

## THE STRATEGIC ROLE OF MUHAMMADIYAH IN DEVELOPING THE SHARIA ECONOMIC ECOSYSTEM IN INDONESIA

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### Abstract

*Muhammadiyah has significantly contributed to developing Indonesia's sharia economic ecosystem through a multidimensional approach encompassing entrepreneurship, Islamic philanthropy, and Islamic financial institutions. In entrepreneurship, Muhammadiyah has established a robust economic network via initiatives such as Baitul Maal wat Tamwil (BMT) and empowerment programs for Micro, Small, and Medium Enterprises (MSMEs), fostering financial inclusion and local economic growth. In Islamic philanthropy, Muhammadiyah has pioneered digitalized zakat, infaq, and sadaqah (ZIS) collection and community-based economic movements, such as Solidarity Buying, through its philanthropic institution, LAZISMU. Additionally, Muhammadiyah has played a key role in advancing Islamic financial institutions, enhancing access to sharia-compliant financial services. This literature study examines Muhammadiyah's role in Indonesia's economic development, highlighting its positive impact on societal welfare despite challenges such as resistance to change and limited human resources. The findings underscore the importance of stakeholder collaboration to strengthen the sustainability and scalability of Muhammadiyah's economic programs. By integrating Islamic values with modern economic practices, Muhammadiyah exemplifies a model for sustainable and inclusive economic development in Indonesia.*

**Keywords:** Muhammadiyah, Sharia Economy, Entrepreneurship, Islamic Philanthropy, Financial Inclusion

### Introduction

Muhammadiyah is a movement that focuses on religious and social aspects that was founded in Indonesia in the early 1900s. This organization was created by K.H. Ahmad Dahlan, a well-known religious figure, on November 18, 1912 in Yogyakarta. The mission of Muhammadiyah is to improve the quality of life of Muslims in Indonesia, both in the spiritual and social fields, through an innovative and open approach (Mulyani et al., 2024).

In the economic aspect, in addition to its role in the world of education. Muhammadiyah also has an important impact in overcoming poverty, improving the quality of life of the community, and fighting for the principles of social justice. The success of this organization in fighting poverty in strengthening the economy can be seen through the implementation of programs based on Islamic philanthropy, such as Zakat, Infaq, Shadaqah. Muhammadiyah is also committed to economic empowerment and welfare efforts for the community. The organization initiates various economic programs and projects, including cooperatives, microfinance institutions, and skills training to support and the community in improving the quality of life and alleviating poverty (Aisyah Khoirunni'mah Al Mufarriju, 2024).

In today's era of globalization, the fact that business serves as an economic activity to improve an organization's finances is inevitable. For Muhammadiyah, the source of financial income derived from business activities is actually a very crucial element to support the Muhammadiyah movement in achieving its goals (Hakim & Muslikhati, 2022).

Muhammadiyah structurally carries out its function to strengthen the capabilities and efforts of its members and institutions. This organization seeks to create a market for Muhammadiyah members and the wider community, support the ability to enter the market, and increase adaptability to environmental changes. In addition, Muhammadiyah also acts as a liaison in cooperation between its various member business units. This can be seen through Muhammadiyah's initiative to develop businesses for the lower middle class, such as TokoMU and Log-Mart (Bulog Muhammadiyah Mart), which provide various products for the needs of the community. All goods sold come from products of Muhammadiyah members (Hakim & Muslikhati, 2022). This research aims to examine Muhammadiyah's strategy in building the sharia economic ecosystem and its impact on the welfare of the community.

### Research Methods

This study uses a literature study method with a qualitative approach (Hidayati & Maksum, 2024). Basically, the purpose of conducting a literature review is to help a researcher gain a better and organized understanding of the literature in a particular scope, as well as generate additional value for their review (Sugiono, 2020). Data was collected from scientific literature, organizational reports, and articles related to the economic role of Muhammadiyah. By using the results of literature study research, one can gain a better understanding of the meaning of the problem being studied and make a general overview (generalization) (Tristiyanto, 2025). The analysis was carried out thematically to identify the pattern of Muhammadiyah's contribution to the sharia economy.

### Results and discussion

An ecosystem is a place where people meet, make transactions, create marketing strategies, and build businesses. This happens through a robust system that optimizes data and information management. Entrepreneurs are interested in digitizing their businesses because of the benefits and goals of the ecosystem. In addition to keeping up with industry developments, many businesses rely on digital ecosystems, such as Islamic banking. Every item used must be considered in the halal ecosystem. For example, a group of people wants to set up an Islamic hotel that will be funded by Islamic banking. Then, all aspects of its operation must be in accordance with the sharia system, such as regulations, halal kitchen certification, food, and Qibla instructions in each room. In this way, the current halal ecosystem continues to grow (Julistia et al., 2021).

