

Mosques as Catalysts for Islamic Financial Inclusion: Evidence from Branchless Banking Implementations

Trianah Sofiani^{1*}, Shofian bin Ahmad², Bunga Desyana Pratami³, Heris Suhendar⁴

¹ Universitas Islam Negeri KH. Abdurahman Wahid Pekalongan, Indonesia, E-mail: triana.sofiani@uingusdur.ac.id

² Pusat Kajian Syariah, Fakulti Pengajian Islam, Universiti Kebangsaan Malaysia, Bangi, Selangor, Malaysia, E-mail: shofian@ukm.edu.my

³ Universitas Islam Negeri KH. Abdurahman Wahid Pekalongan, Indonesia, E-mail: bunga.desyana.p@uingusdur.ac.id

⁴ Universitas Islam Negeri KH. Abdurahman Wahid Pekalongan, Indonesia, E-mail: heris.suhendar@uingusdur.ac.id

Abstract: Islamic financial inclusion in Indonesia remains relatively low among the unbanked and underbanked populations, who have limited access to formal banking services. This condition necessitated Bank Syariah Indonesia to introduce a branchless banking initiative, known as BSI Smart, which is integrated with mosques to expand equitable access to Islamic financial services. Therefore, this study aimed to analyze the effectiveness of implementing a branchless banking policy integrated with mosques to increase Islamic financial inclusion. The analysis adopted qualitative methods, collecting data through interviews and questionnaires. Interviews were conducted with 10 informants selected purposively. Questionnaires were further administered to 100 respondents in rural areas and 100 in urban areas who were randomly selected. Correlating with the theories of Edwards and Metter-Horn, this study showed that implementing branchless banking policy through mosques remained ineffective due to inaccurate targeting, limited facilities and infrastructure, suboptimal communication, and the community's socio-economic conditions, which tended to favor informal financial institutions. The novelty of the analysis lay in the integration of mosques as centers for Islamic financial literacy and education, directly connected to BSI Smart agents. This allowed mosques to serve as places of worship and centers of economic empowerment for the community. Additionally, the model had the potential to become a new strategy in expanding the reach of Islamic banking that was more inclusive, sustainable, and in accordance with Islamic principles.

Keywords: *Branchless Banking, Mosque, Sharia Financial Inclusion.*

1. Introduction

Bank Syariah Indonesia (BSI) was tasked with implementing an acceleration policy after the merger in 2021 to increase sharia financial inclusion through branchless banking program, an inclusive finance framework known as Laku Pandai, with BSI Smart as the product name.¹ The program is a mandate from Presidential Regulation Number 114 of

* Correspondence

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¹ Nidya Waras Sayekti et al., "The Challenges of Bank Syariah Indonesia Post-Merger," in *3rd Borobudur International Symposium on Humanities and Social Science 2021 (BIS-HSS 2021)* (Atlantis Press, 2022), 276–79, https://doi.org/10.2991/978-2-494069-49-7_46.



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2020 concerning the National Strategy for Inclusive Finance, Financial Services Authority (OJK) Regulation Number 76/POJK.07/2016 of 2016 concerning Increasing Financial Literacy and Inclusion in the Financial Services Sector for Consumers, and the Community and OJK Regulation Number 19/POJK.03/2014 concerning Branchless Financial Services in the Framework of Inclusive Finance. This regulation is further updated with OJK Regulation Number 1/POJK.03/2022.

The mandate was carried out by BSI, inaugurating 4700 BSI Smart Agents on October 19, 2021.² In 2024, the number of BSI Smart agents reached 103,614, spreading across Indonesia with a transaction volume of 5,000 transactions worth IDR 31 trillion.³ BSI has also signed a memorandum of understanding with Indonesian Mosque Council and collaborates with 55,461 mosques.⁴ This has great potential to increase Sharia financial inclusion in Indonesia as there are 308,435 mosques with the majority of the population being Muslim.⁵ However, the implementation of the mosque-based BSI Smart program has not been effective in increasing the inclusive Islamic financial index, including Islamic banking. Theoretically, inclusive finance is an important indicator of a country's success in achieving sustainable economic growth, income equality, and poverty alleviation.⁶

Islamic principles strongly emphasize social justice, inclusion, and equitable distribution of resources, while Islamic finance reiterates financial inclusion through specific instruments for redistributing wealth in the community. The instruments offered by Islam have strong historical roots and have been implemented in various countries of Organization of Islamic Cooperation (OIC). Policymakers in Muslim countries are seriously pursuing financial inclusion by harnessing the potential of Islamic instruments.⁷ Even in Muslim countries such as Saudi Arabia, Malaysia, the UAE, Kuwait, Qatar, Turkey, Bahrain, and Pakistan, strong institutional frameworks and sustained political support foster economic growth and financial inclusion.⁸

² BI, "Laporan Ekonomi & Keuangan Syariah 2021" (Jakarta, 2021).

³ BSI, "BSI Agen Capai 103 Ribu, Volume Transaksi Tembus Rp31 T," www.bankbsi.co.id, 2024.

⁴ BSI, "Laporan Tahunan 2021" (Jakarta, 2021).

⁵ Kemenag, "Sistem Informasi Masjid Kementerian Agama Republik Indonesia," kemenag.go.id, 2024.

⁶ Essam Yassin Mohammed and Zenebe Bashaw Uraguchi, *Financial Inclusion for Poverty Alleviation* (New York: Taylor & Francis, (2017); Angga Erlando, Feri Dwi Riyanto, and Someya Masakazu, "Financial Inclusion, Economic Growth, and Poverty Alleviation: Evidence from Eastern Indonesia," *Heliyon* 6, no. 10 (2020), doi:10.1016/j.heliyon.2020.e05235; Chuka Ifediora et al., "Financial Inclusion and Its Impact on Economic Growth: Empirical Evidence from Sub-Saharan Africa," *Cogent Economics & Finance* 10, no. 1 (2022), doi:10.1080/23322039.2022.2060551.

