



## Strategic Transformation of the Muhammadiyah Islamic Organisation through BPRS Matahari in Strengthening Sharia Financial Inclusion

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### Abstract

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The growth of Islamic banking in Indonesia has not been able to fully reach grassroots communities and MSME players, causing dissatisfaction, including from the Muhammadiyah community. The gap between the principle of justice and the reality of commercialization of Islamic institutions has created a need for new solutions. This study aims to examine the establishment of BPRS Matahari as Muhammadiyah's strategic repositioning in strengthening community-based Islamic financial inclusion. Furthermore, using descriptive qualitative methods through analysis of organizational documents, OJK regulations, academic literature, and online media, this study reveals the role of BPRS Matahari as a form of economic da'wah (proselytizing) as well as an intermediary instrument that favors the people. The results show that BPRS Matahari not only fills the void in Islamic financial services but also symbolizes the integration of theological, social, and economic values in accordance with the maqasid syariah. The support of the Muhammadiyah Social Enterprise (AUM) network creates a closed-loop ecosystem that strengthens the legitimacy and sustainability of the institution. These findings have theoretical implications by integrating the Tawhid String Relationship theory and institutional theory, as well as practical contributions to the development of a community-based Islamic microfinance model. The novelty of this research lies in its emphasis on the role of religious organizations as strategic actors in building inclusive, equitable, and sustainable institutional transformation.

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## INTRODUCTION

The development of the Islamic banking industry in Indonesia has shown significant growth over the past two decades. However, amid this growth, various parties still highlight the low level of inclusiveness of Islamic financial institutions, especially in reaching grassroots communities and MSME players. (Nuraeni et al., 2024; Wahab & Mahdiya, 2023). Criticism also came from within the Muslim community itself, including from major religious organizations such as Muhammadiyah, which assessed that existing Islamic banks tended to focus too much on commercial orientation and did not sufficiently reflect the values of Islamic economic preaching, which should be the main spirit of the Islamic financial system (Sobana et al., 2020). This dissatisfaction then led to the creation of an alternative solution through the establishment of a sharia financial institution owned by the Muhammadiyah Association itself. This initiative was realized with the conversion of BPR Matahari Artadaya UHAMKA into Bank Pembiayaan Rakyat Syariah (BPRS) Matahari, which officially began operations on 18 June 2025 after obtaining a license from the Financial Services Authority (OJK) through Decree KEP-39/D.03/2025 (Respati & Ika, 2025). This step reflects Muhammadiyah's strategic response in addressing the community's need for fair, affordable, and empowerment-oriented Islamic financial services.

The establishment of BPRS Matahari is not only an institutional transformation but also a manifestation of Muhammadiyah's economic da'wah in bringing about social justice and economic independence based on sharia. Through official circular letter No. 124/HIM/1.0/C/2025, the Central Leadership of Muhammadiyah instructed all Muhammadiyah Charitable Organizations (AUM) and autonomous organizations to support BPRS Matahari, both through fund placement and the use of financial services in their institutional activities (Octaviano & Handoyo, 2025). This support demonstrates the collective commitment of the Association to making BPRS Matahari the center of Muhammadiyah's internal financial activities. This phenomenon shows a gap between the ideal principles of Islamic banking, which emphasize justice, balance, and benefit as stipulated in Law No. 21 of 2008 and POJK No. 26/POJK.03/2022, and the reality on the ground, where Islamic financial institutions have not been able to effectively reach marginalized communities. It is in this context that BPRS Matahari was established, not only as a financial intermediary institution but also as an instrument of da'wah and economic empowerment for the people based on the principles of maqashid syariah. This step by Muhammadiyah is also part of a long-term strategy to strengthen its internal financial network. By mid-2025, Muhammadiyah is expected to have around 10 BPRS in various regions of Indonesia, such as PT BPRS Bangun Drajat Warga in Yogyakarta and PT BPRS Artha Surya Barokah in Central Java (Abigail et al., 2025). In addition, Muhammadiyah also manages around 300 Muhammadiyah Baitut Tamwil (BTM) based on Islamic cooperatives, which have been serving the community's savings and loan needs. BPRS Matahari is expected to be able to synergize with this network in building an inclusive and empowering financial ecosystem.

