International Journal of Islamic Economics (IJIE)
P-ISSN: 2686-2131 E-ISSN: 2686-2166
DOI: https://doi.org/10.32332/ijie.v8i02.14658 Vol 8, No 2 (2026) Pages. 429-444

Musharakah as a Partnership Model in an Islamic Social Enterprise: A Case Study of CV Syirkah Amanah

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Submitted:
July 21st, 2026
Revised:
October 4th, 2026
Accepted:
October 20th, 2026
Published:
November 13rd, 2026

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Abstract

Objective: This study analyses the implementation of the *musharakah* contract as an instrument for developing social enterprises at CV Syirkah Amanah. The study focuses on how the partnership principle in the *musharakah* contract is applied in business management, with an orientation not only to economic profit but also to the community's social empowerment.

Method: This study uses a qualitative approach with an empirical research design to gain an in-depth understanding of how the *musharakah* contract is implemented as an instrument for developing an Islamic social enterprise at CV Syirkah Amanah. Data were collected in two forms: primary data were obtained through direct observation and interviews with relevant parties, including the Nazir, internal and external directors, employees, and shareholders, while secondary data were obtained from annual reports and other related documents.

Result: The *musharakah* contract at CV Syirkah Amanah effectively supports the development of an Islamic Social Enterprise by transforming waqf land into productive economic assets through partnerships with Muhammadiyah and the community. The partnership applies profit-and-loss sharing. Supported by transparent financial reporting and proportional risk sharing, this model integrates economic sustainability with social objectives.

Implication: This study confirms that the *musharakah* contract has strategic potential as a model for developing sustainable Islamic social enterprises in Indonesia. This research is expected to contribute academically by expanding the discourse on Islamic social enterprise, while also providing practical contributions to business actors, Islamic financial institutions, and policymakers in designing social enterprise models based on Islamic partnerships.

Originality or Novelty: This study offers a novel contribution by positioning the *musharakah* contract not merely as a profit-sharing financing mechanism, but as a strategic governance instrument for developing Islamic social enterprises that integrate commercial sustainability with social empowerment.

Keywords: *Musharakah* Contract; Productive Waqf; Social Enterprises; Empowerment; Sustainability.

Introduction

Increasingly competitive economic developments in the modern era can increase social inequality, structural poverty, and limited public access to productive resources. This has led to the emergence of business models that are not solely profit-oriented but also focused on solving societal problems and delivering sustainable social benefits. Social enterprises can drive institutional innovation in business by integrating social missions and economic goals through sustainable, productive business activities. In this context, social enterprises offer an entrepreneurial approach to addressing socio-economic challenges, particularly in empowerment and inclusiveness. In Indonesia, as a developing country, social enterprises are crucial for addressing social inequality, poverty, unemployment, and limited access to economic resources (Triwibowo & Adam, 2023). Furthermore, Indonesia, as a predominantly Muslim country with abundant social assets, whether sourced from waqf (waqf), zakat (*alms*), grants, and other philanthropic funds, has significant potential for developing and implementing social enterprises grounded in spiritual values, thereby creating distributive justice with sustainable principles in line with the goals of Islamic economics.

In the Islamic economic paradigm, in addition to emphasising distributive justice, blessings, and social responsibility, it also emphasises productivity and efficiency. Social enterprise offers economic instruments that can be used to realise Islamic economic goals. Islamic economic principles such as *maslahah* (public benefit), *ta'awun* (mutual assistance), and *syirkah* (partnership) can be integrated and developed to address the needs of social enterprise development (Triwibowo & Sya'adi, 2025). One highly relevant contract in social enterprise development partnerships is the *Musharakah* contract. This partnership involves all partners contributing not only capital but also participation and risk, with the principle of fair and transparent profit sharing. Furthermore, the musharakah contract adheres to the principle of benefit distribution in line with social enterprise, namely, that business is oriented not only toward financial profit but also toward realising *maslahah*, community empowerment, and social welfare. Therefore, the *musharakah* contract plays a strategic role as an instrument in building social enterprises by utilising social assets in Islam.