⁷ Mahmoud and Iqbal, Zamir and Rostom, Ahmed and Fu, Xiaochen, The Role of Islamic Finance in Enhancing Financial Inclusion in Organization of Islamic Cooperation (OIC) Countries, *Islamic Economic Studies*, Vol. 20, No. 2, 2015: 55-115

⁸ Daud Mustafa, Abubakar Jamilu Baita, and Aminu Yusuf Usman. "Impact Analysis of Islamic Finance on Financial Inclusion and Economic Growth in Selected Muslim Countries: Lessons for Nigeria". *International Journal of*

The development of Islamic financial inclusion in Indonesia has exhibited fluctuating dynamics over the past decade. After declining from 11.1% in 2016 to 9.1% in 2019,⁹ Islamic financial inclusion index has risen again, reaching 13.41% in 2025.¹⁰ Despite the upward trend, this achievement still lags far behind the national financial inclusion index, which reached 80.51% in the same year.¹¹ Similar disparities are also evident in Islamic banking sector, where the inclusion index declined from 9.61% in 2016¹² to 5.87% in 2022 and then slightly improved to 8.7% in 2024.¹³ This condition indicates that the growth in access to Islamic financial services does not correlate with the government's financial inclusion targets established in the RPJMN, namely 91% in 2025, 93% in 2029, and 98% in 2045.¹⁴ The disparity is paradoxical, considering that more than 89% of Indonesian population is Muslim.¹⁵ The low participation of Muslim community in Islamic banking services indicates the presence of structural barriers—both in terms of literacy, perceptions, and product availability—that hinder the full potential of Islamic finance.

Indonesian level of Islamic financial inclusion further remains in the lower-middle category compared to other Muslim-majority countries in Southeast Asia. Global Islamic Finance Report (2018–2022) further stated that the global Islamic financial inclusion index consistently increased from 0.27 in 2018 to 0.42 in 2022, but disparities between countries remained striking. Malaysia recorded the highest index at 0.68, followed by Brunei Darussalam at 0.52, Indonesia at 0.41, and Pakistan at 0.33.¹⁶ This disparity indicates that, despite increasing global Islamic financial inclusion, Indonesia has not fully tapped the potential of Islamic financial market. Countries such as Malaysia have achieved higher levels of inclusion thanks to strong regulatory support, digital innovation

Economics, Management and Accounting 26, no. 2 (December 28, 2018): 393–414. <https://doi.org/10.31436/ijema.v26i2.512>

⁹ Robby Tito Dermawan, Nunuk Triwahyuningtyas, and Agus Kusmana, “Implementasi Pengukuran Indeks Inklusi Keuangan Perbankan Syariah Di Indonesia,” in *Prosiding BIEMA (Business Management, Economic, and Accounting National Seminar)*, vol. 1, 2020, 1391–1406.

¹⁰ OJK, “Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2025” (Jakarta, 2025).

¹¹ OJK.

¹² BI, “Laporan Ekonomi & Keuangan Syariah 2021.”

¹³ Indri Faadilah and Aldianto Ilham, “Prospek Pengembangan Perbankan Syariah Di Indonesia Dalam Era Digital,” *Jurnal Kajian Dan Pengembangan Umat* 7, no. 1 (2024): 20–29, <https://doi.org/10.31869/jkpu.v7i1.5337>; Ichsan Hamidi et al., “Islamic Financial Inclusion and Economic Growth: Empirical Evidence from Indonesia,” *Indonesian Interdisciplinary Journal of Sharia Economics (IJJSE)* 8, no. 1 (2025): 2887–2902, <https://doi.org/10.31538/ijse.v8i2.6069>; OJK&BPS, “Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2024” (Jakarta, 2024)

¹⁴ Haryo Limanseto, “Percepatan Implementasi Inklusi Keuangan Di Indonesia (Siaran Pers HM.02.04/151/SET.M.EKON.3/05/2025),” www.ekon.go.id, 2025.

¹⁵ BPS, “Jumlah Penduduk Menurut Agama” (Jakarta, 2024).

¹⁶ Abayomi A. Alawode, “Malaysia - Islamic Finance and Financial Inclusion” (Malaysia, 2020), <https://documents1.worldbank.org/curated/en/834381601013056532/pdf/Malaysia-Islamic-Finance-and-Financial-Inclusion.pdf>.

in Islamic financial services, and integration between the banking sector and Islamic social institutions, including zakat and waqf. Indonesian low index further reflects limited Islamic financial literacy, product penetration, and cross-institutional policy coordination in expanding access to Islamic finance.

Several previous studies have examined various branchless banking models in the context of Islamic finance in Indonesia, but most have focused on micro-institutions, cooperatives, or communities with limited connections to national financial inclusion policies. For example, Santoso and Ahmad emphasize the potential of Islamic microfinance institutions and cooperatives as branchless banking models suited to the characteristics of Indonesian Muslim communities.¹⁷ Yudiana proposes a model based on local wisdom that includes community leaders and traditional institutions such as Islamic boarding schools (*pesantren*) and village cooperatives as hubs for the distribution of financial services.¹⁸ Ma'rifah's study examines branchless banking practices in Islamic boarding schools (*pesantren*), but these institutions are still affiliated with conventional banks, suboptimal implementation of Sharia principles.¹⁹ On the other hand, Holle et al. showed the potential of mosques as centers of community economic activity through the management of *Bayt al-Māl*, Zakat Institutions (LAZ), and mosque cooperatives, which have implemented social financial functions such as *qardh ḥasan* (charity) and grants (grant) without direct participation from the formal banking sector.²⁰ Although various previous studies have contributed to the development of the concept of Islamic finance, these publications primarily focused on institutional models such as cooperatives, Islamic microfinance institutions, Islamic boarding schools (*pesantren*), or mosques as social entities performing informal financial functions. However, no strategic partners in Islamic financial inclusion policies integrated with the national banking system. No analysis has examined branchless banking policy initiated by OJK and Bank Indonesia, effectively implemented through the role of mosques in bridging the gap in financial access for the community. Furthermore, no study has specifically examined how branchless banking policy initiated by OJK and Bank Indonesia can be effectively implemented through the role of mosques in bridging the gap in financial access for the community.

¹⁷ Bedjo Santoso and Khaliq Ahmad, "Islamic Microfinance Branchless Banking Model in Indonesia," *Intellectual Discourse* 24 (2016): 409–33.

¹⁸ Fetria Eka Yudiana, "Modifikasi Branchless Banking Pada Perbankan Syariah Di Indonesia Berdasarkan Kearifan Lokal," *Muqtasid: Jurnal Ekonomi Dan Perbankan Syariah* 9, no. 1 (2018): 14–28, <https://doi.org/10.18326/muqtasid.v9i1.14-28>.