However, challenges remain. As a BPRS, Bank Syariah Matahari (BSM) has limitations in terms of service coverage, such as not being able to provide current account facilities and having a limited operational area. This has been highlighted by observers, including the National Committee for Sharia Economics and Finance (KNEKS), which emphasizes the need for caution in placing funds so as not to exceed the bank's capital

capacity (Octaviano & Handoyo, 2025). On the other hand, opportunities remain wide open, especially with the planned merger between BPRS Muhammadiyah in Yogyakarta and Semarang with BSM as a first step towards the establishment of Muhammadiyah Sharia Commercial Bank in the future (Abigail & Mola, 2025). Learning from past experiences when Muhammadiyah once had Bank Persyarikatan Indonesia (BPI), which later failed to operate, a gradual approach through strengthening BPRS first is considered a more realistic and sustainable strategy. By building a strong foundation at the micro level, Muhammadiyah is preparing a solid economic infrastructure for the community as a prerequisite for establishing a modern, professional, and ethical national-scale Islamic financial institution.

The urgency of this research lies in the need to understand how Muhammadiyah, as an Islamic social organization, responds to the limitations of the current Islamic banking system by establishing financial institutions that are in line with Islamic values and the needs of grassroots communities. This research is also relevant in the context of strengthening religious-based financial inclusion in Indonesia, which still faces various challenges in terms of regulation, literacy, and institutional infrastructure. This research was conducted using a descriptive qualitative approach using secondary sources consisting of Muhammadiyah organizational documents, OJK regulations, national media reports, and academic literature. The aim was to explore in depth the motivations, strategies, challenges, and opportunities for establishing BPRS Matahari as a form of institutional transformation and Muhammadiyah's economic da'wah. Based on the description and objectives of the study, the research questions in this study are as follows: (i) How did the Muhammadiyah community's dissatisfaction with existing Islamic banking services drive the need for a new solution in the form of establishing BPRS Matahari? (ii) How did the establishment of BPRS Matahari become the answer to the current limitations of Islamic banks in reaching grassroots communities? (iii) How does Muhammadiyah's role in establishing BPRS Matahari constitute economic outreach and empowerment based on Islamic finance? (iv) What challenges and opportunities does BPRS Matahari face in expanding access to fair, inclusive, and sustainable Islamic finance for the community?

Furthermore, this study has several important implications that reflect theoretical relevance, practical contributions, policy directions, and scientific innovation in community-based Islamic finance studies. Within a theoretical framework, this study enriches the discourse on the role of religious institutions in shaping alternative financial institutional models based on Islamic values. The concept of *maqashid syariah*, which emphasizes the fulfillment of the interests of the people in terms of wealth, justice, and welfare, is not only a normative foundation but also an operational one through the presence of institutions such as the Islamic Rural Bank (BPRS). This study shows that economic da'wah is not limited to lectures or literacy but is implemented through institutions that can carry out real and inclusive financial intermediation functions. In this context, Muhammadiyah's role as a collective actor that mobilizes spiritual, social, and economic resources emphasizes the importance of institutional theory and community-based economics as interpretive frameworks. Furthermore, from a practical perspective, this study provides a concrete roadmap for religious organizations, Islamic educational institutions, and other social communities in establishing and managing grassroots-based Islamic financial institutions.

Muhammadiyah's experience in establishing BPRS Matahari provides an example that the success of sharia institutions does not solely depend on capital strength but also on internal network synergy, social trust, and structural support from the parent organization. Collective practices such as institutional fund placement by Amal Usaha Muhammadiyah (AUM), regulatory support from the Central Leadership, and the utilization of the membership base as loyal customers reflect a community-based financial intermediation model that has not been widely studied in contemporary Islamic finance literature. At the policy level, these findings provide important input for the Financial Services Authority (OJK), the National Committee for Sharia Economics and Finance (KNEKS), and the Ministry of Cooperatives and SMEs in formulating a more contextual approach to the development of BPRS and sharia microfinance institutions. The existence of BPRS Matahari shows that the model of institutional strengthening through a graduated institutional development approach should be encouraged through regulatory incentives, simplification of licensing, and management training in line with sharia values. Policies that are more supportive of BPRS as a bridge between the informal sector and the formal financial system will expand financial inclusion and reduce people's dependence on informal loans that are not in line with the principles of fairness.