In Indonesia, *musharakah* contracts are still more commonly used in transactions within Islamic financial institutions. In contrast, implementation in community-based business development or in social enterprises in the real sector remains rare. Meanwhile, developing social enterprises based on waqf assets and other Islamic social assets offers significant potential, fostering more profitable, productive businesses through partnerships that involve communities and society at large in developing and empowering the local economy. Meanwhile, empirical studies on the application of *musharakah* contracts in social enterprises remain very limited, resulting in a lack of practical references for their implementation in the real sector. Furthermore, research on the implementation of *musharakah* contracts is more commonly found in the Islamic financial institutions sector, as in studies (Akhmadi, 2019; Asyiqin & Alfurqon, 2024a; Bahari et al., 2019; Elvia et al., 2023; Mas'Ud, 2022; Maulan et al., 2023; Ranchman et al., 2022; Wahyudi & Leny, 2024). This limitation is the basis for this research: to expand the function of *musharakah* contracts to a broader business sector, particularly in the social enterprise realm.

CV. Syirkah Amanah is a business entity based on Islamic social assets (waqf), successfully established and developed through a *musharakah* partnership scheme involving various elements of society (local communities, Muhammadiyah Autonomous Organisations (Ortom), Muhammadiyah Business Charities (AUM), and Muhammadiyah). Thus, CV Syirkah Amanah can be categorised as a social enterprise because it meets criteria such as the use and management of Islamic social assets, a social mission orientation, the application of Islamic business cooperation instruments, entrepreneurial activity and value creation, and community participation and empowerment. This is why a study is needed to understand the extent to which *musharakah* contracts can be implemented in social enterprise practices, while identifying opportunities, challenges, and their contributions to strengthening socio-economic aspects. In addition, this research is important for developing partnership theory and practice in Islamic economics that better reflect the dynamics of modern business management. Based on the aforementioned limitations, this study poses the following primary research question: How is the *musharakah* contract implemented as a partnership instrument in the development and management of CV Syirkah Amanah as an Islamic Social Enterprise?

Based on the description above, this article aims to empirically examine how CV Syirkah Amanah implements the *musharakah* contract as an instrument for developing social enterprises. Syirkah Amanah is an instrument for developing social enterprises. This study is expected to contribute academically by broadening the study of partnerships in Islam and their application to social enterprises, while also providing practical contributions to stakeholders, particularly business actors and policymakers.

Literature Review

Social enterprise

Social enterprise is a form of business organisation that integrates business mechanisms and sustainable social goals with commercial activities to support financial sustainability. Social enterprises have a primary mission of creating social value (solving economic, social, educational, health, and environmental disparities), distinguishing them from conventional business activities whose primary mission is solely profit-making (Klarin & Suseno, 2023a). This also refers to Dees' (2018) definition of social enterprise as an innovative process for creating social value through a sustainable combination of resources. (Defourny & Nyssens, 2010) also defines a social enterprise as an organisation that prioritises social goals by limiting profit distribution to owners. Spear et al. 2013) more clearly define a social enterprise as an entity that carries out economic activities through the trade of goods/services. However, its primary goal is not to maximise personal profit, but rather to reinvest profits for social purposes (Hermanto et al., 2025).

Meanwhile, Lancastre et al. (2024) explain that, conceptually, social enterprise has different definitions because of the variety of business forms and organisations, including social cooperatives, nonprofits with earned income, social businesses, and others. Therefore, social enterprise cannot be defined in a single way, because the business spectrum encompasses innovation, economics, ethics, and sustainability values. However, Lorenzo-Afable et al. (2025) emphasise that social value creation is the main characteristic that distinguishes social enterprise from other business activities. In this regard, Jayawardhana et al. (2022) conclude that social

enterprise encompasses three main dimensions: social mission continuity, financial sustainability, and environmental integration.

In recent decades, the study and practice of social enterprise have attracted significant attention and development in response to the government's limitations in addressing poverty, unemployment, and social services in health, education, the environment, and economic empowerment. (Klarin & Suseno, 2023) argue that social entrepreneurship has evolved into a multidisciplinary field focused on public policy, social innovation, education, and community development. In this regard, Kummitha et al. 2025) have the view that, from a contemporary perspective, social enterprise must also have a continuously evolving orientation and focus not only on creating social value but also on improving the welfare of individuals and communities (well-being), emphasising empowerment, long-term social transformation, and the meaning of life. Therefore, social enterprise can serve as a paradigm for a new, inclusive business approach, offering innovative solutions to social and economic problems that combine social value creation and financial sustainability, and deliver economic growth that is more participatory, equitable, and impactful on community welfare.

