



Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah*

Universitas Islam Negeri Sultan Syarif Kasim Riau, Indonesia

Email: 22490325393@students.uin-suska.ac.id

Rozi Andrini

Universitas Islam Negeri Sultan Syarif Kasim Riau, Indonesia

Email: rozi.andrini@uin-suska.ac.id

*Corresponding Author

Article History

Received: July 7, 2025

Accepted: July 13, 2025

Published: July 31, 2025

DOI: 10.58518/al-faruq.v4i2.3989

Abstract: Islamic Social Finance (ISF) is a vital instrument in promoting economic justice in Islam through the management of zakat, infaq, sadaqah, and waqf (ZISWAF). In Southeast Asia, Muslim-majority countries such as Indonesia, Malaysia, and Brunei have developed national-level ISF systems. However, regulatory fragmentation, the absence of cross-border coordination, and suboptimal technological integration remain significant barriers to collective efforts aimed at empowering the Muslim community at the regional level. This research designs an adaptive and sustainable regional synergy model in strengthening Islamic Social Finance in Southeast Asia. The research employs a descriptive qualitative approach, relying on in-depth literature analysis of regulations, institutional reports, and academic publications in the field of Islamic social finance. Data were analyzed using content analysis to identify challenges and opportunities for inter-country collaboration and to develop a conceptual framework for cross-border synergy. The findings reveal a high potential for ISF in the region, supported by a large Muslim population, active managing institutions, and advancing digitalization in several countries. Nonetheless, disparities in legal systems, lack of data sharing, and the dominance of national approaches serve as major constraints. This article proposes the establishment of a synergy model consisting of a regional coordinating institution, a Southeast Asia ISF data center, and a shared digital platform for managing cross-border ZISWAF funds. The study recommends ASEAN support in creating a regional legal framework for ISF, the development of cross-national human resources, and collaborative research to ensure effective and sustainable implementation.

Keywords: Islamic Social Finance; Zakat; Waqf; Regional Integration; Southeast Asia; Cross-Country Collaboration

Abstrak: Islamic Social Finance (ISF) merupakan instrumen penting dalam mewujudkan keadilan ekonomi Islam melalui pengelolaan zakat, infak, sedekah, dan wakaf (ZISWAF). Di kawasan Asia Tenggara, negara-negara mayoritas Muslim seperti Indonesia, Malaysia, dan Brunei telah mengembangkan sistem ISF secara nasional. Namun, fragmentasi regulasi, ketiadaan koordinasi lintas negara, serta belum optimalnya integrasi teknologi menjadi kendala dalam upaya kolektif memberdayakan umat secara regional. Penelitian ini merancang model sinergi regional yang adaptif dan berkelanjutan dalam memperkuat Keuangan Sosial Islam di Asia Tenggara. Metode yang digunakan adalah kualitatif deskriptif melalui studi literatur mendalam terhadap regulasi, laporan kelembagaan, dan publikasi akademik di bidang keuangan sosial Islam. Analisis dilakukan dengan pendekatan *content analysis* untuk menggali tantangan dan peluang kerja sama antarnegara, serta menyusun kerangka konseptual sinergi lintas batas. Hasil kajian menunjukkan



bahwa potensi ISF kawasan sangat besar didukung oleh jumlah populasi Muslim, lembaga pengelola yang aktif, serta kemajuan digitalisasi di beberapa negara. Meski demikian, perbedaan sistem hukum, kurangnya pertukaran data, dan dominasi pendekatan nasional menjadi penghambat utama. Artikel ini mengusulkan pembentukan model sinergi berbasis lembaga koordinatif regional, pusat data ISF Asia Tenggara, dan *platform* digital bersama untuk pengelolaan dana ZISWAF lintas negara. Penelitian ini merekomendasikan perlunya dukungan ASEAN dalam membentuk payung hukum regional ISF, penguatan SDM antarnegara, serta kolaborasi riset untuk mendukung implementasi integratif dan berkelanjutan.

Kata kunci: *Islamic Social Finance*; Zakat; Wakaf; Integrasi Regional; Asia Tenggara; Kolaborasi Lintas Negara

Introduction

Islamic Social Finance (ISF) has become an integral part of the Islamic financial ecosystem, which is not only based on spiritual principles but also promotes a social mission of wealth redistribution and poverty alleviation, particularly in Southeast Asia. This region is home to predominantly Muslim countries such as Indonesia, Malaysia, and Brunei Darussalam, each of which has developed national ISF systems and institutions. In Indonesia, institutions like BAZNAS and various Zakat Management Institutions (LAZ) have become the backbone of zakat collection and distribution, while Malaysia has made progress through the integration of waqf into productive projects through institutions like the Malaysian Waqf Foundation. Brunei Darussalam, on the other hand, has adopted a centralized approach directly controlled by the state in the management of zakat and wakaf, thereby creating stability and efficiency in the governance of Islamic social funds.

Such as zakat, wakaf, and sadaqah have great potential in promoting inclusive development, particularly in addressing structural issues like poverty and income inequality. Productive zakat, for example, can be used to strengthen SMEs owned by the poor, while cash wakaf can be directed toward the development of sustainable health facilities, education, or other social infrastructure. This shows that ISF is not merely a charitable activity, but has evolved into a policy tool capable of driving sharia economic growth and achieving social justice.

However, the development of ISF in Southeast Asia still faces the main challenge of limited coordination among countries. Each country still implements its ISF initiatives separately, with diverse policies, regulations, and approaches, leading to inconsistencies in addressing regional-scale social issues such as cross-border poverty or humanitarian disasters involving multiple countries. Yet, all countries in this region share the same

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

mission and vision of making ISF a driver of sustainable development and strengthening the well-being of Muslim communities.

This situation highlights the urgency of establishing structured and integrated regional synergy in the development of ISF. Such synergy should not be limited to symbolic collaboration but must be directed toward policy harmonization, exchange of best practices, strengthening digitalization, and integration of ISF management systems across countries. With such synergy, ISF will be able to reach a wider audience and work more efficiently in meeting the social needs of Muslims in the Southeast Asian region, while also supporting the achievement of the Sustainable Development Goals (SDGs) through Islamic financing channels.