¹⁹ Selah Nurul Ma'rifah, "Optimalisasi Laku Pandai Berbasis Pondok Pesantren Dalam Mengembangkan Inklusi Keuangan Syariah," in *Indonesian Proceedings and Annual Conference of Islamic Law And Sharia Economic (IPACILSE)*, vol. 1 (Lirboyo: Universitas Islam Tribakti Lirboyo Kediri, 2023), 157–64.

²⁰ Mohammad H Holle et al., "The Relevance of Mosque Financial Inclusion and Economic Sustainability," *El-Qist: Journal of Islamic Economics and Business (JIEB)* 13, no. 2 (2023): 178–89, <https://doi.org/10.15642/elqist.2023.13.2.178-189>.

This study fills the gap and develops previous publications with a different focus by examining the opportunities and challenges of implementing BSI Smart Branchless Banking policy based on mosques. The analysis emphasizes three main schemes, namely (1) discussing the implementation of BSI Smart Branchless Banking based on mosques as a breakthrough for BSI, (2) analyzing the effectiveness of its implementation using the theory of policy and program implementation, and (3) explaining the opportunities and challenges. This study is expected to contribute to the development of branchless banking policy based on mosques to increase more effective Sharia Financial inclusion in the future.

2. Methods

This study used a qualitative method that examined the implementation of BSI Smart Branchless Banking policy based on mosques. It was conducted in several mosques that were BSI Smart agents in Sleman, Yogyakarta, Bromo, East Java, and mosques in Semarang area. Primary data sources were BSI managers and employees, BSI Smart agent managers, mosque managers, customers, congregations, and the community around the mosque. Data collection methods used interviews and questionnaires. Interviews were conducted with informants selected purposively, developed with snowball sampling based on certain criteria, based on the study objectives, to obtain in-depth and exploratory data and information. Questionnaires were also used to complete data collection using online media, where the number of respondents in rural areas was 100, and in urban areas was 100, selected randomly. The analysis technique further used an Interactive Model, with this cycle carried out with an unbroken cycle. Activities began with data collection, presentation, and then reduction to sort data to suit the needs of the analysis and relevance to the study objectives while the last stage was the conclusion.²¹

3. Results and Discussion

3.1. Mosque-Based Branchless Banking: A Breakthrough by Bank Syariah Indonesia

In Indonesia, Branchless banking was initiated by Bank Indonesia in 2013 based on Bank Indonesia Regulation Number 16/18/PBI/2014 concerning Amendments to Bank Indonesia Regulation Number 11/12/PBI/2009 concerning Electronic Money. Branchless banking was called Digital Financial Services (LKD).²² In 2014, OJK also issued

²¹ Sugiyono, *Metode Penelitian Kualitatif, Kuantitatif, Dan R&D* (Bandung: Alfabeta, 2018), 20.

²² Khanan Khanan and Pujiyono Pujiyono, "Aspek Yuridis Keberadaan Agen Dalam Model Branchless Banking Di Sistem Perbankan Indonesia," *Privat Law* 4, no. 1 (2016): 13–20; Lis Sintha, "Branchless Banking as a Disruptive

branchless banking program based on OJK Regulation Number 19/POJK.03/2014 and OJK Circular Letter Number 6/SEOJK.03/2015 concerning Branchless Financial Services in the Framework of Inclusive Finance, or abbreviated as Laku Pandai.²³ OJK Regulation Number 19/POJK.03/2014 was revoked by OJK Regulation Number 1/POJK.03/2022.

According to OJK Regulation Number 1 /Pojk.03/2022, Laku Pandai was an activity of providing banking services and other financial services that were carried out not through an office network (branchless banking), but the cooperation with other parties called Laku Pandai agents and supported by the use of information technology facilities. Laku Pandai agents were parties who cooperated with Laku Pandai organizing banks and became an extension of the bank in providing banking services to the community, as agreed to realize inclusive finance.²⁴

BSI supported the development of branchless banking program since October 2021 under the name. BSI Smart was a Laku Pandai agent of BSI that helped the community, specifically the unbankable, to carry out sharia banking financial transactions to meet the people's needs.²⁵ The vision of BSI Smart agents was aimed at benefiting the community by working professionally. The mission of BSI Smart agents was also to provide sharia banking services to the community and customers, specifically for people who have not enjoyed sharia banking services, create creative, innovative, and professional agents, and to improve welfare from the results of business as BSI Smart agents.²⁶

As a breakthrough to develop branchless banking and strengthen the sharia economic ecosystem, BSI collaborated with Indonesian Mosque Council to make mosques BSI Smart Laku Pandai agents.²⁷ Laku Pandai BSI Smart, based on mosques, aimed to enable mosques to perform the function of Sharia financial inclusion for the congregation and the community around the mosque. Additionally, mosques could gain profit from the financial transactions carried out with the presence of BSI Smart agents. Every transaction carried out in a mosque that already had BSI Smart services automatically made the

Innovation in Indonesia,” in *2nd Annual Conference on Blended Learning, Educational Technology and Innovation (ACBLETI 2020)* (Atlantis Press, 2021), 380–85, <https://doi.org/10.2991/assehr.k.210615.074>.

²³ Prani Sastiono and Chaikal Nuryakin, “Inklusi Keuangan Melalui Program Layanan Keuangan Digital Dan Laku Pandai,” *Jurnal Ekonomi Dan Pembangunan Indonesia* 19, no. 2 (2019): 7, <https://doi.org/10.21002/jepi.2019.15>; Nur Dyah Nastiti and Rahmatina Awaliah Kasri, “The Role of Banking Regulation in the Development of Islamic Banking Financing in Indonesia,” *International Journal of Islamic and Middle Eastern Finance and Management* 12, no. 5 (2019): 643–62, <https://doi.org/10.1108/IMEFM-10-2018-0365>.

²⁴ Rifki Nurcahyani, “Pengaruh Inklusi Keuangan, Literasi Keuangan Dan Kepercayaan Terhadap Keberlanjutan Laku Pandai Perbankan” (Universitas Islam Indonesia, 2025).

²⁵ Kharis Fadlullah Hana and Bagus Sirot Mustaqim, “Branchless Banking: Service Innovation Through Additive Models and Transformational Models at Bank Syariah Indonesia,” *Wealth: Journal of Islamic Banking and Finance* 2, no. 1 (2023): 13–28, <https://doi.org/10.24090/wealth.v2i1.7694>.