Implementing social enterprises in developing countries offers an alternative to limited public services. Therefore, social enterprises are a crucial pillar in achieving participatory, fairer, and more impactful economic growth. However, social enterprises in developing countries face various challenges, such as weak managerial capacity, limited access to funding, suboptimal regulatory frameworks, and sustainability challenges. Therefore, government, social investors, and cross-sector collaboration are needed to support the sustainability of social enterprises in developing countries. In this regard, Gupta & Srivastava (2024) examined emerging economies in developing countries and found that cultural values, institutions, and limited access to resources shape social enterprises, leading to more adaptive, community-based business models.

Meanwhile, in terms of impact, the success of social enterprises, according to (Quilloy et al., 2024), is determined by three factors: a) organisational factors (business model, governance, stakeholder engagement), b. individual factors (entrepreneurial capacity, founder's social vision, leadership), and c. external factors (access to funding, regulations, ecosystem support). Meanwhile, Daskalopoulou et al. (2023) argue that to increase the impact of social enterprises, the main capital is public trust, social networks, and cross-sector collaboration. Social capital mediates the link between institutional development and community resilience, social innovation, and productivity. Therefore, it is important to build a collaborative ecosystem between the government, the community, social investors, and educational institutions.

Islamic Social Enterprise

In Muslim-majority countries like Indonesia, social enterprise practices are integrated with Islamic teachings. Social enterprise principles combine with instruments within the Islamic economic system, such as zakat, waqf, and others, giving rise to Islamic social enterprise (ISE). As Haneef et al. (2015) noted, ISE is rooted in Islamic economic instruments such as productive waqf, zakat, *qardul hasan*, *musharakah*, and *mudharabah*. Because Islamic economics focuses on equitable wealth distribution rather than growth alone, social enterprise becomes an inclusive, ethical, empowerment-based business model. Therefore, according to Saputra (2025), ISE is a distinct paradigm that combines social enterprise with the *maqāṣid al-sharī'ah* (the objectives of Islamic law) and Islamic economic instruments such as waqf, zakat, sadaqah, and profit-loss sharing.

ISE is a collaborative development between social enterprises and Islamic economics, thus reflecting a social enterprise grounded in the principles of monotheism, justice, trust, and benefit. According to Saputra (2025), who mapped the growing ISE practices in Southeast Asia into four main models: a. waqf-based enterprise, b. zakat-based enterprise, c. hybrid commercial and social institutions, and d. Islamic microfinance social enterprise. These four models illustrate that ISE emphasises not only social return, but also redistributive justice and, most importantly, spiritual legitimacy. In short, ISE combines social innovation with the principles of *maqāṣid al-syarī'ah* to create sustainable prosperity.

The *musharakah* contract, as a partnership instrument in Islamic economics, can support social enterprises. Musharakah aligns with the character of social enterprises, which require collaboration and broad distribution of benefits for community empowerment and business sustainability. Operationally, *musharakah* can pool expertise and capital from the public and communities to establish productive businesses, supporting commercial viability and a social mission that contributes to business sustainability. *Musharakah* also positions partners in an equal, transparent, participatory, egalitarian, and equitable partnership within social enterprises, thereby reducing financial exploitation while increasing shared prosperity (Lisvi Vahlevi, 2025). This contract can serve as a strategic foundation for social enterprises in creating productive businesses that empower communities, reduce inequality, and strengthen community-based economies.

Musharakah Contract

In Islamic jurisprudence, the *musharakah* contract is one of the primary partnership contracts in Islamic economic practice. *Musharakah* is a partnership method for conducting business activities, involving partners who pool capital, expertise, or both, with profit and risk sharing agreed upon at the outset. According to Al-Zuhayli (1989), *Musharakah* is etymologically derived from the Arabic word "*syirkah*," meaning "mixture or association," namely the mixing of partners' ownership or rights in a particular business or object. (Al-Zuhayli, 1989). Further, it explains that *musharakah* is a form of partnership that places partners on equal footing in terms of involvement, rights, and obligations. The DSN-MUI Fatwa No. 08/DSN-MUI/IV/2000 (DSN-MUI Fatwa, 2000) explains that the *musharakah* contract is a partnership-based financing contract, in which all partners can participate in capital and management. However, the capital and work contributions may differ according to the agreement.

