

Waqf Asset Development through the Six Capitals and Sharia Principles: A Muhammadiyah Case Study

Diyah Hesti Kusumawardani¹, Muhammad Amin Suma², Rini³

Abstract. *Waqf development faces substantial challenges, primarily due to limitations in financial capital. However, deficiencies in other forms of capital, including manufactured, human, intellectual, social, and natural capital, also impede progress. This study examines these issues through the dual lens of sharia compliance and sustainable finance assessment. Employing a qualitative case study approach, the research draws on primary data collected from a Focus Group Discussion (FGD) with six members of the Muhammadiyah Central Board (2015–2020), analyzed using NVivo software. Findings indicate that while Muhammadiyah demonstrates substantial social and human capital. However, there is a need to enhance environmental infrastructure, strengthen intellectual resources, and develop more effective financial strategies. These include establishing a dedicated waqf investment institution and formalizing the legal status of waqf assets. Holistic capital development is crucial to achieving effective and sharia-compliant waqf asset management.*

Keywords: *sustainable waqf; organizational sustainability; six capitals; Islamic sustainable finance*

Abstrak. *Pengembangan wakaf menghadapi tantangan besar akibat keterbatasan modal, terutama modal finansial. Namun, kekurangan dalam bentuk modal lainnya—seperti modal fisik, manusia, intelektual, sosial, dan alam—juga menghambat kemajuan. Permasalahan ini dianalisis melalui penilaian kepatuhan syariah dan keuangan berkelanjutan. Penelitian ini menggunakan pendekatan studi kasus kualitatif, dengan data primer yang diperoleh dari FGD bersama enam anggota Pimpinan Pusat Muhammadiyah periode 2015–2020, dan dianalisis menggunakan perangkat lunak NVivo. Muhammadiyah menunjukkan modal sosial dan manusia yang kuat, tetapi perlu meningkatkan fasilitas ramah lingkungan, modal intelektual, serta strategi keuangan, termasuk pembentukan lembaga investasi wakaf dan legalisasi aset wakaf. Pengembangan modal secara menyeluruh sangat penting untuk pengelolaan wakaf yang efektif dan sesuai syariah.*

Kata kunci: *wakaf berkelanjutan; keberlanjutan organisasi; enam modal; keuangan Islam berkelanjutan*

^{1,2,3}Syarif Hidayatullah State Islamic University of Jakarta, Indonesia

E-mail: ¹diyahhestik@gmail.com, ²aminsuma@uinjkt.ac.id, ³rini@uinjkt.ac.id

Introduction

The number of *waqf* assets in Indonesia increased from 117,391 in 2015 to 436,800 in 2020, marking a 272% increase over five years (Ministry of Religion, 2022). The data show that the majority of *waqf* assets in Indonesia are allocated for places of worship (78.8%), followed by schools (16.38%), socio-economic purposes (9.03%), and cemeteries (6.92%). This indicates that *waqf* has yet to make a significant impact on the economic and environmental sectors, which are increasingly important to society. Issues such as climate change and the Sustainable Development Goals (SDGs) can be integrated into the broader value and potential of *waqf* (Awaludin et al., 2018; Kachkar & Alfares, 2022).

One of the prominent *waqf nāzir* (managers) in Indonesia is the Muhammadiyah organization, which has a long-standing history. Founded by K.H. Ahmad Dahlan in 1912, Muhammadiyah operates as a social organization and manages more than 22,561 charitable enterprises (Waqf & Property Council, 2021). Data from 2023 indicates that 20,214 units (58.5%) are educational institutions, 11,959 units (34.6%) are places of worship, and 1,146 units (3.3%) are healthcare and community welfare facilities. These educational and health services are offered at lower costs compared to those in the private sector. The Muhammadiyah *waqf* assets, based on data from the website <http://muhammadiyah.or.id/>, are as follows:

Table 1. Data of Muhammadiyah Organization's Assets

Category	Total
Muhammadiyah Regional Leadership (PWM)	35
Muhammadiyah Regional Leadership (PDM)	475
Muhammadiyah Branch Leadership (PCM)	3.947
Muhammadiyah Branch Leadership (PRM)	14.670
Muhammadiyah Special Branch Leadership (PCIM)	30
Assistant Leadership Elements (UPP)	31
Muhammadiyah-Aisiyah College (PTMA)	172
Hospitals (RS)	122
Clinics	231
Schools/madrasahs	5.345
Waqf Assets (location)	20.465
Muhammadiyah Land Area (m ²)	214.742.677
Total Muhammadiyah Social Business Efforts (AUMSos)	1.012

Source: (Secretariat of Central Muhammadiyah, 2023)

Muhammadiyah organization also holds substantial liquid funds for operational purposes, stored in bank accounts under its name and those of its

Social Business Units (AUM). These short-term funds are estimated at Rp15 trillion (approximately USD 100 million) (Pakkana, 2020).

The development of *waqf* assets owned by the Muhammadiyah organization needs to be oriented towards long-term welfare. It is expected to contribute to the long-term, sustainable benefit of the broader Muslim community. The success of *waqf* institutions is measured not only in financial terms but also through their social impact in enhancing community welfare (Waqf Law No. 41 of 2004). Benefits provided for the development of *waqf* assets include rehabilitation of low-income families, development of education and culture, health and sanitation, social services, building facilities for religious activities, and improving social facilities (Masyita et al., 2005).

Waqf management institutions such as the Muhammadiyah organization need a sustainable financing model to ensure the sustainability of the benefits of *waqf* development. The Six Capitals Model provides guidance for aspects of sustainable capital and is part of a new reporting system based on Islamic accounting and an integrated reporting framework for *waqf* institutions or the Integrated *Waqf* Reporting System, abbreviated as IWRS (Mansor et al., 2017). The six capitals model comprises financial, manufactured, intellectual, human, social, and natural capital (Porritt, 2007; IIRC, 2013; Maack & Davidsdottir, 2015). At the core of the six capitals model is financial sustainability, enabling organizations to consider how broader environmental and social factors may impact long-term performance. Sustainable financial assessment will help Muhammadiyah organizations achieve the standards applied by *waqf* regulations and sharia compliance.

