUM
Intellectual Property Right and Commercialisation Policy.

Affirmed by Lisa Listiana

.....
Signature Date

.....
Date

ACKNOWLEDGEMENT

"...whoever makes the hereafter her goal, Allah makes her heart rich and organizes her affairs..." (HR Ibnu Majah 4105). Indeed, all perfect praise belongs to Allah *subhānallāhu wa ta'āla*. I am thankful for His blessings, mercies, and all opportunities. Peace be upon His final Prophet and Messenger, Muhammad, the greatest role model.

Alḥamdulillāh. I would like to express my utmost gratitude to those who have supported and assisted me, directly or indirectly, in completing this PhD thesis. My sincere appreciation to my supervisors: my main supervisor, Assoc. Prof. Dr. Syed Musa Alhabshi for the guidance and wisdom since the day one of my PhD journey. He always provides kind support and advice while granting me autonomy to explore my interest on *waqf*; my co-supervisor I Asst. Prof. Dr. Ahmad Zamri Osman for the helpful and insightful comments and directions which enable me finishing this qualitative study; my co-supervisor II, Prof. Dr. Dian Masyita, for the meaningful sharing and helpful link to reach key informants. *Jazākumullāhu khayr* for the help and guidance.

I also would like to thank the internal examiner: Prof. Dr. Engku Rabiah Adawiah Bt Engku Ali, external examiners: Prof. Dr. Raditya Sukmana and Assoc. Prof. Dr. Hidayatul Ihsan, and chairperson: Assoc. Prof. Dr. Radwan Jamal Elatrash for the helpful and valuable feedback. *Jazākumullāhu khayr*.

I would like to express my sincere and deepest love to my husband, Agastya Widhi Harjunadhi for his endless support and understanding during this very meaningful journey, as well as to our beloved sons, Muhammad Alfatih Harjunadhi and Ammar Alghazali Harjunadhi who bring colorful day and night. *Jazākumullāhu khayr*. May Allah bless our family with useful knowledge and allows us to bring the best benefit for our *dīn* and mankind.

My gratitude goes to all participants from Indonesia and Singapore and also Indonesia Endowment Fund for Education (Lembaga Pengelola Dana Pendidikan-LPDP) for the full scholarship to pursue this PhD program, and to Ustadz Muhaimin Iqbal who introduced me to the *waqf* world. From his insightful advice, now *waqf* has very special place in my heart. I also very thankful to Prof. Dr. Asad Zaman for the insightful lectures. Thank you for allowing me to involve in the Ghazali Project. Also thank you Ustadz Nur Fajri Romadhon for the kind assistance in handling Arabic transliteration. *Jazākumullāhu khayr*.

I am greatly thankful to my beloved parents, Bunda Bapak, my mother and father-in-law, Bue Bapak, my little sister, my brother, my sisters in law and their families for consistent supports and doa. For dear team and friends in *Waqf* Center for Indonesian Development and Studies (WaCIDS), The Real Ummi (ThRU), Visi Financial, Visi Peradaban Foundation, The Ghazali Project, Green *Waqf* Project, BDS Indonesia, PCIM-PCIA Malaysia, MES Malaysia, Harmonis neighbour, *Jazākumullāhu khayr*. I ask Allah *subhānallāhu wa ta'āla* to add this work to the scale of our good deed. *Āmīn*

