

# Cash Waqf in the Halal Blue Economy Sector: A Comparative Study of Indonesia and Malaysia

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## Abstract

This study aims to investigate the potential and difficulties of using cash waqf-based sukuk in the growth of the halal industry in the maritime sectors of two nearby nations, Malaysia and Indonesia. Green and blue sukuk have been combined in both nations to aid in the government's endeavors to accomplish the Sustainable Development Goals (SDGs). The main topics of this study's comparative analysis of the policies and strategies in both nations are the implementation mechanisms of cash waqf in supporting blue economy projects and the opportunities and problems encountered. Direct stakeholder observations, interviews, and focus groups in Malaysia and Indonesia provided the research data. Although each nation has a unique method of implementation and regulation, the research findings demonstrate parallels in using cash waqf for sustainable economic growth. Although the integration of green sukuk into blue sukuk has not yet been optimally implemented due to political and theological factors, two Muslim nations with the largest populations and the largest maritime territories have also become pioneers in using cash waqf among Muslim nations worldwide.

**Keywords:** Cash Waqf, Halal Industry, Blue Economy

## I. Introduction

In Malaysia and Indonesia, cash waqf has been reimagined as green sukuk and utilized to fund strategic initiatives. Innovative ideas for Islamic finance, such as the Cash Waqf Linked Sukuk (CWLS) scheme, have the potential to revolutionize social welfare and economic growth. One possible method of raising money is the combination of cash waqf and sukuk, in the form of CWLS. This integration has the ability to speed up social welfare and economic regeneration by tying philanthropic donations to profitable commercial activity. By investing in halal ventures and infrastructure projects that support the halal industry, CWLS may further increase its impact and foster social and economic advancement.

In the current era of digitalization, it is fundamentally easier to realize the potential for cash waqf collection and management, i.e., using money or securities (*waqf al-nuqud*) to become a productive waqf instrument. Alongside the rise of numerous digital-based waqf strengthening projects created to encourage waqf donations, its prospects are also steadily improving. Digital wallets, e-commerce platforms, fintech, and crowdfunding platforms are just a few of the active and accessible channels in Indonesia that educate the public about online donations. Through a variety of electronic financial facilities, including ATMs, internet banking, SMS banking, mobile banking, and QRIS Code, donors can also conveniently make donations online. Product advancements, including Sharia banking products, Sharia capital markets, and Sharia insurance that are more integrated with the commercial financial sector, also support online donations.

Digital apps for donations are also growing quickly in the global community. Applications like One Today by Google, Give Tide, Budge, Careem, Noor, Blockchain Charity Foundation, Alexa, Propel, M-PESA, REFUNITE, and others allow people all over the world to make donations. The United Nations High Commissioner for Refugees (UNHCR) has successfully raised billions of US dollars from people worldwide through these digital donation platforms. It's interesting to note that *zakat* (obligation charity), *infaq* (donation), alms, and cash waqf from Muslims worldwide contributed to the 2019 UNHCR funding distributed through digital channels.<sup>1</sup>

International innovations in digital donations are also being developed in Malaysia and other surrounding countries, such as Indonesia. Online donations have been made in Malaysia through the Financial Process Exchange (FPX Payment) system, which is run by Malaysian Electronic Payment System Sdn Bhd (MEPS), according to Mohamad Noor Sahidi Bin Johari (2019). It is a platform for online financial transactions that links banks in online payment transactions (multi-bank internet payment). Comparable to an online payment gateway, FPX enables Malaysians to make online donations using credit cards and JomPAY from various banks.<sup>2</sup>

All of the present efforts to digitize contribution payments are highly advantageous for bolstering cash waqf items and their community use. The administration of cash waqf for the growth of the halal business is one way to increase the advantages of waqf for the community. With its products serving as lifestyle choices as well as requirements, the halal industry currently has widespread support from both the business community and consumers, contributing to its high production value. According to projections, the global transaction value of halal products is expected to reach US\$2.8 trillion by 2025,

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<sup>1</sup> UNHCR, "Supporting Refugees and Internally Displaced Persons with Zakat" Dalam Mohammad Mahyuddin Khalid, Dkk (Ed), *Pemeriksaan Filantropi Islam Di Malaysia* (Malaysia: Akademi PengkajianIslam Kontemporer UiTM, 2019).

<sup>2</sup> Mohammad Noor Sahidi Bin Johari, "Kewangan Sosial Ke Arah Industri 4.0" Dalam Mohammad Mahyuddin Khalid, Dkk (Ed), *Pemeriksaan Filantropi*, n.d., 154–59.

underscoring the substantial potential for cooperation and synergy between cash waqf-based financing schemes and halal industry financing structures.

The possible effects of CWLS on Islamic finance and many aspects of economic growth, such as financial inclusion, social welfare, and economic empowerment, are discussed in research done in Indonesia by Alfidhatun S. By allowing the collected cash to be invested in government sukuk, CWLS generates returns that can be utilized for Sharia-compliant societal purposes. This is especially true in Indonesia, where CWLS has been utilized to empower farmers and build healthcare facilities, aiding in the country's economic recovery following the pandemic.<sup>3</sup> Although the effect on social and spiritual engagement is yet unknown, Yumna, A., Masrifah, A. R., Muljawan, D., Noor, F., & Marta, J. have also detailed empowerment programs linked to CWLS that have enhanced the welfare and financial inclusion of recipients.<sup>4</sup>

In the meantime, the Waqf-Featured Fund (WQ-FF), a cash waqf-based financing innovation, has surfaced in Malaysia. According to the 2017 Islamic Fund and Wealth Management Blueprint SC, the growth of this waqf has been recognized as one of the sectors with the greatest potential for social advancement, increased public welfare, and wealth distribution. According to Muhammad Taqi'uddin, the RM 47 billion cash waqf turnover in 2022 indicates the significant role WQ-FF plays in the Malaysian Islamic fund management industry. Sharia-compliant investment products like Islamic unit trust funds and wholesale funds are combined with the concepts of waqf by WQ-FF.<sup>5</sup>

Kunhibava, S. claims that WQ-FF is a significant invention that combines Islamic financial instruments with the concepts of waqf to promote sustainable social development. The Securities Commission (SC) first presented this idea in its 2017 Islamic Fund and Wealth Management Blueprint. By supplying long-term finance for social projects, WQ-FF improves public welfare by acting as a link between charity and development. This strategy aligns with Islamic philanthropy's core principles of sustainability and charity.<sup>6</sup>

It has been established that there is a genuine possibility for cooperation and speed in the execution of halal industry financing programs funded by cash waqf. Reports on the

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<sup>3</sup> Alfidhatun S, "Cash Waqf Linked Sukuk (CWLS) Sebagai Implementasi Filantropi Islam Berkelanjutan," *LABATILA: Jurnal Ilmu Ekonomi Islam* 8, no. (1) (2024): 85–101, <https://doi.org/https://doi.org/10.33507/lab.v8i01.1980>.

<sup>4</sup> Yumna A et al., "The Impacts Of Cash Waqf Linked Sukuk Empowerment Programs: Empirical Evidence From Indonesia," *Journal of Islamic Monetary Economics and Finance* 10, no. (1) (2024): 5–34, <https://doi.org/https://doi.org/10.21098/jimf.v10i1.1940>.

