

---

## Strategic Innovation in Waqf Management: A Case Study of Muhammadiyah Association in Palembang City

Syafran Afriansyah<sup>1\*</sup>, Nurmalina<sup>2</sup>

<sup>1</sup> Faculty of Sharia and Law, Raden Fatah State Islamic University Palembang, Indonesia

<sup>2</sup> UPT Perpustakaan, Raden Fatah State Islamic University Palembang, Indonesia

**Abstract:** *This study aims to examine the strategies implemented by the Muhammadiyah Association of Palembang City to enhance the welfare benefits of waqf. This is a field study employing a qualitative approach. Data were collected through observation, in-depth interviews, and document analysis. The findings indicate that the waqf assets managed by Muhammadiyah in Palembang City primarily consist of land and buildings, which are generally utilized for educational, religious, health, and social facilities. Additionally, there is significant potential for cash waqf, estimated to reach approximately IDR 1.6 billion per year. To ensure that waqf management by Muhammadiyah Palembang City contributes effectively to public welfare, as stipulated in Law No. 42 of 2004 concerning waqf, several strategic shifts are necessary. First, a paradigm shift is required from a traditional to a contemporary waqf management model. Second, the professionalism of the nazir (waqf managers) must be enhanced. Third, innovative approaches to productive waqf programs should be pursued, including the management of neglected waqf assets, the development of existing assets, and the establishment of new waqf initiatives. Fourth, the management of cash waqf must be optimized. Fifth, waqf administration needs to be systematically structured.*

**Keywords:** *waqf, Muhammadiyah, welfare, waqf law.*

\*Corresponding author: [syafranafriansyah\\_uin@radenfatah.ac.id](mailto:syafranafriansyah_uin@radenfatah.ac.id)

Received: September 16, 2024; Accepted: February 05, 2025; Published: May 23, 2025

---

### INTRODUCTION

Islam presents a comprehensive system of teachings that encompasses both matters of faith and the regulation of human life. The doctrinal foundation of Islamic belief is rooted in *tawhid*, the monotheistic principle affirming that all existence originates from and is ultimately accountable to Allah SWT. In terms of societal governance, Islamic teachings are guided by the concept of *rahmatan lil-'alamin*, which asserts that the principles of Islam are intended to bring prosperity and mercy to all of humanity and the wider creation.

One significant manifestation of Islamic teachings aimed at promoting human welfare is the institution of *waqf*—the voluntary endowment of a portion of one's wealth for religious or public benefit. The practice of waqf, as exemplified by

the Prophet Muhammad SAW, extends beyond supporting religious observances to include the broader goal of social welfare. For instance, following the *Hijrah*, the Prophet utilized waqf contributions from both the *Muhajirin* and the *Ansar* to support the foundational development of the city of Medina. At that time, waqf assets consisted of land, gardens, and water springs—resources of considerable value that served as vital capital for the emerging Muslim community. Abazhah (2014) further notes that the Prophet himself pioneered the practice of waqf by endowing a date plantation and a parcel of land, thereby setting a model for his followers in combining spiritual devotion with community service.

According to Shaykh Ali Ahmad al-Jurjawi, the practice of *waqf* by the Prophet Muhammad SAW began after his return from the Battle of Uhud. On this occasion, the Prophet endowed seven gardens in the city of Medina and designated their proceeds for the benefit of the poor, travelers (*ibn al-sabil*), and his relatives. This act of charitable endowment established a precedent that was subsequently emulated by his Companions. For instance, Uthman ibn ‘Affan donated his land holdings in Baradis, Khaibar, and Wadi al-Qura. Similarly, Al-Arqam endowed a house he owned, which later served as a central gathering place for early Muslims to engage in religious instruction and the propagation of Islam. This property remained within the community for generations until it was eventually seized by force during the reign of Caliph Al-Mansur (Al-Jurjawi, 2003).

Al-Khazhaf, as cited by Muzarie, explained that nearly all of the Companions who participated in the Battle of Badr—both from the *Ansar* and the *Muhajirin*—engaged in the practice of *waqf* (Muzarie, 2010). In the early period of Islam, waqf properties—often consisting of fertile agricultural land—played a significant role in supporting the livelihoods of the community. Ibn ‘Umar provides a detailed account of the use of proceeds from 100 plots of waqf land in Khaibar under his management. The income generated from these lands was allocated to support the poor, family members, relatives, servants, volunteers, and travelers. Likewise, the Prophet Muhammad SAW endowed 36 plots of land, the proceeds of which were dedicated to the welfare of veterans who participated in the liberation of the city of Makkah, as well as for the broader benefit of the Muslim community (Munzdzir, 2005).

Throughout its historical development—particularly during the period of the *Khulafa al-Rashidun* and the caliphates of the Umayyad and Abbasid dynasties—*waqf* emerged as a pivotal institution in societal development. Waqf resources were extensively utilized for the construction of religious facilities, educational institutions, libraries, healthcare centers, road infrastructure, and a wide range of public amenities (Mahamood & Rahman, 2015). In line with these developments, the management of *waqf* became increasingly professionalized. During the reign of Hisham bin Abdul Malik (724–743 CE), a caliph of the Umayyad dynasty, a dedicated institution for the administration of waqf was established for the first time. This institution provided formal governance and legal certainty to waqf activities. To reinforce its legal framework, waqf was placed under the supervision of the Ministry of Justice, signifying that waqf had evolved from a purely private religious act to a matter of public interest under state oversight. Further advancements occurred during the Abbasid dynasty, when waqf

administration was refined through the establishment of a specialized institution known as *shadr al-wuquf*. This body was tasked not only with the registration and legal validation of waqf deeds but also with overseeing the management and allocation of waqf resources for the public good (Muzarie, 2010).