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iii
Declaration	v
Copyright Page.....	vi
Acknowledgements.....	vii
List of Tables	xii
List of Figures	xiii
List of Abbreviations	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Overview	1
1.2 Background of the Study	1
1.3 Problem Statement.....	4
1.4 Research Objectives.....	6
1.5 Research Questions.....	7
1.6 Scope of the Study	8
1.7 Significance of the Study.....	9
1.8 Outline of the Thesis Contents	10
CHAPTER TWO: UNDERSTANDING WAQF AND ITS DEVELOPMENT	12
2.1 Introduction.....	12
2.2 Understanding the Concept of <i>Waqf</i>	12
2.2.1 Definitions of <i>Waqf</i>	12
2.2.2 Types of <i>Waqf</i> and Its Features	16
2.3 <i>Waqf</i> Practices Across History	20
2.3.1 Shift in <i>Waqf</i> Practices	20
2.3.2 Significant Historical Events on <i>Waqf</i>	21
2.3.3 The <i>Waqf</i> System	22
2.4 Existing <i>Waqf</i> Literature: A Systematic Literature Review (SLR)	26
2.4.1 The <i>Waqf</i> Sector in Indonesia	28
2.4.2 The <i>Waqf</i> Sector in Singapore	29
2.5 Summary.....	30
CHAPTER THREE: GOVERNANCE, ORGANISATIONAL LEGITIMACY, AND WAQF AUTHORITIES	32
3.1 Introduction.....	32
3.2 Concept and Importance of Governance for <i>Waqf</i>	32
3.2.1 General Concept and Islamic Perspective of Governance	32
3.2.2 Understanding Governance of <i>Waqf</i> and Its Importance	35
3.3 Theoretical Framework of Organisational Legitimacy.....	43
3.3.1 Underpinning Concept of Organisational Legitimacy	43
3.3.2 Typology of Organisational Legitimacy	47

3.4	<i>Waqf</i> Authorities' Governance and Organisational Legitimacy.....	54
3.5	Summary.....	59
CHAPTER FOUR: RESEARCH METHODOLOGY		60
4.1	Introduction.....	60
4.2	Research Paradigm	60
4.3	Research Design	61
4.4	Data Collection	64
4.4.1	In-Depth Interview	66
4.4.2	Focus Group Discussion (FGD).....	69
4.4.3	Observation	70
4.4.4	Documents/Sources Collection	71
4.5	Data Analysis.....	73
4.6	Summary.....	79
CHAPTER FIVE: GOVERNANCE OF INDONESIAN WAQF AUTHORITIES		81
5.1	Introduction.....	81
5.2	Contextual Setting	81
5.3	Regulatory Environment.....	83
5.3.1	State Constitution 1945	83
5.3.2	Regulations before Independence	84
5.3.3	Regulations after Independence	85
5.3.3.1	Basic Regulations on Agrarian Principles Number 5/1960	85
5.3.3.2	Government Regulation Number 28/1977	86
5.3.3.3	Mendagri Regulation Number 6/1977 and Kemenag Regulation Number 1/1978.....	86
5.3.3.4	Islamic Law Compilation	87
5.3.3.5	Fatwa on Cash <i>Waqf</i>	88
5.3.3.6	<i>Waqf</i> Act Number 41/2004 and Its Subsidiary Regulations	88
5.4	Institutional Setting.....	90
5.4.1	Ministry of Religious Affairs (<i>Kemenag</i>)	92
5.4.1.1	Structure and Composition	92
5.4.1.2	Procedure	95
5.4.2	Indonesian <i>Waqf</i> Board (<i>Badan Wakaf Indonesia-BWI</i>)	98
5.4.2.1	Structure and Composition	98
5.4.2.2	Procedure	101
5.5	Perceptions Towards <i>Waqf</i> Authorities	104
5.5.1	Need for Facilitative Role of the <i>Waqf</i> Authorities	104
5.5.2	Demonstrating Priority Towards <i>Waqf</i> Properties and <i>Mawqūf</i> <i>'alayh</i>	105
5.5.3	Gap on <i>Waqf</i> Authorities' Performance Indicators.....	107
5.5.4	Structure: Confusion in the Boundary of Responsibility.....	110
5.5.4.1	Institutional Challenges in BWI	114
5.5.5	Procedural Challenges.....	117
5.5.5.1	Challenges in Policy Formulation and Its Consequences.....	117

