

Challenges and Strategies for Productive Waqf Management: An Analysis of Muhammadiyah's MPW and its Role in Community Economic Development

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ABSTRACT

MPW is an institution established by Muhammadiyah to manage Waqf. Although its role in supporting the welfare of the community in Padang City, its actual economic impact requires further investigation, making it an interesting topic for research. This study aims to analyse the role of MPW in optimising productive Waqf to support the local economy. Using a qualitative case study approach, primary data was collected through in-depth interviews with regional executives and three Waqf beneficiaries. Secondary data was obtained from a review of relevant literature. The findings highlight several key points. With regard to the achievement of objectives, the economic impact on beneficiaries remains limited, and full economic independence has not yet been achieved. This requires a strategic shift from direct assistance towards empowerment through entrepreneurship training, small business mentoring, and results-based evaluation. In terms of integration, the low participation of beneficiaries in planning and evaluation, coupled with one-way communication, highlights the need for two-way communication forums, greater involvement of beneficiaries, and synergy with Islamic financial institutions to increase inclusiveness. Finally, in terms of adaptation, challenges in adjusting to local needs, ensuring transparency, and guaranteeing sustainability require solutions such as publishing open reports, developing programmes based on local needs, and involving relevant stakeholders.

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INTRODUCTION

Waqf has long been a cornerstone of the Islamic economic system, emphasising justice, equality, and sustainable social welfare. Historically, Waqf has played a vital role in building Islamic civilisation by supporting education, health, and other public needs (Arab & Zakariyah, 2023; Usman & Rahman, 2023a). Amidst increasingly complex contemporary economic dynamics, including the decline in community economic conditions due to various global and domestic factors, Waqf is an Islamic endowment and used as a sustainable solution for community empowerment (Jafar et al., 2025; Mahardika & Tanweer, 2025). This phenomenon can be seen in Indonesia, including in the city of Padang, where religious and social institutions are developing innovative models for managing social funds, particularly through productive Waqf (Mursal et al., 2024).

Productive Waqf represents a transformation from conventional passive Waqf practices to a more active and dynamic model (Agustina, 2025). This involves transferring Waqf assets to productive economic activities, meaning that land or property is not only used for mosques or graves but also to build business units, support economic activities, and establish Sharia-based institutions orientated towards community empowerment (Saputra, 2025). This concept is in line with the mission of Waqf in Islam, which serves spiritual and socio-economic purposes. Given the unequal distribution of wealth and unequal access to economic opportunities in Indonesia, productive Waqf is a strategic tool for meeting the needs of the community, especially in overcoming poverty, unemployment, and dependence on government assistance (Marenza & Karimuddin, 2024).

The city of Padang, known for its strong religious traditions, has great potential for productive Waqf development. To date, Waqf management in this city has focused on infrastructure, human resources, and health services by various institutions. Among these institutions, Majelis Pendayagunaan Wakaf (MPW) stands out as an active actor in supporting community welfare. MPW positions productive Waqf not only as a religious obligation but also as a concrete means of strengthening economic independence and improving social welfare, making its role in Padang City an interesting topic of research.

Although various productive Waqf programmes have been launched, opportunities for further development remain wide open. Research is needed because the practice of productive Waqf not only involves the economic use of assets but also extends its benefits to strategic sectors, such as strengthening MSMEs, improving education, and providing sustainable social services (Afada, 2024; Huda & Supriyadi, 2025). Challenges such as weak transparency, inadequate business assistance, and limited synergy with external parties further highlight the need for in-depth studies (Agustina, 2025).

Previous studies have demonstrated the benefits of productive Waqf, but these remain limited to specific contexts. For example, Ainulyaqin et al. (2023) highlight its positive impact in Islamic boarding schools, while Alam et al. (2022) discuss practices in Muhammadiyah Surakarta which, although Sharia-compliant, are constrained by public understanding and funding. Yakob et al. (2022) emphasise the importance of Nadzir's professionalism and cross-sector synergy, while Zunaidi et al. (2023) focused on educational aspects. Qolbi et al. (2022) noted the low contribution of productive Waqf compared to direct Waqf and the need for digitalisation. These findings are valuable but mostly normative or limited to technical and educational domains, with little focus on the role of formal Waqf institutions in urban communities. International studies, such as those in Malaysia, show how professional management of productive Waqf can empower communities economically (Marenza & Karimuddin, 2024; Sayoti & Omar, 2025), highlighting a research gap.