During the Abbasid era, *waqf* served as a vital instrument in the advancement of Islamic civilization. Revenues generated from the management of waqf assets were allocated to a wide range of developmental initiatives, particularly in the domains of education, scientific inquiry, as well as art and architectural innovation. Notably, the existence of tuition-free schools during this period was made possible through waqf funding, which covered educational expenses, including teachers' salaries. The substantial contributions of waqf to educational development played a pivotal role in positioning the Abbasid Caliphate as a leading center of intellectual and cultural progress in the Islamic world (Fauza, 2015).

In the modern era, the understanding of *waqf* has continued to evolve. Contemporary Islamic scholars contend that waqf can be categorized as a form of philanthropic practice or an expression of generosity. It is also defined as a voluntary act of compassion aimed at assisting others by allocating a portion of one's wealth for the benefit of society (Bamualim&Abubakar, 2005). Based on this definition, *waqf* can also be understood as part of a noble human tradition which, if implemented and managed effectively, holds immense potential—not only for religious purposes but also for promoting social welfare. According to Abdul Hasan Sadeq, waqf represents a valuable resource that can be leveraged to address the problem of poverty. Various dimensions of poverty, including low income, lack of access to education, inadequate healthcare services, and underdeveloped public infrastructure, can be mitigated through the optimized management of waqf resources (Sadeq, 2002).

In the Malay societies of the archipelago, the practice of *waqf* is believed to have been introduced alongside the arrival of Islam, as waqf is considered an integral component of Islamic teachings. Historical evidence suggests that several kingdoms in the Nusantara region utilized waqf as a source of funding for the construction of religious centers. Waqf was also instrumental in the development of educational infrastructure. For example, *dayah* (Islamic boarding schools) in Aceh were commonly established through waqf contributions. Similarly, many other educational institutions across the region were built and maintained using waqf funds. In addition to religious and educational purposes, waqf also served broader public interests, such as providing land for cemeteries and other communal facilities (Huda, 2011). According to Dajtnika (2011), *waqf* holds a central position in societal life and constitutes an integral component of the social fabric.

This is reflected in the amount of waqf assets collected, as data from the Sub-Directorate of Waqf Information System, Ministry of Religious Affairs of the Republic of Indonesia:

Table 1. Number of Waqf Lands in Indonesia

Province	Total	Area [Ha]	Certified		Not Certified	
			Total	Area [Ha]	Total	Area [Ha]
Aceh	18.520	9.508,25	8.833	1.175,57	9.687	8.332,68
North Sumatra	12.031	8.063,97	6.869	839,07	5.162	7.224,90
West Sumatra	5.959	675,34	3.885	417,81	2.074	257,53

Province	Total	Area [Ha]	Certified		Not Certified	
			Total	Area [Ha]	Total	Area [Ha]
Riau	8.311	2.225,49	2.818	469,20	5.493	1.756,29
Jambi	6.618	1.084,10	3.607	461,74	3.011	622,35
South Sumatra	4.190	987,09	2.049	150,51	2.141	836,59
Bengkulu	2.395	435,64	1.710	245,99	685	189,64
Lampung	14.165	5.877,92	7.761	2.883,91	6.404	2.994,01
Bangka Belitung Islands	1.377	408,55	876	220,04	501	188,51
Riau Islands	1.621	334,45	587	81,39	1.034	253,06
DKI Jakarta	6.785	273,93	4.128	161,65	2.657	112,28
West Java	87.795	6.513,15	42.716	2.527,48	45.079	3.985,67
Central Java	112.834	5.825,77	78.492	3.978,54	34.342	1.847,23
DI Yogyakarta	11.265	417,35	10.045	368,29	1.220	49,06
East Java	78.825	5.006,23	37.940	2.270,25	40.885	2.735,98
Banten	17.139	1.161,11	9.247	587,27	7.892	573,84
Bali	1.498	214,42	1.367	190,85	131	23,57
West Nusa Tenggara	10.035	1.571,36	6.133	989,72	3.902	581,63
East Nusa Tenggara	1.307	335,26	985	209,90	322	125,36
West Kalimantan	3.468	721,53	1.734	274,63	1.734	446,90
Central Kalimantan	3.378	663,45	1.969	368,60	1.409	294,85
South Kalimantan	8.521	1.031,73	7.385	842,60	1.136	189,14
East Kalimantan	3.755	944,59	1.708	230,55	2.047	714,04
North Kalimantan	535	144,32	166	94,72	369	49,61
North Sulawesi	775	102,78	344	34,40	431	68,37
Central Sulawesi	2.519	397,40	1.527	161,56	992	235,84
South Sulawesi	7.593	981,99	4.565	384,14	3.028	597,85
Southeast Sulawesi	1.110	110,64	827	71,37	283	39,27
Gorontalo	1.964	394,00	1.001	278,75	963	115,25
West Sulawesi	3.068	518,07	1.034	135,17	2.034	382,90
Maluku	469	121,36	213	38,96	256	82,39
North Maluku	323	47,21	234	25,85	89	21,36
Papua	287	59,97	141	19,28	146	40,69
West Papua	77	105,27	41	7,33	36	97,94
<b>Total</b>	<b>440.512</b>	<b>57.263,69</b>	<b>252.937</b>	<b>21.197,09</b>	<b>187.575</b>	<b>36.066,60</b>

Source: (Direktorat Pemberdayaan Zakat dan Wakaf, 2024)

The data presented above indicates that *waqf* assets in Indonesia are substantial and widely distributed across the country. However, the data reflects only documented *waqf* land assets, meaning it includes only those that have been officially recorded. In contrast, the potential of *cash waqf* is significantly greater and highly dynamic. With a population of approximately 250 million—of which around 85% are Muslims—Indonesia holds considerable potential for the

development of cash waqf. According to a simulation by Nasution, as cited by Khairunnisa, if 10 million Indonesian Muslims earn monthly incomes ranging from IDR 500,000 to IDR 10,000,000, the annual potential for cash waqf could reach approximately IDR 3 trillion (Khairunnisa & Anita, 2019).