Although the urgency and potential of Islamic Social Finance (ISF) in Southeast Asia have been extensively studied, cross-border integration and synergy remain areas requiring further exploration. Previous studies have provided an important foundation for understanding ISF. For example, developed an ISF integration model in Indonesia that focuses on synergies between zakat, waqf, and Islamic microfinance institutions in a national context. Meanwhile, Hajar¹ discuss the opportunities and challenges of harmonizing zakat regulations in ASEAN countries, highlighting differences in legal systems between countries as the main obstacle. A study by Shaikh et al.,² focuses on the potential of international waqf and the importance of inter-country collaboration in the development of productive waqf.

One important study was conducted by Adinugraha et al.,³ who developed a model for integrating Islamic Social Finance in Indonesia through the Integrated Islamic Social Finance Model approach. This study shows that to achieve efficiency and effectiveness in the management of Islamic social funds, synergy is needed between zakat institutions, wakaf institutions, and Islamic microfinance institutions. Although focused on the

¹ Andi Hajar, "Islamic Banking and Economic Development: Insights from Southeast Asia and the Middle East," *Sinergi International Journal of Islamic Studies* 3, no. 2 (2024): 162–175.

² Salman Ahmed Shaikh, Abdul Ghafar Ismail, and Muhammad Hakimi Mohd Shafai, "Application of Waqf for Social and Development Finance," *ISRA International Journal of Islamic Finance* 9, no. 1 (2017): 5–14, <https://doi.org/10.1108/ijif-07-2017-002>.

³ Hendri Hermawan Adinugraha, Muhammad Shulhoni, and Dliya'udin Achmad, "Islamic Social Finance in Indonesia: Opportunities, Challenges, and Its Role in Empowering Society," *Review of Islamic Social Finance and Entrepreneurship* 2, no. 1 (2023): 45–62, <https://doi.org/10.20885/risfe.vol2.iss1.art4>.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

national context, these findings provide a basis that integration can enhance the effectiveness of ISF when there is a strong collaborative framework among stakeholders.

Another relevant study was conducted by Widiastuti et al.⁴ which mapped the global development of Islamic Social Finance and recommended the establishment of an Islamic Social Finance Platform as an international coordination forum. The report shows that the success of ISF is not only determined by regulations and governance at the national level but also requires a collaborative forum among countries for data exchange, best practices, and cross-border project collaboration.

Cooperation in the field of Islamic social finance has been part of the long history of Islamic civilization, where social financial institutions have played a central role in supporting education, healthcare, and collective community welfare. In the modern context, this cooperation needs to be formalized into shared systems and regulations. In Southeast Asia, a study by Alfiani and Akbar⁵ suggests the formation of an ASEAN ISF network, which aims to coordinate zakat and waqf institutions in terms of standardizing performance indicators, digitization, and financial reporting. This research emphasizes that synergy not only improves efficiency but also strengthens the transparency and accountability of Islamic social institutions at the regional level.

Unlike these studies, which tend to focus on national aspects, specific harmonization challenges, the potential of a single instrument (waqf), or the need for a general coordination platform, this research makes a specific contribution in formulating an adaptive and sustainable regional synergy model. The model proposed in this article concretely integrates institutional components (Regional Coordinating Council), data infrastructure (South East Asia ISF Knowledge Hub), technology platforms (shared digital platform), and cross-border partnership schemes, designed to address regulatory fragmentation and coordination holistically within the Southeast Asian context. Thus, this study not only identifies the need for synergy but also actively formulates a conceptual framework that can be applied practically and strategically to strengthen the impact of

⁴ Tika Widiastuti et al., "Developing an Integrated Model of Islamic Social Finance: Toward an Effective Governance Framework," *Helyion* 8, no. 9 (2022): 1-10, <https://doi.org/10.1016/j.helyon.2022.e10383>.

⁵ Tri Alfiani and Nashr Akbar, "Exploring Strategies to Enhance Zakat Role to Support Sustainable Development Goals (SDGs)," in *International Conference of Zakat Proceedings*, 2020, 295-310, <https://doi.org/10.37706/iconz.2020.226>.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

ISF across the region, while bridging the gap between national approaches and regional collective potential.

Based on this background, this article was written to answer the main question: How can a regional synergy model be designed and implemented to strengthen the influence and effectiveness of Islamic Social Finance in Southeast Asia? Therefore, the purpose of this article is to identify the challenges and opportunities faced by countries in the region in managing ISF, as well as to formulate a concept of regional synergy that can be applied practically and strategically in the context of Southeast Asia.

This study adopts a descriptive qualitative approach through a literature review to examine regional synergy in advancing Islamic Social Finance (ISF) across Southeast Asia. The exploratory design relies on secondary data sourced from peer-reviewed journals, institutional reports, and official publications from zakat and waqf authorities in Indonesia, Malaysia, Brunei, Southern Thailand, and Mindanao. Data collection involved documentation methods, with a strict selection process based on thematic relevance, source credibility, and contextual alignment with Southeast Asian Islamic economic systems. Content analysis was employed to identify patterns of collaboration and integration challenges within ISF frameworks, ultimately synthesizing a model of regional synergy grounded in Islamic economic principles. To ensure data validity, source triangulation was conducted across academic, institutional, and governmental references to enhance reliability and interpretative depth.