This study aims to fill this gap by critically analysing the strategies and contributions of MPW Muhammadiyah in optimising productive Waqf and its impact on the economic independence of urban communities in Padang. Its contribution is to provide empirical evidence on the institutional usefulness of Waqf in the local context, offer a new perspective on participatory Waqf governance, and propose a framework for sustainable Waqf-based economic development.

METHOD

This study employs a qualitative case study approach. This method was chosen for its ability to facilitate a deep understanding of complex empirical contexts, particularly in analysing the dynamics of productive Waqf management by MPW, an institution under Regional Executive known as Pimpinan Wilayah Muhammadiyah (PWM). This approach is considered more appropriate than phenomenological or ethnographic methods, as this study focuses on institutional utility and organisational strategies rather than individual or cultural experiences (Stake, 2010).

The data consists of primary and secondary sources. Primary data was collected through in-depth interviews with five key informants who were deliberately selected due to their direct involvement: a PWM leader, an MPW leader, and three productive Waqf beneficiaries. Although the number of informants was limited, this was considered adequate as the case study prioritised depth over breadth of coverage. To strengthen validity, this was supplemented with secondary data from

institutional documents, programme reports, and official publications, enabling data triangulation. Data validity was further ensured through methodological triangulation (interviews, observation, and documents), verification by informants by confirming interview summaries with informants, and maintenance of reflective researcher notes. The sources in this study are as follows:

Table 1 Key Informants

No.	Informant	Age/Gender	Experience	Position
1.	BC	55/Male	15 years	PWM Leader
2.	RS	48/Male	12 years	MPW Leader
3.	SA	40/Female	5 years	Waqf Recipient Community
4	DA	35/Male	3 years	Waqf Recipient Community
5	NR	29/Female	2 years	Waqf Recipient Community

Note: Compiled by Authors

The interviews were conducted using semi-structured guidelines developed based on Steers' (1999) organisational usefulness indicators: (1) goal attainment, (2) internal integration, and (3) adaptation to environmental change. Data analysis followed a stepwise model (Creswell, 2009; Stake, 2010), which included (1) data reduction, in which interview transcripts were selectively shortened to retain content relevant to Steers' three indicators; (2) data presentation, organising findings into thematic narratives per indicator, supported by direct quotations from informants; (3) inductive conclusion drawing, where meaning is drawn to identify core issues within each indicator, which are then contextualised within Steers' (2010) framework; and (4) direct interpretation, which not only explains the identified problems but also proposes alternative solutions, ensuring the analysis produces applicable insights. This approach ensures that each interview result is mapped to a theoretical indicator, going beyond narrative description to emphasise the empirical relationship between field findings and the institutional usefulness of MPW in managing productive Waqf.

The semi-structured interview guidelines were carefully designed based on three key indicators of organisational usefulness according to Steers (1999). For the goal attainment indicator, PWM leaders were asked to assess the programme's success in improving economic independence and how they evaluated its economic impact. MPW leaders were asked about their strategies for ensuring the programme achieved its targets and how they measured its success for beneficiaries. At the same time, Waqf beneficiaries were asked to describe the concrete impact of the programme on their economic independence and their personal perceptions of its achievement of objectives.

To evaluate internal integration, the questions highlighted the dynamics of participation and collaboration. PWM leaders were asked about strategies to ensure community involvement in planning and implementation, as well as how they facilitated communication and coordination between MPW, the community, and other stakeholders. MPW leaders were asked about their specific strategies for increasing active community participation and how they build synergies with other organisations. Waqf beneficiaries were asked to describe their level of involvement in the management process and the effectiveness of communication with Waqf managers.

Finally, for the adaptation indicator, the focus is on organisational capacity and sustainability. PWM leaders are asked to evaluate MPW's readiness in terms of human resources and organisational structure to face management challenges, as well as their strategies in supporting long-term programme sustainability. MPW leaders are asked about how they ensure resource readiness for sustainable programmes and how they maintain transparency and accountability in order to remain trustworthy and adaptive. Waqf recipients are asked to provide their views on the professionalism and transparency of management, as well as their views on the long-term sustainability of programmes and readiness for the future.