This study is expected to assist the Muhammadiyah organization, particularly its *Waqf* Board, in evaluating *waqf* development based on the organization's available capital resources. It also examines *waqf* governance and its alignment with regulatory frameworks governing *waqf*. The research aims to contribute to the theoretical discourse on sustainable governance in *waqf* management institutions. Specifically, this study analyzes the application of Islamic sustainable finance principles, through the six capitals model and sharia compliance, in the context of Muhammadiyah's *waqf* development. The objectives of the study are as follows: 1) to analyze the underlying causes of challenges in the development of Muhammadiyah's *waqf* assets and assess their compliance with relevant sharia regulations, and 2) to examine the role of the six capitals in sustainable finance as a framework for evaluating *waqf* asset development within the Muhammadiyah organization.

"When a person dies, their deeds come to an end except in three cases: ongoing charity (*ṣadaqah jāriyah*), beneficial knowledge, and the prayers of a righteous child." (HR. Muslim no. 1631)

Ṣadaqah jāriyah is part of Islamic practice to donate an asset that continues to provide long-term benefits such as *waqf*. *Waqf* requires good management to sustain its benefits. Sustainable *waqf* is characterized by its utilization not only for religious purposes but also for generating economic, social, and environmental benefits (Abdullah, 2018; Ismail et al., 2023; Shulthoni et al., 2018). The concept of sustainable *waqf* aligns with the principles of sustainable finance, which emphasize the integration of economic, social, and ecological considerations in resource management and investment decisions.

One of the participants in the FGD, the treasurer of the Muhammadiyah organization, quoted the Quran in Surah Al Baqarah verse 30 when talking about sustainability. It says: "Remember when your Lord said to the angels, 'Indeed I want to make a caliph on earth.' They said, 'Why do you want to make (the caliph) on earth someone who will do mischief on it and shed blood when we always glorify you by praising you and purifying you?' God said, 'Verily, I know what you do not know.'" Q.S Al-Baqarah [2]:30.

According to the interpretation provided by the Ministry of Religious Affairs, the caliphate of Prophet Adam on earth refers to his role in fulfilling Allah's commands, stewarding the earth, and utilizing its resources responsibly. The verse highlights the potential for destruction resulting from human activity, despite the divine mandate for humans, as caliphs, to act with a sense of justice and to promote the earth's well-being. Some religious scholars interpret this verse as establishing a theological foundation for environmental protection (*ḥifẓ al-bī'ah*) (Saputra et al., 2021). Sustainable finance theory is an extension of sustainability theory that seeks to align economic activities with both human welfare and environmental preservation. This integrated approach to sustainability resonates with the Qur'anic perspective found in Surah al-Baqarah verse 30, which emphasizes the human role as stewards of the earth, responsible for its care and prosperity.

Research on financing mechanisms for *waqf* asset development is essential to address funding challenges in enhancing both the quantity and quality of *waqf* assets. Several scholars have proposed transforming land assets into productive or investment *waqf*, whereby the generated income can be utilized to support community welfare initiatives (Mohsin et al., 2016; Shulthoni et al., 2018). In the guidelines for *waqf* management, *waqf* managers are also encouraged

to increase the empowerment of *waqf* investment so that it can provide more apparent benefits for the welfare of the people (International Working Group on Waqf Core Principles, 2018).

Sharia compliance must be integrated into the assessment of *waqf* asset development. Traditionally, the implementation of *waqf* focused on fulfilling its core pillars: the donor (*al-wāqif*), the donated asset (*al-mawqūf*), the beneficiary (*al-mawqūf 'alayhi*), and the declaration of the *waqf* (*ṣiḡbah*). However, *waqf nāzir* in Indonesia are now also required to comply with a number of formal regulations, including Law No. 41 of 2004, Government Regulation No. 42 of 2006, Government Regulation No. 25 of 2018, Minister of Religious Affairs Regulation No. 4 of 2009, Minister of Religious Affairs Regulation No. 73 of 2013, Indonesian *Waqf* Board Regulation No. 1 of 2009, and Regulation No. 4 of 2010. Ensuring sharia compliance in *waqf* management is critical to aligning the use of *waqf* assets with Islamic principles and maximizing their benefits for society.

One of the key aspects of the benefit of *waqf* is its emphasis on sustainability and preservation, particularly in relation to its impact on the natural environment (Siswantoro & Rosdiana, 2016). Sustainable *waqf* also contributes to the discourse on heritage preservation by exploring the continuity of the *waqf* tradition through financial, social, managerial, and environmental dimensions (Khalfan & Ogura, 2012). In Malaysia, research on sustainable *waqf* has also begun to develop by adopting integrated reporting from the IIRC, which includes aspects of the six capitals and the purpose of value creation (Mansor et al., 2018). Sustainable financing is also a key concern of Indonesia's Financial Services Authority (OJK), as reflected in the issuance of its Sustainable Finance Roadmap. This roadmap encourages the financial services industry to integrate social and environmental considerations into corporate governance and decision-making processes (Financial Services Authority, 2014; 2021).

The Financial Services Authority (Otoritas Jasa Keuangan or OJK) of Indonesia designed a road map on sustainable finance that not only emphasizes economic growth but also pays attention to social and environmental aspects (Financial Services Authority, 2014; 2021). The Sustainable Finance Roadmap aims to enhance the competitiveness and resilience of financial institutions while ensuring that social and environmental concerns are not overlooked. The theory of the five capital aspects, comprising natural, human, social, manufactured, and financial capital, is embedded within the sustainable finance framework, promoting long-term welfare beyond mere economic growth. These five capitals serve as essential indicators for evaluating projects aligned with sustainable finance principles. One

of the key proponents of this theory is Jonathan Porritt of Forum for the Future, which asserts that broader environmental and social issues significantly influence long-term profitability.

The five capitals proposed by Forum for the Future do not include intellectual capital, which is increasingly recognized as a key asset in modern business entities. Intellectual capital may take the form of patents, software, licenses, or proprietary knowledge. This form of capital is incorporated alongside the five other capitals within the Integrated Reporting framework. Introduced in 2013 by the International Integrated Reporting Council (IIRC), based in London, the Integrated Reporting model advocates for the disclosure of six capitals, including financial, manufactured, human, social and relationship, natural, and intellectual capital, as a more comprehensive alternative to traditional financial reporting (IIRC, 2013).