The Practice of ISF in Indonesia, Malaysia, and Brunei (Possibly Also Southern Thailand and the Philippines)

a. Indonesia

Indonesia has developed a comprehensive Islamic Social Finance (ISF) integration model through an approach that combines zakat, infaq, sedekah, and wakaf (ZISWAF). This model aims to accelerate the transformation of poor communities toward prosperity by integrating various Islamic social finance instruments. Additionally, the role of ISF during the COVID-19 pandemic in Indonesia has proven

significant in supporting economic recovery.⁶ Instruments such as zakat, infaq, and wakaf were utilized to assist the government and communities in addressing the economic crisis caused by the pandemic.

b. Malaysia

Malaysia has adopted a modern approach to the management of zakat and wakaf, with a focus on the developmental role of Islamic philanthropy. This study explores modern approaches to zakat and wakaf in the context of contemporary community needs, including digitization and integration into modern financial systems.⁷ In addition, Malaysia has also developed a waqf model for social financing and development. This model discusses the application of waqf in the social finance sector to fund social development projects and services.⁸

c. Brunei Darussalam

Brunei Darussalam has a structured system for managing zakat and waqf under government supervision. The Zakat and Waqf Department under the Brunei Ministry of Religious Affairs manages the collection and distribution of social funds, with a focus on distributing zakat to the poor, students, and the development of Islamic-based public facilities. Waqf in Brunei has a long history, with a system that prioritizes the maintenance of waqf assets and the use of their proceeds for educational and da'wah programs.⁹ One successful example is Wakaf Ilmu, where waqf proceeds are used to provide scholarships and develop madrasah.

d. Southern Thailand

In southern Thailand, such as in the provinces of Pattani, Yala, and Narathiwat, Muslim communities manage zakat and waqf locally through mosques and community organizations. Initiatives such as the establishment of the Southern Islamic Religious Council help in the coordination and distribution of zakat and the

⁶ Nik Hadiyan Nik Azman, Tajul Ariffin Masron, and Haslindar Ibrahim, "The Significance of Islamic Social Finance in Stabilising Income for Micro-Entrepreneurs During the Covid-19 Outbreak," *Journal of Islamic Monetary Economics and Finance* 7, no. 1 (2021): 115–136, <https://doi.org/10.21098/jimf.v7i0.1307>.

⁷ Mohamad Isa Abd. Jalil, "Issues and Challenges of Waqf Practice in Malaysia: A Review," *Labuan e-Journal of Muamalat and Society (LJMS)* 14, no. 2 (2020): 80–86, <https://doi.org/10.51200/ljms.v14i.2868>.

⁸ Anwar Allah Pitchay et al., "Cooperative-Waqf Model: A Proposal to Develop Idle Waqf Lands in Malaysia," *ISRA International Journal of Islamic Finance* 10, no. 2 (2018): 225–236, <https://doi.org/10.1108/IJIF-07-2017-0012>.

⁹ AA Hubur, "Productive Waqf Management: A Case Study of Brunei Darussalam," *International Journal of Islamic Business* 4, no. 1 (2019): 65–87, <https://doi.org/10.32890/ijib2019.4.1.5>.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

development of community waqf. Waqf development in this region is generally informal but has a significant impact, such as waqf land for the construction of Islamic schools and religious study centers.¹⁰ This success indicates that the ISF system can function even within the limitations of formal structures, provided it is supported by collective community awareness.

e. Mindanao, Philippines

In Mindanao, particularly in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), there has been significant development in ISF governance following the establishment of regional autonomy. Regional zakat authorities have begun to be formed with support from international organizations such as Islamic Relief and UNDP, which are promoting the development of community-based zakat systems.¹¹ Waqf projects in Mindanao are typically social infrastructure development projects such as mosques, schools, and clean water facilities, and are managed by non-governmental organizations in accordance with sharia law.¹² This practice demonstrates that ISF integration can be effectively implemented within the framework of post-conflict community development and social reconstruction.

The Concept of Regional Synergy in the Context of Islamic Economics and Finance

a. Definition of Regional Synergy in Islamic Finance

Regional synergy in the context of Islamic economics and finance refers to collaborative efforts among countries in a particular region to integrate Islamic financial policies, regulations, and practices in order to achieve common goals. In Southeast Asia, this synergy aims to strengthen Islamic social financial instruments

¹⁰ Orawit Boonchom and Muhammadafee Assalihee, "The Development of Waqf Properties in Thailand Context: Challenges and Opportunities," *Journal of Islamic Studies*, Prince of Songkla University 14, no. 1 (2023): 231–257.

¹¹ Mariam Saidona Tagoranao, Alizaman D. Gamon, and Jolainie S. Tagoranao, "The Contributions of Islamic Social Financial Institutions in Realizing Sustainable Economic Recovery for the Muslim Communities in the Philippines," *Al-Risalah* 6, no. 1 (2022): 1–21.

¹² Muhammad Zahrul Anam and Surwandono Surwandono, "NGOs and Peace Building in the Philippines: Muhammadiyah's Reconstruction Plan for the Bangsamoro Post Peace Agreement" (2013): 1–12.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

such as zakat, infaq, sadaqah, and waqf (ZISWAF) through a coordinated framework of cooperation.¹³

According to a report from the Islamic Financial Services Board (IFSB), regional synergy can improve the stability and efficiency of the Islamic financial system by harmonizing standards and regulations among member countries.

b. The Importance of Regional Synergy in Strengthening Islamic Social Finance

Islamic Social Finance (ISF) plays an important role in sustainable economic development and poverty alleviation. With regional synergy, countries in Southeast Asia can:

- 1) Optimize the Collection and Distribution of ZISWAF Funds: Through cooperation, countries can share data and strategies to improve the efficiency of social fund collection and distribution.
- 2) Improve Financial Inclusion: Regional synergy enables the expansion of access to Islamic financial services to underserved communities, especially in remote areas.
- 3) Promote Innovation in Islamic Financial Products: Collaboration between countries can facilitate the development of innovative Islamic financial products that are tailored to local needs.¹⁴

A study by the Asian Development Bank (ADB) shows that regional integration in Islamic finance can accelerate the achievement of the Sustainable Development Goals (SDGs) through increased efficiency and effectiveness of ISF instruments.

c. Implementation of Regional Synergy in Southeast Asia

Several initiatives have been undertaken to promote regional synergy in Islamic finance in Southeast Asia:

- 1) ASEAN Financial Integration Framework (AFIF): This initiative aims to strengthen financial integration in the ASEAN region, including the development of Islamic finance.