5.5.5.2 Lack of Transparency and Redundant Decision-Making Process	121
5.5.5.3 Insufficient Oversight Procedure.....	123
5.5.6 Human Resources: in Search of Right People in the Right Place.....	126
5.6 Summary.....	130

CHAPTER SIX: GOVERNANCE OF THE SINGAPOREAN WAQF

AUTHORITY	134
6.1 Introduction.....	134
6.2 Contextual Setting	134
6.3 Regulatory Environment.....	137
6.3.1 Administration of Muslim Law Act (AMLA)	137
6.3.2 Subsidiary Regulations of AMLA	141
6.4 Institutional Setting.....	141
6.4.1 Structure and Composition.....	142
6.4.2 Procedure.....	146
6.5 Perceptions Towards <i>Waqf</i> Authority.....	147
6.5.1 Need for Less Dominant <i>Waqf</i> Authority	148
6.5.2 Competing Claim on Priority for <i>Waqf</i> Properties and <i>Mawqūf</i> ‘ <i>alayh</i>	149
6.5.3 Absence on Performance Indicator and Its Consequence	152
6.5.4 Structure: Multiplicity of Roles	157
6.5.5 Procedural Challenges.....	158
6.5.5.1 Consultative Policy Formulation as Formality	158
6.5.5.2 Bureaucratic Decision-making Process	161
6.5.5.3 Costly Oversight Procedure	162
6.5.6 Human Resources: Government-Centric Cause Trust Crisis.....	165
6.6 Summary.....	167

CHAPTER SEVEN: ANALYSIS ON ORGANISATIONAL LEGITIMACY OF THE WAQF AUTHORITIES’ GOVERNANCE..... 170

7.1 Introduction.....	170
7.2 Regulatory Legitimacy As the Anchor	170
7.3 Relevance of Pragmatic Legitimacy	175
7.4 Striving to Attain Moral Legitimacy	181
7.4.1 Consequential Legitimacy.....	181
7.4.2 Structural Legitimacy	186
7.4.3 Procedural Legitimacy	189
7.4.4 Personal Legitimacy	196
7.5 Evaluation Summary	200
7.5.1 Expectations Towards <i>Waqf</i> Authorities.....	204
7.6 Summary.....	212

CHAPTER EIGHT: CONCLUSION AND RECOMMENDATION 214

8.1 Research Summary	214
8.1.1 Governance of the <i>Waqf</i> Authorities.....	214
8.1.2 Perceptions towards <i>Waqf</i> Authorities	216

8.1.3 Governance and Organisational Legitimacy of the <i>Waqf</i> Authorities	217
8.2 Theoretical Contribution.....	221
8.3 Practical Contributions	225
8.3.1 Indonesia	226
8.3.2 Singapore	229
8.4 Limitations of the Study	231
8.5 Suggestions for Future Research	232
REFERENCES.....	234
APPENDIX 1: LIST OF RELEVANT REGULATIONS ON <i>WAQF</i>	251
APPENDIX 2: LIST OF DOCUMENTS REVIEWED.....	254
APPENDIX 3: SAMPLE OF INTERVIEW PROTOCOL.....	255

LIST OF TABLES

Table 2.1	Summary of Jurists View on Common <i>Waqf</i> Matters (Source: Author)	18
Table 2.2	Type of Waqf Governance Adapted from Ascarya et al.(2017)	25
Table 3.1	Summary of Waqf Core Principles (WCP) Adopted from International Working Group (2018)	42
Table 3.2	Summary of Relevant Organisational Legitimacy Typology	53
Table 4.1	Relevant Situation for Different Research Methods, Adopted from Yin (2014)	62
Table 4.2	Lists of Informants of One-on-One In-Depth Interviews (Source: Author)	68
Table 4.3	Lists of FGD Sessions (Source: Author)	70
Table 4.4	Summary of Coding Process (Source: Author)	76
Table 4.5	List of Themes and Codes (Source: Author)	77
Table 6.1	Summary of Property Management and Related Professional Fee (Source MUIS Annual Report)	155
Table 7.1	Summary of Governance Mechanism in Indonesia and Singapore	200
Table 7.2	Evaluation Summary of Organisational Legitimacy	204
Table 7.3	Summary of Costs and Benefits with the Existence of The <i>Waqf</i> Authorities (Source: Author)	209