Scholars agree on dividing the forms of cooperation in *musharakah* into four types, namely: a. *syirkah inan* (cooperation with unequal capital contributions), b. *syirkah mufawadhah* (cooperation with equal contributions and responsibilities of all partners), c. *syirkah a'mal* (cooperation of labor/expertise), and d. *syirkah wujuh* (cooperation of reputation or credibility) (Al-Zuhayli, 1989b). However, some contemporary scholars add *musharakah mutanaqishah*, namely joint ownership in which one party's portion is gradually reduced through purchases by other partners (Antonio, 2001). In contemporary practice, it is widely used for joint project financing, property financing, productive investments, and MSME financing in Islamic banking, as it better suits modern market needs (Asyiqin & Alfurqon, 2024b). It shows that musharakah is an adaptive mechanism in the modern financial and investment system based on productive assets (Utami, 2025). *Musharakah* is a partnership instrument based on risk sharing that prioritises the values of

justice (*'adl)*, cooperation (*ta'awun*), and transparency, and is a manifestation of *maqashid sharia* in realising a fairer and more productive economic distribution (Sunur et al., 2024)

Research Methodology

This study uses a qualitative approach with an empirical research design to gain an in-depth understanding of how the *musharakah* contract is implemented as an instrument for developing an Islamic social enterprise at CV Syirkah Amanah. A qualitative approach was selected for its ability to comprehensively explore processes, meanings, interactions among actors, and institutional dynamics, aspects that cannot be explained solely through quantitative data. The research focuses on how the *musharakah* contract is applied in business governance, the distribution of roles and profits, risk management, and its contribution to achieving social and economic objectives.

The research was conducted at CV. Syirkah Amanah Lumajang, as it represents a productive enterprise established through a partnership based on a *musharakah* contract, a joint capital investment arrangement since its inception, utilising social assets in the form of waqf land. These characteristics make CV. Syirkah Amanah is a relevant case study for examining the implementation of a Sharia economic instrument, specifically the musharakah contract, in developing social enterprises.

This study utilises both primary and secondary data sources. Data collection took place between May and September 2025. Primary data were obtained through two methods: in-depth interviews with informants selected for their involvement with and knowledge of CV Syirkah Amanah. The study involved ten informants, comprising: (1) two Waqf managers (Nazir) from the Muhammadiyah Regional Board of Lumajang; (2) the External Director of CV Syirkah Amanah, responsible for partnership development and institutional relations; (3) the Internal Director of CV Syirkah Amanah, responsible for company operations; (4) CV Syirkah Amanah employees directly involved in operational execution (including financial administration staff and the head supervisor); and (5) shareholders representing both the community and institutions (four individuals).

This selection aimed to capture diverse perspectives on governance, the implementation of partnership agreements (*akad*), and the impacts on both the company and the community. Interviews were conducted either face-to-face at the research site or via communication channels agreed upon with the informants. Each interview lasted approximately 30–60 minutes and was recorded following the informant's consent. We masked specific informants' identities using initials to ensure confidentiality and uphold research ethics. Interview protocols covered informed consent, data confidentiality, and anonymity guarantees. Open-ended questions were formulated based on five key aspects: (1) the establishment and rationale of the *musharakah* partnership; (2) capital contribution and ownership arrangements; (3) profit and risk-sharing mechanisms; (4) decision-making, transparency, and accountability; and (5) the partnership model's contribution to community empowerment and the sustainability of the Islamic social enterprise. Second, direct observation was conducted of the implementation of the *musharakah* contract within business activities, including the division of labour, capital management, and interactions among the parties involved. Secondary data were obtained through a document review. The primary document analysed was the Annual Report of CV Syirkah Amanah, as

presented at the General Meeting of Shareholders (GMS). This document contains information on business developments, financial statements, profit-sharing mechanisms, company policies, social program achievements, and the company's strategic development direction. Additionally, the research used supporting documents, including the company profile, partnership agreements, and other relevant materials, to reinforce the analysis by drawing on multiple sources.