¹³ Agus Arwani, Rifqi Muhammad, and Mahmudi, "Sustainable Development and Islamic Philanthropy: Synergy of Zakat and SDGs," *al-Uqud: Journal of Islamic Economics* 8, no. 1 (2024): 124–160, <https://doi.org/10.26740/al-uqud.v8n1.p124-160>.

¹⁴ Ana Toni Roby Candra Yudha, Nasif Sidquee Pauzi, and Rafidah Binti Mohd Azli, "The Synergy Model for Strengthening the Productivity of Indonesian Halal Industry," *Al-Uqud : Journal of Islamic Economics* 4, no. 2 (2020): 186–199, <https://doi.org/10.26740/al-uqud.v4n2>.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

- 2) Bilateral and Multilateral Cooperation: Countries such as Indonesia and Malaysia have established cooperation in the development of Islamic financial products and knowledge exchange.
- 3) Development of Common Standards: Efforts to harmonize Islamic finance standards and regulations in the region continue to facilitate market integration.¹⁵

d. Challenges and Recommendations

Despite progress, several challenges remain in achieving effective regional synergy:

- 1) Differences in Regulations and Standards: Variations in regulations and interpretations of Sharia law between countries can hinder integration.
- 2) Limitations in Infrastructure and Technology: Some countries still face limitations in infrastructure and technology that support Islamic finance.
- 3) Lack of Skilled Human Resources: A shortage of experts in the field of Islamic finance can hinder the development and implementation of programs.

To overcome these challenges, the following recommendations can be considered:

- 1) Regulatory Harmonization: Encourage dialogue and cooperation among regulators to harmonize Islamic finance regulations and standards.
- 2) Investment in Infrastructure and Technology: Increase investment in infrastructure and technology to support efficient Islamic financial services.
- 3) Human Resource Development: Enhance capacity through training and education in the field of Islamic finance.¹⁶

Analysis of Gaps and Potential for Regional ISF Synergy

The profile of Islamic Social Finance in Muslim-majority countries such as Indonesia, Malaysia, and Brunei shows established national institutional and regulatory strengths. Indonesia, for example, has developed a comprehensive legal framework (Law No. 23 of 2011 and Law No. 41 of 2004) and progressive digital adoption in ZISWAF management. Malaysia excels in its centralized approach and corporate waqf innovation,

¹⁵ Muthoifin, Ali Hussein Ghazwan, and Ishmah Afiyah, "Civilizational Synergy in Southeast Asia: Comparative Insights on Islamic Development in Indonesia and Brunei Darussalam," *Sicopus* 3, no. 3 (2025): 329–342, <https://doi.org/10.61455/sicopus.v3i03.350>.

¹⁶ Asyraf Wajdi Dusuki and Abdulazeem Abozaid, "A Critical Appraisal On The Challenges Of Realizing Maqasid Al-Shariaah In Islamic Banking And Finance," *IIUM Journal of Economics and Management* 15, no. 2 (2007): 143–165.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

integrating the business sector with Islamic philanthropy.¹⁷ Meanwhile, Brunei Darussalam demonstrates stability through centralized ISF management under the Ministry of Religious Affairs, with a focus on educational waqf and zakat digitalization.

However, alongside these domestic strengths, the research confirms significant challenges in the form of regulatory and policy fragmentation among countries, a lack of formal cross-border coordination frameworks, and minimal exchange of data and best practices. These conditions hinder the utilization of the region's vast ISF potential, which is supported by a massive Muslim population and active management institutions. Synergy opportunities, however, arise from shared goals of poverty alleviation and sustainable development based on Islamic values, as well as support from regional and international institutions like ASEAN and IsDB. The use of digital technology also serves as an important catalyst for the integration of ISF systems in Southeast Asia.

Formulation of a Regional Islamic Social Finance Synergy Model

Based on the analysis of gaps and synergy potential above, this research formulates an adaptive and sustainable Regional Islamic Social Finance Synergy Model for Southeast Asia. This model focuses on creating a collaborative cross-country ecosystem for optimizing the management and distribution of ISF funds, strengthening social justice, and collectively empowering the *ummah*.

This model is built upon three main pillars: collaborative objectives, institutional components, and implementation stages. More specifically, the proposed model includes:

a. Institutional and Infrastructure Components of the Model

The proposed regional ISF synergy model has structured institutional and infrastructure components to facilitate cross-country coordination and operationalization:

1) Regional Coordinative Institution

The establishment of a Southeast Asia Zakat and Waqf Council is proposed as a non-political institution to bridge communication and collaboration among national ISF institutions. This Council will serve as a consultative and

¹⁷ Dwi Fidhayanti et al., "Exploring The Legal Landscape of Islamic Fintech in Indonesia: A Comprehensive Analysis of Policies and Regulations," *F1000Research* 13, no. 21 (2024): 1-15, <https://doi.org/10.12688/f1000research.143476.2>.

normative platform to formulate guidelines and best practices for cross-country ISF management. This concept aligns with the need for a structured cooperation framework as indicated by previous studies.¹⁸

2) ISF Data and Knowledge Hub

The development of a Southeast Asia ISF Knowledge Hub is crucial. This is an integrated data center that stores information regarding beneficiaries, funded projects, fundraising methods, and impact studies of ISF programs from each country. The existence of this knowledge hub will encourage the exchange of best practices and aggregated data essential for effective cross-border intervention planning.

3) Joint Digital Platform

The development of a collaborative digital platform is central to the operational efficiency of this model. This platform will enable regional zakat and waqf crowdfunding, facilitate cross-country zakat distribution, international waqf fundraising, and ensure transparent financial reporting. The utilization of technologies such as blockchain and big data can be integrated for the accountability of this system. This digitalization aspect is highly relevant to the rapid development of ISF in several countries (e.g., Indonesia and Malaysia).