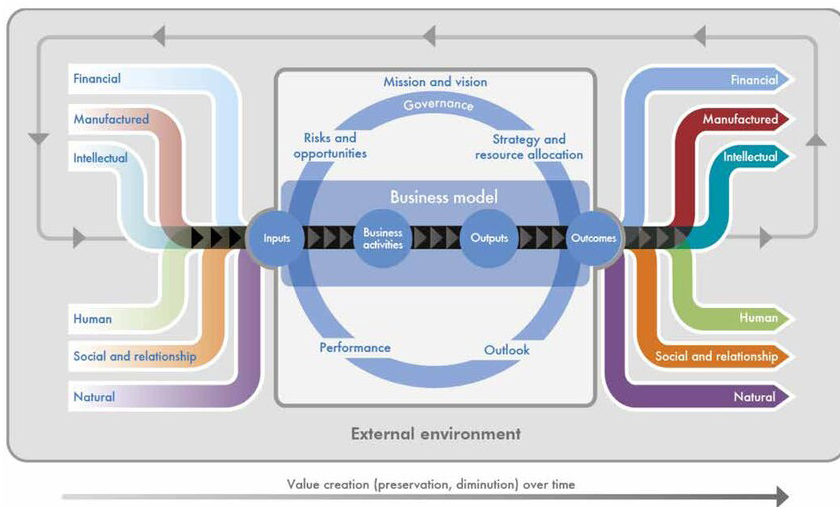
The six-capital model introduced by the International Integrated Reporting Council (IIRC) comprises financial, manufactured, human, social and relationship, intellectual, and natural capital. This model serves as the foundation of Integrated Reporting, which has been adopted by G20 member countries, including Indonesia (Ikatan Akuntan Publik Indonesia, 2021). The Integrated Report is a development of the Sustainability Report by presenting a more comprehensive, effective, transparent, and integrated business perspective in one report format (Chariri & Januarti, 2017).

The first type of capital is financial capital, which refers to the pool of funds available to an organization for the production of goods or the provision of services. These funds may be sourced through various means, including debt, equity, and grants, or generated internally through operations and investments. Financial capital plays a crucial role in the economy by facilitating the acquisition and exchange of other forms of capital. However, unlike other capitals, it holds no intrinsic value; rather, it serves as a representation of natural, human, social, or manufactured capital, for example, in the form of shares, bonds, or banknotes (Porritt, 2020).

The second type of capital is manufactured capital, which refers to physical objects produced by human activity, distinct from naturally occurring resources, that are used by an organization in the production of goods or delivery of services. This includes buildings, machinery, equipment, and infrastructure such as roads, ports, bridges, and water or sewage treatment facilities. Although other entities typically produce these assets, they are recognized as part of the organization's capital when they are owned, stored, or utilized for operational purposes and are, therefore, included in integrated reporting.

Another form of capital that has gained prominence with technological advancement is intellectual capital. It refers to the intangible assets of knowledge-based organizations, including intellectual property such as patents, copyrights, software, trademarks, and licenses. Intellectual capital also encompasses 'organizational capital,' the embedded knowledge, systems, procedures, and protocols that guide operations, often implicitly understood rather than formally documented.

Figure 1. Value Creation Process through Six Capitals Model



Source: www.theiirc.org

The fourth type of capital is human capital, which plays a central role in driving economic growth and organizational success. Human capital encompasses the competencies, skills, experience, and innovative capacity of individuals, as well as their alignment with organizational governance frameworks, risk management practices, and ethical standards. Strengthening human capital through education and training is essential for developing the ability to understand, implement, and refine organizational strategies. It also includes attributes such as loyalty, motivation, leadership, and collaboration, qualities necessary to enhance processes, products, and services and to support productive work environments (Porritt, 2007).

The fifth type of capital is social and relationship capital, often referred to as social capital. It encompasses the institutions, networks, and relationships within and between communities, stakeholder groups, and other entities, along

with the capacity to share information that enhances both individual and collective well-being. Social capital includes shared norms, values, and behaviors, as well as key stakeholder relationships, trust, and stakeholder engagement in organizational activities. Organizations aim to cultivate and protect these relationships to secure a 'social license to operate.' This form of capital also includes intangible elements such as brand value and organizational reputation.

The sixth type is natural capital, which comprises all renewable and non-renewable environmental resources and ecological processes that support an organization's past, present, and future well-being. This includes air, water, soil, minerals, forests, biodiversity, and ecosystem health. Natural capital underpins the supply of essential goods and services and is foundational to sustainable development.

Waqf Law no. 41 of 2004 is the basis for all regulations related to *waqf*. This law also requires sharia principles as stated in article 2 on *waqf*, which states, "*waqf* is valid if implemented according to sharia." The technical aspects of good *waqf* management are regulated in the *Waqf* Core Principle. *Waqf* Core Principle (WCP) that regulates sharia compliance is WCP number 25 "Operational and Sharia-Compliance Risk" and WCP number 26 "Shari'a Compliance and Internal Audit". The main aspects of sharia compliance in *waqf* management can be explained as follows (Tanjung, 2018). First, *waqf* management must adhere to existing legal frameworks, including Law No. 41 of 2004 on *Waqf* and various regulations issued by the Indonesian *Waqf* Board (BWI). Second, each *waqf* institution is required to appoint a sharia supervisor to ensure that all transactions and the utilization of *waqf* funds comply with Islamic law. Third, operational and sharia compliance risks must be effectively managed to prevent misuse of *waqf* assets and to promote transparency in their administration. Fourth, *waqf* institutions must publicly disclose financial reports and activities to maintain public trust. Fifth, *waqf* assets should be managed professionally to generate sustainable, long-term benefits for future generations.