<sup>5</sup> Muhammad Taqi'uddin et al., "Applications of Waqf Featured Fund in the Malaysian Islamic Fund Management Industry: A Comparative Studi," *Global Journal Al-Thaqafah Universiti Sultan Azlan Shah* Vol. 13, no. No. 1 (2023), <https://doi.org/https://doi.org/10.7187/GTAT072023-7>.

<sup>6</sup> S Kunhibava et al., "Viability of Cash Waqf- Linked Şukūk in Malaysia," *ISRA International Journal of Islamic Finance* 15, no. (4) (2023): 25–44, <https://doi.org/https://doi.org/10.55188/ijif.v15i4.530>.

investigation of the growth of cash waqf for funding the halal sector in the marine industry, however, are lacking. To aid the government in accomplishing the Sustainable Development Goals (SDGs) 2030, the Indonesian Waqf Board (BWI) launched the Cash Waqf Linked Blue Sukuk (CWLBS) in 2022. Indonesia's position as the world's largest archipelagic nation with a vast maritime territory informs the government's emphasis on developing the maritime and coastal sectors.

Comprising over 17,000 islands, Indonesia boasts the second-longest coastline in the world, extending around 55,000 kilometers from Sabang to Merauke. This nation's enormous marine area is rich in natural resources and biodiversity, offering massive potential for the development of its maritime economy. Some examples of these opportunities are building coastal infrastructure, supporting sustainable fishing methods, empowering coastal communities via education and training, fostering the expansion of marine-based companies, and giving conservation and marine protection initiatives top priority.

The Indonesian government has taken proactive measures to improve maritime cooperation among ASEAN nations in areas such as disaster alertness, security, environmental preservation, and regional governance in order to preserve Indonesia's maritime axis. More than 3 billion people depend on water for their food, 40% of the world's population lives close to the coast, and 80% of international trade is carried out via maritime channels, according to data from the World Economic Forum (WEF) in 2021. Based on these figures, as decided upon in the ASEAN Maritime Forum (AMF) in 2021, Indonesia has pledged to develop a complete blue economy framework in conjunction with other ASEAN members.<sup>7</sup>

As major participants in the ASEAN Maritime Forum, Indonesia and Malaysia have demonstrated a strong desire to formalize agreements in order to create a framework for the blue economy. Security, environmental preservation, regional governance, and catastrophe resilience are among the maritime advantages both nations are fervently putting into practice. The blue economy concept embodies sustainable development programs that give marine resources top priority in order to preserve the integrity of aquatic ecosystems while creating new economic opportunities, ensuring food security, reducing poverty, and fostering sustainable livelihoods. Given that seas and oceans make up more than 66% of Southeast Asia's land area, Indonesia, Malaysia, and ASEAN member nations stand to gain significantly from the blue economy.<sup>8</sup>

With their extensive maritime regions encircled by two oceans, Malaysia and Indonesia have enormous potential for economic expansion because of their marine resources.

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<sup>7</sup> Najamuddin Khairur Rijal, "Kepentingan Nasional Indonesia Dalam Inisiasi ASEAN Maritime Forum (AMF)," *Indonesian Perspective* Vol. 3, no. No. 2 (n.d.): 159–79.

<sup>8</sup> Kartinawati, "Peran ASEAN Maritime Forum (AMF) Dalam Keamanan Perairan Di Asia Tenggara," *EJournal Ilmu Hubungan Internasional* 1, no. 3 (2013): 715–30.

Notwithstanding this possibility, both nations spend an excessive amount of their defense spending on wars like the Natuna and Sipidan-Ligitand battles. Despite diplomatic efforts, the maritime industry faces challenges in realizing its full potential. As a result, Malaysia and Indonesia trail Singapore in the ASEAN region's Maritime Potential Index (MPI) and Maritime Economy Index (MEI), showing unexplored blue economy prospects.<sup>9</sup>

Malaysia and Indonesia continue to face various structural challenges in developing their maritime economies and have yet to compete effectively with Singapore. First, both countries' autonomy and economic potential remain constrained, as their port systems essentially function as extensions of Singapore or other foreign ports. Second, competitiveness in the maritime shipping sector remains weak, particularly in Indonesia, where domestic cargo accounts for 46% of the national maritime fleet, while international cargo contributes only 5%. This situation is exacerbated by the underdevelopment of the domestic shipbuilding industry, resulting in a persistent current account deficit and annual expenditures of approximately IDR 100 trillion for foreign vessels. Third, a pronounced *backwash effect* is evident, particularly in the maritime sector, where the fisheries industry is marginalized and stagnant. This sectoral imbalance stems from asymmetrical power relations between vessel owners and fishermen, leading to unequal distribution of economic benefits. Consequently, fishery revenues are not effectively reinvested into improving public infrastructure in coastal areas and fishing communities.<sup>10</sup>

The Blue Economy is developing more quickly in Indonesia and Malaysia to improve competitiveness and fortify the marine axis thanks to funding schemes derived from Islamic finance (waqf). Given their significant economic and social resources and predominantly Muslim populations, both nations have a great deal of potential to use cash waqf, which is equivalent to IDR 180 trillion in Indonesia and RM 1.6 trillion in Malaysia.<sup>11</sup> This funding source offers to support fishing and the maritime industry. Efforts to protect coastal ecosystems, give fishermen more control, and invest in shipbuilding and technology. To support the blue economy in each nation and encourage the growth of the halal industry, the proposed Cash Waqf Linked Blue Sukuk program can stimulate the use of Islamic philanthropic capital. Thus, this study investigates the use of cash waqf for the growth of the halal sector within the context of the blue economy by elucidating the opportunities and difficulties in Malaysia and Indonesia.

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<sup>9</sup> Hezron Sabar Rotua Tinambunan, "Model Pemberdayaan Wilayah Pesisir Dalam Menghadapi Pasar Bebas Masyarakat Ekonomi ASEAN," *Mimbar Hukum* Vo. 28, no. No. 2 (2016): 250–65.

<sup>10</sup> Tinambunan.

<sup>11</sup> Johanan Devanesan, "Malaysia's Approach Towards Nurturing Innovation-Driven Islamic Fintech Ecosystem," *Fintech News Network*, n.d.

This study adopts a qualitative approach using the Focus Group Discussion (FGD) method,<sup>12</sup> which is conducted in person across different locations in Indonesia and Malaysia. The FGDs involved key stakeholders, including waqf managers, academics, and Islamic economic practitioners, to elicit in-depth insights into the potential of cash waqf in supporting the development of the halal blue economy sector. This method facilitates the exploration of nuanced perspectives and enables participants to clarify views that may not surface during individual interviews.<sup>13</sup> Data collection was further supported by direct observations of relevant policies, legal frameworks, and practical initiatives implemented in both countries. The data were subsequently analyzed using thematic and comparative techniques to identify convergences and divergences in utilizing cash waqf within maritime and coastal economic sectors. This approach allows for a deeper understanding of how socio-economic and regulatory contexts shape the effectiveness of cash waqf in enhancing the halal-oriented blue economy.