4) Cross-Country Partnership Schemes

This model proposes the implementation of cross-country waqf partnership schemes for large-scale social projects. Examples include the establishment of regional Islamic universities, waqf-based hospitals, or humanitarian programs for vulnerable groups in conflict areas such as Rohingya, Mindanao, and Pattani. This scheme also opens up social investment opportunities from the private sector and the Muslim diaspora in Southeast Asia, in line with the successful productive waqf concept in Malaysia.¹⁹

¹⁸ Alfiani and Akbar, "Exploring Strategies to Enhance Zakat Role to Support Sustainable Development Goals (SDGs)."

¹⁹ Shaikh, Ismail, and Mohd Shafai, "Application of Waqf for Social and Development Finance."

b. Model Implementation Stages

This regional synergy model is proposed to be implemented through the following strategic stages:

1) Initiation of Inter-country Dialogue

The crucial initial stage is to organize a dialogue forum among ISF institutions in the Southeast Asian region. This forum can be initiated by the ASEAN Working Group on Islamic Finance or through the support of institutions such as INCEIF and IDB. The objective is to align perceptions, garner commitments, and map out potential regional cooperation.

2) Integration Feasibility Study

In-depth research will be conducted regarding each country's readiness in terms of regulations, institutional capacity, digital infrastructure, and beneficiary databases. This study will form the basis for developing an ISF integration roadmap and designing the regional coordinative institution.

3) Regional ISF Pilot Project

Initial implementation will be carried out through pilot projects. An example is the establishment of a regional waqf campus collectively financed by zakat and waqf from several countries. This project must be guided by success indicators and joint cross-country monitoring so that the model can be replicated and scaled up.

Challenges of Fragmentation in Islamic Social Finance

a. Differences in Regulation and Institutions

Every country in Southeast Asia has a different legal and institutional framework for managing ISF. Indonesia, for instance, has the National Zakat Agency (BAZNAS) and Zakat and Waqf Laws that govern the management of Islamic social funds. Malaysia manages zakat through the State Islamic Religious Councils (MAIN) and has entities like Yayasan Waqaf Malaysia.²⁰ Meanwhile, Brunei Darussalam integrates the ISF system within its Islamic state framework through the Ministry

²⁰ Ahmad Fahme Mohd Ali et al., "The Effectiveness of Zakat in Reducing Poverty Incident: An Analysis in Kelantan, Malaysia," *Asian Social Science* 11, no. 21 (2015): 355–367, <https://doi.org/10.5539/ass.v11n21p355>.

of Religious Affairs.²¹ These differences create challenges in harmonizing ISF policies and practices at the regional level.

b. Absence of Cross-Country Coordination Framework

To date, there isn't a formal mechanism coordinating ISF management among countries in Southeast Asia. Although regional bodies like ASEAN exist, their focus is more on economic and political aspects, not on the integration of Islamic social finance. This lack of a coordination framework hinders the potential for synergy in cross-country zakat and waqf management.

c. Limited Exchange of Data and Best Practices

A shortage of information and best practice exchange among countries acts as a barrier to the effective development of ISF. Each country tends to develop its own system without significantly learning from the experiences of other nations. This leads to duplicated efforts and a lack of efficiency in managing Islamic social funds in the region.

d. Limited Inter-country Digital Integration

Although some countries have adopted digitalization in ISF management, inter-country digital integration remains limited. Differences in technology infrastructure, data standards, and data privacy regulations hinder the development of a joint digital platform that could facilitate regional zakat and waqf management.²²

e. Dominance of Nationalist Approach Compared to Collective Regional Approach

Southeast Asian countries tend to focus on developing ISF within a national context, with little attention to the potential for regional collaboration. This approach restricts opportunities to create synergies that could enhance the efficiency and impact of ISF in the region.

Urgency and Opportunities for Regional Synergy

a. Potential Market and Muslim Population in Southeast Asia

²¹ Muthoifin, Ghazwan, and Afiyah, "Civilizational Synergy in Southeast Asia: Comparative Insights on Islamic Development in Indonesia and Brunei Darussalam."

²² Eka Puji Sristi, "Navigating the New Normal: Digital Transformation and Islamic Social Finance Strategies," in *7th Indonesian Conference of Zakat Proceedings*, 2023, 187–196.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

Southeast Asia is a region with a significant Muslim population. Indonesia, as the country with the largest Muslim population globally, followed by Malaysia and Brunei Darussalam, makes this region a potential market for ISF development.²³ This large Muslim population creates vast opportunities for more effective and efficient collection and distribution of Islamic social funds like zakat and waqf.

b. Support from Regional and International Institutions

Institutions such as ASEAN, the International Centre for Education in Islamic Finance (INCEIF), and the Islamic Development Bank (IsDB) play strategic roles in supporting the strengthening of ISF in the region. INCEIF, for example, through its Centre of Excellence for Islamic Social Finance, provides training and research to strengthen the capacity of ISF institutions.²⁴ The IsDB also contributes by providing financing and technical support for ISF-related projects in member countries.

c. Role of Digital Technology in ISF System Integration

Leveraging digital technology can be a catalyst for integrating ISF systems in Southeast Asia. Developing a joint digital platform for the collection, distribution, and reporting of zakat and waqf funds can increase transparency, accountability, and efficiency.²⁵ Furthermore, digital technology enables the exchange of data and best practices between countries, which can strengthen regional synergy in ISF management.

d. Zakat and Waqf Diplomacy: A Narrative of Cooperation Based on Islamic Values

Zakat and waqf function not only as social financial instruments but also as diplomatic tools that reflect Islamic values of solidarity and social justice. Through regional cooperation in zakat and waqf management, Southeast Asian countries can strengthen diplomatic relations and build a shared narrative emphasizing the importance of collaboration for the welfare of the ummah. This aligns with Islamic principles that encourage cooperation and mutual assistance in good deeds.

²³ Muthoifin, Ghazwan, and Afiyah, "Civilizational Synergy in Southeast Asia: Comparative Insights on Islamic Development in Indonesia and Brunei Darussalam."

²⁴ IFDI, *Refinitiv Islamic Finance Development Report 2022, ICD*, 2022.