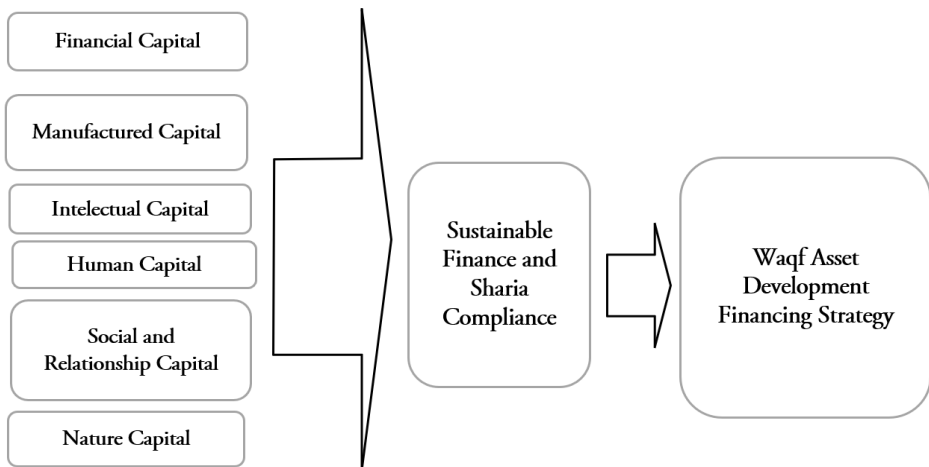
Article 42 of Law No. 41 of 2004 stipulates that *waqf* managers are obligated to manage and develop *waqf* property in accordance with its intended purpose, function, and designation. These elements serve as key indicators in evaluating *waqf* performance. As a non-governmental public sector entity, the ultimate objective of *waqf* asset management is to deliver significant and sustainable benefits to its beneficiaries.

The explanatory section of Law No. 41 of 2004 on *Waqf* clarifies that the purpose of managing *waqf* property extends beyond supporting religious and social

facilities; it may also encompass socio-economic objectives. This includes efforts to enhance public welfare by optimizing the economic potential and utility of *waqf* assets. Accordingly, generating financial returns from *waqf* property is permissible, provided that such management adheres to sharia-compliant principles and sound economic practices.

Waqf managers, such as the Muhammadiyah organization, must consider both social and financial dimensions to ensure that the *waqf* assets under their care deliver continuous and sustainable long-term benefits. In *waqf* management, any surplus funds are typically reinvested to advance the institution’s mission and to support future activities. However, some stakeholders argue that *waqf* foundations should at least achieve a break-even point or, where possible, distribute excess funds in accordance with their designated purposes (Mohsin et al., 2016). Thus, *waqf* is seen as a flow-through entity or income channel for beneficiaries both in the form of social and financial aspects. *Waqf* managers must seek a balance between being financially efficient and religiously and socially effective.

Figure 2. Research Conceptual Framework Assessment of Six Capitals Sustainable Finance and Sharia Compliance in the Development of Muhammadiyah Endowment Assets



Methods

This study employs a case study approach to generate qualitative data in the form of quotations, codes, and themes aimed at exploring and analyzing sustainable finance and sharia compliance in the development of *waqf* assets. Data are collected through Focus Group Discussions (FGDs), as well as from relevant

articles, journals, and books, and analyzed using content analysis. Primary data were obtained through an FGD involving six members of the Muhammadiyah Central Board, including representatives from the Treasury, the *Waqf* and Property Board, the Economics and Entrepreneurship Board, the Muhammadiyah Zakat Institution, the Muhammadiyah Financial Supervisory Institution, and an expert on *waqf*. The analysis was supported by the use of NVivo software. Secondary data were drawn from various documents and publications addressing the assessment of sustainable finance based on the six capital framework and sharia compliance from *Waqf* Core Principles 25 and 26.

Results and Discussion

In summary, the findings of this study are organized into three key aspects: (1) challenges in *waqf* development and sharia compliance, (2) the application of sustainable finance principles, and (3) six capitals of digital *waqf* from Wakafmu. The detailed discussions are presented as follows:

The problem in *Waqf* Assets Development and Sharia Compliance

The management and development of *waqf* assets within the Muhammadiyah organization remain decentralized, with responsibilities distributed across branch, regional, provincial, and central leadership levels (FGD Muhammadiyah, 2021). As a result, some branches or regions face difficulties in developing *waqf* assets and fully adhering to sharia compliance due to limited resources and capital. Not all *nāzir* in Muhammadiyah have proper operational and sharia compliance risk management processes to minimize potential fraudulent practices, anticipate system breakdown, and any other potential disturbance (WCP no 25). Also, *waqf* accounting policies and processes are not fully implemented (WCP no 26).

The first challenge in Muhammadiyah's *waqf* management is related to data collection. As of July 2021, only 40% of *waqf* assets had been recorded in the Muhammadiyah *Waqf* Asset Management Information System (Sistem Informasi Manajemen Aset Muhammadiyah or SIMAM), falling significantly short of the total assets that should be documented (CSAS, 2021). According to the latest information from the National Working Meeting of the *Waqf* Council, only 40 percent of Muhammadiyah's *waqf* assets, amounting to 28,669 assets, have been officially recorded. Additionally, there are still 3,999 *waqf* asset locations that have yet to be formally transferred under the ownership of the Muhammadiyah organization (PP Muhammadiyah *Waqf* Council, 2023).

This issue arises in part from historically inconsistent and incomplete documentation of *waqf* assets. Article 11 of Law No. 41 of 2004 on *Waqf* stipulates that one of the obligations of the *nāzīr* is to administer *waqf* assets. However, it does not specify the technical procedures required for such administration. In the case of the Muhammadiyah organization, much of the *waqf* data remains decentralized, residing at the branch, regional, and provincial levels. Furthermore, limitations in human capital, in terms of quantity and expertise, have hindered the effective input of *waqf* data into the SIMAM application, presenting a significant obstacle to comprehensive data collection and asset management.

The second major issue concerns the utilization and value optimization of *waqf* assets. Law No. 41 of 2004, Part Eight on the Allocation of *Waqf* Assets (Article 22), regulates the general allocation of *waqf* property. However, it does not provide a detailed distinction between social *waqf* (directly utilized for social purposes) and productive *waqf* (income-generating assets used for social benefit). In practice, social *waqf* often incurs operational costs that are not always covered by the *waqf nāzīr*, while *nāzīr* income is generally derived from productive *waqf* activities. Within the Muhammadiyah organization, the prevailing model of *waqf* asset development follows the social *waqf* paradigm, which remains closely aligned with a charitable or *ṣadaqah*-based framework focused primarily on worship and social services (FGD Muhammadiyah, 2021).