²⁶ Dokumen Bank Syariah Indonesia, 2022

²⁷ Admin, “Bank Syariah Indonesia Berikan Total Solution Ekosistem Masjid,” <https://bsimaslahat.or.id/>, 2023.

mosque get income through freebase, and not only from *zakat* and *infak*.²⁸ The congregation and the community around the mosque conducted financial transactions through BSI Smart, including cash withdrawals and deposits, transfers between BSI accounts and other banks, payment of electricity bills, BPJS, purchase of quotas, credit, and others, without having to come to BSI Office.²⁹

Cash withdrawal and deposit transaction activities, transfers between BSI accounts and other banks, payment of electricity bills, and BPJS used *wakalah bil ujarah* contract between the community and BSI Smart Laku Pandai party for Laku Pandai party to obtain *ujrah*/fee from the transaction activities in accordance with the provisions of the DSN-MUI Fatwa Number 113/DSN-MUI/IX/2017 concerning *Wakalah bil Ujarah* Contract. Although quota and credit purchase transactions used the *murabahah* contract for Laku Pandai party to obtain a margin from the community in accordance with the provisions of DSN-MUI Fatwa Number 04/DSN-MUI/IV/2000 concerning *Murabahah*.

Requirements to become a Laku Pandai agent according to OJK Regulation Number 1/Pojk.03/2022 concerning Officeless Financial Services in the Framework of Inclusive Finance, included the following: (1) Being an Indonesian legal entity, (2) having a good reputation, credibility, and performance, (3) being able to carry out liquidity management as required by the Bank, (4) having human resources who have the technical capabilities to support the implementation of Laku Pandai, and (5) having adequate information technology to support the implementation of Laku Pandai. Based on these regulations, Mosques that became BSI Smart Laku Pandai agents should have a legal entity in the form of a foundation. For example, the Grand and Jami Mosques were spread in Indonesia and have a Legal Entity in the form of a Foundation.³⁰

The requirements that should be met by a mosque to become a BSI Smart agent were not entirely in accordance with the requirements stated in OJK Regulation. The criteria included (1) having an Indonesian legal entity in the form of a foundation, (2) having human resources with technical capabilities to support the implementation of Laku Pandai, and (3) having information technology to support the implementation of Laku Pandai. The difference in these requirements was a breakthrough by BSI for the development of Laku Pandai to increase sharia financial inclusion through mosques. The process to become BSI Smart agent for mosques had two models, namely through appointment and submission or application.³¹

²⁸ INF 01 and 02, Personal Interview, 14 Januari 2025.

²⁹ INF 01 and 02, Personal Interview, 14 Januari 2025.

³⁰ Agus Riyanto and Seftia Azrianti, "Pengaturan Dan Pemilihan Badan Hukum Yang Tepat Untuk Mengelola Masjid Sebagai Tempat Ibadah," *PETITA* 4, no. 2 (2022): 203–17, <https://doi.org/10.33373/pta.v4i2.4972>.

³¹ INF 01 and 02, Personal Interview, 14 Januari 2025

Mosques appointed as BSI Smart agents by BSI were spread across various regions in Indonesia. For example, there were 50 mosques appointed as BSI Smart agents in 2021 in Banda Aceh Province.³² In Central Java and the Special Region of Yogyakarta, there were 50 mosques, and in 2022, in Central Java and the Special Region of Yogyakarta, the target was for 500 mosques to become BSI Smart agents.³³

The process of becoming BSI Smart agent based on mosque through appointment included (1) an appointment from BSI, (2) signing a cooperation agreement, (3) registration, and opening an account at BSI with a minimum balance of IDR 2,500,000 per outlet. Registration and account opening were facilitated by BSI, and (4) training for BSI Smart agent managers by BSI, to direct the tasks that must be carried out. Others included (5) getting a starter kit that could be used while carrying out the duties such as Branch agent marker banner, Agent appointment letter, Starter kit map, BSI Smart book, Smart Savings Flyer, Transaction recording book, Smart Savings account opening application, BSI Smart Video, and BSI Smart APK (Android Package Kit) Application, (6) getting a guide module and brochure to help understand agent product knowledge, (7) download BSI Smart Application, and (8) install BSI Smart agent banner and other devices according to the instructions from BSI Branch Office.³⁴

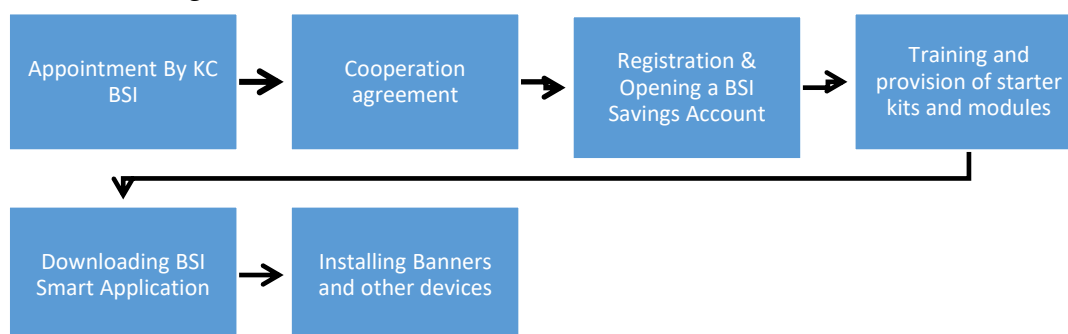


Figure 1: BSI Smart Mosque-Based Agent Appointment Process

The process of becoming an agent through submission/application included the following (1) submitting an application to become BSI Smart agent to BSI Branch Office, (2) filling out the registration form, (3) Verification of files & location survey by Officers from BSI Branch Office, (4) sending a letter of approval of eligibility or ineligibility from BSI Branch Office, and (5) when declared eligible, then sign a cooperation agreement. Others included (6) Register and open an account with a minimum balance of IDR 2,500,000 per outlet, (7) training, (8) get a starter kit that could be used while carrying out the duties such as Branch agent marker banner, Agent appointment letter, Starter kit map, BSI Smart book, Smart Savings Flyer, Transaction recording book, Smart Savings

³² Muhrain, "BSI- DI Launching Digitalisasi Ekosistem Masjid Di Provinsi Aceh," <https://acehmonitor.com/>, 2021.

³³ Wulan Yanuarwati, "Mudahkan Transaksi Jamaah, BSI Smart Serentak Launching Di 50 Masjid," <https://www.krjogja.com/>, 2021.