RESULTS AND DISCUSSION

The Role of MPW Padang's Productive Waqf Management for Community Economic Independence

Assessments of the achievement of productive Waqf programme objectives by Majelis Pendahayagunaan Wakaf (MPW) still vary. From the perspective of PWM serving as Regional Executive, the main objective of promoting community economic independence has not been fully realised. BC, a PWM representative, emphasises:

"From PWM itself, we see that the goal has not been fully achieved, especially regarding the economic independence of the people. But there have begun to be steps in that direction. At least, Waqf assets have begun to be mobilized and utilized, even though the economic results are not too big."

The interviews revealed differing views on the economic impact of the programme. PWM assessed that although the initial steps were promising, the broader economic impact was still limited. BC states:

"In terms of economic impact, it is not significant. But we still value this as a good initial process. The evaluation so far has been through direct monitoring and regular discussions with MPW. We also often ask for progress reports, so there is still control, even if it's simple."

On the other hand, MPW, as the programme implementer, gave a more optimistic assessment. They noted that the objectives were achieved through a robust evaluation mechanism and sustainable human resource development. RS, a MPW informant, explains:

"To ensure that this program really has an impact, we always evaluate the performance of MPW members regularly. We also ensure that the manager has the knowledge and certification of waqf. So it is not the origin of the road, but it is really managed by people who understand, so that the economic goals are achieved."

In addition, MPW explained that success is measured using a framework from the Indonesian Waqf Board (BWI) and by observing tangible improvements in the lives of beneficiaries. RS emphasises:

"We use references from BWI as well, so there are indicators. But in the field, we see from the change in the economic conditions of the recipients. If they start to be independent, running a business, or there is an increase in income, yes, it means that our program is usable. The evaluation is carried out periodically so that it can be followed up."

The perspectives of the beneficiaries contrasted with the institutional views of the PWM and MPW, revealing a more diverse and personal range of experiences. Some recipients acknowledged a positive, albeit limited, impact that had not yet led to full economic independence. SA, as a beneficiary states:

"From my experience, there is an impact. One of the most noticeable is when you get free medical facilities, so you don't need to spend a lot of money. Although it has not yet reached full independence, this program has greatly helped ease the burden of daily economy."

However, others reported that the benefits received were not substantial enough to create a meaningful change. DA states:

"Personally, there has been an impact, it's just not too big. The help I received was helpful, but it didn't make me truly independent. Yes, it can be said that it is just to ease the burden, not to the point of changing economic conditions completely."

Furthermore, some recipients felt the program had yet to make a tangible difference in their daily lives. NR explains:

"I feel that so far there has been no significant impact. Indeed, they can get assistance for goods or small capital, but it has not yet made a clear road business or additional income. It feels like only light support; it cannot be said to encourage real economic independence in daily life."

When asked if the program's overall goals had been achieved, responses remained mixed. SA expresses:

"Some of it has been felt, especially in the field of health and basic needs. Maybe not all goals have been achieved, but the program is running and we have felt the benefits. I personally feel calmer because basic needs can be more or less helped by this program."

In contrast, other beneficiaries believed the larger objective remained distant. DA notes:

"I don't think the goal has been fully achieved. There are indeed benefits that I feel, but they are not maximum. In daily life, the help is felt, but there are still many untouched needs. The hope is that in the future it can have a more direct impact on the family economy."

Meanwhile, NR (29) looks more critical:

"In my opinion, the big goal of helping the economy of the people has not been achieved. In the daily routine, the benefits are still minimal. Sometimes there is a modest supply of goods or capital,

but there has not been a significant change. The hope is that in the future there can be a more concrete scheme so that the goal is really real."

Based on the finding of informants, several key issues have been identified in various dimensions of goal achievement, integration, and adaptation. First, regarding goal achievement, the economic impact of the Waqf programme is still limited and has not significantly promoted economic independence among beneficiaries. In addition, the PWM evaluation shows that concrete results in the field have not been optimally realised. Second, challenges related to integration include low participation from Waqf recipients, who remain passive recipients rather than active participants in planning. Communication is one-way, marginalising the voices of recipients. Third, in terms of adaptation, the programme shows limited responsiveness to local needs. The distribution of Waqf funds is prioritised over more critical support, such as training in fund management for the creative economy or business assistance. Other issues include a perceived lack of transparency and accountability, as well as doubts about the programme's sustainability due to a lack of follow-up.