The halal ecosystem can be defined as a complete and comprehensive unity order between each component that supports halal production, and a system of reciprocal relationships between one type of halal production and another type that forms the halal environment. In addition, the halal ecosystem can also be defined as a chain of halal production activities that interact with each other in an environment that affects each other. In addition, the ecosystem must have the ability to connect all the key elements and supporters of the halal industry from upstream to downstream. The halal ecosystem includes the production of goods and services as well as government infrastructure (Saepudin, 2022).

Zakat, infaq, and alms (ZIS) are instruments of Islamic philanthropy that not only have a dimension of worship, but also function as an effective redistribution mechanism of wealth in the sharia economic system. Conceptually, ZIS plays a dual role: as a cleanser of wealth as well as an instrument of alleviating structural poverty through organized distribution. Muhammadiyah through LAZISMU has transformed this concept into a program that has a real impact by integrating digital technology in the collection and utilization of ZIS funds. This digitalization not only increases accountability and transparency, but also significantly expands the donor base (Dwi Arifah et al., 2024).

In its implementation, ZIS funds are used productively through various empowerment programs, such as revolving capital assistance for MSMEs, entrepreneurship training, and productive waqf development. This approach creates an economic multiplier effect, where mustahik not only receives consumptive assistance, but also has the ability to increase productivity in a sustainable manner. Especially in the post-pandemic period, this program is the backbone of community-based economic recovery, where empowered MSMEs are able to create new jobs and maintain economic circulation at the local level (Purnawan et al., 2024).

In the entrepreneurial dimension, Muhammadiyah builds a comprehensive ecosystem through the establishment of various supporting institutions. Muhammadiyah Business Center (MBC) acts as a business incubator that not only provides technical training, but also provides access to capital and long-term business assistance. Meanwhile, Aisyiyah as an autonomous organization focuses on empowering women through the development of MSMEs in the household sector which has great potential but is often overlooked (Rahmadanti et al., 2025).

This strategy has a theoretical foundation that states that entrepreneurship is an engine of growth in modern economic development (Fajri, 2021). Interestingly, Muhammadiyah was able to adapt this theory in the context of Indonesia by integrating Islamic values, as seen in the Solidarity Buying Movement. The movement initiated by Muhammadiyah Lampung is not only a local shopping program, but is a manifestation of the concept of ta'awun (help-help) in Islam which is operationalized in the form of a real economy (Abizar et al., 2022).

The huge potential of the sharia economic market in Indonesia has received a strategic response from Muhammadiyah. With a network spread to remote areas, Muhammadiyah built an integrated Islamic financial system starting from the grassroots level through Baitul Maal wat Tamwil (BMT) to a more macro level through Islamic banks. In Ciledug, Tangerang, for example, the development of the sharia economic ecosystem is carried out holistically, including the establishment of sharia cooperatives, LAZISMU, and various productive business units (Hilal et al., 2024).

Sharia principles are carried out by following the principles of Islamic law such as justice, balance of interests, and universalism. This does not include things like gharar, maysir, riba, zalim, riswah, or haram (Wahyu et al., 2020). The prospect of the halal industry that continues to increase every year shows that the

halal industry is becoming a global trend today. Indonesia has great potential to develop the halal industry, of course because of its large Muslim population (Adamsah & Subakti, 2022).

The number of Muslims around the world continues to increase, leading to an increasing market demand for halal goods and services. Companies are motivated to develop new products and meet the demands of Muslim consumers because of this increase (Kamila, 2021). More and more Muslims are realizing the importance of consuming halal-certified food, beverages, and other items. These concerns lead to a high demand for high-quality goods that meet ethical requirements (Wahyudi et al., 2023).

In Indonesia, the halal industry ecosystem is developing in various fields, such as agriculture, factories, and tourism. With the increasing number of Muslim tourists needing services in accordance with Islamic law, halal tourism in particular has become an increasingly important segment. Halal food, places of worship (Bustamam & Suryani, 2022). Government policies that support the halal industry also encourage the growth of this industry. commitment of the President of the Republic of Indonesia to transform Indonesia into the center of the halal economy of the wider world. These measures increase the domestic market share and attract the attention of people around the world to Indonesian halal goods and services (Fariana et al., 2022).

The development of the national halal industry continues to undergo significant diversification, not only limited to halal food products but has also expanded to various other economic sectors. These sectors include Muslim fashion which is increasingly in demand, sharia cosmetics that meet Islamic principles, and halal tourism which is growing rapidly. Halal tourism is different from religious tourism such as Hajj and Umrah. Halal tourism emphasizes the process of natural tadabur, but the tourism is still entertainment. Muslim tourists can worship and travel with the help of the concept of halal tourism. Tourism, for example, ensures the cleanliness and existence of public toilets, as well as the availability of prayer rooms or mosques so that travelers can pray five times easily. Halal tourism is also expected to be at the forefront of the halal industry. In addition to providing tourist destination attraction packages, travelers can also easily find halal food and goods during the holidays (Saputri, 2020).