The novelty of this research lies in its emphasis that the establishment of Islamic financial institutions can and should be a religious response to economic inequality in the modern banking system. Until now, studies on Islamic banking have focused more on commercial and macro aspects such as profitability, risk, and efficiency. Meanwhile, this study takes a grassroots approach, namely how strongly organized Muslim communities such as Muhammadiyah can create financial institutions that not only fill service gaps but also simultaneously convey the mission of da'wah and economic empowerment. This model demonstrates that religious organizations are not only moral and social entities but also strategic economic actors in systematically distributing Islamic values in everyday life. Overall, this study provides a multi-dimensional contribution to the development of Islamic economics that is not only based on regulations and markets but also on values, community, and da'wah. Muhammadiyah's approach in establishing and supporting BPRS Matahari is a form of authentic and contextual Islamic economic practice that can be replicated by other religious organizations in Indonesia and other Muslim-majority countries. These findings also enrich the narrative on the role of civil society in building a financial system that is fair, sustainable, and based on inclusive spiritual values.

## LITERATURE REVIEW

The Theory of Tawhid String Relationship (TSR) explains the integral and holistic relationship between the values of tawhid in various aspects of life, including economics (Lucky Nugroho, 2022, 2023). TSR emphasizes that the Quran and Sunnah, as primary sources, must be systematically integrated with knowledge and contemporary conditions in order to achieve social justice and the welfare of the people, rather than merely financial efficiency (Diani & Nugroho, 2024; Mahfud, 2025). This concept serves as an epistemological framework to ensure that financial institutions, such as BPRS Matahari, function as instruments of da'wah that are in line with the values of justice and the common good (maslahah) of the people. Furthermore, the institutional theory perspective explains how normative, regulatory, and cultural pressures shape the birth and

development of institutions (Heikkila & Isett, 2004; Scott, 2013). Muhammadiyah, as a large religious organization, responded to its community's dissatisfaction with existing Islamic banks, which were considered too commercial and did not sufficiently reflect the values of da'wah. Therefore, by establishing its own financial institution, Muhammadiyah can more freely apply Sharia principles that are in line with the organization's principles. This initiative is not only an economic decision but also a mechanism for legitimization and adjustment to the internal expectations of the community and OJK regulations on strengthening sharia institutions. In addition, it refers to the Maqasid Syariah dimension, where this principle serves as an operational guideline for BPRS Matahari. Maqasid Syariah encompasses the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*) (Melzattia et al., 2023; Lucky Nugroho et al., 2024; Mohammad Ridwan et al., 2023). Therefore, with a focus on protecting the assets and welfare of grassroots communities, BPRS Matahari is oriented towards providing inclusive and fair access to services in line with the maqasid objectives of providing financial services that are in accordance with sharia principles and are sustainable and inclusive.

In an institutional context, Muhammadiyah is a modernist Islamic organization, founded in 1912, that is active in the fields of education, health, social welfare, and economics (Marsudi & Zayadi, 2021; Tampubolon, 2019). The extensive Muhammadiyah Charity Network (AUM) and its massive membership base form a strategic ecosystem for the development of financial institutions towards broad inclusion (Ferihana, 2022). The establishment of BPRS Matahari reflects the implementation of the Association's vision to combine da'wah, social, and economic activities in a single integrated sharia institution. The definition of Islamic financial institutions also supports this transformation. These institutions operate without usury, gharar, or maysir, replacing profit alone with the principles of fairness, transparency, and social justice (L. Nugroho et al., 2024; Lucky Nugroho, Mastur, et al., 2020). On a micro scale, BPRS (Sharia Rural Banks) serve as entities that are more accessible to local communities and MSMEs, operating under the OJK regulatory framework with inclusive objectives (Lucky Nugroho et al., 2022). In addition, BPRS differs from Sharia Commercial Banks (BUS) in that it has a regional focus, is small in scale, and has close ties with the communities it serves. (Nasfi et al., 2022).

