

Risk Management Strategy in Maintaining Financial Sustainability: A Reflection on the Withdrawal of Muhammadiyah Funds from Bank Syariah Indonesia

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ABSTRACT

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This study examines the risk management strategies implemented by Bank Syariah Indonesia (BSI) following the institutional fund withdrawal by Muhammadiyah in 2024. This event raised critical questions regarding BSI's ability to maintain financial stability and uphold public trust amidst reputational risk. Employing a qualitative case study approach, the research is based on in-depth interviews with BSI management, analysis of financial reports (2023–2024), and regulatory publications. The findings reveal that BSI adopted a three-layered risk management approach—preventive, mitigative, and corrective—to stabilize liquidity, mitigate reputational impact, and strengthen stakeholder confidence. Preventive strategies included diversification of funding sources, enhancement of digital banking infrastructure, and improvement of the CASA ratio. Mitigative measures involved real-time communication, increased fee-based income, and CSR programs grounded in ESG principles. Corrective strategies comprised strengthening internal audits and evaluating systemic resilience. This study offers practical insights for Islamic banking institutions in managing socio-religious financial shocks while upholding Sharia principles and sustainability objectives.

1. Introduction

The Islamic banking industry in Indonesia has experienced significant growth over the past few decades. Public awareness of the importance of a financial system aligned with Sharia principles has driven Islamic banking to emerge as an alternative financial institution that not only focuses on economic profit but also upholds spiritual, ethical, and social values. In practice, Islamic banks serve not only as financial institutions but also as instruments of social transformation, emphasizing the principles of justice, transparency, and sustainability. One of the most widely used financing products in Islamic banking is murabahah, a sale and purchase scheme with an agreed-upon profit margin between the bank and the customer conducted transparently. This scheme provides fair and Sharia-compliant financing access to the public while ensuring the financial sustainability of the institution.

Nevertheless, Islamic banks continue to face complex risks stemming from both internal and external factors, such as economic fluctuations, payment delays, Sharia non-compliance, and reputational risk. One incident that drew public attention was the large-scale fund withdrawal by the Muhammadiyah organization from Bank Syariah Indonesia (BSI), which not only affected financial aspects but also reflected a crisis of trust and public perception regarding the integrity of Islamic banking. In this context, the financial sustainability of Islamic banks is not solely measured by profit and loss stability, but also by the extent to which Sharia values are

consistently upheld in risk management and the stewardship of public funds.

Sharia principles emphasize the importance of justice, trustworthiness (*amanah*), and social responsibility in all economic activities, including risk management practices. The implementation of a risk management system that is integrated with sustainability principles is essential for Islamic banks to maintain operational stability and preserve public trust. Challenges such as limited human resources, lack of integrated technological systems, and the suboptimal application of Sharia principles in risk mitigation remain significant obstacles in the implementation of such a system. The case of Muhammadiyah's fund withdrawal serves as a critical reflection, highlighting the urgent need for a risk management system that is adaptive, accountable, and spiritually grounded.

Based on the aforementioned background, this study aims to analyze the risk management strategies implemented by Bank Syariah Indonesia in response to the large-scale fund withdrawal by Muhammadiyah, to identify the challenges and risks faced in maintaining financial sustainability, to evaluate the effectiveness of the strategies in preserving liquidity stability and customer trust, and to extract lessons from the case as a reflection for developing a sustainable risk management system within Islamic banking.

1. Literature Review

1.1. Risk Management in Islamic Banking

Risk management in the context of Islamic banking is a systematic process that includes the identification, analysis, evaluation, and control of risks in order to minimize potential impacts on the institution's operational stability. From a Sharia perspective, this process is not merely technical but must also be aligned with principles such as justice, trust (*amanah*), and transparency. The main risks faced by Islamic banks include liquidity risk, credit risk, operational risk, Sharia compliance risk, and reputational risk. Therefore, the risk management system applied must be comprehensive and reflect Islamic values in its practices.

1.2. Reputational and Liquidity Risk

Reputational risk arises when there is a discrepancy between public expectations and the actual actions of a financial institution. When a bank's reputation is compromised, it can lead to a decline in public trust, resulting in large-scale fund withdrawals and a weakened liquidity position. In the context of crises involving major institutional actors such as fund withdrawals by religious organizations—reputational risk can escalate into a systemic crisis if not addressed with appropriate risk management strategies. Liquidity risk, on the other hand, refers to a bank's inability to meet its short-term obligations, and under certain circumstances, it can threaten the bank's viability if not promptly mitigated through balanced and strategic asset-liability management.