The provisions of sharia form the Muslim women's clothing worn by Muslim women. The conditions include: clothing must cover the entire body except the face and palms, clothing must not use thin fabric, and clothing must not be too loose to show body curves (Rohmawati, 2020). Muslim clothing is one of the creative economy fields that is experiencing rapid growth every year, becoming a mainstay for Indonesia's creative economy. This suggests that Muslim clothing consumption will continue to increase in Indonesia and in several other countries, forcing it to compete with other clothing markets (Wulandari, 2023)

In this context, Muhammadiyah as one of the largest Islamic organizations in Indonesia also plays an active role through its various charitable efforts. Institutions under the auspices of Muhammadiyah, such as hospitals, schools, and sharia business units, contribute to encouraging the strengthening of the halal industry. This effort not only aims to meet the needs of Muslims in the country, but also to increase the economic competitiveness of the people in the global arena (Khusnul & Wira, 2021).

Muhammadiyah further strengthens its strategic role through its contribution in the field of international trade, one of which is shown by the success of the export of mocaf flour to the United Kingdom. The initiative developed by the Community Empowerment Council (MPM) in collaboration with Rumah Mocaf proves that local commodity-based economic empowerment has the potential to compete in the global market. This success began with a mentoring program for cassava farmers in Banjarnegara who initially faced marketing problems, then through various innovations and continuous mentoring succeeded in developing products with high economic value (Qoyimah et al., 2022).

This achievement is in line with the government's strategic role in encouraging the export of halal products as one of the country's potential sources of foreign exchange. However, the difference is the empowerment-based approach carried out by Muhammadiyah. While government programs generally focus on macro policies and trade incentives, Muhammadiyah prioritizes a participatory approach by actively involving farmers and MSME actors. They are not only placed as the object of the program, but also as subjects that are comprehensively empowered, starting from the provision of raw materials (upstream), production processes, to product marketing (downstream). This holistic approach not only increases the economic capacity of business actors, but also strengthens the independence and sustainability of the halal industry at the grassroots level (Hodijah, 2022).

From these various practices, it is clear how Muhammadiyah has built a unique and comprehensive sharia economic ecosystem. The integration of innovative Islamic philanthropy, value-based entrepreneurship development, strengthening Islamic finance, and global market expansion creates a model of economic development that is not only profit-oriented but also has a broad and sustainable social impact.

Muhammadiyah implements a multidimensional strategy to strengthen the sharia economic ecosystem in Indonesia. First, through institutional strengthening, Muhammadiyah established various financial and social institutions such as LAZISMU, Baitul Maal wat Tamwil (BMT), and Sharia People's Credit Bank (BPR) which function as distributors of zakat, infaq, alms (ZIS), and sharia-based financing. Second, the empowerment of MSMEs is carried out through assistance, training, and business digitalization, such as those carried out by

Muhammadiyah Business Center (MBC) and Aisiyiah, to increase the competitiveness of small business actors. Third, the innovation of halal products and the export of local commodities, such as mocaf flour, show Muhammadiyah's commitment to integrating sharia values with strengthening the national economy. Fourth, collaboration with the government and the private sector in sharia economic programs expands the impact of sustainable development. Fifth, the *tajdid* (renewal) approach continues to be encouraged to overcome modern challenges while adhering to Islamic principles, such as through the Solidarity Buying Movement which encourages the consumption of local products during the pandemic.

The strategy carried out by Muhammadiyah has had a significant impact on the welfare of the community. First, the ZIS program and Islamic finance have succeeded in reducing poverty by providing social security and access to capital to *mustahik*. Second, empowering MSMEs through training and digitalization increases the income of micro business actors, especially women, who are members of Aisiyiah. Third, export initiatives such as mocaf flour not only increase the added value of local products but also create jobs and drive the regional economy. Fourth, an ethical Islamic financial approach encourages a more equitable distribution of wealth, in accordance with the principles of Islamic social justice. Fifth, collaboration with various stakeholders strengthens the economic resilience of the community, especially during crises such as the COVID-19 pandemic. Thus, Muhammadiyah has made a real contribution to building an inclusive and sustainable sharia economic ecosystem, as well as strengthening the economic resilience of the *ummah* in Indonesia.

Based on the analysis of various Muhammadiyah initiatives, it can be concluded that this organization has developed a comprehensive strategy in building an Islamic economic ecosystem in Indonesia through institutional approaches, MSME empowerment, halal product innovation, multistakeholder collaboration, and the application of *tajdid* principles. The implementation of programs such as ZIS, the establishment of LAZISMU and BMT, and the strengthening of digital-based MSMEs have contributed significantly to poverty reduction, income equity, and improvement of community welfare. In addition, the breakthrough in the export of local commodities such as mocaf flour shows Muhammadiyah's ability to integrate sharia values with strengthening the national economy. The challenges ahead lie in expanding the scale of the program, increasing human resource capacity, and stronger synergy with the government and the private sector. Overall, the role of Muhammadiyah is not only to encourage sharia-based economic growth, but also to strengthen the economic resilience of the community, especially in facing crises, so that it is in line with the vision of social justice and sustainable development.

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