Although productive *waqf* models have been successfully implemented in various countries, they remain underutilized by Muhammadiyah. In 2023, however, Lazismu, Muhammadiyah's official alms institution, was authorized to collect cash *waqf*, marking a significant step toward productive *waqf* development. Recently, Muhammadiyah has used Wakafmu to collect cash *waqf*. The 2023 Muhammadiyah PP *Waqf* Utilization Council launched digital *waqf* through <https://wakafmu.or.id/> with the slogan "Innovation for Sustainable Benefits". As a *waqf* management institution, Wakafmu integrates two main forms of *waqf*: asset *waqf* and cash *waqf* (money). Asset *waqf* includes land, buildings, or property that can be utilized productively to generate sustainable impacts. Meanwhile, cash *waqf* will be managed professionally, the results of which will be used to finance various strategic programs. One of them is ensuring that the management and utilization of *waqf* is oriented towards long-term benefits in the fields of education, food security, research and innovation, health, economy, social, da'wah, and the environment.

Given Muhammadiyah's extensive network, there is considerable potential for productive *waqf*, particularly since the organization can leverage both investors and consumers from within its ecosystem. For example, the Muhammadiyah

Merchant Network has expressed interest in financing productive *waqf* projects on available land. However, this initiative is often hindered by issues related to legality, management capacity, and trust in *waqf* governance. Therefore, it is imperative for Muhammadiyah to formalize the process of transferring *waqf* land to the *Waqf* Council and to clarify the governance mechanisms involved. Implementing the principles of Islamic sustainable finance would enable *waqf* managers to optimize the use of *waqf* assets, particularly in turning idle land into productive resources.

The third issue concerning *waqf* assets relates to regulatory challenges within the Muhammadiyah organization. While Muhammadiyah has fulfilled the foundational requirements outlined in Part Two of Law No. 41 of 2004 on the Principles of *Waqf* (FGD Muhammadiyah, 2021), there remains a need for internal policies and institutional support that specifically accommodate and promote productive *waqf*. Currently, the majority of *waqf* assets within Muhammadiyah fall under the category of social *waqf*. To enhance income generation and maximize the potential of *waqf* assets, it is essential to establish clear, fair, and transparent regulations that support the development of productive *waqf*.

Such regulatory frameworks from Central Leadership of Muhammadiyah would strengthen public trust, particularly among those interested in funding underutilized or idle *waqf* assets. In addition, policies should be developed to support the establishment of dedicated *waqf* investment institutions. These institutions could facilitate participatory and transparent funding from Muhammadiyah members and broader networks. Successful models from countries such as Saudi Arabia, Egypt, Turkey, Iran, and Singapore demonstrate the effectiveness of investment-based institutions in managing and developing productive *waqf* assets (Mohsin et al., 2016).

Six Capitals Sustainable Finance Assessment

A lack of capital remains the primary obstacle to financing *waqf* development, including productive *waqf*. However, challenges are not limited to financial capital alone; deficiencies in other forms of capital, such as human, social, intellectual, manufactured, and natural capital, also significantly hinder progress. The sustainable finance model based on the six capitals offers a comprehensive framework for *waqf* managers to guide the development of products and services that deliver social benefits, particularly for Muslim communities. This model serves as a strategic guideline to ensure that organizations account for, utilize, and sustain the various forms of capital they depend on or impact (IIRC, 2013). So that organizations,

including *waqf* managers, can maintain the value of benefits in the long term. Apart from that, the *waqf* manager needs to analyze the allocation of their limited resources. If the manager wants to develop productive *waqf*, he needs to make further investments to achieve the targeted performance.

The results of the sustainable finance assessment of *waqf* assets in the Muhammadiyah organization, using the six capitals model, highlight the critical role each capital plays in *waqf* asset development. The six capitals framework, as proposed by the International Integrated Reporting Council (IIRC), comprises financial, manufactured, human, intellectual, social, and natural capital. Assessing these capitals enables a comprehensive understanding of their respective contributions to the effective and sustainable development of *waqf* assets within the Muhammadiyah organization.

From the perspective of financial capital assessment, the Muhammadiyah organization has successfully mobilized substantial donations through *zakāt*, *infaq*, *ṣadaqah*, and *waqf*. However, the organization continues to face limitations in the financial capital required for the sustainable development of high-quality *waqf* assets. Effective *waqf* management necessitates a comprehensive understanding of how financial value is generated and how it is interdependent with other forms of capital. It is also crucial for *waqf* managers to establish Key Performance Indicators (KPIs) aligned with the core principles of *waqf* governance. Given the significant investment required to develop land assets productively, the establishment of a centralized financial institution within Muhammadiyah is essential to facilitate coordinated and strategic *waqf* financing.

The manufactured capital of the Muhammadiyah organization is growing along with the increased number of unit charities. The number of unit charities is more than 22,561, so it is estimated that the number of existing buildings is also more than that. The buildings need to adopt green building design to accommodate environmental and community issues. If the development of facilities and infrastructure is in a sustainable, efficient, and effective manner, it will improve the quality of *waqf* asset services. For example, environmentally friendly buildings and passive cooling will reduce the use of cooling such as Air Conditioning (AC), which drains electricity and enormous operational costs. Processing used ablution water for plants will help greening, which helps lower the temperature. Rainwater collection, wastewater treatment, and use of compost toilets will help the efficiency of water use, which will be increasingly scarce in the future. The adoption of modular manufacturing systems, such as prefabricated buildings, will reduce construction costs and even reduce the risk of earthquakes. The orientation

of Muhammadiyah schools should not only be for students, but also for how to involve and contribute to the community, such as community schools.

The intellectual capital of the Muhammadiyah organization requires further development to address increasingly complex institutional challenges. As a large and multifaceted organization with diverse activities, a wide stakeholder base, and a broad geographical scope, Muhammadiyah must strengthen its knowledge-based management systems to avoid the accumulation of unresolved issues. Adopting Standard Operating Procedures (SOPs) commonly used in corporate governance could enhance operational efficiency and accountability. While Muhammadiyah's *waqf* guidelines currently reflect compliance with existing *waqf* laws and regulations, they remain limited in scope, particularly in lacking mechanisms for enforcement, such as reward and sanction systems.