Previous studies have shown the urgency of community-based models, where Sobana et al. (2020) stated that Islamic banks are still unable to effectively reach the lower classes of society. In addition, according to Masnita et al. (2020) and Muhammad Ridwan (2021), currently, there is still a need among the community, or Muslim community, for financial institutions that are contextual, community-based, and oriented towards da'wah and inclusion. This study provides an empirical basis for Muhammadiyah's institutional strategy through BPRS Matahari. Furthermore, referring to the literature review above, the conceptual framework of this study can be visualized as follows:

Figure 1. Research Conceptual Framework



*Source: from various sources compiled by the author*

As shown in Figure 1 above, it can be explained that the integration of these three strands—TSR, institutional response, and maqasid syariah—can create a blueprint for an institution that is not only efficient but also religious, social, and sustainable. This institution (BPRS Matahari) works not only as a financial service provider but also as a da'wah agent that bridges the gap between Islamic idealism and the real conditions of society. Thus, this literature review concludes that BPRS Matahari is an applied result of modern Islamic economic theory: combining tauhid epistemology (TSR), institutional adaptation (institutional theory), and sharia objectives (maqasid) in the form of a contextual microfinance institution. This approach represents an innovative model of community-based sharia financial systems that is theoretically and practically relevant to strengthening financial inclusion in the archipelago.

## METHODOLOGY

This study uses a descriptive qualitative approach that aims to answer questions related to Muhammadiyah's strategy in establishing BPRS Matahari as a response to dissatisfaction with conventional Islamic banking services, as well as an effort to build a more inclusive and sustainable Islamic financial ecosystem. This approach is considered appropriate because it allows researchers to explore the deeper meaning and institutional narrative behind the institutional transformation carried out by Muhammadiyah. Furthermore, the research data is entirely derived from reliable secondary sources that are relevant to the focus of the study. These sources include official Muhammadiyah documents, such as circular letters from the Muhammadiyah Central Leadership and Financial Services Authority (OJK) decision documents, including SK KEP-39/D.03/2025. In addition, this study also refers to reputable national online media reports, providing comprehensive coverage of the development of BPRS Matahari, OJK policies, and the response of the public and the Muhammadiyah community.

In addition, data collection was carried out systematically by searching and downloading digital documents and news articles from these portals, as well as academic

articles from scientific databases such as Google Scholar, DOAJ, and Garuda. The data was then classified based on the main themes in the study, such as dissatisfaction with conventional Islamic banks, Muhammadiyah's institutional strategies, economic da'wah, and the principles of maqasid sharia in financial institutions. Data processing was carried out through content analysis using an inductive approach. Researchers examined the contents of documents and articles to extract key narratives, then linked them to the theoretical framework used, namely Tawhid String Relationship (TSR), institutional theory, and maqasid syariah. This process was carried out repeatedly to ensure a logical connection between the phenomena, theory, and socio-religious context surrounding the establishment of BPRS Matahari. Furthermore, the results of this analysis are interpreted to describe Muhammadiyah's strategic role as an institutional actor in the national Islamic financial system. This study not only reveals historical and institutional facts but also interprets the establishment of BPRS Matahari as an Islamic value-based social innovation that offers solutions to financial exclusion issues in society. Thus, this method enables researchers to present comprehensive, reflective, and relevant analyses for the development of community-based Islamic economic studies.

## RESULTS AND DISCUSSION

### **The Muhammadiyah Community's Dissatisfaction with Current Sharia Banking Services**

The phenomenon of dissatisfaction among the Muhammadiyah community with conventional Islamic banking services has emerged as a significant issue amid the growth of the Islamic banking industry in Indonesia. Although this sector has shown growth of 7–8%, many MSME players and grassroots communities feel marginalized due to its strong commercial orientation and lack of implementation of the values of justice and Islamic economic da'wah. This critical stance is reflected in Muhammadiyah's decision to move its funds from Bank Syariah Indonesia, a move that signals a crisis of confidence in mainstream Islamic institutions, which are expected to be the financial pillars of the Muslim community (Darmawan & Nugroho, 2024; Yefta Christopherus Asia Sanjaya, 2024). Furthermore, as a strategic response, Muhammadiyah then changed the status of BPR Matahari Artadaya Uhamka to Bank Perekonomian Rakyat Syariah (BPRS) Matahari, which received an operating license from the OJK on 18 June 2025 (SK KEP 39/D.03/2025) (Puspita, 2025). To strengthen BPRS Matahari (BSM), the Muhammadiyah organization issued an appeal through official circular letter No. 124/HIM/1.0/C/2025; all elements of the Association and AUM are encouraged to support the bank, both in depositing funds and using its services, as part of the organization's synergistic scheme in building an inclusive and equitable financial system (Respati & Ika, 2025).