## II. Cash Waqf, Halal Industry, and Blue Economy

### 1. Cash Waqf

According to Sharia law, cash waqf, or waqf in the form of cash, is a modern Islamic financial tool that enables people, organizations, or legal entities to make charitable contributions for social and economic causes.<sup>14</sup> The role of cash waqf, an Islamic endowment, in promoting microfinance, which can empower the lower-middle class by offering business capital assistance to micro, small, and medium enterprises (MSMEs), is one of its many benefits that significantly contribute to social, economic, and infrastructure development.<sup>15</sup> With the assurance that the principal amount stays the same and the profits are utilized for the community's economic and mental well-being, many scholars advocate for cash waqf to be invested in a variety of Sharia-compliant financial instruments, including *mudharabah*, *musyarakah*, *ijârah*, and *murabaha*.<sup>16</sup>

In Indonesia, a number of laws govern the management of cash waqf through CWLS. Cash waqf is specifically acknowledged as a component of valid waqf assets according to Law Number 41 of 2004 regarding Waqf (Article 16, paragraph 1). Furthermore, according to Article 28 of the law above, cash waqf management should adhere to the productivity and benefit principles. CWLS has a solid legal foundation thanks to the National Sharia Council-Indonesian Ulema Council (*Dewan Syariah*

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<sup>12</sup> Irwanto, *Focused Group Discussion (FGD) Sebuah Pengantar Praktis* (Jakarta: Yayasan Pustaka Obor Indonesia, 2006).

<sup>13</sup> Haris Herdiansyah, *Wawancara, Observasi Dan Focus Groups Sebagai Instrumen Penggalan Data Kualitatif* (Jakarta: Rajawali Press, 2015).

<sup>14</sup> Rafiq Yunus Al-Mishri, *Al-Awqaf Fiqhan Wa Iqtishadan* (Syiria: Dar al-Maktabi, 1999).

<sup>15</sup> Sulaiman Al-Jasir, *Al-Waqf Wa Ahkamuh Fi Dhau'iy Al-Syariat Al-Islamiyyat* (Riyad: Madar al-Wathani li al-Nasyar, 2012).

<sup>16</sup> Abu Al-Saud, *Waqf Al-Nuqud* (Beirut: Dar ibn Hazm, 1997).

*Nasional-Majelis Ulama Indonesia*, DSN-MUI) Cash Waqf Fatwa No. 32/DSN-MUI/IX/2002. This fatwa clarifies that cash waqf can only be used to purchase securities that adhere to Sharia law. Government guarantees provide investment security and legal clarity for the State Sukuk utilized in CWLS.

Regulations mandate that waqf funds be managed transparently. According to Minister of Religious Affairs Regulation (PMA) Number 1 of 2022 regarding the Management and Development of Cash Waqf Linked Sukuk, a nazir must be professionally competent in handling cash waqf. Furthermore, accountability in utilizing waqf monies is ensured through regular reporting to the BWI. Transparency is further improved by digitizing CWLS management using technology-based systems.

Government Regulation Number 42 of 2006 regarding the Implementation of Law Number 41 of 2004 on Waqf, strengthens the waqf law and governs operational procedures, such as the nazir's duty to notify the BWI on managing waqf funds. PMA Number 1 of 2022 regarding Cash Waqf Linked Sukuk provides a framework for managing cash waqf based on investment in CWLS.

Cash waqf management in Indonesia through the Cash Waqf Linked Sukuk (CWLS) instrument must be adequately regulated to guarantee maximum benefits. Law Number 19 of 2008 regarding State Sharia Securities (SBSN), which establishes the legal foundation for SBSN issuance in Indonesia, is one of the legislations supporting the issuing of State Sukuk. National development initiatives, especially those centered on green finance, are financed by SBSN, an investment vehicle that conforms to Sharia principles (Article 1). According to Article 4, the state is required to provide SBSN as one of the funding sources for national development. Projects with a sustainable development focus, including those that promote green financing, are financed by SBSN. The use of funds from issuing SBSN for Sharia-compliant initiatives, like the construction of sustainable and eco-friendly infrastructure, is mentioned in Article 6.

Articles 2, 5, and 10 of the Minister of Finance Regulation (*Peraturan Menteri Keuangan*, PMK) No. 134/PMK.08/2011 regarding the Issuance and Sale of State Sharia Securities, which governs CWLS management, offer instructions on how to issue and sell SBSN. Furthermore, PMK No. 177/PMK.08/2017, a revision of the previous rule, has additional recommendations for issuing SBSN that can be utilized in CWLS transactions in Articles 1 and 6. Placing cash waqf money in SBSN instruments chosen by the Ministry of Finance is a crucial component of this regulation.

The procedures for managing cash waqf through CWLS are governed by Minister of Religious Affairs Regulation Number 1 of 2022, which also covers the function of Sharia financial institutions, including Indonesian Muamalat Bank and Sharia BNI, as well as the Indonesian Waqf Board (BWI). According to Article 3, LKSPWU will manage and invest the cash waqf it receives in sharia-compliant securities, such as state sukuk. The methods for assigning funds to state sukuk instruments and collecting and placing cash waqf monies, which BWI and affiliated sharia financial institutions will

oversee, are described in Article 4. Article 6 governs the LKSPWU's duty to report and supervise the use of waqf money and its need to manage it transparently and sharia-compliantly. In line with green finance principles, Article 7 discusses utilizing waqf funds invested in SBSN to promote social benefits and sustainable projects. This rule guarantees that the waqf monies will be handled transparently and professionally and invested in Sharia-compliant securities. This law is anticipated to maximize the benefits of cash waqf management in promoting economic development, especially in the green finance industry.

Furthermore, Sharia guidelines for managing cash waqf are provided by the Fatwa of the DSN-MUI on Cash Waqf. These guidelines include the rules that Sharia financial institutions must adhere to when performing their duties as Sharia Financial Institutions Receiving Cash Waqf (LKSPWU). The Indonesian Waqf Board (BWI) Regulation Number 5 of 2019 on recommendations also provides technical recommendations for the Sharia Financial Institution Receiving Cash Waqf (LKSPWU) in handling the received waqf money for Cash Waqf Management. The administration of cash waqf through CWLS is expected to significantly boost the Indonesian economy with well-defined laws, especially when it comes to assisting sharia-compliant sustainable development projects. According to the article, BWI oversees and assists with cash waqf management in Indonesia, including working with LKSPWU to optimize the cash waqf's advantages. Article 8 outlines the processes LKSPWU must adhere to while handling and allocating waqf monies. It also mandates that the funds be managed trustworthy and compliant with relevant laws.

Cash waqf management in Islamic green finance instruments needs to be handled professionally to optimize its advantages. The Cash Waqf Linked Sukuk (CWLS), created in Indonesia, is one of the creative ways to manage cash waqf into Islamic green finance. One type of social investment in Indonesia is called CWLS, in which the Ministry of Finance (*Kementerian Keuangan*, Kemenkeu) will manage and invest the cash waqf collected by the Indonesian Waqf Board as the Nazhir through Indonesian Muamalat Bank and Sharia BNI as the Sharia Financial Institutions Receiving Cash Waqf (LKSPWU) in State Sukuk instruments or SBSN (State Sharia Securities).

Incorporating CWLS into Islamic finance has revolutionary potential for social welfare and economic growth. CWLS has a wide range of possible effects on Islamic finance and economic growth, including social welfare, economic empowerment, and financial inclusion. By Sharia law, CWLS permits the gathered cash to be invested in government sukuk, producing returns that can be utilized for societal good.