In practice, Muhammadiyah continues to encounter legal challenges in securing both *de facto* (actual) and *de jure* (formal legal) ownership of *waqf* assets. Resolving these legal issues often requires substantial financial resources, time, and legal expertise. Therefore, the establishment of a centralized institutional body is essential to support regional, area, and branch-level entities in navigating the legal complexities associated with *waqf* asset formalization and protection.

An assessment of Muhammadiyah's human capital reveals a significant and geographically widespread membership, extending into remote regions. Members are generally characterized by strong loyalty and a high level of motivation to serve the mission of Islamic *da'wah* within the Muhammadiyah organization. However, many lack the professional expertise required to transform *waqf* into productive assets. Distinctions must also be made between Muhammadiyah administrators at various levels: Central Board (Pengurus Pusat or PP), Regional Leadership (Pimpinan Wilayah Muhammadiyah or PWM), District Leadership (Pimpinan Daerah Muhammadiyah or PDM), and Branch Leadership (Pimpinan Cabang Muhammadiyah or PCM)—and those working for Muhammadiyah's charitable enterprises (Amal Usaha Muhammadiyah or AUM). While administrators in leadership positions typically serve on a voluntary basis with no salary, AUM personnel receive compensation funded by the revenue generated from those enterprises.

To ensure effective *waqf* governance, it is crucial to implement performance standards such as ISO certification and the *Waqf*Core Principles. These frameworks provide objective benchmarks for evaluating the competencies and effectiveness of *waqf* managers. In this context, human capital development must include not only technical and intellectual skill enhancement, but also attention to health,

motivation, and interpersonal relationships among individuals involved in *waqf* management.

The Muhammadiyah organization possesses a strong foundation of social and relationship capital. Several scholars have noted that Muhammadiyah demonstrates a high level of social capital, reflected in its extensive networks, community trust, and active civic engagement (Fauzia, 2013, 2017; Setyawan, 2013). The authors concur with this assessment based on several observable characteristics. The Muhammadiyah organization has operated for over a century and enjoys strong support from its members and sympathizers, who are committed to the mission of Islamic *da'wah* and *waqf* development. Both the government and broader society widely recognize its reputation. However, there remain areas within its social capital that require improvement. First, there is a need to enhance the coordination and management of *waqf* assets across the various organizational levels of Muhammadiyah. Second, *waqf* managers must secure the necessary legal recognition and operational permits from relevant external authorities to ensure compliance and legitimacy.

Natural capital has increasingly become a focal point for the Muhammadiyah organization, grounded in the belief that environmental stewardship is a religious obligation. To institutionalize this commitment, Muhammadiyah has established the Institute for Environmental Studies and Empowerment, which promotes the significance of environmental resources for both community well-being and the sustainability of Muhammadiyah's *waqf* initiatives. A number of environmentally conscious programs have been introduced, including the development of eco-friendly mosques, green campuses, and agricultural *waqf* projects.

Furthermore, *waqf*-based infrastructure is encouraged to incorporate sustainable design principles such as biomimicry—an approach that draws inspiration from nature—along with rainwater harvesting systems, water filtration technologies, and green architecture that includes open spaces for social interaction. Integrating natural capital and sustainability into *waqf* asset development not only aligns with Islamic ethical principles but is also expected to enhance the quantity and quality of *waqf* assets over time.

Waqf Asset Performance and Sharia Compliance

In general, *waqf* assets managed by the Muhammadiyah organization are primarily utilized as direct *waqf* for religious, social, educational, and health-related purposes. As of 2021, educational charitable units account for 20,214

(58.5%) of total *waqf* assets, followed by religious charities with 11,959 units (34.6%) and health and community welfare facilities with 1,146 units (3.3%). In addition, several *waqf*-based initiatives generate financial returns, including Islamic microfinance services. Notably, Muhammadiyah operates 1,224 Islamic rural banks (3.5%), which contribute to both economic empowerment and the sustainability of its *waqf* assets.

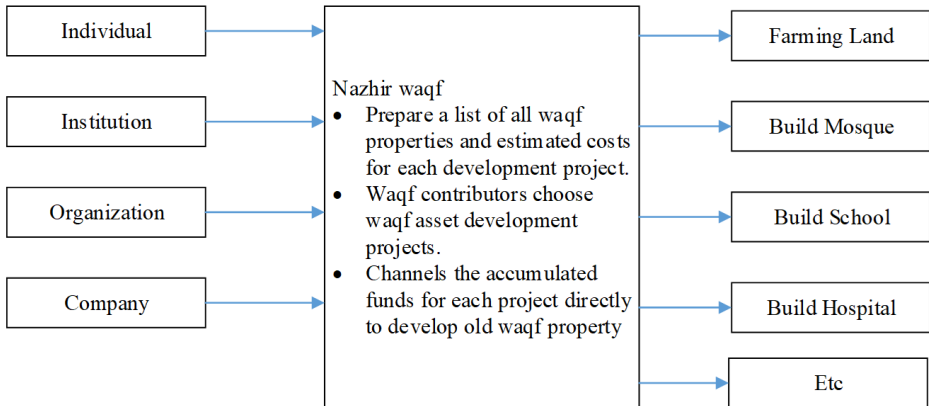
In terms of sharia compliance, firstly, the Muhammadiyah Organization has not been able to implement regulations related to WCP numbers 25 and 26 fully. Secondly, although there is no Sharia Supervisory Board, the *Waqf* Utilization Council has ensured that *waqf* in the Muhammadiyah Organization is in accordance with the pillars of *waqf* (FGD Muhammadiyah, 2021). Third, although Muhammadiyah Organization has successfully created a large number of direct *waqf*, Muhammadiyah Organization still needs to develop operational and sharia compliance risks to prevent misuse of *waqf* assets and to promote transparency in their administration. Fourth, Muhammadiyah Organization must publicly disclose financial reports and activities to maintain public trust. Fifth, Muhammadiyah Organization must increase financial capital, intellectual capital, infrastructure capital, and human capital so that *waqf* assets can be managed professionally to generate sustainable, long-term benefits for future generations.

There are no public and integrated financial reports in Muhammadiyah's charities, making it difficult to measure the financial performance of *waqf* assets. Muhammadiyah Central Board gives management power to Muhammadiyah Regional Leaders and autonomous organizations. However, not all of them make public and integrated financial reports. Only Muhammadiyah's zakat institution (Lazismu) regularly publishes financial reports. Lazismu handles some of the collection of *waqf* through money and cash *waqf*. Recently, there has been a platform, Wakafmu, that is designed to publish public financial reports for *waqf* (Intarto, 2023).