Data analysis was conducted interactively following the model proposed by (Miles, M. B., Huberman, A. M., & Saldaña, 2019), comprising three stages: data condensation, data display, and drawing and verifying conclusions. During the data condensation stage, findings from interviews, observations, and documentation were selected, categorised, and coded according to research themes (The coding process was carried out through manual coding using Microsoft Word), including the implementation of the *musharakah* contract, business governance, profit sharing, risk management, and the achievement of social objectives. Subsequently, the data were presented as tables, narratives, and inter-category relationships to facilitate interpretation. The final stage involved a continuous verification process based on data consistency across sources, yielding credible findings on the role of the *musharakah* contract as an instrument for developing the Islamic social enterprise at CV Syirkah Amanah.

Data credibility is reinforced through methodological and source triangulation. Interview findings are compared with observational evidence and documentary records, while accounts from the Nazir, managers, employees, and shareholders are cross-referenced to identify convergence or divergence. If discrepancies arise, the researcher seeks further clarification from the relevant informants and reviews supporting documents.

Results and Discussion

The culture of community partnership is deeply rooted in Indonesian culture, as it is a tradition that characterises the nation. However, the partnership culture that is often practised within the community is limited to social partnerships involving mutual assistance, such as cooperation (*gotong royong*), participation in social activities, and so on. However, partnerships in business or profit-oriented sectors have not yet become a tradition in Indonesian society. Therefore, establishing and developing a tradition of business partnership will be very difficult if carried out solely by the community, especially among the lower-middle class. This is because the community has weak networks and limited knowledge of business development. Therefore, the government (which takes a top-down approach), community organisations, and other third parties must be present and play a role in strengthening business insight and networks and in bridging the realisation of partnerships for developing businesses within the community, especially in socially oriented business activities.

The presence of the government and third parties is essential to realising the tradition of partnerships in the business sector, especially third parties. Indonesian history has demonstrated that third parties play a significant role in empowering communities across sectors, particularly in education, health, and other social services delivered by socio-religious organisations. This constitutes valuable social capital; therefore, their role needs to be directed and optimised to empower communities in the business sector.

In this regard, the Muhammadiyah, which operates in the socio-religious sector, has demonstrated its role in enlightenment, empowerment, and progress, benefiting the community as a manifestation of its mission to enjoin good and forbid evil. Rooted in Muhammadiyah and inherent since its inception, the tradition is to build this nation through real and significant contributions. The spirit of independence and the constant striving to contribute are inherent in Muhammadiyah and its members.

One of Muhammadiyah's real contributions to strengthening the business sector is a partnership approach that uses the *musharakah* contract to establish a social enterprise: the business unit Syirkah Amanah, founded in 2009 and since developed.

Partnership Using the Musharakah Contract

The partnership under the *musharakah* contract originated from the idea of establishing a business unit to use social assets, particularly waqf assets, owned by the Muhammadiyah Regency Board (PDM) of Lumajang more productively. After assessing the business opportunities within these assets, an agreement was reached to establish a business unit, a gas station, under the management of a business institution called Syirkah Amanah. A team was formed to review and design governance and the capital requirements for establishing the business unit. However, the main obstacle was the limited ability to provide the required capital of 5.6 billion rupiah. This constraint was the primary reason for pursuing a capital partnership under a *musharakah* contract, involving various parties, both institutional and public.

PDM Lumajang, along with the team, held a deliberation and decided that the funding source for establishing the business unit would be a business capital partnership using the *musharakah* system. The term "shares" is used to simplify the classification and calculation of investors' capital participation and to attract public interest in participating in the required business capital partnership. This partnership system is implemented to accelerate the realization of land productivity and to create a joint venture that is mutually beneficial to all parties, namely Muhammadiyah, as the owner of social assets (wakif), and all parties involved in the capital partnership. Moreover, this partnership is intended to support community economic development through a strong business partnership among all economic life actors, based on the principle of mutual benefit (Government Regulation Number 44 of 1997 Concerning Partnership).

To facilitate the calculation, the business capital requirement of 5.6 billion was converted into 5,600 shares at a value of 1 million rupiah per share. In the capital-raising process, ownership was distributed among various parties, including institutions such as PDM, the Muhammadiyah Branch Board (PCM), Muhammadiyah Business Charities, and Muhammadiyah Autonomous Organisation (Ortom). Second, ownership was held by individuals from the community around Lumajang, including Muhammadiyah members and the general public. Institutions owned 1,476 shares, or about 27% of the total, including shares resulting from converting the value of waqf land assets used to establish business units, equivalent to 500 shares. Meanwhile, individual holdings comprised 4,124 shares—representing approximately 73% of the total—held by 81 individuals at the inception of CV Syirkah Amanah's operations. In 2018, Syirkah Amanah also issued 400 shares to expand the business, all of which local community shareholders purchased. Consequently, individual shareholdings increased to 4,524 shares in 2018.