Theoretically, this phenomenon can be explained through the Tawhid String Relationship (TSR), a holistic theory that integrates spiritual, social, and economic values into a single unity of tawhid. Research conducted by Lucky Nugroho et al. (2023) and (2024) emphasizes that TSR integrates risk and spiritual ethics in Islamic financial institutions. The implementation of TSR at BPRS Matahari can be seen from the strengthening of the concepts of *hablum minallah* (connection with God) and *hablum minannas* (social relations), where the bank's services are oriented not only towards profit but also towards social advocacy and preaching to the people. Furthermore, according to

institutional theory, Muhammadiyah responds to internal normative pressures, particularly criticism of sharia institutions, and external regulatory pressures that support the consolidation of micro sharia institutions. The establishment of BPRS Matahari is not merely a financial move but rather a strategy to build legitimacy, both in the eyes of internal members and external regulators such as the OJK. (Respati & Ika, 2025).

The relevance of this phenomenon is also supported by several empirical studies. Sobana et al. (2020) state that microfinance institutions such as BPRS are needed to bridge the financial access gap for marginalized communities. A study conducted by Mardi (2021) and Gunawan et al. (2021) states that when literacy and access are adequate, the Muhammadiyah community is able to adopt fair and inclusive financial practices. This finding is also confirmed by Nasution et al. (2022), which states that empowering civil society organizations within the formal financial system will expand inclusion and limit the dominance of neoliberal capitalism. Furthermore, the principle of maqasid syariah provides a theological basis for the design of products and services that protect the assets and economic sustainability of the community. In practice, BPRS Matahari has shown initial results as an inclusive institution within the association. Internal support from AUM strengthens the legitimacy and operational effectiveness of this BPRS while also increasing customer trust and participation, which are two important elements in the community-based sharia institution model. Therefore, the establishment of BPRS Matahari reflects Muhammadiyah's institutional transformation, which integrates TSR and institutional theory with empirical evidence to create a truly inclusive Islamic financial institution. This model offers an alternative solution for other religious organizations in establishing a community-based financial system with strong moral values.

### **The establishment of BPRS Matahari is a response to the current limitations of Islamic banking inclusivity.**

The main phenomenon underlying the establishment of BPRS Matahari was the Muhammadiyah community's deep disappointment with the commercial approach of conventional Islamic banks. Although this industry has experienced significant growth, its market share is close to 8%, meaning that access for grassroots communities and MSME actors remains limited and overshadowed by services that prioritize profit over fairness and empowerment. This criticism peaked when Muhammadiyah withdrew large sums of money from Bank Syariah Indonesia (BSI), reflecting a crisis of confidence in an institution that was supposed to be a pillar of the Muslim economy (Primantoro, 2024). This situation indicates that existing Islamic banks have not fully implemented the maqasid values they claim to uphold. In response to this imbalance, Muhammadiyah made a strategic decision: to convert UHAMKA's Matahari Artadaya Rural Bank into Matahari Islamic Rural Bank. The official establishment of this institution received an operating license from the Financial Services Authority on 18 June 2025 (Decree No. 39/D.03/2025), with the full support of the association's leadership through circular letter number 124/HIM/1.0/C/2025, requesting all elements of the Association and Muhammadiyah Charitable Organizations to deposit funds and use the services of this Islamic Rural Bank collectively (Puspita, 2025). Therefore, Muhammadiyah's move is not merely an administrative transformation but a concrete representation of its intention to establish an inclusive financial system that is intended for the people and managed by the people.

Therefore, to understand these changes theoretically, this study adopts the grand theory of Tawhid String Relationship (TSR), which emphasizes the integrative principles of tawhid, social justice, and economic life. The TSR concept states that every economic action must be connected to spiritual values and social welfare, not merely profit (Lucky Nugroho, Meiwanto Doktoralina, et al., 2020). In the practice of BPRS Matahari, the principles of *hablum minallah* and *hablum minannas* are realized through product and service designs that prioritize empowerment with the hope of creating a financial institution that honors the people, not merely offering high profits. In addition, institutional theory enriches our understanding of this initiative. This theory highlights how organizations respond to internal pressures (community dissatisfaction) and external normative pressures (OJK regulations). By establishing BPRS Matahari, Muhammadiyah not only fulfilled internal moral expectations but also strengthened its external legitimacy as a responsible, credible institution that complies with religious norms and financial regulations. Several previous studies support the impartiality of microfinance institutions such as this one. Research by Sobana et al. (2020) highlights the need for microfinance institutions (BPRS) to bridge the financial access gap for marginalized communities, something that Islamic banks have not yet achieved. This study confirms that the presence of sharia-based community institutions with inclusive moral and operational values can provide better long-term results than corporate approaches. Furthermore, this study designed a conceptual framework in the form of a logical cycle: dissatisfaction → institutional response → TSR principles & maqasid sharia → inclusion & empowerment. In the context of maqasid syariah, BPRS Matahari implements *hifz al mal* (protection of property) and *hifz al nafs* (self-protection), which ensures that Islamic financial institutions not only provide profits but also protect the rights and economic sustainability of the people.