Findings from several Focus Group Discussion (FGD) participants indicate that Muhammadiyah's *waqf* managers have yet to develop the expertise required for effective cash *waqf* management fully. To address this gap, it is recommended that Muhammadiyah benchmark best practices from institutions such as the Islamic Religious Council of Singapore (MUIS), which has successfully delegated *waqf* investment management to specialized firms such as Warees (Real Estate *Waqf*). In this regard, Muhammadiyah should consider establishing a dedicated *waqf* investment management institution with clearly defined responsibilities, as illustrated in the accompanying chart. The competence and credibility of *waqf*

managers are key considerations for donors and investors, as they ensure the legality, security, and long-term sustainability of *waqf*-based projects.

Figure 3. *Waqf* Share Structure for Financing Old Property



Source: (Mohsin et al., 2016)

Six Capital Assessment of the Waqf Digital Platform "Wakafmu".

In 2023, Muhammadiyah organization, through the central board Waqf Utilization Council (MPW), launched digital *waqf* through <https://wakafmu.or.id/> with the slogan "Innovation for Sustainable Benefits". As a *waqf* management institution, Wakafmu integrates two main forms of *waqf*: asset *waqf* and cash *waqf*. Asset *waqf* includes land, buildings, or property that can be utilized productively to produce sustainable impacts. Meanwhile, cash *waqf* will be managed professionally, the results of which will be used to finance various strategic programs. One of them is ensuring that the management and utilization of *waqf* is oriented towards long-term benefits in the fields of education, food security, research and innovation, health, economy, social, da'wah, and the environment.

The services developed by Wakafmu are not only limited to social *waqf* but also investment cooperation to manage *waqf* assets productively and sustainably. Wakafmu provides *waqf* assets, such as land or property, while investors provide funds to develop these assets into productive projects, such as fisheries, agriculture, property development, or other sectors. The type of contract used is based on sharia principles, with models such as *mudārabah* (profit sharing), *mushārah* (joint capital participation), or *ijārah* (rental of *waqf* assets). Profits from asset management are divided according to agreement, where the Wakafmu portion is

allocated to support social programs, such as education, health, and community empowerment.

In addition to *waqf*, Wakafmu also provides cooperation contracts with companies in the form of Corporate Social Responsibility (CSR) to support the management and utilization of *waqf*. This service allows companies or other institutions to contribute strategically to the development of *waqf* infrastructure, such as mosques, schools, hospitals, and others. The second program is cooperation in funding economic empowerment and food security programs based on *waqf*. The third cooperation program is activities that support *waqf* social projects, such as the distribution of healthy food, education scholarships, or free health services.

This Wakafmu platform will increase the financial capital and social capital of the Muhammadiyah Organization. So far, financing for the development of *waqf* assets has generally been limited to branches, regions, and areas where Social Business Units (AUM) operates. However, with Wakafmu, it will reach a wider range of donors and *waqifs* (*waqf* payers). The programs provided are no longer limited to education, health, worship, but also to food security, productive and creative economy, research and innovation, social and humanitarian services. Intellectual capital in the form of rules related to standardization of reports, transparency, and supervision is also applied by Wakafmu. Information from an interview conducted by Suara Muhammadiyah with the treasurer of the *Waqf* Utilization Council (MPW) provides information regarding the rules or standard operating procedures (Intarto, 2023). The platform automatically presents a consolidated report that reflects the center, region, area, branch, and sub-branch automatically and periodically. If implemented manually, it will take a long time and require much human capital. Wakafmu also increases its human capital by providing online education and selecting MPW who will apply for the *waqf* program. For supervision, the central MPW has also connected the Wakafmu platform to the report monitoring server at the Ministry of Religion and the Financial Services Authority. According to the central board MPW, the connection with the monitoring server will easily detect disobedience of those responsible for the program at every level.

Conclusions

The key challenges in *waqf* asset development within the Muhammadiyah organization include sharia compliance, data collection, asset utilization, value optimization, and the lack of supportive internal regulations. As a *waqf* management

institution, Muhammadiyah requires a sustainable financing model to ensure the long-term benefits and sustainability of its *waqf* initiatives, also to achieve fully implemented sharia compliance. To achieve this, it is essential to strengthen the organizational structure at the branch, regional, and provincial levels through improved financial centralization and to explore additional forms of capital beyond financial resources. Financial centralization can also be used to strengthen sharia compliance to implement WCP 25 and 26.

This study connects the development of *waqf* assets with the International Integrated Reporting Council's (IIRC) six capital framework, comprising financial, manufactured, human, intellectual, social, and natural capital. Applying a sustainable finance assessment through this model enables a comprehensive evaluation of each capital's contribution to *waqf* asset development within the Muhammadiyah context. The organization possesses substantial social capital and significant human capital. Yet, there is a pressing need to enhance environmental infrastructure, expand intellectual capital, and establish a dedicated *waqf* asset investment institution to strengthen financial capital.

References

- Afandi. (2023, October). Only 40 Percent of Muhammadiyah Waqf Assets Recorded in SIMAM, Totaling 28,669 Assets. Retrieved from <https://muhammadiyah.or.id/>
- Awaludin, N. S., Nahar, H. S., Yaacob, H., & Bakar, N. S. (2018). Exploring awqāf governance: Preliminary evidence of governance practices and disclosure of two Malaysian Awqāf institutions. *Journal of King Abdulaziz University, Islamic Economics*, 31(1), 139–150. <https://doi.org/10.4197/Islec.31-1.9>
- Chariri, A., & Januarti, I. (2017). Exploring Integrated Reporting Elements in Annual Reports of Companies in Indonesia. *Jurnal Akuntansi*, 21(3), 411. <https://doi.org/10.24912/ja.v21i3.245>
- CSAS, (2021). FGD Assessment of Islamic Sustainable Finance in Development of Muhammadiyah Waqf Assets [Recorded by Muhammadiyah Organization]. Indonesia.
- Fauzia, A. (2013). 4. Muhammadiyah and Modern Philanthropy before Independence. *Faith and the State*, 139–171. https://doi.org/10.1163/9789004249202_006
- Fauzia, A. (2017). Penolong kesengsaraan umum: The charitable activism of muhammadiyah during the colonial period. *South East Asia Research*, 25(4), 379–394. <https://doi.org/10.1177/0967828X17740458>