Table No 1
Distribution of Shareholders of CV. Syirkah Amanah

Shareholder Distribution			
NO	**Shareholders**	**Number of Shares in 2010-2017**	**Number of Shares in 2018-2025**
1	PDM	858 sheets	858 sheets
2	AUM	600 sheets	600 sheets
3	ORTOM	18 sheets	18 sheets
4	Individual Shareholders (Society)	4,124 sheets	4,524 sheets
	Amount	5600 sheets	6000 sheets

Source: CV. Syirkah Amanah Lumajang annual report 2020-2025

This partnership concept aligns with the partnership as regulated in Law Number 20 of 2008 concerning SMEs, where partnership is a link of connection that exchanges a "need" bound by a (written) agreement based on mutual trust, mutual strengthening, and mutual benefit. As a social organisation, Muhammadiyah positions itself as a partnership intermediary, bridging partnership relations between partnering parties from both institutional and community sources, so that a relationship of mutual need, mutual strengthening, and mutual benefit is realised. In this context, Muhammadiyah plays an important role in creating a conducive environment, climate, and nuance that foster a synergistic and harmonious business partnership by helping related parties maintain business continuity within the community. Therefore, Muhammadiyah, in addition to serving as an intermediary, also helps open investment opportunities for small communities that lack business acumen.

In addition, trust is fundamental to realising Syirkah Amanah partnerships, as it is a strategic element in determining partnership success, especially in supporting business sustainability. Each party involved in the partnership holds the rope of trust. Muhammadiyah's role as a third-party partnership facilitator helps foster trust among the parties involved, especially individual shareholders. In addition, Muhammadiyah helps optimize the organization's potential for productive business development by formulating an effective partnership model, thereby contributing significantly to increased productivity and financial income for institutions and the community.

Shares as a capital participation scheme in a profit-oriented partnership in business management aim to create shared prosperity through the *musharakah* contract, which provides a framework for sharing profits (dividends) and risks. In this case, dividends from business management results are distributed using a profit-and-loss-sharing system, with margins determined at the beginning of the agreement with the related parties. The basis for determining the distribution of dividends is set out in the technical rules governing Muhammadiyah's Charity Business, established by the Muhammadiyah Central Board Economic Council (PP Muhammadiyah, 2023). Referring to these technical rules, the distribution of dividends is determined by the PDM Lumajang and the management of the Syirkah Amanah Gas Station, with the following margins: Reserve and Development Funds of 10%, Persyarikatan

Muhammadiyah as the owner and manager of social assets of 20%, and Shareholders of 70% of the total net profit.

Table No 2
Dividend Profit Sharing Ratio of CV. Syirkah Amanah

Distribution of Business Profit Sharing (Dividends)		
No	**Recipient**	**Percentage**
01	Reserve and Development Fund	10%
02	Muhammadiyah as the Nazir of Waqf	20%
03	Shareholders	70%

Source: CV. Syirkah Amanah Annual Report 2018

Table 2 shows that profit sharing is based on a ratio agreed upon by all partners at the outset of the agreement, providing certainty and a sense of fairness, as profits are not determined unilaterally. Meanwhile, if a business loss occurs, risk sharing is based on each partner's capital contribution. This mechanism applies the profit-and-loss-sharing principle, a key characteristic of the *musharakah* contract. However, CV Syirkah Amanah has taken proactive measures to address operational losses by allocating 10% of its annual profits to a reserve fund; this strategy ensures that losses such as those incurred in 2020 and 2021 due to the COVID-19 pandemic can be covered by the reserve and development fund (Aminuddin, 2025). In this way, allocating profits to a reserve fund intended to mitigate the impact of difficult conditions shares the burden of losses.