³⁴ Dokumen Bank Syariah Indonesia, 2022.

account opening application, BSI Smart Video, and BSI Smart APK (Android Package Kit) Application, (9) get a guide module and brochure to help understand agent product knowledge, (10) download BSI Smart Application, and (11) installing BSI Smart agent banners and other devices in accordance with instructions from BSI Branch Office.³⁵

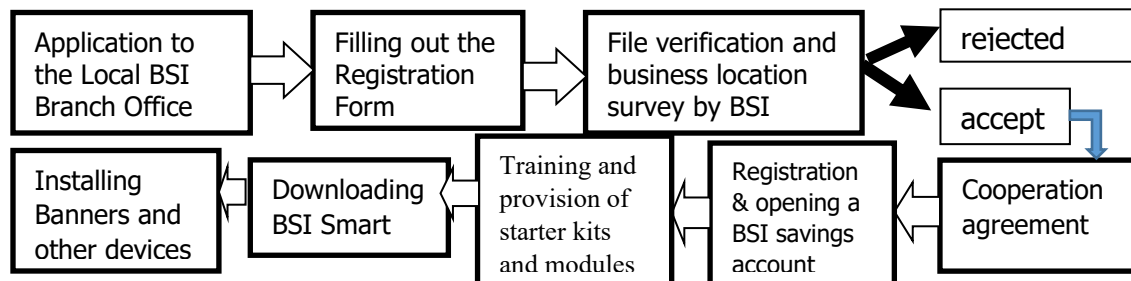


Figure 2: BSI Smart Mosque-Based Agent Submission Process through Application

Based on Figures 1 and 2, the difference between the appointment and application models was that in the initial process, until it was declared eligible and/or ineligible by BSI Branch Office, but for the next process, there was no difference between the appointment and application. The cooperation agreement between BSI and the agent was in the form of a partnership, which regulated the profit-sharing agreement.³⁶ The concept of partnership was profit fee from each transaction carried out using *wakalah bil ujah* contract.³⁷ *Wakalah bil ujah* served as a representative agreement that included the provision of wages or compensation to the representative (deputy) of *muwakkil* (grantor of power of attorney) for work carried out.³⁸ *Wakalah bil ujah* contract could increase transparency and trust in business transactions by requiring the representative to report all the activities to *muwakkil* and build a mutually beneficial relationship.³⁹ This concept was rooted in Sharia principles, where a person delegated another person to carry out legal actions with certain conditions and the provision of wages for services performed.⁴⁰

³⁵ Dokumen Bank Syariah Indonesia, 2022.

³⁶ SH Pamungkas, Mu'adil Faizin, and SA Ukkasah, "Integrating Maqasid Al-Shariah into Legal Policies for Hybrid Working: Enhancing Flexibility and Protecting Employee Rights in Indonesia.," *Manchester Journal of Transnational Islamic Law & Practice*, 2024 20, no. 3 (2024).

³⁷ INF 01 and 02, Personal Interview, 14 Januari 2025. Yudian, Inge. *Analisis Pelayanan Laku Pandai Bsi Agen Pada Agen Di Cirebon*. Diss. S1-Perbankan Syariah UIN SSC, 2024. <https://repository.syekhnuurjati.ac.id/14921>. Lupita, Maristiya Cahya. *Manifestasi Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif (Laku Pandai) BSI SMART di Wilayah Kudus*. Diss. IAIN KUDUS, 2023.

³⁸ Nurlailiyah Aidatus Sholihah, Fikry Ramadhan Suhendar, and Caswati Caswati, "Akad Wakalah Bil Ujroh Sebagai Solusi Transaksi Bisnis Di Era Digital," in *International Conference on Islamic Economic (ICIE)*, vol. 2, 2023, 272–86, <https://doi.org/10.58223/icie.v2i2.266>.

³⁹ Iwan Permana and Uus Putra, "Implementation of Akad Al-Wakalah in Economic Transactions in Sharia Financial Institutions," *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah* 6, no. 2 (2022): 201–13, <https://doi.org/10.29313/amwaluna.v6i2.8462>.

⁴⁰ Muhammad Yunus, Muhamad Maulana Darsono, and Mohamad Anton Athoillah, "Wakalah Bil Ujah Agreement in Compilation of Sharia Economic Law, DSN-MUI Fatwa and Qanun," *Al-Afkar, Journal For Islamic Studies* 6, no. 3 (2023): 389–99, <https://doi.org/10.31943/afkarjournal.v6i3.800>.

The products offered in BSI Smart mosque-based service included (1) smart *wadi'ah* savings. The savings used in Laku Pintar program were with BSA (Basic Savings Account) type. The contract used was *wadiah* contract, where the use was not subject to administration fees. The requirements for BSA savings according to OJK Regulation Number 1/POJK.03/2022 were not subject to monthly administration fees, and there were no fees for opening or closing an account with an initial deposit of five thousand rupiah (Rp.5000). (2) *Haji*, *qurban*, and *umrah* savings using the *wadiah yad dhamanah* contract, (3) cash deposit services, cash withdrawals, transfers between smart savings, transfers from smart savings to regular savings from BSI and transfers between banks using *wakalah bil ujarah* contract, (4) Payment Point Online Bank was an online payment system that used banking facilities, such as payment of PLN, TELKOM, PDAM bills, BPJS postpaid credit, motorbike installments using *wakalah bil ujarah* contract, and purchase of prepaid credit, quota, and electricity tokens using *murabahah* contract.⁴¹

The service showed that the bank had given the agent the authority to open an account for customers who want to make financial transactions without going through the bank's office network. However, the agent was still obliged to submit customer data to BSI Branch Office, in the same area as BSI Smart agent.⁴² This implied that agents acted as an extension of BSI and were obliged to provide all reports on the activities, including customer data.

3.2. How effective was it in improving Inclusive Islamic Finance?

Presidential Regulation Number 114 of 2020 concerning the National Strategy for Inclusive Finance explained that inclusive finance was a condition when the community had access to various quality formal financial products and services in a timely, smooth, and safe manner at affordable costs according to the needs and abilities to improve community welfare. BSI Smart Branchless Banking based on mosques was one of the programs aimed at improving inclusive Sharia finance. However, this program does not have a significant impact on the inclusive Sharia finance index, including Sharia banking. The inclusive Sharia finance index in Indonesia, in 2016, was 11.1% and then decreased in 2019 to 9.1%.⁴³ In 2022, the inclusive Islamic financial index would increase to 12.12% and in 2024 would be 12.88%.⁴⁴ In 2025, the inclusive Islamic financial index increased to 13.41%.⁴⁵ Meanwhile, the inclusive Islamic banking index in 2016 was 9.61%, and in

⁴¹ INF 01 and 02, Personal Interview, 14 Januari 2025. INF 03 and 04, Personal Interview, 6 Januari 2025

⁴² INF 01 and 02, Personal Interview, 14 Januari 2025. INF 03 and 04, Personal Interview, 6 Januari 2025

⁴³ Dermawan, Triwahyuningtyas, and Kusmana, "Implementasi Pengukuran Indeks Inklusi Keuangan Perbankan Syariah Di Indonesia."