The considerable potential of *waqf* in Indonesia is further supported by a long-standing regulatory framework, which has existed since the colonial period. The Dutch colonial government recognized waqf as a significant element within community life, treating it not merely as a religious matter, but as a socio-legal institution with public relevance. As a result, the colonial administration issued several regulations pertaining to waqf. Among these was the Circular Letter of the Secretary of the Government dated January 31, 1905, No. 435, published in *Bijblad* 1905 No. 6196. This regulation was later reinforced through additional circulars, including the Circular of June 4, 1931 (No. 1361/A), Circular No. 3088/A in 1934, and Circular No. 1272/A in 1935.

Following Indonesia's independence, the government continued to demonstrate its commitment to waqf governance by enacting various legal instruments. According to Rochmiyatun (2017) there have been at least 20 regulations concerning waqf issued since independence, in addition to several other laws that, while not directly regulating waqf, include relevant provisions. These developments underscore the state's ongoing commitment to regulating and promoting waqf as an integral part of socio-economic development.

The legislation that specifically governs Waqf and addresses the legal needs of its development in the modern era is Law Number 41 of 2004 concerning Waqf. Uswatun Hasanah, in the preface of *Indonesian Waqf Law* authored by Ulya Kencana, noted that prior to the enactment of this law, public understanding of waqf was generally limited to terms such as land waqf, mosque waqf, and madrasah waqf. The promulgation of Law No. 41 of 2004 introduced a new paradigm in the conceptualization of waqf. Waqf is now viewed as an economic instrument capable of reducing economic inequality through the empowerment of Islamic economic practices. This paradigm shift aligns closely with the objectives of Islamic law (*maqāṣid al-sharī'a*), which emphasize the realization of public welfare. Thus, Law No. 41 of 2004 can be seen as consistent with the broader goals of Islamic jurisprudence (Kencana, 2017).

The significant potential of *waqf*, supported by progressive legislation, presents opportunities for relevant stakeholders to manage waqf assets professionally, thereby enabling waqf to play a substantive role in promoting societal welfare. In this regard, the role of the *nazir* (waqf manager) is crucial, as the effectiveness of waqf asset utilization depends largely on the competence and integrity of the *nazir*. Among the institutional *nazirs* operating in Indonesia is the Muhammadiyah Association, which has been recognized as a pioneer in the organized management of religious funds such as *infaq*, *sadaqah*, *zakat*, and *waqf*. Muhammadiyah's commitment to addressing poverty and advancing community welfare has been evident since the organization's inception.

In its organizational development, Muhammadiyah has established a dedicated body to managing waqf-related affairs, known as the Waqf and Estate Assembly (*Majelis Wakaf dan Kehartabendaan*). This assembly is tasked with

developing and safeguarding waqf assets and other properties owned by the Association, as well as guiding the community in the implementation of waqf, grants (*hibah*), *infaq*, and *sadaqah*. According to the Tanfidz Decision of the 48th Muhammadiyah Congress, the programs related to waqf and property are framed within a development vision focused on "enhancing the inventory and legal control of Muhammadiyah's assets, optimizing the resolution of asset-related disputes through both litigation and non-litigation means, pursuing asset certification, and advocating for the protection of Muhammadiyah Association assets" (*Tanfidz Keputusan Muktamar Ke-48 Muhammadiyah Tahun 2022, 2022*).

The Muhammadiyah Association's efforts to optimize waqf management represent a critical agenda, particularly given the organization's substantial potential and ownership of waqf assets. According to data from the Waqf and Endowment Council of the Muhammadiyah Central Leadership, as of 2016, the recorded waqf land assets of the Muhammadiyah Association amounted to 20,945,504 square meters. This figure reflects only those assets that have been formally identified and documented; many waqf properties remain unregistered. Therefore, the actual value and extent of Muhammadiyah's waqf holdings are likely to be significantly higher (Wahyusuryana & Zuhri, 2016).

A clear alignment exists between the vision and mission of the Waqf and Endowment Council of the Muhammadiyah Association and the objectives embodied in Indonesian Law No. 41 of 2004 concerning Waqf—namely, to transform waqf into a productive asset capable of contributing to societal welfare. However, more than a decade since the enactment of Law No. 41/2004, the Waqf and Endowment Council has yet to fully realize the effective management of waqf in accordance with both its institutional aspirations and the legal mandates outlined in the waqf legislation. This situation presents a critical academic inquiry: why has Muhammadiyah—despite its substantial waqf potential, established organizational infrastructure dedicated to waqf management, and strong legal support in the form of Law No. 41 of 2004—been unable to optimize the management of waqf assets for the promotion of public welfare.

## RESEARCH METHODS

This study is a form of field research employing a case study approach with an evaluative character (Yusuf, 2015). The case under investigation is the management of Waqf by the Muhammadiyah Association of Palembang City following the enactment of Law No. 41 of 2004 concerning Waqf. Case study research demands meticulous inquiry into a specific activity, program, process, event, or group of individuals. According to Creswell (2017), the information gathered through various data collection procedures must be comprehensive and completed within the designated time frame.

This research employs a qualitative approach. A qualitative approach is a methodological process that generates descriptive data in the form of written or spoken words derived from observed individuals and behaviors. In qualitative research, data are presented through narratives or textual descriptions that aim to provide a deeper understanding for the reader. Analytical rigor and objectivity are essential in qualitative research to ensure accurate interpretation. This is particularly

important because, for qualitative researchers, the essence of a phenomenon lies in its totality (Zuriah, 2007).

This study employs descriptive research design. The data collected in response to the research questions are presented as they are, without manipulation. For descriptive information to fulfill scientific objectives, two key criteria must be met in categorizing the data: (1) completeness and (2) appropriate placement. Completeness is achieved when all relevant elements are identified and systematically grouped according to their respective categories. Appropriate placement refers to the accurate positioning of each response or data point in accordance with the specific questions posed (Black & Champion, 2009).