LIST OF FIGURES

Figure 1.1	Chapters of the Thesis	11
Figure 3.1	Overview of Organisational Legitimacy, adapted from Deephouse et al. (2017)	46
Figure 3.2	Theoretical Framework for Organisational Legitimacy of the <i>Waqf</i> Authorities' Governance	58
Figure 4.1	Links of Aim, ROs, RQs, and Data Sources	73
Figure 4.2	Visual Thematic and Codes Network	79
Figure 5.1	Main Regulation on Waqf Before and After Independence	84
Figure 5.2	Current Regulatory Framework Related to The Waqf Sector in Indonesia	90
Figure 5.3	Structure of Waqf Ecosystem in Indonesia	91
Figure 5.4	Organisational Structure of Kemenag Related to Waqf Matters	94
Figure 5.5	Organisational Structure of BWI	100
Figure 6.1	Current Regulatory Framework Related to the <i>Waqf</i> Sector in Singapore	140
Figure 6.2	Organisational Structure of MUIS Related to Waqf Matters	143
Figure 6.3	Provision for Distribution to <i>Mawqūf 'alayh</i> Analysed from MUIS Annual Report 2011-2018	156
Figure 6.4	Distribution to <i>Mawqūf 'alayh</i> Analysed from MUIS Annual Report 2011-2018	156
Figure 7.1	Evaluation of the <i>Waqf</i> Authorities' Organisational Legitimacy	203
Figure 8.1	Updated Theoretical Framework for Organisational Legitimacy of the <i>Waqf</i> Authorities' Governance	224
Figure 8.2	Lesson Learned for Indonesia, Especially Regarding to Policy Formulation	229
Figure 8.3	Lesson learned for Singapore, Especially Regarding to The Training for Private <i>Mutawallī</i>	230

LIST OF ABBREVIATIONS

AIW	<i>Akta Ikrar Wakaf</i> (waqf deed)
AMLA	Administration of Muslim Law Act
Bappenas	<i>Badan Perencanaan Pembangunan Nasional</i> (Ministry of National Development Planning/National Development Planning Agency)
Baznas	<i>Badan Amil Zakāt Nasional</i> (National Zakāt Agency)
BMT	<i>Bayt al-Māl wa al-Tamwīl</i> (Islamic Saving and Loan Cooperatives/Islamic microfinance financial institutions-IMFIs)
BoD	Board of Director
BPS	<i>Badan Pusat Statistik</i> (The Central Bureau of Statistics Indonesia)
BWI	<i>Badan Wakaf Indonesia</i> (Indonesian Waqf Board)
CWLS	Cash Waqf Linked Sukuk
DPOC	Due Process Oversight Committee
DSN MUI	<i>Dewan Syariah Nasional Majelis Ulama Indonesia</i> (<i>Sharī'ah</i> National Board-Indonesian Ulama Council)
HQ	Headquarter office
KAPF	Kuwait Awqaf Public Foundation
Kemenag	<i>Kementrian Agama</i> (Ministry of Religious Affairs)
Mendagri	<i>Kementrian Dalam Negeri</i> (Ministry of Domestic Affairs)
KPI	Key Performance Indicator
KUA	<i>Kantor Urusan Agama</i> (office of religious affairs)
LKS PWU	<i>Lembaga Keuangan Syariah Penerima Wakaf Uang</i> (cash waqf receiver)
MBF	Mosque Building Fund
MBMF	Mosque Building and Mendaki Fund
MCCY	Ministry of Culture, Community and Youth
MUIS	Majelis Ugama Islam Singapura
OJK	<i>Otoritas Jasa Keuangan</i> (Financial Services Authority)
PPAIW	<i>Pejabat Pembuat Akta Ikrar Wakaf</i> (officer to create waqf deed)
QDAS	Qualitative Data Analysis Software
SGHC	Singapore High Court
Siwak	<i>Sistem Informasi Wakaf</i> (Waqf Information System)
SLR	Systematic Literature Review
SOP	Standard Operating Procedure
UUPA	<i>Undang-Undang Pokok Agraria</i> (Basic Regulations on Agrarian Principles)
WCP	<i>Waqf Core Principles</i>