²⁵ Ramla Sadiq and Afia Mushtaq, "Role of Islamic Finance in Achieving Sustainable Development Goals," *Essential Concepts of Global Environmental Governance* 5, no. 1 (2015): 42–55, <https://doi.org/10.32350/jitc.51>.

Proposed Regional Islamic Social Finance Synergy Model

a. Objectives of the Regional ISF Synergy Model

The regional synergy model in Islamic Social Finance (ISF) aims to build a cross-country collaborative ecosystem in Southeast Asia for managing Islamic social finance instruments such as zakat, infaq, sadaqah, and waqf. Its primary objectives are to increase the efficiency of fund distribution, strengthen social justice, and empower the *ummah* through collective cross-border projects. This model is also geared towards addressing socio-economic disparities regionally, while simultaneously encouraging the integration of ISF systems among countries by utilizing digital approaches and Islamic value diplomacy.²⁶

Furthermore, this model aims to harmonize ISF management policies, regulations, and practices to establish minimum standards that can be accepted and implemented by member countries, without eliminating each country's local characteristics.²⁷ In this way, ISF will not only serve as a philanthropic instrument but also as a mechanism for regional sustainable development.

b. Components of the Regional ISF Synergy Model

1) Regional Coordinative Institution

The establishment of a Southeast Asia Zakat and Waqf Council is proposed as a non-political regional coordinative institution tasked with bridging communication and collaboration among national ISF institutions. This body will act as a consultative and normative platform for formulating cross-country ISF management guidelines.

2) ISF Data and Knowledge Hub

The development of the Southeast Asia ISF Knowledge Hub, an integrated data center that stores information on beneficiaries, funded projects, fundraising methods, and impact studies of ISF programs in each country. This is

²⁶ Muhammad Iqmal Hisham Kamaruddin et al., "Development of FinTech in Islamic Social Finance in Malaysia," *International Journal of Economics, Management and Accounting* 31, no. 1 (2023): 177–204.

²⁷ Zubair Hasan, "Sustainable Development from an Islamic Perspective : Meaning Implications and Policy Concerns," *J.KAU: Islamic Econ* 19, no. 1 (2006): 3–18.

important for the exchange of best practices and aggregated data that aids cross-border intervention planning.

3) Joint Digital Platform

The development of a collaborative digital platform that enables regional zakat and waqf crowdfunding. This includes features for cross-country zakat distribution, international waqf fundraising, and transparent financial reporting. Blockchain and big data technologies can be leveraged for the transparency and accountability of this system.

4) Cross-Country Partnership Schemes

The implementation of cross-country waqf partnerships, such as the establishment of regional Islamic universities, waqf-based hospitals, or humanitarian programs for vulnerable groups in conflict areas like Rohingya, Mindanao, and Pattani. This scheme also opens opportunities for social investment from the private sector and the Muslim diaspora in Southeast Asia.

c. Stages of Model Implementation

1) Initiation of Inter-country Dialogue

A crucial initial stage is to organize a dialogue forum among ISF institutions in the Southeast Asian region. This forum can be initiated by the ASEAN Working Group on Islamic Finance or through the support of institutions such as INCEIF and IDB. The objectives are to align perceptions, secure commitments, and map out potential cooperation.²⁸

2) Integration Feasibility Study

In-depth research will be conducted regarding each country's readiness in terms of regulations, institutional capacity, digital infrastructure, and beneficiary databases. This study will form the basis for developing an ISF integration roadmap and designing the regional coordinative institution.

3) Regional ISF Pilot Project

Initial implementation will be carried out through pilot projects, for example, the establishment of a regional waqf campus collectively financed by zakat and

²⁸ Anam and Surwadono, "NGOs and Peace Building in the Philippines: Muhammadiyah's Reconstruction Plan for the Bangsamoro Post Peace Agreement."

waqf from several countries. This project must be guided by success indicators and joint cross-country monitoring so that the model can be replicated.

Policy Implications and Recommendations

The concept of regional synergy in Islamic Social Finance (ISF) not only demands a conceptual approach but also requires concrete and structured policies to support it. The implications of the findings and the proposed model in this article necessitate the involvement of all actors, ranging from states, regional institutions, civil society, to the private sector.²⁹

a. Need for a Regional Legal Umbrella under ASEAN or a Regional Sharia Forum

One of the main challenges in ISF integration in Southeast Asia is the absence of a collective legal framework governing cross-country coordination. Therefore, a regional legal umbrella is needed that can accommodate the principles of Islamic social finance within the ASEAN framework or through the establishment of a Southeast Asia Regional Sharia Forum.³⁰ This regulation must be flexible yet binding in terms of cross-country collaboration for the collection, distribution, and reporting of ISF funds.

Such a legal initiative can emulate regionalization mechanisms in other ASEAN sectors, such as the ASEAN Economic Community (AEC), which serves as a model for unifying economic policies across countries. In the context of ISF, this is important to ensure minimum standards for zakat and waqf management, as well as formal recognition of cross-border distribution.³¹

b. Support for ISF Human Resources Education and Training

Strengthening synergy will not progress without strengthening human resource capacity. Currently, there is still an imbalance in the competencies of ISF managers among countries, both in aspects of *fiqh muamalah*, social financial management,

²⁹ Evren Tok, Abdurahman J. Yesuf, and Abdulfatah Mohamed, "Sustainable Development Goals and Islamic Social Finance: From Policy Divide to Policy Coherence and Convergence," *Sustainability* 14, no. 11 (2022): 1-23, <https://doi.org/10.3390/su14116875>.

³⁰ Ahmad Narud, Rachel Chan, and Nikhil Joshi, "The Legal Framework of Shariah Banking in Indonesia: Implications for Financial Regulation and Market Development," *Sharia Oikonomia Law Journal* 3, no. 1 (2025): 116-126, <https://doi.org/10.70177/solj.v3i1.2082>.