The operational practices of BPRS Matahari recognize the internal support of the Muhammadiyah Charity network as a strategic asset. By mid-2025, Muhammadiyah will have around ten local BPRS and hundreds of community-based Baitut Tamwil, which serve as pillars of the sharia micro-economy. This collaboration forms a "closed-loop" ecosystem in which community funds circulate within the community, strengthening the model of inclusion and reducing the possibility of funds being diverted to non-Sharia institutions (Abigail & Mola, 2025). In essence, this discussion emphasizes that BPRS Matahari is not merely a creditor institution; it is a symbol of institutional transformation that combines theological spiritual values with tangible socio-economic responses. This shows that truly inclusive Sharia-based financial alternatives require a strong community foundation, moral legitimacy, and an orientation towards the welfare of the people, where all values are found in TSR theory and institutional theory.

### **Muhammadiyah's Role in Establishing BPRS Matahari**

The dissatisfaction of grassroots communities with existing Islamic banking services reflects structural imbalances in the implementation of the Islamic financial system in Indonesia. Although Islamic banks have shown positive growth—with a market share of around 7-8% of the total national banking industry—in reality, many MSME players and lower-class communities still find it difficult to access these services fairly and evenly. The commercialization of mainstream Islamic financial institutions is often seen as placing greater emphasis on profitability than on preaching and economic empowerment of the people, resulting in a disorientation from the values of maqasid

syariah. This disappointment ultimately prompted Muhammadiyah, one of Indonesia's largest Islamic organizations, to withdraw its funds from Bank Syariah Indonesia (BSI) and establish an alternative institution that is more inclusive and in line with their community values (Abigail et al., 2025; Respati & Ika, 2025).

The establishment of Matahari Sharia Rural Bank (BPRS) on 18 June 2025 was Muhammadiyah's strategic response to the issue of sharia financial exclusion. BPRS Matahari, which was approved through OJK Decree No. KEP-39/D.03/2025, was born from the conversion of BPR Matahari Artadaya, owned by Prof. Dr. Hamka Muhammadiyah University (UHAMKA), transforming it into the first Islamic microfinance institution owned by the association. This step is fully supported by the Central Leadership of Muhammadiyah through circular letter No. 124/HIM/1.0/C/2025, which calls on all Muhammadiyah Charitable Organizations (AUM) to channel funds and banking activities through BPRS Matahari as a form of strengthening the internal sharia-based financial ecosystem and community empowerment (Pebrianto, 2020; Puspita, 2025). This phenomenon can be analyzed through the grand theory approach of Tawhid String Relationship (TSR), which places tawhid as the epistemological foundation of Islamic economic activity. From the TSR perspective, economic activity cannot be separated from spiritual relationships (*hablum minallah*) and social relationships (*hablum minannas*), which are interrelated in forming a fair and beneficial economic ecosystem. Based on a study by (Franzoni & Allali, 2018; Ihwanudin, Maulida, Fatriansyah, et al., 2020; Lucky Nugroho, 2016), TSR serves as a framework that integrates ethics, spirituality, and social responsibility into Islamic financial management. BPRS Matahari operates with a mission that goes beyond merely pursuing profit but also reinforces the values of distributive justice, blessings, and ukhuwah (brotherhood) in the practice of Islamic microfinance.

In addition, institutional theory is an appropriate analytical tool for understanding how Muhammadiyah responds to normative and regulatory pressures from its environment. As a religious organization, Muhammadiyah faces pressure from internal communities who want financial services that are in line with their ideological values, as well as external pressure from the dynamics of OJK policy. This theory explains that the establishment of BPRS Matahari is a form of institutional adaptation to maintain moral and religious legitimacy in the national sharia economic ecosystem. According to Scott (2013), institutions base their actions on three main pillars: regulatory, normative, and cognitive, all of which are evident in Muhammadiyah's decision to establish BPRS as a form of resistance against the corporatization of Islamic financial institutions or the commercialization of Islamic banks that currently exist.