This study utilizes both primary and secondary data sources. Secondary data are obtained through literature reviews, including books, research reports, academic journals, and other materials relevant to the research topic. Primary data comprise information on waqf management by the Muhammadiyah Association of South Sumatra, obtained through both written documents and oral accounts from informants. Written data will be collected through manual examination of physical documents as well as online searches. In contrast, unwritten data will be gathered through observations and in-depth interviews.

In-depth interviews were conducted with selected informants to obtain data relevant to the research objectives. This data collection technique involved structured yet flexible questioning to elicit comprehensive and detailed information (Sugiyono, 2018). The informants included administrators of the Muhammadiyah Association of South Sumatra, as well as representatives from government institutions, academia, and members of the public. The interviews were conducted in an open and dialogic manner, allowing for a relaxed yet focused exchange aimed at exploring the subject matter more deeply.

Following data collection, the next step is data analysis. The analytical process involves organizing the data, identifying patterns or themes, and categorizing the information with the aim of uncovering its underlying meaning. Data analysis is conducted interactively and continuously until it reaches saturation, ensuring a comprehensive understanding of the phenomena under study. The stages of data analysis include data collection, data reduction, data display, and conclusion drawing along with verification. In qualitative research, validating the data is an integral component of the research process. Data validation serves not only to enhance the scientific rigor of the research but also to counter criticisms that question the scientific nature of qualitative inquiry (Moleong, 2007). Data validity refers to the degree to which the data presented by the researcher accurately reflects the actual conditions of the research object, thereby ensuring the reliability and accountability of the findings.

## RESULTS AND DISCUSSION

The development of the Muhammadiyah movement in Palembang is inextricably linked to the leadership and initiatives of its pioneering figures in the region. One of the areas believed to be the initial base of Muhammadiyah's presence in Palembang was Talang Jawa Village, which is now known as Major Ruslan Street. At the time, Talang Jawa was a small settlement inhabited predominantly by

Javanese migrants located on the outskirts of Palembang. These community members, many of whom were part of the first “colonization project” in the Lampung District, sustained themselves by cultivating gardens on communal lands and selling vegetables and fruits in the city. The area, situated on the urban periphery, came to be known as Talang Jawa. This peripheral settlement became the primary focus of Muhammadiyah’s early outreach efforts among the Javanese population in Palembang (Peeters, 1997).

Several pioneering figures played a significant role in the early development of Muhammadiyah in Palembang. Among them was H. Ridwan, a batik and silver cloth merchant originally from Kauman Koto Gede Village, Yogyakarta. Another notable figure was Raden Soebono Poerwowijoto, a postal employee who had relocated from Central Java to Palembang and was previously registered as a member of Muhammadiyah in Brebes. Owing to the initiatives of these two individuals, the Muhammadiyah da'wah (missionary) movement began to take root in Palembang in 1928. The movement initially took the form of *tabligh* or religious study sessions held at the homes of Muhammadiyah sympathizers in the Talang Jawa area.

The Muhammadiyah missionary activities initiated by H. Ridwan and R. Soebono Poerwowijoto in Talang Jawa later received significant reinforcement from other Muhammadiyah figures who arrived subsequently, including Zainal Abidin Djambek—a young intellectual affiliated with Muhammadiyah. Prior to residing in Palembang, Zainal Abidin Djambek had been an active member of Muhammadiyah in West Sumatra. As one of the pioneers of the movement in Palembang, his contributions included initiating congregational prayers and religious study sessions (*pengajian*) in a *musala* located in Pintu Besi Village, Plaju. These religious activities gradually expanded to other areas such as Ladang Plaju and 3-4 Ulu and complemented similar initiatives already underway in the Talang Jawa area. During this early period, these gatherings were still held in private residences.

The recitation movement, initially conducted from house to house, gradually attracted significant interest from worshippers. As a result, these study sessions, which were originally private and limited in scope, began to be held openly in mosques and *musala*. Eventually, the idea emerged to establish a permanent recitation group. Once Muhammadiyah had gained a more stable presence in Palembang, these recitation groups convened a series of deliberative meetings aimed at unifying their vision and strategies to advance the Muhammadiyah Association in the city. During one such meeting, H. Ridwan proposed the formal establishment of Muhammadiyah groups in Palembang, which led to the founding of the Talang Jawa Muhammadiyah Group. This was soon followed by the formation of the Muhammadiyah 3-4 Ulu Group, led by K.H. Husin, a religious scholar who had recently returned from Makkah. These developments culminated in the establishment of formal Muhammadiyah branches, and in 1932, the Muhammadiyah Branch of Palembang City was officially inaugurated.



### Management of waqf assets of Muhammadiyah Palembang City

To manage waqf assets, Muhammadiyah established a specialized body known as the Waqf and Endowment Council. According to data from the Secretariat of the Muhammadiyah Central Board, the organization's land assets amount to approximately 21 million square meters, distributed across its various branches and sub-branches throughout the country (Taufani, 2024).

The land managed by the Regional Leadership of Muhammadiyah (Pimpinan Daerah Muhammadiyah/PDM) of Palembang City comprises both waqf and non-waqf properties. The waqf land consists of 24 parcels or locations, while the non-waqf land comprises 27 parcels, bringing the total number of land parcels to 51. The cumulative land area is 288,535 m<sup>2</sup>, of which 127,228 m<sup>2</sup> is waqf land and 161,307 m<sup>2</sup> is non-waqf land. According to Nawawi Nurdin, this data is still undergoing verification. The classification between waqf and non-waqf land remains partially ambiguous due to overlapping administration and usage practices, as well as incomplete documentation and asset management within Muhammadiyah (N. Nurdin, personal communication, February 12, 2021). A review of the PDM Palembang City archives in 2024 indicates that no significant updates have been made to this data since the statement.