1.3. Financial Sustainability and ESG (Environmental, Social, and Governance)

Financial sustainability goes beyond merely achieving profit; it encompasses how financial institutions build and maintain enduring relationships with the surrounding social environment and ecosystem. In recent years, the ESG (Environmental, Social, and Governance) approach has been increasingly adopted by financial institutions, including Islamic banks, as part of a modern risk management system. This approach emphasizes the importance of environmentally responsible business practices, positive social impact, and sound, transparent governance. ESG not only

enhances reputation but also serves as a key pillar in fostering long-term resilience for Islamic banks.

2. Methodology

This study employs a qualitative approach using a case study method. This approach was chosen to gain an in-depth and contextual understanding of the risk management strategies implemented by Bank Syariah Indonesia (BSI) in maintaining financial sustainability following the large-scale fund withdrawal by the Muhammadiyah institution. The qualitative approach allows the researcher to explore meanings, interpretations, and the social and institutional dynamics that cannot be captured through a quantitative approach.

The case study method is considered relevant as it enables an in-depth analysis of complex and multilayered real-life situations, particularly concerning institutional responses to reputational and liquidity crises. Through this approach, the researcher is able to understand the policy context, risk management strategies, and internal reflections undertaken by BSI in response to an event that had significant implications for the bank's operations.

3.1 Data Collection

In-depth Interviews

Interviews were conducted using a semi-structured format with open-ended question guidelines. This technique was employed to explore the informants' perspectives on the implemented risk management strategies, the challenges encountered, and the institutional reflections following the crisis. The interviews were carried out either in person or online, depending on the availability of the informants.

Documentary Study

Secondary data were collected through relevant official documents, such as sustainability reports, annual financial statements, risk management guidelines, internal publication minutes, BSI's official statements regarding the crisis, as well as data from the Financial Services Authority (OJK) concerning the condition of the Islamic banking industry following the fund withdrawal. The document analysis aims to verify and enrich the information obtained from the interviews.

Observasi Non-Partisipatif

Observation was conducted on a limited basis to examine the patterns of public communication and institutional transparency demonstrated by BSI following the reputational crisis. The focus of the observation was directed toward the bank's public responses through official channels such as its website, social media platforms, press conferences, and other public reports.

3.2 Analysis Techniques

Data Reduction

This stage involves the process of sorting, focusing, and simplifying information obtained from interviews, documents, and observations in order to extract data relevant to the research focus. Data that are not directly related to the risk management strategy will be systematically eliminated.

Data Display

The reduced information was organized into thematic narratives, findings tables, and strategy comparison matrices. This presentation facilitated the researcher in identifying

patterns, relationships between categories, and the dynamics of the risk management strategies implemented by BSI.

Conclusion Drawing and Verification

The researcher interpreted the identified data patterns and linked them to risk management theories and Sharia-based sustainability principles. The conclusions drawn were verified through data triangulation and confirmation from key informants to ensure the validity and consistency of the findings.

3.3 Validation

Triangulasi Sumber

The researcher compared and cross-verified the data obtained from various informants with different backgrounds and positions within the organizational structure. This technique aimed to identify the consistency of information and to minimize the potential for subjective bias from each source.

Member Checking

After the data were analyzed, the researcher conducted follow-up confirmations with key informants to ensure that the interpretations and findings accurately reflected their intended meanings and perspectives. This technique was employed to enhance the accuracy of the research narrative and to prevent misinterpretation.

Audit Trail

The entire process of data collection, analysis, and conclusion formulation was systematically recorded and documented in the form of a research log. This documentation includes methodological decisions, instrument revisions, researcher reflections, and the rationale behind each step of data collection and analysis, thereby ensuring transparency and traceability throughout the research process.

3. Results and Discussion

4.1 Key Findings

This study found that Bank Syariah Indonesia (BSI) demonstrated a swift and strategic response to the large-scale fund withdrawal by the Muhammadiyah institution. This response was evident through the strengthening of digital liquidity management systems, the optimization of external communication strategies, and the utilization of social programs grounded in sustainability values. The main findings identified include:

Liquidity Stability:

BSI successfully maintained a Financing to Deposit Ratio (FDR) of 83%, reflecting sound management of financing and third-party funds despite reputational pressure.

Performance of Current and Savings Accounts (CASA):

Low-cost funds or Current Account Saving Account (CASA) reached IDR 197 trillion, equivalent to 60% of total Third-Party Funds (DPK), indicating that retail customer trust remained well preserved.