One possible method of raising money is the combination of cash waqf and sukuk, in the form of CWLS. This integration can speed up social welfare and economic regeneration by tying philanthropic donations to profitable commercial activity. By investing in halal ventures and infrastructure projects that support the halal industry, CWLS may further increase its impact and foster social and economic advancement.



In the meantime, the Waqf-Featured Fund (WQ-FF), a cash waqf-based financing innovation, has surfaced in Malaysia. According to the SC's 2017 Islamic Fund and Wealth Management Blueprint, the growth of this waqf has been recognized as one of the sectors with the greatest potential for social advancement, increased public welfare, and wealth distribution.<sup>17</sup> As demonstrated by the RM 47 billion cash waqf turnover in 2022, WQ-FF is a significant player in Malaysia's Islamic fund management sector. Sharia-compliant investment products like Islamic unit trust funds and wholesale funds are combined with the concepts of waqf by WQ-FF.

One significant invention in Malaysia is the Waqf-Featured Fund (WQ-FF), which combines Shariah financial mechanisms with the concepts of waqf to promote long-term social progress. The Securities Commission's (SC) 2017 Islamic Fund and Wealth Management Blueprint was the first to offer this idea. WQ-FF acts as a link between development and charity, improving public welfare by providing long-term finance to social projects. This strategy is consistent with the principles of Islamic philanthropy, which place a strong emphasis on sustainability and generosity.<sup>18</sup>

As demonstrated by the RM 47 billion cash waqf turnover in 2022, WQ-FF is a significant player in Malaysia's Islamic fund management sector. Sharia-compliant investment products like Islamic unit trust funds and wholesale funds are combined with the concepts of waqf by WQ-FF. This makes it possible to employ waqf monies to support a range of community-benefiting initiatives, particularly those that help accomplish the Sustainable Development Goals (SDGs). The Waqf Deed of 1995 and the SC Guidelines on Islamic Collective Investment Funds are two related laws that offer a solid legal foundation for waqf funds' open and Sharia-compliant administration.<sup>19</sup>

This study investigates the potential and challenges of utilizing cash waqf-based sukuk in expanding the halal business in the marine sectors of two neighboring countries, Malaysia and Indonesia. The government has combined green and blue sukuk in both countries to help achieve the Sustainable Development Goals (SDGs). The main topics of this study's comparative analysis of the policies and tactics in both nations are the implementation mechanisms of cash waqf to support blue economy projects and the opportunities and obstacles encountered. Direct stakeholder observations, interviews, and focus groups in Malaysia and Indonesia provided the

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<sup>17</sup> Muhammad Taqi'uddin Mohd Hamzah et al., "Applications of Waqf Featured Fund in the Malaysian Islamic Fund Management Industry: A Comparative Study," *Global Journal Al-Thaqafah Universiti Sultan Azlan Shah* Vol. 13, no. No. 1 (2023), <https://doi.org/DOI:https://doi.org/10.7187/GTAT072023-7>.

<sup>18</sup> Kunhibava S et al., "Viability of Cash Waqf- Linked Şukūk in Malaysia," *ISRA International Journal of Islamic Finance* 15, no. (4) (2023): 25–44, <https://doi.org/https://doi.org/10.55188/ijif.v15i4.530>.

<sup>19</sup> Taqi'uddin Mohd Hamzah et al., "Applications of Waqf Featured Fund in the Malaysian Islamic Fund Management Industry: A Comparative Study."

research data. According to the study, monetary waqf is employed similarly for sustainable economic growth.

## 2. Halal Industry

The halal sector is frequently linked to efforts to create goods and services that adhere to Sharia law. This definition was created recently as a result of the growing global demand for halal goods and services. The phrase halal economy was coined considerably earlier than halal industry. It was previously thought that the two were related.<sup>20</sup> Emerging trends in the literature on the halal industry reveal a dynamic and varied area involving several industries and research streams. One noteworthy development is the growing emphasis on Halal Supply Chain Management (HSCM), which has been steadily expanding in publications since 2009. Topics like blockchain, traceability systems, halal-oriented initiatives, and sustainability are becoming increasingly pertinent for further study.<sup>21</sup>

Based on the principles of Sharia *maqasid*, the halal sector encompasses food, fashion, cosmetics, and pharmaceuticals. It emphasizes the permissibility (halal) and the health (*tayyib*) of goods and services, ensuring they are advantageous for society, the environment, and human health.<sup>22</sup> With billions of dollars in GDP (Gross Domestic Product) and a large amount of foreign investment, this industry has shown tremendous economic potential. With a growing consumer base of 1.8 billion Muslims worldwide and an estimated market value of USD 2.4 trillion, the halal industry has become a major force behind the global economy, spanning a number of industries like food, cosmetics, medicines, and tourism.<sup>23</sup>

The halal sector in Indonesia has the potential to boost the country's GDP by USD 5.1 billion annually, demonstrating that this is more than just rhetoric.<sup>24</sup> Similarly, Malaysia's halal sector strategically propels the nation's economic expansion. Malaysia's

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<sup>20</sup> Sukoso et al, *Ekosistem Industri Halal* (Jakarta: Departemen Ekonomi dan Keuangan Syariah Bank Indonesia, 2020).

<sup>21</sup> Hasnan N, Kohda Y, and Saad S, "Mapping the Future of Halal Supply Chain Management: A Biblioshiny R Application.," *PaperASLA* 40, no. (1b) (2024): 39–50, [https://doi.org/https://doi.org/10.59953/paperasia.v40i1\(b\)](https://doi.org/https://doi.org/10.59953/paperasia.v40i1(b)).

<sup>22</sup> Achmad Fageh, "Building A Synergy Betw`een The Halal Industry and The Green Industry in The Maqasid Syari'ah Review as The Basis of Islamic Economics," *Journal of Islamic Economic Laws* Vol. 15, no. (1) (2022), <https://doi.org/DOI: 10.23917/jisel.v5i1.17034>.

<sup>23</sup> Darmawati D et al., "Halal Industry: A Literature Bibliometric Review on Halal Studies.," *Mazahib* 22, no. (1) (2023): 175–211, <https://doi.org/https://doi.org/10.21093/mj.v22i1.5477>.

<sup>24</sup> Samsul Arifai, "The Role of The Halal Industry in Improving The Economy and Alleviating Proverty Post-Covid 19 Pandemic in Indonesia," *International Journal Mathla'ul Anwar of Halal Issues* 3, no. (1) (2023): 21–38, <https://doi.org/https://doi.org/10.30653/ijma.202331.70>.

halal GDP was valued at 28 billion US dollars in 2018; by 2030, it is expected to have grown to 58.5 billion US dollars.<sup>25</sup>

Napitupulu et al. claim that developments in Islamic green finance are closely related to the halal industry's explosive growth.<sup>26</sup> Halal business participants have taken advantage of the growing consumer demand for sustainable halal products to create goods and services that satisfy halal standards. Players in the halal sector can also work together to support the growth of a sustainable halal industry by leveraging Islamic green finance tools. However, it is accepted that obstacles exist, such as the halal sector participants' ignorance and incomprehension of the notion of Islamic green finance. Furthermore, policy and regulatory barriers still need to be removed to facilitate the merging of these two industries.