As implied by Steers (1999), these challenges can be overcome by strengthening performance in all three dimensions. Achieving objectives should be viewed as a gradual and continuous process, supported by a clear timeframe and concrete planning to ensure sustainable results. Integration requires the establishment of harmonious internal and external relationships through enhanced communication, socialisation, and consensus building with all stakeholders. Adaptation requires greater organisational flexibility in responding to environmental changes, including social, economic, and technological changes, by adjusting structures, processes, and resources.

When managed synergistically, these dimensions form a solid foundation for organisational utility and long-term sustainability. This theoretical framework guides the assessment of the MPW's role in productive Waqf programmes. Although the MPW has made efforts to align with the economic needs of the community through objectives, integration, and adaptation, its practical implementation is still in the development stage. In other words, the management and distribution of Waqf funds for productive economic purposes are not yet fully aligned with other community needs, such as health, education, and worship facilities, indicating a need for more responsive and holistic programme design.

Optimising Goal Achievement in Productive Waqf Management

Achieving objectives is a key indicator in assessing the productive Waqf programme managed by MPW West Sumatra and its tangible impact on community welfare. Findings show that this programme has not yet fully realised its objective of achieving economic independence for beneficiaries. The assistance provided is still consumptive in nature, only providing short-term assistance without triggering significant and sustainable economic improvement. This shows that the broader objective of using Waqf as a tool for socio-economic empowerment has not been optimally achieved.

These results are due to several factors. The programme design is short-term, lacks sustainability mechanisms, and direct grant disbursements perpetuate the passivity and dependency of beneficiaries. Limitations in the management capacity of the MPW hinder quantitative measurement of success, and Waqf investments have not been directed towards strategic sectors that are profitable and have long-term potential. As a result, the full potential of Waqf as an alternative resource for development has not been fully utilised.

To address this issue, a transformative shift from social assistance to economic empowerment is essential. This includes providing entrepreneurship training, intensive business guidance, and facilitating market access. MPW must also establish an evaluation system based on clear indicators, such as business growth, increased family income, and reduced dependence on assistance. This redefines success from the distribution of funds to the sustainable independence of recipients (Anggraeni & Anggraini, 2024).

Malaysia offers a valuable reference, where commercial investment in properties, such as malls and offices, generates stable income to fund economic empowerment programmes. MPW West Sumatra can replicate this by investing in local potential, such as Sharia trade zones or modern agriculture (Ravi & Redzuan, 2022).

From a theoretical perspective, results-based management emphasises measuring success based on concrete impacts, not just administrative reports. PWM's push for substantive monitoring highlights the role of oversight in ensuring accountability. Participatory development theory further emphasises that success should be measured through capacity building, rather than aid volume, by integrating skills development, market access, and managerial support (Steers, 1999). Current charitable approaches must shift to productive empowerment to bridge the gap between goals and outcomes (Chu et al., 2025).

Furthermore, achieving programme objectives requires sustainability and leverage within the community's economic structure (Dushkova & Ivlieva, 2024). Success should be measured by the programme's ability to address core structural problems. Implementation should strengthen the local business ecosystem through training, mentoring, networking, and capital, in line with sustainable development theory for long-term impact rather than temporary solutions (Jha & Talathi, 2024).

Institutionally, MPW's efforts to improve manager capacity through training reflect a quality-oriented approach. However, the mismatch between this initiative and the actual economic outcomes for beneficiaries' points to gaps in coordination, system support, or programme responsiveness to real needs (Clark et al., 2018). In the post-pandemic context, the productive Waqf approach must respond to increasingly intense economic pressures, especially for vulnerable groups and micro-enterprises. Economic resilience theory emphasises the importance of adapting programmes to rapid and uncertain external changes. A strategic shift from static asset management to productivity-based economic development is therefore essential (Zhang & Li, 2025). MPW needs to develop business models that go beyond land leasing or providing start-up capital, including business coaching and collaborative networks among small businesses. This is in line with Islamic economic and social principles that prioritise broader social benefits and sustainability over mere profit. The implementation of this strategy will increase the long-term usefulness of the programme and encourage a replicable business ecosystem (Lin & Xu, 2025).