Operationally, dividends are distributed at the beginning of each year through a Shareholders' Meeting (RPS). Furthermore, Syirkah Amanah consistently publishes an annual report, which includes monthly financial reports and annual net results. It demonstrates that transparency is a crucial factor in the success of *musharakah* partnerships. Each partner has regular access to information on business developments, financial reports, and capital utilisation (Mulyati, 2025). Transparency is a key foundation for implementing *musharakah* contracts, as it enhances trust between partners and minimises conflict within the partnership, particularly in business contexts. Shareholders receive clear information about the management of CV Syirkah Amanah, particularly regarding the financial statements (Individual shareholders, 2025). Trust is also crucial to social capital, as *musharakah* contracts require transparency in capital management and profit distribution. This partnership fosters more participatory economic relationships, enabling Sharia-based business governance to function not only as an economic instrument but also as a foundation for healthy and sustainable business ethics.

Islamic Social Enterprise

Muhammadiyah, as the initiator of community economic development through a business partnership model, CV. Syirkah Amanah, which involves parties such as Muhammadiyah Business Charities, Muhammadiyah Autonomous Organization, and the community, plays a crucial role in developing business activities and increasing the organization's financial income institutionally and socially. Referring to the concept of social enterprise, as defined by Dart (2004), a social enterprise is a market-driven business with commercial interests and activities used to provide social and community benefits. Weaver (2020) asserts that social enterprises strive to create

positive change in their beneficiaries' lives. Meanwhile, Maguirre et al. (2016) state that social enterprises focus on finding sustainable solutions to positive externalities. This is reinforced by Weaver (2020), whose research found that social enterprises are a tool for addressing social issues and poverty. Therefore, in this context, CV. Syirkah Amanah meets the social enterprise category because its business model focuses not only on economic profit but also on social goals, community empowerment, and socio-economic sustainability. Furthermore, Syirkah Amanah is built on a community foundation by connecting previously unconnected people.

CV. Syirkah Amanah demonstrates the main characteristics of a social enterprise by conducting business activities professionally while simultaneously pursuing social and da'wah missions. This business develops through the management of productive waqf assets, which are then realised in various business units, especially the Syirkah Amanah gas station. This business model emerged from PDM Lumajang's need to build the organization's economic independence and improve the welfare of the surrounding community through community involvement in business management, whether through capital (investment) or labor recruited from the local community. Waqf land that was previously less productive was then developed into an economic asset that generates sustainable profits (Wibisono, 2025). Therefore, according to Maguirre et al. (2016), the key to social enterprise is its expected impact, namely value creation and sustainability. Value creation is defined as the identifiable, measurable economic benefits a group receives from adopted activities (Bonny & Rajendran, 2013). Therefore, social enterprises explicitly focus on creating sustainable solutions that generate social value through their economic activities (Asfiah et al., 2018; Nicolás & Rubio, 2016).

Furthermore, in addition to (Maguirre et al., 2016), (Yarram Swetha & Dr. V. Anuradha, 2026) argue that the measure of success for social enterprises is reducing poverty and improving the quality and production of goods and services that support sustainable economic goals. Specifically, social enterprises' role in using community-owned assets as a source of community economic income supports the development and empowerment of the community economy. As a social enterprise, CV Syirkah Amanah pursues profit while also prioritising social benefits. Business profits are obtained in addition to shareholders, who are mostly from the surrounding community; a portion of the income is also distributed to support social activities, education, da'wah, health services, and the development of Muhammadiyah Business Charities from 20 per cent of dividend income (Suharyo, 2025), as stated in Table 2, which explains the profit-sharing system carried out proportionally between shareholders, business development, and the Muhammadiyah organisation as the owner of the social benefits of the business. Thus, business income can contribute to developing social and educational facilities that improve human resource quality (Wibisono, 2025). This shows that social enterprises function not only as business entities but also as instruments for community-based social development.

Furthermore, the business management system applies modern business principles to build economic sustainability through professional, transparent, and community-partnered governance. Community involvement in capital participation shows that this business applies participatory and collective principles, enabling the community to be not only consumers but also part of the business's development. Therefore, CV Syirkah Amanah, as a social enterprise, has a strong dimension of community economic empowerment. The business it develops can also

create new jobs, increase community income, and provide investment opportunities for the surrounding community.