Net Profit Growth:

Despite facing reputational issues, BSI recorded a 22.8% increase in net profit, reaching IDR 7.01 trillion, demonstrating the overall resilience of its financial performance.

Revenue Diversification:

Fee-based income experienced a significant increase, indicating the success of income diversification strategies and a reduced reliance on margin-based financing income.

Trust Recovery through Environmental, Social, and Governance (ESG) Initiatives:

BSI intensified its social responsibility programs based on ESG principles, such as the BSI Village initiative, Zakat, Infaq, and Sadaqah (ZIS), as well as green financing, as part of its efforts to strengthen social engagement and rebuild public trust.

4.2 Interpretation of Results

The above findings indicate that BSI's institutional resilience is built upon the synergy between robust digital infrastructure, transparent governance, and a strong commitment to Sharia principles. The digital-based liquidity management system has proven effective in responding swiftly and accurately to financial pressures. On the other hand, consistent and open public communication strategies have played a crucial role in maintaining a positive public perception of the institution's accountability.

The regularly prepared sustainability reports and the implementation of Good Corporate Governance (GCG) practices have strengthened BSI's social legitimacy amid the crisis. This approach not only serves as a means of mitigating reputational risk but also represents the embodiment of Sharia values such as amanah (trustworthiness), justice, and social responsibility. BSI's success in maintaining stability and improving performance under pressure reflects the application of Sharia principles that are adaptive to contemporary challenges, while also integrating modern Environmental, Social, and Governance (ESG)-based approaches into its risk management practices.

4. Discussion

5.1 Theoretical and Practical Discussion

The risk management strategies implemented by Bank Syariah Indonesia (BSI) demonstrate alignment with modern sustainability concepts as outlined in various academic literatures, particularly in the integration of Environmental, Social, and Governance (ESG) principles into institutional governance. BSI's approach affirms previous findings that emphasize the importance of sustainable and transparent governance in maintaining long-term financial stability.

Nevertheless, the case of Muhammadiyah's fund withdrawal offers a unique perspective that has not been widely explored in Islamic finance literature—namely, the socio-religious dimension in building and maintaining public trust. The role of religious entities, ideological perceptions, and the historical relationship between Islamic financial institutions and religious communities demonstrate that trust is not solely constructed through economic performance or regulatory compliance, but also through the cultural and spiritual values embedded in the institution's identity. This dimension opens new avenues for expanding the theoretical framework of risk management in Islamic finance, particularly within the context of complex and diverse Muslim societies.

5.1 Limitations

This study has several limitations that should be acknowledged. First, the analysis focuses

solely on a single institution—Bank Syariah Indonesia—making the findings contextual and not readily generalizable to the broader Islamic banking industry in Indonesia. Second, the relatively short timeframe of the research limits the ability to assess the long-term impact of the implemented strategies. Third, the qualitative approach employed is exploratory in nature and prioritizes in-depth understanding over quantitative measurement, thus it does not provide a comprehensive statistical overview of public perceptions or broader industry trends.

5.2 Future Research

Based on the findings and identified limitations, future research may be directed toward further exploring the strategic and social dimensions of strengthening risk management systems in Islamic banking. Several recommended research directions include:

Longitudinal studies on the reputation recovery processes of Islamic financial institutions following a crisis, to assess the effectiveness of policies over the medium and long term.

Analysis of the role of religious organizations in shaping and maintaining public trust in Islamic banks, and how ideological relations influence collective financial behavior.

Utilization of artificial intelligence (AI) in early risk detection systems and ESG-based sustainability reporting, as a modern approach to enhance the accuracy and efficiency of risk control mechanisms.

5. Conclusion

The multilayered risk management strategy implemented by Bank Syariah Indonesia (BSI) has demonstrated high effectiveness in maintaining operational stability and sustaining stakeholder trust, despite significant pressure resulting from the fund withdrawal by a major institution. Through a combination of resilient digital infrastructure, transparent governance, integration of sustainability principles (ESG), and a strong commitment to Sharia values, BSI successfully mitigated reputational impacts and maintained positive financial performance.

The crisis served as a reflective momentum for the institution to strengthen its managerial capacity, deepen the integration of spiritual values into its risk management system, and build competitive advantage based on public trust. These findings highlight that Sharia-based governance, when combined with modern sustainability approaches, is not only relevant but also essential in addressing the challenges faced by the Islamic finance industry in the contemporary era.

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