The halal industry uses a multipronged strategy that includes stringent oversight, uniform laws, and the deployment of traceability technologies in several industries to guarantee regulatory compliance. In Indonesia, Law Number 33 of 2014 regarding Halal Product Assurance ensures that goods sold are halal certified and regulates the halal ecosystem, which encompasses food, apparel, tourism, pharmaceuticals, finance, and cosmetics.<sup>27</sup>

Particularly for the food industry, the Grab Food app service emphasizes how crucial it is to have a digital platform with tools that let merchant partners add halal labeling, preserving openness and customer confidence. According to the international guidelines OIC/SMIIC 4:2018, the halal cosmetics business, on the other hand, depends on traceability systems to guarantee that all activities along the supply chain adhere to halal requirements.<sup>28</sup> Local laws and fatwas, such as the DSN-MUI fatwa and the regional regulation of Bandung Regency, which strongly emphasize professional conduct and Islamic business standards, govern halal tourism.<sup>29</sup>

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<sup>25</sup> Mustafa Afifi Ab Halim et Al, "Economic Growth of Halal Industry, Good Governance and the Sustainable Development Goals in Southeast Asia," *1st Edition, Routledge, 2022*, <https://www.taylorfrancis.com/chapters/edit/10.4324/9781003230724-13/economic-growth-halal-industry-mustafa-afifi-ab-halim-mohd-mahyeddin-mohd-salleh-azlin-alisa-ahmad-suhaimi-ab-rahman-muhammad-nusran>.

<sup>26</sup> Napitupulu Rodame Monitorir et al., "The Nexus between Halal Industry and Islamic Green Finance: A Bibliometric Analysis," *Journal of Islamic Marketing* Vol. 12, no. No. 10 (2024), <https://doi.org/DOI:10.1108/JIMA-06-2023-0192>.

<sup>27</sup> Robi Krisna and Mohammad Yusuf, "Halal Ecosystem Improevemnt Study Reviewed of Halal Product Regulations Halal," *International Journal of Research and Review* Vol. 10, no. (2) (2023): 339–53, <https://doi.org/DOI:https://doi.org/10.52403/ijrr.20230243>.

<sup>28</sup> Suhendro S, "Halal Product Guarantee Law on Grab Food Application Services in Providing Protection to Consumers,," *Journal of Law and Sustainable Development* 11, no. (2) (2023): e2681, <https://doi.org/https://doi.org/10.55908/sdgs.v11i12.2681>.

<sup>29</sup> M. Prathama et al, "Halal Traceability Systems in the Supply Chain for the Cosmetics Industry: Literature Review and Research Agenda," in *International Conference on Innovation and Intelligence for Informatics*,

Additionally, the halal apparel business follows certain guidelines, such as employing halal raw materials and ensuring that no haram products are used during the production process.<sup>30</sup> Furthermore, Malaysia's halal transaction compliance process uses a Weighted Compliance Scorecard to acquire compliance modules that are expertly evaluated and intended to improve the halal transaction ecosystem.<sup>31</sup> These actions, taken in different industries and geographical areas, show how hard the halal sector works to maintain regulatory compliance, which in turn preserves customer confidence and the integrity of halal products.

Overall, the laws that control the halal sector in Malaysia and Indonesia have parallels and divergences. This illustrates how each nation handles guaranteeing adherence to Islamic law and safeguarding Muslim customers. In contrast to Malaysia's layered approach, Indonesia's halal product assurance system uses an integrated approach through Badan Penyelenggara Jaminan Produk Halal (BPJPH). According to the Trade Descriptions Act of 2011 and other relevant legislation, the halal product assurance system in this adjacent country incorporates multiple authorities, including Jabatan Kemajuan Islam Malaysia (JAKIM) and Halal Development Corporation (HDC).<sup>32</sup>

### 3. Blue Economy

A complex idea, the blue economy promotes the sustainable use of marine resources to create jobs, enhance livelihoods, and boost the economy while preserving the health of aquatic ecosystems. According to published research, the blue economy includes several industries: tourism, shipping, oil and gas production, seabed mining, aquaculture, fisheries, and renewable energy.<sup>33</sup>

Through the sustainable use of marine resources, the blue economy promotes innovation, job development, and economic growth in a number of industries. One of the primary benefits is the possibility for sustainable fisheries and ethical aquaculture methods, which offer substitute supplies of protein and other nutrients and improve food

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*Computing, and Technologies (3ICT)*, Sakbeer, Bahrain, 2023, 209–14, <https://doi.org/doi:10.1109/3ICT60104.2023.10391540>.

<sup>30</sup> Ending Solehudin and Hisam Ahyani, "Legal Compliance on Sharia Economics in Halal Tourism Regulations," *PETTITA: Jurnal Kajian Ilmu Hukum Dan Syariah* Vol. 9, no. (1) (2024), <https://doi.org/DOI:https://doi.org/10.22373/petita.v9i1.224>.

<sup>31</sup> Siti N.Mahmudah et al, "Halal and Haram in The Clothing Industry," *JoIE Journal of Islamic Economics* Vol. 2, no. (2) (2022), <https://doi.org/https://doi.org/10.21154/joie.v2i2.5009>.

<sup>32</sup> Anis Husna Abdul Halim et al, "Regulating Halal Laws in Eradicating Halal Issues," *International Journal of Islamic Economics and Finance Research* Vol 5, no. (2) (2022), <https://doi.org/DOI:https://doi.org/10.53840/ijiefer79>.

<sup>33</sup> Kismawadi E.R, "Halal Food Industry and Sustainability. In C. Popescu, J. Martínez- Falcó, B. Marco-Lajara, E. Sánchez-García, & L. Millán-Tudela (Eds.), *Economics and Environmental Responsibility in the Global Beverage Industry*," *IGI Global*, 2024, 170–97, <https://doi.org/https://doi.org/10.4018/979-8-3693-2149-2.ch010>.

security while lessening the strain on terrestrial resources. Additionally, the blue economy encourages the growth of marine biotechnology, which can result in the production of novel medications, biomaterials, and biofuels, tackling global issues like climate change mitigation and the switch to renewable energy sources.<sup>34</sup>

The blue economy also highlights the significance of blue carbon, which is derived from marine plants like seaweed and sea grasses and is essential for carbon absorption and capture, which boosts economic growth while resolving environmental problems. The blue economy can lower unemployment and aid in sustainable development by advocating for improved governance of marine ecosystems and more equitable health standards. The Blue economy has enormous potential for innovation and expansion, which might result in sustainable national development and preserving natural resources for future generations.<sup>35</sup>

All things considered, the blue economy is a revolutionary route to sustainable development that uses a variety of marine resources and ecosystems to boost economic expansion, improve food and energy security, and aid in preserving and restoring marine environments. Through innovative employment and career options focused on the sustainable and renewable use of marine resources, the blue economy promotes non-consumptive usage of the sea. This idea has been effectively used in nations like China, where the ocean-based economy has grown significantly while marine habitats have been preserved.<sup>36</sup>

Nonetheless, several studies show that, compared to other sectors, the marine economy in Indonesia and Malaysia continues to perform somewhat poorly in terms of low investment, productivity, and resource use.<sup>37</sup> Especially when compared to other features, like the poverty rate of coastal communities.<sup>38</sup> Financial support is crucial for optimizing the blue economy, which benefits future food supply, energy resilience, and community welfare. In the financing scheme of green or blue sukuk, one of them can use Islamic green finance.