This aligns with Conference et al. (2015), who cited the Muhammadiyah Bylaws, which explain that Muhammadiyah Business in the economic sector aims to advance entrepreneurship and improve quality of life. Likewise, the results of the 44th Muhammadiyah Congress in 2000 in Jakarta determined the work program in the economic sector, including: 1) forming a Jam'iah system (Muhammadiyah Economic Network) as a revitalisation of the entire da'wah movement, 2) developing economic ideas and concepts oriented towards development and Islamic democracy, such as work ethic, entrepreneurial ethics, business ethics, management ethics, finance and capital, and others according to the actual needs and developments that occur in the world economy. 3) Launching programs, including empowering human resource development in the economic aspect.

Overall, Syirkah Amanah Lumajang shows that a partnership-based social enterprise model with a *musharakah* contract, initiated by a religious organisation, has strong potential to promote community economic independence. The combination of business orientation, strengthening social institutions, social asset management, and community empowerment makes CV Syirkah Amanah an adaptive and sustainable Islamic social enterprise. It shows that community-based social enterprises can be an alternative strategy for empowering poor communities and improving their welfare. By implementing social enterprises, communities can initiate and carry out empowerment, fostering a creative, active, and inclusive society.

Conclusion

This study concludes that the *musharakah* (partnership) contract implemented by CV Syirkah Amanah serves as an effective instrument for developing an Islamic Social Enterprise (ISE) by productively utilising Islamic social assets, particularly waqf (endowment) land, through partnerships involving the Muhammadiyah Association, Muhammadiyah's charitable enterprises (Amal Usaha Muhammadiyah), autonomous organisations, and the community. CV Syirkah Amanah has successfully transformed previously underproductive waqf land into value-generating economic assets, while simultaneously creating opportunities for community participation through capital investment. The *musharakah* contract is reflected in the profit-and-loss sharing mechanism. Net profit allocation is structured as follows: 10% for reserve and development funds, 20% for the Muhammadiyah Association, and 70% for shareholders. The Association distributes dividends at the beginning of the year after the General Meeting of Shareholders (GMS). An annual report comprising monthly financial statements and annual net results supports this and demonstrates business governance grounded in fairness, transparency, and shared responsibility.

Meanwhile, the loss-sharing principle is implemented by distributing loss risks based on each partner's capital contribution; allocating 10% of profits to a reserve fund mitigates operational losses and reflects the collective responsibility inherent in the partnership. Furthermore, within the ISE context, CV Syirkah Amanah's identity as an Islamic Social Enterprise lies in its ability to integrate economic and social objectives into its business operations. The profits generated are not merely distributed to shareholders but are also utilised to support social activities, education,

da'wah (Islamic outreach), healthcare services, and the development of Muhammadiyah's charitable enterprises.

Theoretically, this study expands the understanding of *musharakah* implementation within the context of Islamic Social Enterprise, specifically as a mechanism linking social asset management, business activities, and community empowerment missions. Practically, CV Syirkah Amanah's experience shows that Sharia-based partnerships can serve as an alternative for developing productive enterprises that foster organisational self-reliance and deliver social benefits to the community. However, this study has limitations because its single-case study design involved a limited scope of informants and institutional contexts. Furthermore, limited access to certain informants' experiences and perspectives meant that some aspects of social impact—particularly changes in community well-being could not be explored in depth. Consequently, claims regarding community empowerment in this study are best understood as contributions identified through mechanisms of economic participation and the allocation of social benefits. Therefore, future research should incorporate a wider range of cases and stakeholder perspectives to examine further the relationships between *musharakah* mechanisms, business performance, and their impact on socio-economic community empowerment.

Acknowledgements

We extend our sincere appreciation to all who contributed to completing this research and preparing this article. We would especially like to thank PDM Lumajang and the director of CV Syirkah Amanah for their generous time for interviews and for providing the necessary documentation for this research.

Author Contributions Statement

Imamul Hakim: Conceptualisation, Methodology, Data Collection, writing- original draft. Muslikhati: Data Collection, Data Curation, Formal Analysis. Ahmad Djalaluddin: Writing-Review & Editing. Yousf Faraj Hadiri: Writing-Reviews & Editing.

Conflict of Interest

The authors declare no conflict of interest regarding the research, writing, and publication of this article.

AI Usage Statement

The use of artificial intelligence in this study was minimal. AI was not employed for fundamental tasks such as formulating the research's core concepts, conducting analysis, or interpreting data. The authors are fully responsible for the article's content, data validity, and academic integrity.

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