⁴⁴ OJK&BPS, "Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2024" (Jakarta, 2024).

⁴⁵ OJK, "Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2025."

2019 it became 7.16%.⁴⁶ In 2022, the inclusive Islamic banking index reached 5.87% and in 2024 it increased to 8.7%.⁴⁷

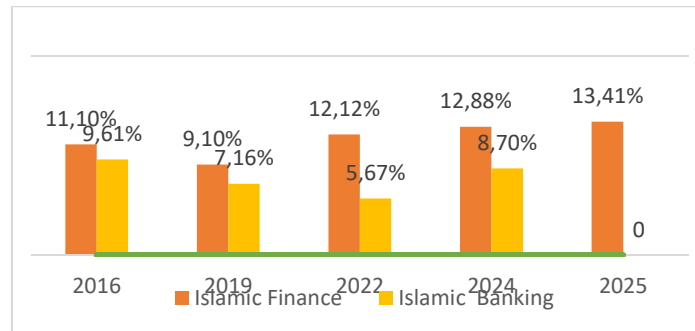


Figure 3: Sharia inclusion index in Indonesia

The data in Figure 3 showed that there was an increase in the inclusive Islamic financial index, where in 2025 it was the highest compared to the previous year, which was 13.41%. Meanwhile, the inclusive Islamic banking index was the highest in 2016, which was 9.61% and the data for 2025 had not been filled in because there was no information. This figure was still far behind the National inclusive financial index, which reached 75.02% in 2024 and 80.51% in 2025.⁴⁸ Including the inclusive financial target set by the government, namely 91% in 2025, 93% in 2029, and 98% in 2045.⁴⁹ This implied that when measured using these data, BSI Smart Branchless Banking program was not effective in increasing inclusive Islamic finance, including Islamic banking, because it had not been in accordance with the expected objectives.

Theoretically, policies and programs were called effective when the output produced met the expected objectives. Effectiveness described the entire cycle of input, process, and output that referred to the results of a policy, program, or activity achieved in accordance with previously determined objectives.⁵⁰ The effectiveness of BSI Smart Branchless Banking program based on mosques was analyzed by adopting a problem-solving method, which was a collaboration of the theories of Edwards (1984) and Metter and Horn (1975), including the objectives of policies and programs, resources, communication, policy implementers, and socio-economic conditions.⁵¹

⁴⁶ BI, "Laporan Ekonomi & Keuangan Syariah 2021."

⁴⁷ Faadilah and Ilham, "Prospek Pengembangan Perbankan Syariah Di Indonesia Dalam Era Digital"; Hamidi et al., "Islamic Financial Inclusion and Economic Growth: Empirical Evidence from Indonesia."

⁴⁸ OJK, "Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2025."

⁴⁹ Limanseto, "Percepatan Implementasi Inklusi Keuangan Di Indonesia (Siaran Pers HM.02.04/151/SET.M.EKON.3/05/2025)."

⁵⁰ Yanti Fatmariyanti and Anis Fauzi, "Public Policy By William Dunn: Analysis and Implementation," *Journal of Humanities and Social Studies* 1, no. 1 (2023): 1–9; Erik Sundqvist, Fredrik Backlund, and Diana Chroner, "What Is Project Efficiency and Effectiveness?," *Procedia-Social and Behavioral Sciences* 119 (2014): 278–87, <https://doi.org/10.1016/j.sbspro.2014.03.032>.

⁵¹ Helga Pölzl and Oliver Treib, "Implementing Public Policy," in *Handbook of Public Policy Analysis* (New York: Routledge, 2007), 115–34, <https://doi.org/10.4324/9781315093192>; Y. Gede Sutmasa, "Memastikan Efektivitas

3.2.1. Policy Objectives and Targets

BSI Smart Branchless Banking policy and program were legalized by OJK Regulation Number 19/POJK.03/2014 and Number 1/POJK.03/2022. The policy and program were motivated by the problem that many people still do not know, use, or obtain banking and other financial services. This was caused by the location of residence being far from the bank office or the existence of costs and requirements that burden customers to obtain banking and other financial services.⁵² According to Bank Indonesian analysis (2017), several factors caused people to become unbanked, both from the supply side (service providers) and demand (society), namely price barriers (expensive), information barriers (not knowing), design product barriers (product design), and channel barriers (appropriate facilities).⁵³ The problem led the Indonesian government to launch the National Strategy for Inclusive Finance (SNKI) program in June 2012, one of which was branchless banking. Additionally, OJK, the banking industry, and other financial services industries were also committed to supporting the realization of inclusive finance.⁵⁴

The objectives of Branchless Banking services included (1) providing simple, easy-to-understand financial products that met the needs of people who have not been able to access financial services, (2) increasing the use of banking services, and (3) facilitating economic activities to motivate economic growth and equitable development between regions in Indonesia.⁵⁵ Branchless banking provided financial products customized to the needs of people in remote and low-income areas, with simple characteristics that were easier to understand and ease in processing application documents from prospective customers.⁵⁶

Based on the objectives, the target of branchless banking policy should be the unbanked and underbanked community who were far from bank offices in remote areas and low-income areas. The target or target of the policy and program was to achieve the objectives that were set and aimed at the right party, namely the target

Implementasi Kebijakan Publik,” *Jurnal Ilmiah Cakrawarti* 4, no. 1 (2021): 25–36; Joko Widodo, *Analisis Kebijakan Publik: Konsep Dan Aplikasi Analisis Proses Kebijakan Publik* (Malang: Media Nusa Creative (MNC Publishing), 2021); Rolifola Cahya Hartawan and Fitriyani Kosasih, “Implementation of the van Meter and van Horn Zoning System Policies Model,” *International Journal Of Humanities Education and Social Sciences* 2, no. 4 (2023), <https://doi.org/10.55227/ijhess.v2i4.373>.