The land owned by the Muhammadiyah Regional Leadership (PDM) of Palembang City is managed and utilized by Muhammadiyah administrators at various organizational levels, including the regional board, branches, and sub-branches (twigs). The utilization of these land assets is adjusted based on land conditions and community needs. These include religious purposes, such as the construction of mosques and prayer rooms (musala); educational facilities, such as school buildings; social services, including orphanages; and healthcare facilities.

Table. 2 Land Utilization of Muhammadiyah PDM Palembang City

Utilization	Total
School Facilities	50
Mosque	25
Musala (Prayer Room)	13
Orphanage	2
Polyclinic	2
Vacant Land	93

Source: Processed from Palembang City PDM Secretariat 2024

The number of parcels based on utilization amounts to 93, which exceeds the actual number of physical parcels, totaling 51. This discrepancy arises because several parcels are utilized for more than one function. For instance, within the Muhammadiyah Balayudha College Complex, a single parcel located at the front is utilized by two schools—SD Muhammadiyah 14 and SD Muhammadiyah 6—as well as for office space. Similarly, the Muhammadiyah Ranting Talang Jawa School Complex accommodates both an elementary and a junior high school, while the Muhammadiyah College Complex of Ilir Timur II Branch includes an elementary school, junior high school, and high school.

These data indicate that the utilization of waqf land for educational purposes is more prevalent than for other types of facilities. This pattern aligns with Article 3 of the Muhammadiyah Bylaws, which states that Muhammadiyah's efforts are realized through charitable activities, programs, and initiatives across various

sectors. Notably, paragraph (7) affirms the organization's commitment to "advancing and reforming education and culture, developing science, technology, and the arts, and enhancing research."

As outlined in the long-term development vision of the Muhammadiyah program for the period 2022–2027, the organization aspires to “enhance the quality of its movement and foster synergy with all components of the ummah, the nation, and international partners in order to establish excellent and progressive social institutions that promote the widespread and sustainable growth of Islamic values throughout Indonesia, thereby realizing the objectives of Muhammadiyah” (Nashir, 2023).

Based on a study conducted by Qohaf Munzir, the waqf literature identifies at least five models for addressing the funding challenges of waqf asset development: (1) borrowing funds for waqf management, (2) selling monopoly rights of waqf, (3) leasing waqf assets, (4) adding new waqf contributions, and (5) exchanging waqf assets (Munzir, 2005). Muhammad Abdi Nizar classifies these five models as traditional or classical development approaches. In addition to these, he also identifies contemporary development models, which include: (1) debt-based financing, (2) equity-based financing, and (3) self-financing mechanisms (Nizar, 2017).

Muhammadiyah's commitment to education has been evident since the organization's inception. One of the primary concerns that motivated KH. Ahmad Dahlan established Muhammadiyah as an issue of educational reform. This commitment is reflected in his early initiatives to establish educational institutions even before the formal founding of Muhammadiyah. The educational model introduced by KH. Ahmad Dahlan was a modern system that integrated religious instruction with general scientific knowledge.

This model represented a significant departure from the prevailing educational approaches of the time, which were predominantly traditional and focused solely on religious instruction, often detached from the advancements of the modern world. Western-style education was frequently viewed with suspicion and labeled as “infidel” education, leading to a general reluctance to adopt it. Consequently, education in many Muslim communities remained stagnant and insular. In response to this situation, Ahmad Dahlan was committed to developing a modern educational system and institutionalizing it as one of Muhammadiyah's core endeavors. This initiative aligned with Muhammadiyah's broader mission as a reformist Islamic movement committed to progress (*tajdid*) and the propagation of Islamic teachings through transformative social action.

In principle, waqf assets must be developed to ensure their sustainability and to enhance the benefits they provide over time. Consequently, the development of waqf assets is not merely an option but a necessity and has long been a subject of scholarly discourse. If waqf assets are not made productive, it is likely that they will incur maintenance costs, thereby becoming a financial burden on the *nazir* (waqf manager), rather than serving their intended charitable purposes.

### **Obstacles in Waqf Asset Management**

The challenges encountered by the Muhammadiyah Association of Palembang City in managing waqf assets stem from two primary factors: the

characteristics of the land assets themselves and the quality of the human resources responsible for their management. Concerning the land, several issues have been identified, including suboptimal location, limited land area that restricts further development, and incomplete certification processes. Regarding human resources, the limitations pertain to the capacity of the *nazir* (waqf manager) to manage and develop these assets in a productive and sustainable manner.

According to Law Number 41 of 2004 on Waqf and the Indonesian Waqf Board Regulation Number 4 of 2010 on Guidelines for the Development of Waqf Assets, the management of waqf is defined as the work process undertaken by the *nazir*. Article 11 of Law Number 41 of 2004 outlines the responsibilities of the *nazir*, which include administering, managing, and developing waqf property; supervising and safeguarding waqf assets; and reporting their performance to the Indonesian Waqf Board. The law further specifies that *Nazirs* may be individuals, organizations, or legal entities. An individual *nazir* must meet the following criteria: (a) Indonesian citizenship; (b) adherence to Islam; (c) legal adulthood; (d) trustworthiness; (e) physical and mental capability; and (f) no legal impediments to undertaking legal actions. Similarly, for an organization or legal entity to serve as a *nazir*, its leadership must also satisfy the qualifications required of individual *nazirs* (Indonesia, 2018). The challenges in managing waqf assets can be further clarified as follows:

1. Nazirs Serve in a Part-Time Capacity

The inability of *Nazirs* to manage waqf assets productively is not necessarily due to a lack of knowledge or skills. Generally, the *nazirs* appointed by Muhammadiyah are individuals who currently hold leadership positions at the branch (*cabang*), sub-branch (*ranting*), or affiliated organizational (*ortom*) levels. These individuals are considered among the most capable within their respective Muhammadiyah structures. However, according to the Chairman of the Muhammadiyah Regional Leadership (PDM) of Palembang, the primary issue lies in the fact that *nazirs* serve in a part-time capacity, which limits their ability to focus fully on waqf asset management (Syarif Ali, personal communication, February 24, 2024).