Previous research also reinforces the urgency of establishing BPRS Matahari. For example, Sobana et al. (2020) emphasize that Islamic microfinance institutions such as BPRS are able to reach marginalized communities that are not served by large banks. This is reinforced by the study by Gunawan et al. (2021), which states that the Muhammadiyah community has good financial behavior despite its low level of Islamic financial literacy. In other words, if Islamic financial institutions provide easy, fair access that is in line with the values of da'wah, then the potential for community participation will be high. Another study by Octaviano & Handoyo (2025) adds that religious organizations have great potential in strengthening financial inclusion and correcting the direction of Islamic banking policies that are too elitist. Conceptually, this research approach builds a logical framework from dissatisfaction with the Islamic financial system → institutional strategic

response through the establishment of BPRS → implementation of TSR values and maqasid syariah (especially *hifz al-mal* and *hifz al-nafs*) → increased inclusion and community empowerment → strengthening the legitimacy and sustainability of institutions. This approach demonstrates that BPRS Matahari not only responds to the pragmatic needs of the Muhammadiyah community but also to its spiritual and ideological needs and serves as an alternative model for community-based Islamic finance development.

The implementation of maqasid syariah values in Matahari BPRS products, such as unsecured microfinance, profit-sharing savings, and community-based financial services, aims to ensure that the welfare of the people remains the focus. The full support of Amal Usaha Muhammadiyah also creates a closed-loop economy in which community funds are managed and utilized within an internal network that supports the organization's economic independence and social sustainability. Thus, BPRS Matahari is not only the answer to the limitations of Islamic banking inclusivity but also a tangible manifestation of the integration of the theory of tauhid, adaptive institutional responses, and ideological commitment to the mission of da'wah and Islamic economic justice. This step reflects that the transformation of financial institutions is not only determined by regulations or capital alone but by the collective will to build a fairer system that reaches out to segments of society that have been marginalized by an elitist and exclusive system.

### **Challenges and Opportunities Facing BPRS Matahari**

The establishment of BPRS Matahari reflects a tangible response to the challenges faced by the Islamic finance industry in reaching grassroots communities in a fair, inclusive, and sustainable manner. Public dissatisfaction with conventional Islamic financial institutions, which are perceived as increasingly distancing themselves from the values of social justice and Islamic preaching, became the starting point for Muhammadiyah's initiative to create alternative financial institutions that are more in line with the principles of maqashid syariah. Internal criticism from the community itself, particularly the Muhammadiyah community, emphasizes that many Islamic banks are trapped in commercialization and corporatization, thereby losing sight of their orientation to empower the community, especially MSME players and the poor, who should be their top priority (Arafah & Nugroho, 2016; Lucky Nugroho et al., 2017). Furthermore, in accordance with this phenomenological framework, the establishment of BPRS Matahari by Muhammadiyah through the conversion of conventional BPRs into sharia-compliant institutions is a strategic move that is rich in ideological and structural significance. This step was officially reinforced through OJK Decree No. KEP-39/D.03/2025 and Muhammadiyah Central Leadership Circular Letter No. 124/HIM/1.0/C/2025, which encouraged all Muhammadiyah Charitable Organizations to support and integrate their financial activities with this BPRS. In this regard, Muhammadiyah has not only established a microfinance institution but also designed a community-based closed-loop economy model that strengthens internal economic resilience (Respati & Ika, 2025).

Furthermore, to analyze this transformation in greater depth, the study uses the grand theory approach of Tawhid String Relationship (TSR), which is a paradigm that emphasizes the interconnection between tawhid, social justice, and economic activity as a single systemic entity that cannot be separated (Diani & Nugroho, 2024). In the context of BPRS Matahari, the principles of *hablum minallah* and *hablum minannas* form the main operational foundation, whereby financial services are positioned as part of worship

and a means of fighting for social justice. The application of these values makes BPRS Matahari a financial institution that not only considers profitability but also aspects of ethics, justice, and the welfare of its community. In addition to TSR, institutional theory is also used to explain how Muhammadiyah, as a social institution, adapts to normative, cognitive, and regulatory pressures. In this case, the establishment of BPRS Matahari is not only an adaptive measure to OJK regulations but also an effort to maintain internal legitimacy amid community disappointment with existing financial institutions (Scott, 2013). This theory provides an understanding that the establishment of BPRS Matahari is a form of institutional response to the crisis of trust and the community's need for a more authentic institution that sides with the small community.