⁵² OJK, “Layanan Keuangan Tanpa Kantor Dalam Rangka Keuangan Inklusif (Laku Pandai)” (Jakarta, 2015).

⁵³ Sintha, “Branchless Banking as a Disruptive Innovation in Indonesia.”

⁵⁴ Usanto Usanto, “Rancang Bangun Sistem Informasi Layanan Keuangan Tanpa Kantor Dalam Rangka Keuangan Inklusif,” *JRIS: Jurnal Rekayasa Informasi Swadharma* 1, no. 2 (2021): 60–66, <https://doi.org/10.56486/jris.vol1no2.151>.

⁵⁵ OJK, “Layanan Keuangan Tanpa Kantor Dalam Rangka Keuangan Inklusif (Laku Pandai).”

⁵⁶ Adhitya Ginanjar, “Strategi Kolaborasi Branchless Bank Syariah Di Tengah Persaingan Dan Perubahan Teknologi,” *Taubidinomics: Journal of Islamic Banking and Economics* 1, no. 2 (2015), <https://doi.org/10.15408/thd.v1i2.8436>; Sintha, “Branchless Banking as a Disruptive Innovation in Indonesia.”

whose problems were to be solved or benefited by the policy.⁵⁷ This implied that the policies and programs were effective because they successfully targeted the right problems or groups to achieve the desired objectives. Therefore, the target of BSI Smart Branchless Banking program should be to provide financial products that were in accordance with the needs of people who were not able to access financial services (unbanked and underbanked) in remote and low-income areas with simple characteristics to become more understandable.

However, BSI Smart program implemented in mosques had not been in accordance with the target, because most of the mosques appointed as BSI Smart agents were large mosques located in big cities, close to banking offices and most of the congregation and the community around the mosque were those who already understood and were able to access financial services. For example, Babuttaqwa and Oman Al Makmur Mosques in Banda Aceh, Baiturrahman Mosque in Makassar City, Nurul Falaq Grand Mosque in Labuan Bajo, and Grand Mosque of Central Java. Several mosques were located in rural areas that were far from financial services, including BSI Penanjakan Mosque in Bromo, Wonokitri Village, and Al Amin Merapi Mosque in Yogyakarta. Penanjakan Mosque in Bromo and Al Amin Mosque were appointed as BSI Smart agents by BSI to provide services to tourists visiting Bromo and Merapi. Therefore, it was not effective as there was no target.

3.2.2. Resources

Every policy must be supported by adequate resources, both human and financial. Although the policy was clear, the implementation of the policy would not be effective when the resources to implement the policy were inadequate.⁵⁸ Resources in this case included (1) Human Resources related to quality and quantity. The quality of human resources was related to skills, dedication, professionalism, and competence while quantity was related to the number of human resources sufficient to cover all target groups, (2) The budget was related to the adequacy of capital or investment for a program or policy to achieve objectives, and (3) adequate facilities and infrastructure to support policies and programs.⁵⁹ Supporting facilities or infrastructure could be in the form of adequate equipment, information technology, and others. To fulfill this objective, what was not there must be completely new, what was damaged or wrong

⁵⁷ Rick Anderson, "The Target Group of Policy," *Local Government Studies* 51, no. 3 (2025): 500–523, <https://doi.org/10.1080/03003930.2024.2406267>.

⁵⁸ Peter Knoepfel, *Public Policy Resources* (Bristol, UK: Policy Press, 2018), <https://doi.org/10.56687/9781447345060>.

⁵⁹ William N Dunn, *Public Policy Analysis: An Integrated Approach* (New York: Routledge, 2015), <https://doi.org/10.4324/9781315181226>.

must be repaired or fixed, what was lacking must be added, what was stuck must be smoothed, and what was backward or declining must be improved.⁶⁰

Human Resources as supporters in the implementation of BSI Smart program included officers appointed by Branch Manager of BSI Branch Office to receive BSI Smart agent registration and BSI Smart agent managers appointed by Mosque Management. BSI Smart Agent Managers have received training to operate BSI Smart facilities and service products from the local BSI Branch Office. BSI Smart agent managers, specifically in rural areas, were less skilled and competent in operating information technology and did not understand BSI Smart agent service products, even though they had received training from BSI Branch Office. Based on information from Mosque Management in the rural area, the person appointed to manage BSI Smart agent was Tarmir Masjid, considering that the house was close to the mosque.⁶¹ However, it did not consider age, education, and mastery of information technology, making the process inadequate from a Human Resources perspective.

In terms of budget, it was sufficient and adequate for the sustainability of the program because the designated mosques were mostly located in urban areas with established and adequate Mosque Management. Mosques in designated rural areas were given initial capital through an account of IDR 2,500,000 (two million five hundred thousand rupiah) by BSI Branch Office. However, what had hampered the program was the slow response of BSI when there were obstacles related to facilities. For example, poor internet and damage to devices were often experienced by BSI Agents in areas distant from BSI Branch Office. Inadequate infrastructure led to BSI Smart agents often closing and not serving consumers.⁶²

3.2.3. Communication

Policies and programs could be implemented well when there was effective communication between the implementers and the target group.⁶³ Communication in policy implementation included several dimensions, namely transformation, clarity of information, and consistency of information. The transformation dimension required that information be not only conveyed to policy implementers, but also to target groups and other related parties. The clarity dimension required that the information conveyed was clear and easy to understand to avoid misinterpretation by policy implementers. The

⁶⁰ Soerjono Soekanto, *Legal Effectiveness and Role of Sanctions* (Bandung: Remadja karya, 2019); Catherine Bochel and Hugh Bochel, *Making and Implementing Public Policy: Key Concepts and Issues* (London: Bloomsbury Publishing, 2017).

⁶¹ INF 04, Personal Interview, November 2, 2024

⁶² INF 03, Personal Interview, September 2, 2024

⁶³ Bob Hudson, David Hunter, and Stephen Peckham, "Policy Failure and the Policy-Implementation Gap: Can Policy Support Programs Help?," *Policy Design and Practice* 2, no. 1 (2019): 1–14, <https://doi.org/10.1080/25741292.2018.1540378>.

consistency dimension required that the information conveyed was consistent, not to cause confusion in policy implementers.⁶⁴

Communication between BSI and Mosque managers as BSI Smart agents was carried out in stages, namely the first stage, inviting Mosque managers who would be appointed as BSI Smart agents. For example, in 2021 the Head of BSI Office for the Central Java Region and the Special Region of Yogyakarta invited 50 Mosque managers to obtain information about BSI Smart's inclusive financial policies and branchless banking. In the second stage, communication was carried out after the signing of the Memorandum of Understanding with the Mosque Council and registration by BSI Smart agent manager. At this stage, communication was carried out to provide technical information on the management of BSI Smart.⁶⁵ However, communication was not carried out with BSI Smart target group, namely the congregation and the community around the mosque, making the target group less aware of BSI Smart Branchless Banking program. A survey was conducted among the mosque congregation and the surrounding community, including 100 respondents from rural areas and 100 from urban areas, to assess the knowledge and understanding of BSI Smart services.