³¹ Nabil Fikri Palasenda and Muhammad Salikurrahman, "The Role of Waqf in Advancing Quality Education and Community Empowerment: Aligning with Sustainable Development Goals," *El-Tarbawi* 17, no. 2 (2025): 263-284, <https://doi.org/10.20885/tarbawi.vol17.iss2.art4>.

and the utilization of digital technology. Therefore, joint education and training programs are needed, which can be organized by institutions such as INCEIF (Malaysia), Universitas Islam Internasional Indonesia (UIII), and IAIS Brunei.³² This education must include cross-country curricula, exchange programs for students and zakat managers, and case study-based training for collaborative projects. Certified professional qualifications can also be introduced as a standard for ISF managers in this region.

c. Strengthening Cross-Country Collaborative Research

Strong synergy requires a solid database and scientific studies. Thus, strengthening in the form of cross-country collaborative research is needed to investigate the effectiveness of zakat distribution, the impact of productive waqf projects, and feasibility studies for integrating digital systems among countries. Research centers such as INCEIF, Bank Indonesia Institute, and Universiti Brunei Darussalam can lead in formulating these collective research projects. Such research should be directed towards establishing common performance indicators (KPIs) and a roadmap for ISF harmonization in Southeast Asia.³³

d. Role of State, Civil Society, and Private Sector

Finally, the success of the synergy model cannot solely depend on the state. The role of civil society, such as Islamic NGOs, scholarly organizations, and digital philanthropic movements, is crucial in ensuring that ISF programs can reach the grassroots. On the other hand, the private sector can also be encouraged to participate in productive waqf through social investment schemes and Sharia-based CSR.³⁴ These multi-stakeholder partnerships must be formalized through Public-Civil-Private Partnership mechanisms. For instance, the development of a regional waqf hospital could involve funds from halal companies, state zakat institutions, and regional Muslim communities simultaneously.

³² Ickhsanto Wahyudi, Indo Yama, and Muhammad Said, "Islamic Social Finance as a Catalyst for SDGs: A Systematic Analysis of Implementation Models and Digital Innovation," *Jurnal Ekonomi Syariah* 10, no. 1 (2025): 54–70, <https://doi.org/10.22219/jes.v10i1.37591>.

³³ Muthoifin, Ghazwan, and Afiyah, "Civilizational Synergy in Southeast Asia: Comparative Insights on Islamic Development in Indonesia and Brunei Darussalam."

³⁴ Anam and Surwadono, "NGOs and Peace Building in the Philippines: Muhammadiyah's Reconstruction Plan for the Bangsamoro Post Peace Agreement."

Conclusion

This study asserts that regional synergy in Islamic Social Finance (ISF) is an urgent need for Southeast Asia, given its large Muslim population and abundant resources, yet fragmented landscape. ISF, as an instrument of social justice, heavily relies on inter-country coordination for its success. The urgency for this synergy arises from regulatory gaps and a dominant national focus, even though harmonized strategies and the exchange of best practices could broadly increase ISF's impact. Synergy is also crucial for addressing global challenges such as cross-border poverty and financing social projects through productive waqf.

The main contribution of this article is to propose a conceptual model for regional ISF synergy with three pillars: collaborative objectives, institutional components (Regional Coordinative Institution, Joint Digital Platform), and implementative stages, as well as recommending policies like a regional legal framework. This model is expected to drive the efficient distribution of Islamic social funds, strengthen Islamic finance's position as an alternative system, and foster stronger ties among Muslim countries in Southeast Asia. In conclusion, this article invites all stakeholders to initiate integrative steps through policy dialogues, cross-country pilot projects, and coordinated ISF digitalization, so that Southeast Asia can become a global model for inclusive and collaborative Islamic social finance implementation.

References

Abd. Jalil, Mohamad Isa. "Issues and Challenges of Waqf Practice in Malaysia: A Review." *Labuan e-Journal of Muamalat and Society (LJMS)* 14, no. 2 (2020): 80–86. <https://doi.org/10.51200/ljms.v14i.2868>.

Adinugraha, Hendri Hermawan, Muhammad Shulhoni, and Dliya'udin Achmad. "Islamic Social Finance in Indonesia: Opportunities, Challenges, and Its Role in Empowering Society." *Review of Islamic Social Finance and Entrepreneurship* 2, no. 1 (2023): 45–62. <https://doi.org/10.20885/risfe.vol2.iss1.art4>.

Alfiani, Tri, and Nashr Akbar. "Exploring Strategies to Enhance Zakat Role to Support Sustainable Development Goals (SDGs)." In *International Conference of Zakat Proceedings*, 295–310, 2020. <https://doi.org/10.37706/iconz.2020.226>.

Ali, Ahmad Fahme Mohd, Zakariah Abd. Rashid, Fuadah Johari, and Muhammad Ridhwan Ab. Aziz. "The Effectiveness of Zakat in Reducing Poverty Incident: An Analysis in Kelantan, Malaysia." *Asian Social Science* 11, no. 21 (2015): 355–367. <https://doi.org/10.5539/ass.v11n21p355>.

Allah Pitchay, Anwar, Mohamed Asmy Mohd Thas Thaker, Al Amin Mydin, Zubir Azhar, and Abdul Rais Abdul Latiff. "Cooperative-Waqf Model: A Proposal to Develop Idle

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

Waqf Lands in Malaysia." *ISRA International Journal of Islamic Finance* 10, no. 2 (2018): 225–236. <https://doi.org/10.1108/IJIF-07-2017-0012>.

Anam, Muhammad Zahrul, and Surwandono Surwandono. "NGOs and Peace Building in the Philippines: Muhammadiyah's Reconstruction Plan for the Bangsamoro Post Peace Agreement" (2013): 1–12.

Arwani, Agus, Rifqi Muhammad, and Mahmudi. "Sustainable Development and Islamic Philanthropy: Synergy of Zakat and SDGs." *al-Uqud: Journal of Islamic Economics* 8, no. 1 (2024): 124–160. <https://doi.org/10.26740/al-uqud.v8n1.p124-160>.