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<sup>34</sup> Marwan Youssef, "Blue Economy Literature Review," *Internasional Journal of Business and Management* Vol. 18, no. (3) (2023), <https://doi.org/DOI:10.5539/ijbm.v18n3p12>.

<sup>35</sup> Mohd Azim Sardan et al, "Blue Economy and Food Security The Way Forward : A Systematic Literature Review Analysis," *Internasional Journal of Asian Social Science* Vol. 13, no. (9) (2023), <https://doi.org/https://doi.org/10.55493/5007.v13i9.4886>.

<sup>36</sup> ASM Mahadi et al, "A Comparative Study of Blue Economy Status And Initiatives Between Bangladesh and China," in *Proceedings of the 13th Internasional Conference on Marine Technology (MARTEC 2022)*, 2022, <https://doi.org/http://dx.doi.org/10.2139/ssrn.4446255>.

<sup>37</sup> Taufiqur Rahman, "Sosialisasi Konsep Blue Economy Dalam Pembangunan Kawasan Wisata Pesisir Kota Makassar," *Jurnal Tepat* Vol. 7, no. No. 1 (2024), [https://doi.org/DOI:https://doi.org/10.25042/jurnal\\_tepat.v7i1.453](https://doi.org/DOI:https://doi.org/10.25042/jurnal_tepat.v7i1.453).

<sup>38</sup> Ferry J Juliantono and Aris Munandar, "Fenomena Kemiskinan Nelayan: Perspektif Teori Struktural," *Jurnal Politik Universitas Nasional* Vol. 12, no. No. 2 (2016).

Malaysia and Indonesia have taken pertinent actions regarding the blue economy and sukuk development; nevertheless, the rules and procedures regarding the issue of blue sukuk to promote maritime economic development are still in the early stages of development. The issuing of blue sukuk to finance the economy based on the ocean has not yet been completely supported by Indonesian regulations. However, the issuing of sukuk as a state financial instrument is governed by Government Regulation Number 56 of 2011 Regarding the Issuing of State Sukuk. This regulation can be used for a number of development projects, including those in the maritime industry. However, there are currently no regulations that specifically govern the issuance of blue sukuk in Indonesia, even though infrastructure-based sukuk has been used to fund several projects, including port construction and maritime infrastructure, and the Financial Services Authority (*Otoritas Jasa Keuangan*, OJK) has also regulated infrastructure-based sukuk through several regulations that permit the issuance of sukuk to fund infrastructure, including those related to the maritime sector. The Malaysian government has released several rules for issuing sukuk, including green sukuk, which is primarily focused on ecologically friendly projects. In 2014, the Securities Commission Malaysia (SC) released the Framework for Green Sukuk, which offers rules for issuing sukuk to fund environmentally friendly initiatives, such as those related to the blue and maritime economies. According to the rule, the underlying assets utilized as collateral for blue sukuk must serve sustainable development objectives and adhere to Sharia law. The issuance of sukuk for industries like port infrastructure development, fishing vessel procurement, or halal tourism in coastal areas has not yet been fully incorporated into the current regulatory framework, and regulations pertaining to the issuance of blue sukuk specifically for the maritime sector are still being developed. Identifying feasible real projects as underlying assets for the issue of blue sukuk presents substantial hurdles for both nations. According to Ismatullah, evaluating the viability and quality of marine projects that might be pledged as security for the sukuk issue is one factor that must be considered in the research. To maximize financing for maritime and maritime-based infrastructure projects, both Indonesia and Malaysia must innovate their regulatory frameworks to allow for the financing of blue economy-based projects with sukuk that have distinct and viable underlying assets.<sup>39</sup>

### III. The Utilization of Blue Sukuk

#### 1. Indonesia

Indonesia is one of the pioneering countries in implementing the Islamic green finance model, particularly through the issuance of green sukuk within the framework of State Sharia Securities (*Surat Berharga Syariah Negara*, /SBSN). The Indonesian Ministry of Finance has developed several instruments, including the Cash Waqf Linked Sukuk

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<sup>39</sup> Ismatullah.

(CWLS) and Cash Waqf Linked Blended Sukuk (CWLBS). These initiatives aim to integrate Islamic social finance (*wakaf uang*) with sustainable development goals, particularly in the halal blue economy sectors.

In Indonesia, CWLS (green sukuk) and CWLBS (blue sukuk) are integrated in accordance with SDG 14 (marine ecosystem), one of the Sustainable Development Goals (SDGs). The Ministry of Religious Affairs, the Ministry of Finance, the Coordinating Ministry for Maritime Affairs and Investment, and the Financial Services Authority are among the governmental agencies that BWI has partnered with to develop the blue sukuk model.

Additionally, BWI works with LKS-PWU to gather community cash waqf (*waqif*) as capital for the CWLBS product (*mauquf 'alaih*). The performance of CWLBS products has not yet been reported by the Indonesian government Directorate General of Financing and Risk Management (*Direktorat Jenderal Pengelolalan Pembiayaan dan Resiko*, DJPPR); the DJPPR annual report only mentions the results of green sukuk sales for financing the social and education sectors, including the halal certification project for microbusinesses.

Indonesia, a Muslim-majority country adhering predominantly to the Shafi'i school of thought, has shown significant openness to incorporating cash waqf into Islamic Green Finance mechanisms. The Indonesian Ulema Council issued a fatwa in 2002 stating that cash waqf (*wakaf uang*) is permissible (*jawaiz*) under Islamic law, provided that its use aligns with Sharia-compliant purposes. The fatwa also emphasizes the importance of preserving the principal amount of the waqf, prohibiting its sale, donation, or inheritance. This legal foundation enables the integration of cash waqf into sustainable financing models, such as green and blue sukuk, to support the development of sectors like the halal blue economy.

Indonesia adopts a state-centric approach. The Ministry of Finance manages the Cash Waqf Linked Sukuk under the framework of State Sharia Securities. The Indonesian Waqf Board (BWI), acting as *nazhir*, oversees the collection and investment of cash waqf funds through Lembaga Keuangan Syariah-Penerima Wakaf Uang (LKS-PWU), directing them into sukuk instruments to address public welfare and foster social solidarity.

The Law on State Sharia Securities and Government Regulation Number 57 of 2008 regarding the Establishment of the State Sharia Securities Issuing Company serve as the legal foundation for incorporating cash waqf into state sukuk in Indonesia. The first SBSN (state sukuk) was issued in August 2008, with an emphasis on issuing *Ijarah*-type SBSNs, which are essentially an asset-based sale and leaseback arrangement with a duration of more than five years. Using underlying assets, everything is carried out in conformity with Sharia standards.<sup>40</sup>

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<sup>40</sup> Dwi Irianti Hadiningdyah, "Cash Wakaf Linked Sukuk: Pembangunan Nasional Dan Kesejahteraan Sosial,' Disampaikan Dalam Acara Webinar Nasional Cash Waqaf Link Sukuk Pembangunan Nasional Dan Kesejahteraan Umat," 2020.

Adopting cash waqf integrated into green sukuk remains relatively limited in Indonesia. Based on data Badan Wakaf Indonesia (BWI), the total cash waqf collected has only reached IDR 819.36 billion, far below the estimated potential of IDR 180 trillion. This amount comprises IDR 238.83 billion managed by Islamic Financial Institutions Receiving Cash Waqf and IDR 580.53 billion channeled through project-based cash waqf management by field waqf administrators.<sup>41</sup> This shortfall indicates a significant gap between potential and actual collection, revealing the need for broader public awareness and institutional optimization in utilizing green sukuk mechanisms such as the CWLS scheme.