CHAPTER ONE

INTRODUCTION

1.1 OVERVIEW

This chapter consists of seven main parts. The first part represents the background of the study that explains the rationale and motivation in conducting the current study. Prior to defining the research objectives, the problem statement is explicated. Following this, the research questions are articulated, and the scope and significance of the study are elaborated. The chapter concludes by outlining the structure of the thesis.

1.2 BACKGROUND OF THE STUDY

Being a recommended practice in Islam, *waqf* (endowment) has characteristics that differentiate it with other activities and institutions, namely sustainability of the assets, perpetuity of the usufruct to the *mawqūf ‘alayh* (beneficiary), and consistency with the *sharī‘ah* (AAOIFI, 2015; Abbasi, 2012). *Waqf* is relatively flexible in terms of governance and management, provided the objectives can be fulfilled and the characteristics are maintained (A. Hasan, 2018; Kahf, 1999).

As for the significance of *waqf*, Singer (2008) asserted that *waqf* is “the most visible evidence of charity” for historians. Considering its ability to provide public facilities and socio-economic contribution, Çizakça (2000) and Kahf (2003) asserted that *waqf* has economic dimensions with the potential to address current global issues like poverty and inequality. IRTI (2015) also mentioned that “*waqf* is a mechanism for the institutionalisation of charity”. Recently, studies have highlighted the socio-economic potential of *waqf* and proposed various innovations and *waqf* models

(Ascarya, Husman, & Tanjung, 2018; Sukmana, 2020). These include ideas for productive *waqf*, integrated *waqf*, corporate *waqf*, Islamic real estate investment trust (I-REITs) and *waqf* bank (Ahmed, 2004; A. Hasan & Sulaiman, 2016; Kahf, 2011; Possumah & Baharuddin, 2018; Shirazi, 2014). In several literature, *waqf* is considered as part of Islamic social finance (Billah, 2020; IRTI, 2015, 2016; Mohsin & Muneeza, 2020; WorldBankGroup, INCEIF, & ISRA, 2019). In other references, *waqf* is included in Islamic wealth management discourse (Abdul-Karim, 2018; Çizakça, 2015; Razak, 2020). As the potential remains, the roles of *waqf* need to be extended to benefit the ummah in comprehensive manner. Hence, the factors that signify the potential contribution of the *waqf* sector needs to be explored. The significant gap between the potential and actual contribution of *waqf* sector necessitates research that may address the practical issues on the ground.

In the past, *waqf* was typically created by a single *wāqif* (*waqf* founder/settler). There were cases where the *wāqif* manage their *waqf* or appoint the *nāzir* (*waqf* manager). This mechanism enables the control of the *waqf* assets by the donors or their descendants as they can oversee the work of the appointed *nāzir* (Çizakça, 2013; Kahf, 2015). During this old period, the majority of *waqf* assets were in the form of immovable properties such as land and buildings, and the *nāzir* would only be appointed after the origination of *waqf*.

Currently, *waqf* assets mostly obtained through collective contributions by many *wāqif* or “retail donors” (Ahmed, 2018; Çizakça, 2016b; Mohsin, 2009). *Waqf* collections in the form of cash are then designated as *waqf* corpus. Presently, many *waqf* institutions have been created without specific major *wāqif*. As such, a notable change has taken place in the way *waqf* is instituted. This shift in *waqf* practice may require

different approaches to its governance to ensure its appropriateness and relevance with the current context (Haneef, 2018).