- Financial Services Authority. (2014; 2021). Sustainable Finance Roadmap. Financial Services Authority. Indonesia.
- IIRC. (2013). Summary of Significant Issues International <IR> Reporting Framework. In *The International Integrated Reporting Council*.
- Indonesian Institute of Certified Public Accountants. (2021, August). Integrated Reporting Guidelines. Retrieved from <https://iapi.or.id/integrated-reporting>
- International Working Group on Waqf Core Principles. (2018). Core Principles for Effective Waqf Operation and Supervision. A Joint Initiative of BI, BWI & IRTI-IsDB. Islamic Social Sector Development Initiatives.
- Ismail Abdel Mohsin, M. (2013). Financing through cash-waqf: a revitalization to finance different needs. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(4), 304–321. <https://doi.org/10.1108/IMEFM-08-2013-0094>
- Kachkar, O., & Alfares, M. (2022). Waqf Contributions for Sustainable Development Goals: A Critical Appraisal. *Wealth Management and Investment in Islamic Settings: Opportunities and Challenges*, 367–391. https://doi.org/10.1007/978-981-19-3686-9_21
- Kahf, M. (1998). Financing the Development of Awqaf Property. Seminar on Development of Awqaf. Kuala Lumpur: IRTI.
- Khalfan, K. A., & Ogura, N. (2012). Sustainable architectural conservation according to traditions of Islamic waqf: The World Heritage-listed Stone Town of Zanzibar. *International Journal of Heritage Studies*, 18(6), 588–604. <https://doi.org/10.1080/13527258.2011.607175>
- Kitabisa.com. (2024, September 10). Does Kitabisa.com Charge Operational Donations to the Kitabisa Foundation? Retrieved from Kitabisa.com.
- Maack, M., & Davidsdottir, B. (2015). Five capital impact assessment: Appraisal framework based on theory of sustainable well-being. *Renewable and Sustainable Energy Reviews*, 50(July 2018), 1338–1351. <https://doi.org/10.1016/j.rser.2015.04.132>
- Mansor, N., Jamil, A., & Bahari, A. (2017). Integrated Waqf Reporting System. In *International Journal of Accounting* (Vol. 2, Issue 6).
- Mansor, N., Jamil, A., & Bahari, A. (2018). Waqf Reporting: A Modified Integrated Reporting for Sustainable Islamic Social Finance. *International Journal of Academic Research in Business and Social Sciences*, 8(12), 742–754. <https://doi.org/10.6007/ijarbss/v8-i12/5069>

- Masyita, D., Tasrif, M., & Telaga, A. S. (2005). A dynamic model for cash waqf management as one of the alternative instruments for the poverty alleviation in Indonesia. *The 23rd International Conference of The System Dynamics Society Massachusetts Institute of Technology (MIT)*, 1–29.
- Directorate of Zakat and Waqf Empowerment; Directorate General of Islamic Community Guidance; Ministry of Religion of the Republic of Indonesia. (2022, August). Utilization of Waqf Land. Retrieved from <https://siwak.kemenag.go.id/>
- Mohsin, M. I. A. (2012). Waqf-shares: New product to finance old waqf properties. *Banks and Bank Systems*, 7(2), 72–78.
- Mohsin, M. I. A., Dafterdar, H., Cizakca, M., Alhabshi, S. O., Razak, S. H. A., Sadr, S. K., Anwar, T., & Obaidullah, M. (2016). Financing the Development of Old Waqf Properties. In *Financing the Development of Old Waqf Properties*. <https://doi.org/10.1057/978-1-137-58128-0>
- Pakkana, M. (2020). Measuring the Potential of MCE for Economic Development and Sharia Banking. Jakarta: Economic and Entrepreneurship Council (MEK) PP Muhammadiyah. Indonesia.
- Porrit, J. (2018, April 18). The Five Capitals - a framework for sustainability. Retrieved from <https://www.forumforthefuture.org/the-five-capitals>.
- Rodoni, A., & Fathoni, M. A. (2019). *Sharia Investment Management*. South Jakarta: Salemba Diniyah.
- Saputra, A. S., Susiani, I. R., & Syam, N. (2021). Hifdh Al-Bi'rah as part of Maqāsid Al-Sharī'ah: Yūsuf Al-Qardāwy's perspective on the environment in Ri'āyat al-Bī'rah fi Sharī'ah al-Islām book. *AIP Conference Proceedings*, 2353(1), 30106. <https://doi.org/10.1063/5.0052768/636807>
- Secretariat of Muhammadiyah. (2023, 11). Here is the Latest Data on Muhammadiyah's 111 Years of Activities. Retrieved from muhammadiyah.or.id.
- Setyawan, D. (2013). Analysis of the Relationship between Ijtihad and Tajdid of Economic Thought on Business Development (Case Study of the Business Enterprise of the Muhammadiyah Community Organization). *Islamic Economics Journal*. <http://ejournal.unida.gontor.ac.id/index.php/JEI/article/view/167>
- Shulthoni, M., Saad, N. M., Kayadibi, S., & Ariffin, M. I. (2018). Waqf Fundraising Management: a Proposal for a Sustainable Finance of the Waqf Institutions. *Journal of Islamic Monetary Economics and Finance*, 3, 201–234. <https://doi.org/10.21098/jimf.v3i0.776>

- Siswantoro, D., & Rosdiana, H. (2016). Sustainability of Cash Waqf Development in Indonesia: A Quintuple Helix Perspective. *Sains Humanika*, 8(1–2), 111–116. <https://doi.org/10.11113/sh.v8n1-2.840>
- Tambunan, A. (2019, September 30). Development of waqf land and Muhammadiyah organization assets. Presentation.
- Tanjung, H. (2020, 09). Waqf Core Principles (WCP) Session 11 Shariah Compliance Risks. Retrieved from <https://www.bwi.go.id>
- Law Number 41 of 2004 concerning Waqf. (2007, September 17). Retrieved from <https://www.bwi.go.id/>