Currently, the implementation of Cash Waqf Linked Sukuk in Indonesia primarily adopts a project-based approach. However, the amount of collected cash waqf remains significantly below its estimated potential. According to Haryono, project-based initiatives supported by waqf funds often receive additional financial backing from other government agencies or ministries. This pattern suggests a selective funding mechanism wherein only projects with sustainable underlying assets assessed through profit-sharing feasibility analyses are prioritized for support.<sup>42</sup> However, as noted by Nasokah Abee Ezra, these practices do not align with the Sustainable Development Goals. The Ministry of Marine Affairs and Fisheries is responsible for overseeing the development of Indonesia's blue economy. Consequently, if BWI intends to pursue a maritime investment through the Waqf Tuna Financing Scheme, it is essential for them to consult with the relevant Ministry.<sup>43</sup>

This is the barrier to incorporating green sukuk into blue sukuk, which results in a less fully realized potential for cash waqf. The outcomes of the sale of the Cash Waqf Linked Sukuk (CWLS) series SWR004 were noted in the 2023 report prepared by the Directorate General of Financing and Risk Management on behalf of the Minister of Finance. A total of IDR 112.563.000.000 (one hundred twelve billion five hundred sixty-three million rupiah) has been established for SWR004 purchase orders. With State-Owned Goods (BMN) and the 2023 State Budget Project as underlying assets, the CWLS series SWR004 employs a *Wakalah* contract. This time, the government works with *Nazhir* and Distribution Partners and their social initiatives in the following ways to issue SWR004:<sup>44</sup>

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<sup>41</sup> Badan Wakaf Indonesia, "Potensi Wakaf Uang Di Indonesia, Menelisik Manfaat Potensi Wakaf Uang Untuk Bantu Kaum Dhuafa," Badan Wakaf Indonesia, n.d., BWI.go.id, accessed on August 18, 2024.

<sup>42</sup> Interview with Yono Haryono, Deputy Director at the Department of Islamic Economics and Finance, Bank Indonesia, as a source person for the FGD/Symposium (Jakarta, 2024).

<sup>43</sup> Interview with Nasokah Abee Ezra, Consulting Group of SGDs UNDP, as a source person for the FGD/Symposium (Indonesia, 2024).

<sup>44</sup> Rahmah Fitri, "Animo Masyarakat Untuk Berwakaf Semakin Besar, SWR004 Berhasil Mencapai Hasil Pemesanan Terbesar Sepanjang Penerbitan Sukuk Wakaf Ritel, 4 September," 2023, <https://www.djppr.kemenkeu.go.id/kphasilpenjualanswr004>.



Distribution Partner	Nazhir	Mentoring Program	Main Program
CIMB Niaga Sharia Bank	Dompot Dhuafa	The Digitalization Initiative for One Million Indonesian Schools. Dhuafa Scholarship Program	Encouraging Farmers and Livestock Breeders to Be More Sustainable and Productive Activities that support the Tridharma of Higher Education
Mega Sharia Bank	Indonesian Waqf Board (BWI)	Livestock Farmers Empowerment Program	
Indonesia Sharia Bank	Indonesian Waqf Board (BWI)	Strengthening the Beef Cattle Industry	
	BSI Maslahat	Women's Empowerment in Religion, Education, Society, Health, and Economy	
Indonesia Muamalat Bank	Baitulmaal Muamalat	Tahfizh Scholarship at Qur'an Learning Center Yogyakarta Waqf Assets	
Sharia Permata Bank	Al Azhar Waqf	Nusantara Santri Halal Kitchen Program	
PT, Sharia KB Bukopin Bank	Indonesian Ulama Council Endowment Institution	1. The 1000 Preachers Movement at 3T areas 2. Micro Business Halal Certification 3. Micro Business Development	
PT, Sharia KB Bukopin Bank	Council for the Utilization of	Development of Educational Facilities	

Endowments PP Muhammadiyah	Education Scholarship Teacher Welfare Assistance: Construction of Type C Hospital
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In light of this information, CWLS continues to be regarded as a supplementary tool to the general use of SBSN. It remains confined to funding projects with a social-religious focus. This is distinct from the benefits derived from the issuance of global or green sukuk, which amounted to Rp1,728.71 trillion between 2008 and May 2021. According to Dwi Irianti Hadiningdyah, Director of Sharia Financing at the Ministry of Finance, Directorate General of Financing and Risk Management, the proceeds from sukuk issuance are predominantly allocated for the construction of railway lines across Java, Sumatra, and Sulawesi, as well as toll roads and bridges in 30 provinces. These funds are also utilized for water resource projects, including dams, irrigation systems, and groundwater supply and management. Additionally, they support the construction and renovation of 24 hajj dormitories, 701 Religious Affairs Offices (*Kantor Urusan Agama*, KUA), hajj training centers, 54 universities, madrasah, three national parks (Baluran, Pangrango, Aketajawe-Lolobata in Halmahera), and three laboratories.<sup>45</sup>

## 2. Malaysia

Malaysia has also taken significant strides in applying Islamic green finance through its capital market. Under the Sustainable and Responsible Investment (SRI)-Linked Sukuk Framework, the Securities Commission (SC) has introduced innovative financial products, including green sukuk supported by cash waqf. One notable example is the Waqf-Featured Fund (WQ-FF), which mobilizes waqf contributions into investment instruments aligned with the halal sector and environmental sustainability objectives. Malaysia's integrated governance between waqf institutions and capital market authorities contributes to effectively realizing such programs.

Malaysia's SRI-linked Framework sukuk hijau has been optimized for use in strategic projects. In addition to supporting the construction of a large-scale photovoltaic solar electricity system at Kudat, Sabah,<sup>46</sup> providing funding for the Sukuk Wakalah

<sup>45</sup> Hadiningdyah, "Cash Wakaf Linked Sukuk: Pembangunan Nasional Dan Kesejahteraan Sosial,' Disampaikan Dalam Acara Webinar Nasional Cash Waqaf Link Sukuk Pembangunan Nasional Dan Kesejahteraan Umat."

<sup>46</sup> RP Hidro Kelantan, "KELANTAN SMALL HYDROPOWER PROJECT ASEAN GREEN SRI SUKUK WAKALAH FRAMEWORK," n.d., [://rphk.com.my/wp-content/uploads/2023/02/2023-KSHP-ASEAN-GREEN-SRI-SUKUK-FRAMEWORK.pdf](http://rphk.com.my/wp-content/uploads/2023/02/2023-KSHP-ASEAN-GREEN-SRI-SUKUK-FRAMEWORK.pdf).

Framework of Kelantan Syarikat Hijau Perbadanan (SHP) ASEAN Green Sustainable and Responsible Investment (SRI). Waqf money, however, has not yet been used in the green sukuk introduced by SC Malaysia.

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The fatwa was reinforced by the Fatwas of Malaysian State Authorities, which explained that:

“It is permissible to treat cash waqf as waqf asset subject to the following conditions: (1). The original value of the money shall be expanded and increased; (2) any asset purchasing shall fulfil the Shariah requirement; (2) other conditions as stipulated by PWS from time to time.”