2. Limitations in the Knowledge and Experience of the Nazir

In addition to the time constraints faced by *nazirs*, another critical issue pertains to the limited knowledge and experience of those entrusted with the administration of waqf. As noted by Syarif Ali, Chairman of the Muhammadiyah Talang Jawa Branch Leadership, the effectiveness of waqf management is often hindered by the lack of specialized expertise and practical experience among the appointed *nazirs*.

3. Unresolved Issues in Waqf Land Administration

As previously discussed, a significant number of Muhammadiyah's waqf lands remain uncertified. This administrative shortcoming is particularly critical, as proper documentation serves as a foundational requirement for *nazirs* in managing the waqf assets under their supervision. For Muhammadiyah, administrative prudence in managing waqf has been a priority since its early

establishment. In accepting waqf, Muhammadiyah adheres to a policy of due diligence, ensuring that all waqf assets are legally sound and free from disputes.

#### 4. Underutilized Waqf Assets

Another challenge in the management of waqf by the Regional Leadership of Muhammadiyah (PDM) in Palembang City is the presence of waqf assets that are no longer functioning as intended. One such example is a portion of the PKU Clinic building under the Plaju Branch. This facility was originally established on waqf land designated for health services and, at one point, operated as a fully equipped hospital, offering surgical services, radiology, and inpatient care. However, the hospital ceased operations two years ago. Currently, only a section of the building is being used for limited clinical services, while the remaining area has been left idle.

#### 5. Cash Waqf Has Not Yet Been Managed

In the Regional Leadership Board of Muhammadiyah (PDM) Palembang City, cash waqf has not yet been developed into an active or prioritized program. Although the Muhammadiyah Regional Board of South Sumatra launched a cash waqf initiative on May 26, 2018, the program has not been effectively implemented, including within PDM Palembang City. This is particularly concerning given the considerable potential for cash waqf in the region. The estimation of this potential can be derived from the number of Muhammadiyah members and their capacity to contribute financially. Based on a conservative projection, the cash waqf potential in PDM Palembang City is estimated to reach approximately IDR 1.6 billion per year. This estimate represents a minimum threshold, implying that the actual potential could be significantly higher if properly mobilized and managed.

The constraints described above are not only faced by the Muhammadiyah Association of Palembang City as a waqf manager but also by many other waqf managers in Indonesia (Kamariah et al., 2021). For this reason, it is necessary to develop a strategy in developing the benefits of waqf.

### **Waqf Benefit Development Strategy**

The management of waqf assets by the Regional Leadership Board of Muhammadiyah (PDM) in Palembang City is predominantly focused on their utilization for educational facilities and houses of worship. A relatively small portion of these assets are allocated for health services and social institutions, while none have been developed to generate economic benefits. From the perspective of Indonesian Law No. 41 of 2004 concerning Waqf, the current management of waqf assets by PDM Palembang City has not yet been optimized in achieving the broader objectives of waqf management. As outlined in Article 22 of the Waqf Law, in addition to their use for places of worship, educational, and health facilities, waqf assets may also be allocated for supporting the poor, abandoned children, orphans,

the provision of scholarships, the promotion and development of the people's economy, and other aspects of public welfare in accordance with Islamic principles and applicable laws and regulations.

According to Hafizd et al., the optimization of waqf asset management must be implemented by adhering to the principles of Good Corporate Governance, ensuring effective and efficient waqf administration, shifting the distribution priority toward productive waqf, issuing securities (sukuk) backed by waqf assets, and establishing a Waqf Bank as an Islamic Financial Institution (Hafizd & Saumantri, 2022).

For Muhammadiyah, the organization has long positioned itself as a vital component of the nation, committed to supporting various efforts aimed at realizing the ideals of the Indonesian state. Muhammadiyah's engagement is particularly evident in the following areas: (1) the development of a superior and integrated Muhammadiyah movement system; (2) the establishment of enabling conditions and supportive factors for the formation of a truly Islamic society; and (3) the advancement of Muhammadiyah's strategic role in the socio-political life of the people, the nation, and the global community (*Tanfidz Keputusan Mukhtar Ke-48 Muhammadiyah Tahun 2022*, 2022).

In the context of waqf management, Muhammadiyah's relevant role aligns with the second objective: the expansion of employment opportunities, promotion of healthy living, enhancement of education, and eradication of poverty. To achieve these goals, a strategic movement must be formulated and translated into concrete programs. These programs must be realistic, problem-oriented, and designed in an integrated manner—both vertically across organizational levels and horizontally across sectors and institutions. Moreover, the programs must be sustainable in both planning and implementation, encompassing all levels of the organization, including autonomous bodies and Muhammadiyah's charitable entities.

Therefore, for the management of Muhammadiyah's waqf assets to fulfill both the organization's vision and the objectives outlined in Law Number 41 of 2004 concerning Waqf, significant transformation is necessary in the waqf management practices of the Muhammadiyah Regional Leadership Board (PDM) of Palembang City. This transformation requires innovation, creativity, and strategic actions that are focused, systematic, and responsive to the real challenges faced by the community.

To achieve this objective, Muhammadiyah Palembang City must implement the following strategic initiatives:

1. Waqf Awareness Movement

The waqf awareness movement aims to promote the understanding that waqf can serve as a viable solution to persistent societal welfare challenges. This initiative begins by fostering a shift in the public's perception of waqf—from a

traditional paradigm to a modern, more dynamic understanding. The traditional view often regards waqf merely as immovable property with limited benefits restricted to places of worship, educational institutions, or cemeteries. In contrast, the new paradigm emphasizes the potential of waqf as a productive economic instrument. Various platforms can be utilized to support this movement, including mosques, educational institutions, organizational forums (at the branch, regional, and autonomous levels), social media, banners, and opinion articles in local print media.