Çizakça (2000) asserted that the primary challenge faced by *waqf* throughout history is the agency problem. In many cases, the *nāzir* who were expected to be prudent and efficient, acted by corrupting and taking a self-interest in the *waqf* (Çizakça, 2000). In other situations, the state-based authority took interest in the *waqf* and benefitted from it at the cost of its socio-economic role. There are many cases where the authority promulgated and imposed policies that disadvantaged *waqf* (Çizakça, 2000). These developments indicate the lack of proper and effective governance mechanisms of the *waqf* system, which has undermined its significance.

Cajee (2011), Ihsan (2018), and Haneef (2018), among others, acknowledged that governance represents a critical success factor for *waqf*'s revival. Wood (1996) elaborated that governance covers the decisions and actions related to strategy, including the formulation of visions, policies, control mechanisms, the decision making process, and procedures. In short, governance covers policy formulation, decision making (strategic), and oversight activities (Pointer & Orlikoff, 2002). At the macro level, these roles are played by *waqf* authorities.

There are four key players in the *waqf* sector consisting of the authorities, operators/private *nāzir*¹, *wāqif*, and *mawqūf* 'alayh. From those four, research related to *waqf* authorities should be prioritised due to their ability to lead and direct the *waqf* sector and influence other main stakeholders. Throughout history, the issued policies by *waqf* authorities “very strongly affect” the establishment of *waqf* (Çizakça, 2016b). Bamber and McMeeking (2016, p. 61) noted that “a legitimate decision making

¹ Refers to someone who manages the *waqf* assets. Some literature uses “*nāzir*”, while others use “*mutawallīs*” or “trustee”. In this thesis, these terms are used interchangeably with *waqf* institution.

organisation must exist to facilitate the continuance of the institutional environment as a whole”. Z. Hasan (2011) also elaborated that the national governing body is typically the authority tasked with developing a governance framework to monitor and control the institutions under their supervision. In addition, *waqf* authorities are expected to support and provide assistance in developing the *waqf* sector (Kahf, 1998b, 2015; Rashid, 2018).

1.3 PROBLEM STATEMENT

In some countries, hybrid/mixed *waqf* systems such as in Indonesia and Singapore are adopted. The system allows the parallel existence of private *nāzīr/mutawallī* to manage and *waqf* authorities to govern the *waqf* sector. In some cases, the *waqf* authorities assume multiple roles concurrently as the regulator, supervisor, and operator. Their multiple roles could however threaten their governance roles (Abdul-Karim, 2010b; Bappenas, 2016). Çizakça (2000) noted that governance represents an ongoing issue in the *waqf* sector. Studies have asserted the importance of governance for *waqf* activities revival (Assegaf, 2015; Hassan, Alhabshi, & Yusoff, 2017; Ihsan & Ayedh, 2015). However, most studies address governance for individual *waqf* institutions rather than governance for the *waqf* governing body as espoused by the *waqf* authorities. Included within this scope is the Exposure Draft of *Waqf* Governance by AAOIFI (2019), which focuses on internal governance for *waqf* institutions.

An effort by an International Working Group to address the governance of the sector is the formulation of the *Waqf* Core Principles (2018). This consultative document was developed according to the Basel Core Principles and launched during the IMF World Bank meeting in Bali in October 2018. Within this document, several prerequisite conditions have been acknowledged to enable effective implementation,

including the well-established framework for policy formulation, well developed public infrastructure, and effective *waqf* activities (collection, investment, management, disbursement) and supervision. These preconditions indicate a gap necessitating the implementation of the proposed principles.