In addition, assistance should focus on basic productive needs rather than merely meeting consumptive needs. Community development literature shows that interventions that increase productive capacity have a greater impact than those that only provide temporary assistance (Wijethunga et al., 2025). When beneficiaries state that assistance only meets basic needs, programmes must be redesigned to address the root causes of the problem. Adopting an approach that integrates social finance with inclusive business models can transform beneficiaries into active economic actors. MPW can overcome limitations in access to conventional finance by providing support in financial literacy, risk management, and product innovation (Sarif et al., 2024).

The dynamics of the MPW productive Waqf programme in West Sumatra demonstrate strong institutional commitment, but there is a persistent gap between idealism and achievement in the field. Although PWM and MPW leaders acknowledge the existence of a solid institutional structure, implementation and responsiveness to the needs of beneficiaries still require improvement. The experiences of beneficiaries highlight the programme's limited success in promoting full economic independence. Therefore, the transition from social assistance to empowerment, capacity building of implementers, and integration with the local economic system are crucial to optimising the achievement of objectives. Continuous evaluation, strategic adaptation, and active multi-stakeholder engagement will determine the long-term success of the programme as a driver of community economic independence.

Strengthening Integration for Participatory Productive Waqf Management

Integration indicators in productive Waqf management highlight the efforts of MPW West Sumatra in building collaborative relationships with internal and external stakeholders. However, findings reveal persistent challenges: beneficiary participation remains low, communication tends to be one-way, and community involvement in planning and evaluation is limited. This top-down approach results in programmes that are less responsive to local aspirations.

Several factors contribute to this problem. Beneficiaries are often viewed as passive recipients rather than active participants, formal communication channels limit open dialogue, and inter-agency coordination, particularly between the MPW, PWM, and Islamic financial entities, needs to be strengthened. Effective cross-sector synergies are essential for developing inclusive and sustainable Waqf initiatives.

To enhance integration, MPW should prioritise two-way communication through community forums, focus group discussions (FGDs) and participatory evaluations. This ensures community involvement from the planning stage to monitoring. Additionally, partnerships with Islamic financial institutions can improve access to capital and financial services, while collaboration with universities can encourage research and innovation tailored to the local context (Adhim, 2024). International examples, such as Pakistan, demonstrate successful integration between Waqf and Islamic microfinance, creating an ecosystem in which Waqf functions as social security and an economic driver. Adopting such a model could transform Waqf in West Sumatra into a multifunctional tool for development (Usman & Rahman, 2021b).

From a theoretical perspective, the participatory development framework emphasises that genuine community involvement is essential for social justice and sustainability (Steers, 1999). PWM's emphasis on public participation is consistent with this view, recognising that without active

involvement, programmes risk becoming irrelevant. Trust, transparency, and local ownership are critical, especially in Waqf, which is rooted in spiritual and social values (Zunaidi et al., 2023).

The use of informal communication strategies by MPW, such as dialogue in religious settings, reflects an adaptive approach to bridging the gap between institutions and communities. However, the effectiveness of these efforts depends on consistency and genuine inclusion of community input (Cupar et al., 2025).

Persistent structural disparities are evident in the uneven experiences among beneficiaries. Transformative participation requires empowering communities as partners in designing and controlling development, not merely as beneficiaries. When involvement is symbolic, dependency persists; when involvement is meaningful, shared responsibility and sustainability follow (Susanti et al., 2023). Ultimately, integration must go beyond horizontal engagement to include vertical and diagonal collaboration across sectors. Building an inclusive economic ecosystem, through Waqf requires the insertion of community voices at every stage, enabling contextual innovation and long-term relevance. Strengthening facilitator training, communication systems, and consultative forums will be crucial steps towards achieving this goal (Arab & Zakariyah, 2023).