## 2. Formation of a Nazir Assistance Team

One of the key factors contributing to the underutilization of Waqf in Muhammadiyah Palembang City is the limited capacity of the appointed *Nazirs*. Many of them are unable to focus on waqf management due to professional obligations outside of Muhammadiyah. Furthermore, they often lack the necessary knowledge and skills required for effective and productive waqf management. Establishing a dedicated Nazir Assistance Team can help overcome these limitations by providing support, capacity-building, and technical guidance to enhance waqf governance. An effective strategy to address this challenge is the formation of a dedicated team to support *Nazirs* in enhancing the management of waqf assets under their responsibility. This team should be established by the regional leadership board and comprise representatives from relevant councils, branch and sub-branch organizations, as well as academic institutions. The selection of individuals to serve on this team must adhere to the principle of professionalism, ensuring that those appointed possess the necessary competence, commitment, and integrity to contribute meaningfully to waqf management improvement.

## 3. Developing Productive Waqf Programs

Theoretically, several models of productive waqf development exist, both in traditional and modern formats. Traditional patterns of productive waqf management include loan-based waqf, *hukr* (a long-term lease contract involving a substantial upfront payment), *al-ijaratayn* (a lease contract involving two types of payments), the addition of new waqf assets, and the exchange or substitution of waqf properties.

Considering these concepts and the current condition of waqf assets, the most feasible models of productive waqf development for implementation in Muhammadiyah Palembang City are as follows:

### 1. Utilizing Abandoned Waqf Assets

Based on the findings of this study, there is a waqf asset owned by Muhammadiyah in Palembang City that remains underutilized. This asset is part of the PKU Muhammadiyah Clinic building in the Plaju Branch. Initially, the facility functioned as a hospital equipped with standard healthcare services,

including surgical operations, radiology (x-ray), and inpatient care across several rooms. However, due to licensing issues, hospital operations have been suspended for the past two years. Currently, only one-third of the building is used as a clinic providing limited services to the public, while the remaining two-thirds remain abandoned (Jamilah, personal communication, March 4, 2021).

## 2. Enhancing the Utility of Existing Waqf Assets

Several Muhammadiyah waqf assets in Palembang City, though currently utilized, still hold considerable potential for further development in the realm of economic empowerment. These include educational institutions and mosques. According to the study's findings, Muhammadiyah Palembang City manages 48 schools, consisting of 19 elementary schools, 13 junior high schools, and 16 senior high schools. Additionally, there are 27 mosques located across various branches and sub-branches in the city. The economic potential of these assets can be enhanced through initiatives such as establishing school canteens and cooperatives within educational institutions. Similarly, mosque-based economic programs could be developed through mosque cooperatives or retail ventures such as mosque shops.

## 3. Establishing a Waqf-Based Minimarket

A minimarket represents a professionally managed retail model that emphasizes customer service and convenience as key strategies for attracting and retaining consumers. Such establishments typically offer a wide range of essential goods, including necessities, household items (e.g., soap, personal care products), electronic devices, clothing, and other consumer products. With this comprehensive concept, minimarkets serve as highly attractive alternatives for community shopping, and for business operators, they present profitable commercial opportunities.

According to Hafizd & Saumantri (2022), the strategy for optimizing waqf assets should involve the application of Good Corporate Governance principles, the implementation of effective and efficient waqf management practices, the prioritization of productive waqf development, the issuance of sukuk backed by waqf assets, and the establishment of a Waqf Bank as an Islamic Financial Institution.

## CONCLUSION

The management of waqf by the Muhammadiyah Association of Palembang City has been ongoing since the establishment of Muhammadiyah in Palembang, prior to Indonesia's independence. The waqf assets owned comprise land and buildings. In utilizing these waqf assets, Muhammadiyah enhances existing assets through the acceptance of new waqf donations and the strategic purchase of additional assets. Both waqf and purchased assets are managed in an integrated

manner as a unified portfolio. This integrated management approach enables the optimal utilization of Muhammadiyah's waqf assets in accordance with their intended purposes. The primary utilizations include educational and religious facilities, with additional uses for health and social services. Consequently, the waqf management efforts of Muhammadiyah in Palembang City have significantly contributed to the advancement of public welfare.

However, several challenges remain in the management of waqf in Muhammadiyah Palembang City, including: (1) Limited capacity of nazir in managing waqf productively; (2) Incomplete documentation and administration of waqf assets; (3) Limited realization of waqf utilization programs aimed at economic development and the management of cash waqf. To optimize waqf management and ensure its contribution to community welfare—while also aligning with the objectives outlined in Law No. 41 of 2004 on Waqf—the following strategic solutions are proposed: (1) Launch a waqf awareness campaign; (2) Enhance the professionalism and competence of nazir; (3) Maximize the utilization of waqf assets for economic empowerment; (4) Establish a business unit in the form of a waqf-based minimarket; (5) Develop the potential of cash waqf into a productive, well-managed financial instrument.