The Selangor State Mufti Department's 2014 fatwa, which reads as follows, is supported by this 2017 fatwa:

“It is permissible to use cash waqf fund from Wakaf Selangor *Muamalat* to finance the operation and maintenance cost of waqf assets as deemed necessary”. Furthermore, the fatwa supports the Selangor State Mufti Department's 2013 fatwa, which is: “Agree to approve the stock investment using cash waqf fund subject to the following conditions : i. Shares in the form of assets; ii. Government guaranteed investment; and iii. Ensuring a sufficient reserve amount to secure the principal value of the waqf.”<sup>48</sup>

The Fatwa Committee of MKI, the Fatwas of Malaysian State Authorities, and the Fatwas of MUI Indonesia all approve monetary waqf as a means of funding public welfare. The funding can be in the form of Waqf-Featured Funds which is known in Malaysia, or Cash Waqf Linked Sukuk, which was started in Indonesia. In the Indonesian context, waqf sukuk is one way to include cash waqf into state sukuk as a social investment and as a component of initiatives to improve social cohesion and foster a sense of care to solve welfare concerns in Indonesia. Following the Collection of Cash

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<sup>47</sup> Nasrun Mohamad Ghazali and Norazlina Mamat, “Discrepancy of Cash Waqf Meaning: A Critical Review with Special Focus on Selected Shariah Resolutions,” *International Journal of Academic Research in Business and Social Sciences* Vol. 13, no. No. 7 (2023), <http://hrmars.com/index.php/pages/detail/publication-ethics>.

<sup>48</sup> Mohamad Ghazali and Mamat.

Waqf Through Approved Islamic Banks BWI would manage and invest the money as the *Nazhir* in state sukuk instruments or SBSN issued by the Ministry of Finance.<sup>49</sup>

The Securities Commission/SC, the nation's capital market regulator, has since 2022 transformed WQ-FF, which at first only applied to unit trusts and wholesale funds, into an Islamic Capital Market Product and Service (ICMPS). The WQ-FF product serves as Islamic financing that is registered with exchange-traded funds (ETFs) and real estate investment trusts (REITs) that adhere to Sharia. A REIT is a type of investment instrument that investors can buy from the corporation in the form of securities. A stock certificate that certifies ownership in a specific corporation is comparable to this security. In contrast, Malaysian mutual fund products, such as ETFs, only provide one WQ-FF-based product, MyETF-US50, which is managed by Islamic banking.<sup>50</sup>

In Malaysia, a comparable situation is observed. According to a study by the Securities Commission Malaysia (SC), waqf assets are valued at over RM 1.3 trillion. However, by December 2022, the total collected cash waqf amounted to only RM 46.7 billion. Under the Waqf-Featured Fund (WQ-FF) scheme regulated by SC Malaysia, cash waqf management tends to be more frequently allocated for real estate capital investment through Islamic Real Estate Investment Trusts (REITs) rather than for Shariah-compliant Exchange-Traded Funds (ETFs). This trend reflects a preference for tangible asset-based financing in the Malaysian waqf ecosystem.<sup>51</sup>

According to Mohd Khairezan Rahmat, waqf in Malaysia, governed by the state government and JAWHAR (Department of Waqf, *Zakat*, and Haj), is more optimized for the development of residential and office buildings on the available waqf property. Cash waqf to optimize the waqf assets of immovable property in Malaysia is deemed more useful than others, particularly considering that Malaysia is also facing a lack of money and assets, as well as undeveloped waqf land.<sup>52</sup> Aishath Muneeza shared this view, stating that Malaysia has not yet attained the use of the halal industry in the maritime sector while promoting sustainable waqf and investigating creative solutions in Islamic finance.<sup>53</sup>

This study reveals that, both in Indonesia and Malaysia, the integration of green sukuk into blue sukuk has not yet reached its full potential. There is currently no monetary waqf

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<sup>49</sup> Dini Handayani, "Sukuk Negara Sebagai Instrumen Investasi Wakaf Uang Di Indonesia," i-WIN Library, n.d., [https://waqafilmunusantara.com/wp-content/uploads/2021/08/41\\_ART1.pdf](https://waqafilmunusantara.com/wp-content/uploads/2021/08/41_ART1.pdf).

<sup>50</sup> Nadia Ulfa, *Exchange Traded Fund (ETF) Syariah Di Pasar Modal (Studi Komparasi Antara Indonesia Dan Malaysia)* (Depok: Fakultas Hukum Universitas Indonesia, 2023), uri: <https://lib.ui.ac.id/detail>.

<sup>51</sup> Johan Devanesan, "Malaysia's Approach Towards Nurturing Innovation-Driven Islamic Fintech Ecosystem," *Fintech News Network*, July 21, 2023.

<sup>52</sup> Interview with Mohd Khairezan Rahmat, Dean of Islamic Studies UiTM, Malaysia, as a source person for FGD/Symposium (Shah Alam, 2024),

<sup>53</sup> Interview with Aishath Muneeza, Dean of the INCEIF Association Malaysia, as a source person for the FGD/Symposium (Jakarta, 2024).

specifically allocated for the fishing and maritime industries in either country, which could empower fishermen, conserve coastal ecosystems, and invest in shipbuilding and technology. Several factors contribute to this situation: first, the actualization of cash waqf collection in both nations remains low and significantly below its potential. In both Indonesia and Malaysia, Muslims tend to endow immovable assets or convert cash waqf into tangible assets such as buildings and land, whose value is more stable. Second, from the perspective of Muslims in these countries, waqf (mauquf 'alaih) is primarily associated with social welfare, education, and religious purposes. The community's understanding of waqf's role in public welfare is deeply intertwined with religious and worship practices. Thus far, there has been limited integration of environmental jurisprudence into Islamic teachings and beliefs, including waqf law. Third, although not fully coordinated, both Indonesia and Malaysia already possess structural models for converting green sukuk into blue sukuk. While Sharia compliance, underlying assets, technical features, human resources, and legislation are in place in both nations, the cooperation between institutions and investors remains suboptimal.

#### IV. Conclusion

Although sukuk financing programs sourced from cash waqf have been implemented more rapidly and collaboratively in both Indonesia and Malaysia, the amount of funds collected remains significantly below the projected potential. According to data from the Indonesian Waqf Board, Indonesia has a cash waqf potential of approximately IDR 180 trillion; however, only IDR 819.36 billion has been collected. In Malaysia, out of an estimated RM 1.3 trillion in potential waqf funds, only RM 46.7 billion has been realized. In both countries, cash waqf has been integrated into Islamic Green Finance instruments through the SRI-Linked Sukuk framework—namely, the Waqf-Featured Fund (WQ-FF) in Malaysia, and SBSN, CWLS, and CWLBS in Indonesia. Despite the deployment of green sukuk for strategic national development, the integration of green sukuk into blue sukuk schemes has not yet been actualized. Consequently, the halal maritime and fisheries sectors remain underfunded by cash waqf instruments, despite their relevance in empowering coastal communities, preserving marine ecosystems, and advancing maritime technologies. This limitation stems not only from the inefficiencies in cash waqf collection but also from the low confidence and risk aversion among stakeholders in channeling Islamic Green Finance into the halal maritime sector.

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