Enhancing Adaptive Management for Sustainable Productive Waqf

Adaptation indicators in productive Waqf management emphasise the importance of flexibility and responsiveness to the evolving needs of the community. Field findings show that the West Sumatra MPW programme is still not sufficiently adaptive: initiatives are often not aligned with local potential, business guidance is limited, and transparency and sustainability strategies are not prioritised. As a result, many programmes are terminated prematurely or fail to have a meaningful impact. This lack of adaptability is caused by various factors. The absence of routine evaluation mechanisms hinders alignment with community needs, while limited human resource capacity restricts innovation in asset development. In addition, a lack of transparency in reporting undermines public trust, which in turn hinders the collection of new Waqf and threatens the sustainability of the programme. To strengthen its adaptability, MPW needs to improve transparency by publishing easily accessible financial and activity reports. Guidance programmes tailored to local potential, such as modern agribusiness training in rural areas or creative industry development in urban environments, are essential. Cross-sector partnerships with government, private entities and educational institutions can also drive innovation, enabling productive Waqf to evolve beyond traditional models (Firadilla, 2024).

Turkey's experience offers valuable insights, where Waqf management has been modernised to support education, health, and infrastructure. This success, supported by a robust transparency system that allows public access to asset management information, demonstrates that adaptation is key to maintaining the relevance of Waqf (Azrak, 2022). From an institutional perspective, adaptive governance requires not only formal structures but also competency-based management, accountability, and flexible responses to change (Steers, 1999). PWM's emphasis on the professionalisation of Waqf management is in line with these demands for modernisation. MPW measures, such as manager training, standardised reporting, and improved public access to information, signal a move in the right direction. However, consistent implementation and operational reinforcement are necessary to prevent these efforts from becoming merely administrative.

Sustainable regeneration is another critical element of adaptation (Mahardika & Tanweer, 2025). The MPW's focus on managerial succession is essential, as community-based programmes often fail without a structured renewal system. A competency-based cadre development ecosystem ensures that new implementers understand the programme's vision and challenges, balancing structural stability with socio-economic dynamics (Ainulyaqin et al., 2023). The experiences of beneficiaries highlight continuing gaps in responsiveness and transparency. Effective adaptation requires not only administrative adjustments but also attention to local socio-economic conditions. Transparent communication and continuous monitoring are essential to maintaining public trust, the moral and operational foundation of Waqf (Asyari et al., 2024; Hasan et al., 2025).

The absence of a long-term strategy further threatens sustainability. Programmes without a clear vision and evaluation framework risk stagnation. A needs-based approach, ongoing guidance, and open reporting must be institutionalised to ensure the programme's ability to survive and thrive (Saputra, 2025).

In the post-pandemic context, adaptation has become increasingly urgent. Changes in consumption patterns, purchasing power, and market preferences demand proactive management, not merely reactive measures. MPW's efforts to strengthen institutional legitimacy, public transparency, and external collaboration are crucial steps in integrating Waqf into the broader local economic ecosystem. A comprehensive adaptation strategy must simultaneously encompass structural, relational, and functional dimensions (Mursal et al., 2024). Therefore, although MPW in

West Sumatra has initiated adaptive measures, such as training, structural improvements, and partnership expansion, operational challenges in transparency, engagement, and responsiveness to needs remain persistent. Strengthening institutional capacity, improving public communication, and developing sustainable long-term strategies are essential to transform this programme into a relevant and impactful model for community economic empowerment.

CONCLUSION

The role of MPW in optimising productive Waqf to strengthen economic independence reveals three main findings. First, in terms of achieving objectives, the economic impact on beneficiaries is still limited, and full economic independence has not yet been realised. To strengthen this dimension, a shift from aid-based programmes to empowerment-based programmes is needed, such as entrepreneurship training, small business coaching, and results-based evaluation systems. Second, in terms of integration, beneficiary participation in planning and evaluation remains low, and communication tends to be one-way. Improving inclusivity and sustainability requires the establishment of two-way communication forums, encouraging collaboration with Islamic financial institutions, and strengthening cross-sector synergies. Thirdly, adaptation remains a challenge, as these programmes are not sufficiently responsive to local needs, transparent, or equipped with long-term sustainability strategies. Practical solutions include improving public reporting, designing initiatives that align with local potential, and expanding cross-sector partnerships. By addressing these dimensions, MPW can transform productive Waqf into a relevant, responsive, and sustainable tool for community economic empowerment.

The findings have significant implications for both policy and practice, as they call for action at strategic (governance) and operational (management) levels. Future research should conduct comparative studies with international productive Waqf models to develop more comprehensive and innovative strategies for optimising the role of MPW.

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