Various previous studies have reinforced the urgency and relevance of this step. (2022) stated in his research that profit-sharing and interest-free sharia financing is far more effective in supporting the sustainability of micro and small businesses than conventional loans. In the study, businesses that use sharia schemes are better able to maintain their operations amid unstable economic conditions and are more likely to channel funds into productive and socially impactful sectors such as agriculture and infrastructure. This shows that BPRS Matahari, with its focus on microfinance and MSME actors, has great prospects in supporting community-based inclusive economic development. However, behind these opportunities, there are also major challenges that BPRS Matahari must face. The first challenge is the low level of Islamic financial literacy among the lower classes, despite the high potential interest in institutions based on Islamic values (Gunawan et al., 2021). This requires BPRS Matahari to not only act as a financial service provider but also as an agent of financial education and literacy for the community. The second challenge is competition with mainstream Islamic financial institutions that already have extensive infrastructure and networks. BPRS Matahari needs to emphasize differentiation through a community approach, locally based products, and an inclusive service model. However, on the other hand, great opportunities are presented through strong institutional support from Muhammadiyah. With Muhammadiyah's extensive network of charitable organizations, including schools, universities, hospitals, and cooperatives, BPRS Matahari has a captive market that can be maximized to build a stable and secure financing portfolio. In addition, the role of BPRS as part of the economic da'wah movement strengthens the spiritual and emotional values of the people towards this institution, which in turn can strengthen public loyalty and trust.

The use of the maqashid syariah approach is also a unique advantage in product and service design. Therefore, by emphasizing the protection of property (*hifz al-mal*) and life (*hifz al-nafs*), BPRS Matahari can offer financing products that are not only productive but also protective. Products such as microfinance for home-based businesses, children's education savings programs, or financing for healthcare needs are highly relevant in the context of maqashid syariah and the real needs of the lower classes (Badawi et al., 2023; Lucky Nugroho, 2014). Therefore, the establishment of BPRS Matahari presents a new paradigm in the development of Islamic finance that is oriented towards values, social justice, and sustainability. The combination of TSR theory and an institutional approach provides a strong conceptual foundation for understanding and analyzing this transformation. By utilizing Muhammadiyah's institutional support, community-based service strategies, and product innovations based on maqashid syariah, BPRS Matahari has great potential to become a role model for fair, inclusive, and sustainable micro-

Islamic financial institutions. This model can also be replicated by other religious organizations that share a similar vision of building economic independence for their communities at both the local and national levels.

## CONCLUSION

Muhammadiyah's strategic shift through the establishment of BPRS Matahari is a tangible response to grassroots communities' dissatisfaction with mainstream Islamic banks, which are considered too commercially oriented and insufficiently inclusive. The establishment of BPRS Matahari is not merely an economic move but also represents an institutional transformation rooted in Islamic values, particularly through the Tawhid String Relationship (TSR) approach and the principles of Maqasid Syariah. Furthermore, by integrating spirituality, social justice, and financial ethics, BPRS Matahari reflects Muhammadiyah's determination to provide a financial institution that is down-to-earth, empowering, and supportive of the small community. The results of the discussion show that this step responds to institutional pressure to maintain moral legitimacy while presenting an inclusive Islamic financial system. This initiative, with internal support from the Muhammadiyah Charity network, demonstrates a model of community-based empowerment and values. However, the limitations of this study lie in the use of secondary data and qualitative descriptive analysis, so it does not yet empirically reflect the direct views of managers, customers, and relevant regulators.

Further research is recommended using a mixed-method approach to gain a deeper understanding of the operational impact, user satisfaction levels, and long-term effectiveness of BPRS Matahari. Theoretically, the relationship between TSR and institutional theory can be further explored in the context of other sharia institutions. In practical terms, Muhammadiyah needs to continue improving the financial literacy of its members and strengthening risk management to ensure sustainability. In addition, from a policy perspective, support from the government and the Financial Services Authority (OJK) through adaptive regulations and capacity-building programs is urgently needed to strengthen the position of BPRS as an important actor in Islamic financial inclusion.

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