Furthermore, despite its central role, limited studies discuss the governance of *waqf* authorities. Governance of *waqf* authorities refers to both internal governance of *waqf* authorities and their governance as the governing body towards *waqf* sector. This calls for research, especially when the debate on “to what extent should the government be involved in the *waqf* sector” remains (Çizakça, 2000; Kahf, 2019; Malik, 2016). With changes in the way people form *waqf*, there is an urgency for the *waqf* authorities to provide a mechanism to protect the *waqf* assets and ensure that the assets are properly administered and managed in an optimal manner. Moreover, from a *fiqh* (Islamic jurisprudence) perspective, the *waqf* authority is not part of the pillars/elements for making *waqf*, which underscores its dynamism (AAOIFI, 2015).

This research aims to bridge both research and practical gaps by addressing the root issue, which is the governance of the *waqf* authorities. It adopts organisational legitimacy to identify a practical and acceptable approach by accommodating the perspective of their stakeholders. In this thesis, organisational legitimacy refers to “the perceived appropriateness of an organisation in a social system” (Deephouse, Bundy, Tost, & Suchman, 2017, p. 9)².

This theory asserted that the level of organisational legitimacy depends on the perceived appropriateness or social acceptance from its immediate stakeholders (Deephouse et al., 2017). Organisational legitimacy has consequences (Deephouse et

² In this thesis, legitimacy refers to organisational legitimacy unless stated otherwise

al., 2017) and is required to obtain the goal of the organisation (Dowling & Pfeffer, 1975; Gabrini, 2013), to obtain and maintain resources (Oliver, 1990; Ruef & Scott, 1998), to survive (Larson, 2002), to grow (Zimmerman, 1998), and to gain support from respective stakeholders (Gabrini, 2013). As such, *waqf* authorities need to preserve and enhance their organisational legitimacy in facilitating their governance mandate.

The comparative study of countries with different jurisdictions and environments pertaining to the *waqf* sector considers that the organisational legitimacy may differ across contexts (Zimmerman, 1998). From this perspective, it is expected that improvement in the governance of *waqf* authorities can be identified and implemented in terms of its legal-technical feasibility and social acceptance. The betterment of *waqf* authorities may enable *waqf* institutions under their supervision to receive better direction and support from strategic decisions and governing policies to operationalise the perceived potential of the *waqf* sector.

1.4 RESEARCH OBJECTIVES

Given the above discussion, this study aims to explore the governance of *waqf* authorities from an organisational legitimacy perspective. To be specific, this research has three research objectives, as follows:

1. To analyse the governance mechanism of *waqf* authority(s)
2. To assess the perceptions and expectations of *waqf* stakeholders towards their *waqf* authority(s)
3. To examine the state of *waqf* authorities' organisational legitimacy

1.5 RESEARCH QUESTIONS

The central research question of this research is “how can the *waqf* authorities appropriately govern the *waqf* sector to realise the huge potential of *waqf*?” Regarding the research objectives, the research questions are detailed below:

1. a. What is the governance mechanism of *waqf* authority(s)?
b. How does the governance of *waqf* authority(s) operate?
2. a. What are the perceptions of stakeholders towards their *waqf* authority(s)?
b. What are the expectations of stakeholders towards their *waqf* authority(s)?
3. a. How is the state of *waqf* authorities’ organisational legitimacy related to governance?
b. Why is the state of *waqf* authorities’ organisational legitimacy operated in such manner?

Regarding the first research question, the scope of governance mechanism discussed in this study covers the regulatory framework, structure, composition, and procedure. For the second research questions, the perceptions and expectations are assessed in terms of significance, performance, structure, procedure, and human resources. Several questions, such as how should *waqf* authorities play their roles, how to assess their performance, how should they be structured, what kind of procedure and people are required to support the development of *waqf* sector, will be explored. Regarding the third research questions, the state is in the range from appropriate (accepted or proper), debatable, and illegitimate, based on the identified perceptions in research question two.