Azman, Nik Hadiyan Nik, Tajul Ariffin Masron, and Haslindar Ibrahim. "The Significance of Islamic Social Finance in Stabilising Income for Micro-Entrepreneurs During the Covid-19 Outbreak." *Journal of Islamic Monetary Economics and Finance* 7, no. 1 (2021): 115–136. <https://doi.org/10.21098/jimf.v7i0.1307>.

Boonchom, Orawit, and Muhammadafee Assalihee. "The Development of Waqf Properties in Thailand Context: Challenges and Opportunities." *Journal of Islamic Studies, Prince of Songkla University* 14, no. 1 (2023): 231–257.

Dusuki, Asyraf Wajdi, and Abdulazeem Abozaid. "A Critical Appraisal On The Challenges Of Realizing Maqasid Al-Shariaah In Islamic Banking And Finance." *IIUM Journal of Economics and Management* 15, no. 2 (2007): 143–165.

Fidhayanti, Dwi, Mohd Shahid Mohd Noh, Ramadhita, and Syabbul Bachri. "Exploring The Legal Landscape of Islamic Fintech in Indonesia: A Comprehensive Analysis of Policies and Regulations." *F1000Research* 13, no. 21 (2024): 1–15. <https://doi.org/10.12688/f1000research.143476.2>.

Hajar, Andi. "Islamic Banking and Economic Development: Insights from Southeast Asia and the Middle East." *Sinergi International Journal of Islamic Studies* 3, no. 2 (2024): 162–175.

Hasan, Zubair. "Sustainable Development from an Islamic Perspective: Meaning Implications and Policy Concerns." *J.KAU: Islamic Econ* 19, no. 1 (2006): 3–18.

Hubur, AA. "Productive Waqf Management: A Case Study of Brunei Darussalam." *International Journal of Islamic Business* 4, no. 1 (2019): 65–87. <https://doi.org/10.32890/ijib2019.4.1.5>.

IFDI. *Refinitiv Islamic Finance Development Report 2022. ICD*, 2022.

Kamaruddin, Muhammad Iqmal Hisham, Mustafa Mohd Hanefah, Amir Shaharuddin, Abdullah Mohammed Ahmed Ayedh, and Nur Adilah Othman. "Development of FinTech in Islamic Social Finance in Malaysia." *International Journal of Economics, Management and Accounting* 31, no. 1 (2023): 177–204.

Muthoifin, Ali Hussein Ghazwan, and Ishmah Afiyah. "Civilizational Synergy in Southeast Asia: Comparative Insights on Islamic Development in Indonesia and Brunei Darussalam." *Sicopus* 3, no. 3 (2025): 329–342. <https://doi.org/10.61455/sicopus.v3i03.350>.

Narud, Ahmad, Rachel Chan, and Nikhil Joshi. "The Legal Framework of Shariah Banking in Indonesia: Implications for Financial Regulation and Market Development." *Sharia Oikonomia Law Journal* 3, no. 1 (2025): 116–126. <https://doi.org/10.70177/solj.v3i1.2082>.

Palasenda, Nabil Fikri, and Muhammad Salikurrahman. "The Role of Waqf in Advancing Quality Education and Community Empowerment: Aligning with Sustainable Development Goals." *El-Tarbawi* 17, no. 2 (2025): 263–284. <https://doi.org/10.20885/tarbawi.vol17.iss2.art4>.

Regional Synergy Model in Strengthening Islamic Social Finance: Southeast Asian Perspective

Hanifah Zakiyah and Rozi Andrin

DOI: 10.58518/al-faruq.v4i2.3989

Sadiq, Raml, and Afia Mushtaq. "Role of Islamic Finance in Achieving Sustainable Development Goals." *Essential Concepts of Global Environmental Governance* 5, no. 1 (2015): 42–55. <https://doi.org/10.32350/jitc.51>.

Shaikh, Salman Ahmed, Abdul Ghafar Ismail, and Muhammad Hakimi Mohd Shafai. "Application of Waqf for Social and Development Finance." *ISRA International Journal of Islamic Finance* 9, no. 1 (2017): 5–14. <https://doi.org/10.1108/ijif-07-2017-002>.

Srilestari, Eka Puji. "Navigating the New Normal: Digital Transformation and Islamic Social Finance Strategies." In *7th Indonesian Conference of Zakat Proceedings*, 187–196, 2023.

Tagoranao, Mariam Saidona, Alizaman D. Gamon, and Jolainie S. Tagoranao. "The Contributions of Islamic Social Financial Institutions in Realizing Sustainable Economic Recovery for the Muslim Communities in the Philippines." *Al-Risalah* 6, no. 1 (2022): 1–21.

Tok, Evren, Abdurahman J. Yesuf, and Abdulfatah Mohamed. "Sustainable Development Goals and Islamic Social Finance: From Policy Divide to Policy Coherence and Convergence." *Sustainability* 14, no. 11 (2022): 1–23. <https://doi.org/10.3390/su14116875>.

Wahyudi, Ickhsanto, Indo Yama, and Muhammad Said. "Islamic Social Finance as a Catalyst for SDGs: A Systematic Analysis of Implementation Models and Digital Innovation." *Jurnal Ekonomi Syariah* 10, no. 1 (2025): 54–70. <https://doi.org/10.22219/jes.v10i1.37591>.

Widiastuti, Tika, Sri Ningsih, Ari Prasetyo, Imron Mawardi, Sri Herianingrum, Anidah Robani, Muhammad Ubaidillah Al Mustofa, and Aufar Fadlul Hady. "Developing an Integrated Model of Islamic Social Finance: Toward an Effective Governance Framework." *Heliyon* 8, no. 9 (2022): 1–10. <https://doi.org/10.1016/j.heliyon.2022.e10383>.

Yudha, Ana Toni Roby Candra, Nasif Sidquee Pauzi, and Rafidah Binti Mohd Azli. "The Synergy Model for Strengthening the Productivity of Indonesian Halal Industry." *Al-Uqud: Journal of Islamic Economics* 4, no. 2 (2020): 186–199. <https://doi.org/10.26740/al-uqud.v4n2>.