## REFERENCES

- Abazhah, N. (2014). *Sejarah Madinah : Kisah Jejak Lahir Peradaban Islam*. Zaman.
- Al-Jurjawi, S. A. A. (2003). *Hikmah Dibalik Hukum Islam Bidang Muamalah* (Ikhlil Hamid Chaidir & Abdullah Al-Katiri (Eds.); V). Mustaqim.
- Black, J. A., & Champion, D. J. (2009). *Metode & Masalah Penelitian Sosial*. Refika Aditama.
- Creswell, J. W. (2017). *Research Design : Pendekatan Kualitatif, Kuantitatif, dan Mixed* (Ed.3). Pustaka Pelajar.
- Dajtnika, R. (2011). Wakaf Tanah Milik. In A. Muarif (Ed.), *Panggung Sejarah : Persembahan Prof. Dr. Denys Lombart*. Yayasan Pustaka Obor Indonesia.
- Direktorat Pemberdayaan Zakat dan Wakaf. (2024). *Jumlah Tanah Wakaf Seluruh Indonesia*. Direktorat Jenderal Bimbingan Masyarakat Islam Kementerian Agama Republik Indonesia. [https://siwak.kemenag.go.id/siwak/tabel\\_jumlah\\_tanah\\_wakaf.php](https://siwak.kemenag.go.id/siwak/tabel_jumlah_tanah_wakaf.php)
- Fauza, N. (2015). Rekonstruksi Pengelolaan Wakaf: Belajar Pengelolaan Wakaf dari Banglades dan Malaysia. *Universum*, 9, 161–171.
- Hafizd, J. Z., & Saumantri, T. (2022). Kajian Implementatif Optimalisasi Pengelolaan Wakaf Produktif Di Indonesia Implementative Study on Optimizing Waqf Productive Management in Indonesia. *Jurnal Yaqzhan*, 8(01).
- Huda, M. (2011). *Pengelolaan wakaf dalam perspektif fundraising : studi tentang penggalangan wakaf pada Yayasan Hasyim Asy'ary Pondok Pesantren Tebuireng Jombang, Yayasan Badan Wakaf Universitas Islam Indonesia Yogyakarta dan Yayasan Dana Sosial Al-Falah Surabaya*. Pascasarjana IAIN Walisongo.
- Indonesia. (2018). *Himpunan Peraturan Perundang-Undangan Tentang Wakaf*.



- Badan Wakaf Indonesia. <https://bwi.go.id/wp-content/uploads/2020/09/Buku-Undang-Undang-Wakaf-.pdf>
- Kamariah, Sukman, & Nirwana. (2021). Problema Wakaf Di Indonesia. *Ats-Tsarwah*, 1(1), 59. <https://e-journal.stishid.ac.id/index.php/ats-tsarwah/article/view/103%0Ahttps://e-journal.stishid.ac.id/index.php/ats-tsarwah/article/download/103/85>
- Kencana, Ulya. (2017). *Hukum Wakaf Indonesia*. Setara Press.
- Khairunnisa, & Anita, P. (2019). Decomposing Problems in Chas Waqf Fun-Raising in Indonesia. In Khalifa Mohamed Ali · M. Kabir Hassan · Abd elrahman Elzahi Saaid Ali (Ed.), *Revitalization of Waqf for Socio-Economic Development, Volume II*. Springer Nature Switzerland AG.
- Mahamood, S. M., & Rahman, A. A. (2015). Financing universities through waqf, pious endowment: is it possible? *Humanomics*, 31(4), 430–453. <https://doi.org/10.1108/H-02-2015-0010>
- Moleong, L. J. (2007). *Metodologi Penelitian Kualitatif*. Remaja Rosdakarya.
- Munzdzir, Q. (2005). *Manajemen Wakaf Produktif*. Khalifah.
- Muzarie, M. (2010). *Hukum Perwakafan dan Implikasinya Terhadap Kesejahteraan Masyarakat: Implementasi Wakaf di Pondok Moderen Gontor*. Kementerian Agama RI.
- Nashir, H. (2023). *Kebijakan Pimpinan Pusat dan Pelaksanaan Program*. Suara Muhammadiyah. <https://www.suaramuhammadiyah.id/read/kebijakan-pimpinan-pusat-dan-pelaksanaan-program>
- Nizar, M. A. (2017). Pengembangan Wakaf Produktif Indonesia: Potensi dan Permasalahan. In Y. A. Manyu, M. A. Nizar, & L. Z. Nasution (Eds.), *Penguatan Fundamental Sektor Keuangan dalam Mendukung Stabilitas Perekonomian* (pp. 193–259). PT. Naga Kesuma Media Kreatif.
- Peeters, J. (1997). *Kaum Tuo-Kaum Mudo : Perubahan Religius di Palembang 1821-1942*. Inis.
- Rochmiyatun, S. (2017). *Asasa Profesionalitas Sebagai Dasar Reorientasi dan Reformalisasi Pengelolaan Tanah Wakaf Produktif Dalam Hukum Wakaf Indonesia*. Universitas Sriwijaya.
- Sadeq, A. M. (2002). Waqf, perpetual charity and poverty alleviation. *International Journal of Social Economics*, 29(1–2), 135–151. <https://doi.org/10.1108/03068290210413038>
- Tanfidz Keputusan Mukhtar Ke-48 Muhammadiyah Tahun 2022. (2022). Pimpinan Pusat Muhammadiyah. [https://pwmjatim.org/uploads/6\\_Tanfidz\\_Mukhtar\\_ke\\_48\\_Muhammadiyah\\_di\\_Solo.pdf](https://pwmjatim.org/uploads/6_Tanfidz_Mukhtar_ke_48_Muhammadiyah_di_Solo.pdf)
- Taufani, M. R. I. (2024, June 10). *Daftar Lengkap Aset & Tanah Milik Muhammadiyah*. CNBC Indonesia. <https://www.cnbcindonesia.com/research/20240610141529-128-545292/daftar-lengkap-aset-tanah-milik-muhammadiyah>
- Wahyusuryana, & Zuhri, D. (2016). *Empat Fokus Utama Rakernas Majelis Wakaf dan Kehartabendaan Muhammadiyah*. Republika.Co.Id. <https://www.republika.co.id/berita/ocxgcu301/empat-fokus-utama-rakernas-majelis-wakaf-dan-kehartabendaan-muhammadiyah>

- Yusuf, A. M. (2015). *Metode Penelitian Kuantitatif, Kualitatif dan Penelitian Gabungan*. Prenadamedia Group.
- Zuriah, N. (2007). *Metodologi Penelitian Sosial dan Pendidikan*. Bumi Aksara.