1.6 SCOPE OF THE STUDY

This research undertakes a comparative study between Indonesia and Singapore which implement hybrid/mixed *waqf* system. This *waqf* system shall gain priority for research due to its closer standing to the ideal which represents the most feasible structure in current nation states ecosystem. Indonesia is selected because it represents the country with the largest Muslim population (BBC, 2018) and is considered to “stand far ahead” from other countries in terms of its *waqf* regulatory framework (Obaidullah, 2016). Indonesia also initiated the International Working Group for *Waqf* Core Principles (WCP). While the WCP were launched on last October 2018, further efforts are needed to enable its effective implementation. As the initiator, Indonesia needs to demonstrate its ability to implement the proposed principles. The *waqf* authorities in the country need to demonstrate effective governance and proper legitimacy to do so. In this country, both Directory of *Zakāt* and *Waqf* Empowerment under Ministry of Religious Affairs (*Kementrian Agama-Kemenag*) and Indonesian *Waqf* Board (*Badan Wakaf Indonesia-BWI*) represent the *waqf* authorities in the country (Ascarya, Sukarna, & Sukmana, 2017). On the other hand, Singapore represents a Muslim minority country with an official *waqf* authority (MUIS, 2018b). In Singapore, *Majelis Ugama Islam Singapore* (MUIS) represents the only *waqf* authority in the country. This institution has a Strategic Unit of *Zakāt* and *Wakaf* that deals with the administration and management of *waqf* assets. While legitimacy can be discussed from the perspective of law or political, the current study focuses on the organisational legitimacy perspective.

1.7 SIGNIFICANCE OF THE STUDY

This research aims to contribute to the body of knowledge on *waqf* and address the practical issues related to the governance of the *waqf* sector. Specifically, this research is expected to benefit the:

a. Body of Knowledge

Due to scarcity of empirical academic research related to the *waqf* governance that embraces a macro perspective (governance for the *waqf* sector), this study provides impetus to *waqf* governance literature. Those that exist are more theoretical and normative in nature within a micro lens (governance within the *waqf* institutions). In addition, current study is also expected to offer theoretical contributions on the organisational legitimacy, especially related to the governance of the *waqf* sector. More research on *waqf* is encouraged as an effort to promote people's awareness of *waqf* and to offer possible solutions in bridging the gap between the potential and actual achievement of the *waqf* sector.

b. Policy

Waqf authorities will need to identify their governance issues related to the level of organisational legitimacy. This identification is essential as a prerequisite to developing relevant strategies that may facilitate practical improvements and enhance the organisational legitimacy of the *waqf* authorities (Durocher & Fortin, 2010; Larson, 2002). Especially in Indonesia, there is a plan to amend the *Waqf* Act between 2019-2024. It is expected that this research can be a timely and relevant evidence-based literature to provide policy recommendations towards effective governance roles of the *waqf* authorities.

c. Industry

Waqf stakeholders will be encouraged to review their perceptions and expectations towards *waqf* authorities. The betterment of *waqf* authorities may enable *waqf* institutions to receive better support and supervision. With effective governance by *waqf* authorities, it is expected that *waqf* institutions can further realise the perceived potential of *waqf*. While *Waqf* Core Principles were developed according to the Basel Core Principles and *Waqf* Governance by AAOFI adopted an approach for internal *waqf* institutions, the current study complements it by adopting organisational legitimacy theory to identify a practical and acceptable approach by accommodating the perspectives of their immediate stakeholders.

1.8 OUTLINE OF THE THESIS CONTENTS

This thesis consists of five sections. Chapter one introduces the research by detailing the background of the study, problem statement, research objectives, research questions, scope of the study, significance of the study, and outline of the thesis contents. Chapters two and three cover the conceptual definition and literature review of research related to *waqf* and its development, governance, and organisational legitimacy of *waqf* authorities. The third section is the research methodology which explains the research paradigm, research design, data collection, and data analysis. Chapters five, six, and seven represent the findings and analysis. The last section, chapter eight, concludes the study with summaries and recommendations.