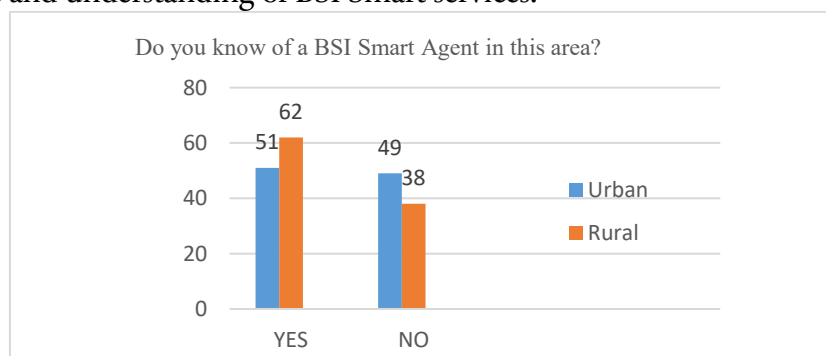


Figure 4. Knowledge about BSI Smart

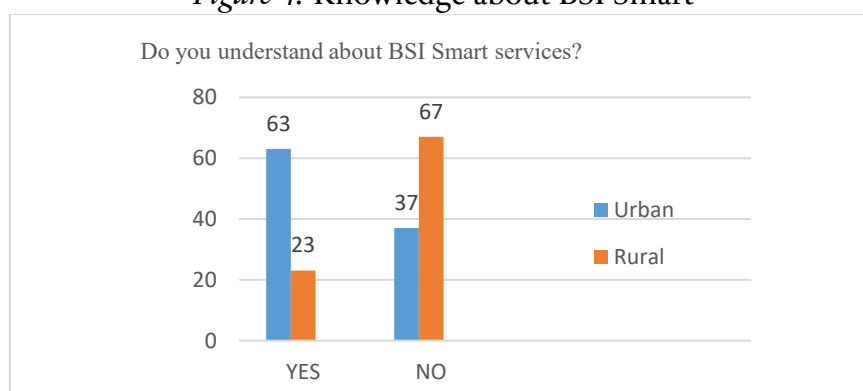


Figure 5. Understanding BSI Smart Agent Services

⁶⁴ Charles F Manski, "Communicating Uncertainty in Policy Analysis," *Proceedings of the National Academy of Sciences* 116, no. 16 (2019): 7634–41, <https://doi.org/10.1073/pnas.1722389115>; John Grin and Henk Van de Graaf, "Implementation as Communicative Action: An Interpretive Understanding of Interactions between Policy Actors and Target Groups," *Policy Sciences* 29, no. 4 (1996): 291–319, <https://doi.org/10.1007/BF00138406>.

⁶⁵ INF 01 and Inf 02 Personal Interview, October, 3, 2024

Data from Figures 4 and 5 showed that the 51 people in urban communities around the mosque who were aware of BSI Smart services were lower than the 62 recorded in rural communities. Those unaware of the services numbered 49 in urban areas and 38 in rural areas. According to information from the informants, rural residents learned about BSI Smart agents not through the Mosque Management or the Mosque Council, but through neighbours who frequently gathered at the mosque, in contrast to urban areas. In urban communities, awareness of BSI Smart agents was limited mainly to regular congregants.⁶⁶ Because of the close-knit nature of rural communities, new information tended to spread quickly. The level of understanding of BSI Smart agent services in rural areas was the opposite of what was observed in urban areas. In rural communities, only 23 respondents understood the services, while 67 did not. In contrast, in urban areas, 63 understood the services, and 37 did not. This disparity in knowledge and understanding occurred because there had been no effective communication about BSI Smart services in rural areas.

3.2.4. Policy Implementers

Policy implementers played a critical role in determining the effectiveness of policy execution.⁶⁷ Effective implementation required that these actors possessed a clear understanding of the policy, demonstrated commitment, and upheld integrity, ensuring that their actions aligned with the established policy goals, programs, duties, authorities, functions, and responsibilities.⁶⁸ The implementers engaged in BSI Smart policy and program included the Head of BSI Branch Office, who served as the regional lead, branch office employees, the Mosque Management Board, which acted as the supervisory body for BSI Smart agents, and BSI Smart agent managers. Each actor had specific roles and responsibilities in carrying out BSI Smart policy in accordance with its predetermined objectives. The collective commitment and integrity were essential to achieving the intended program outcomes.⁶⁹

The implementation of BSI Smart Branchless Banking program generally reflected an appropriate level of integrity and commitment in the limits of each actor's assigned duties. For example, managers of mosque-based BSI Smart agents prepared detailed financial reports and submitted them periodically to the Mosque Management Board, while also reporting customer data to the Head of BSI Branch Office responsible for

⁶⁶ Inf 04, Inf 05, Inf 06 and Inf 07 Personal Interviews, October, 4, 2024

⁶⁷ Sarabjeet Dhody Natesan and Rahul R Marathe, "The Importance of Being a Policy Implementer," *Public Administration Quarterly* 41, no. 4 (2017): 612–42, <https://doi.org/10.1177/073491491704100401>.

⁶⁸ Stephen Peckham et al., "Policy Success: What Is the Role of Implementation Support Programmes?," *Social Policy & Administration* 56, no. 3 (2022): 378–93, <https://doi.org/10.1111/spol.12771>.

⁶⁹ Rizky Ilhami and Willya Achmad, "The Role of Actor Networks in Public Policy Formulation," *Lead Journal of Economy and Administration* 2, no. 2 (2023): 91–97, <https://doi.org/10.56403/lejea.v2i2.145>.

their area.⁷⁰ Challenges evolved when BSI Smart agents reported service disruptions or network issues to branch office. These reports were not addressed promptly, particularly when agents operated far from branch location. According to BSI Branch Office staff, no Standard Operating Procedure (SOP) existed to guide the reporting and resolution of service constraints, nor were field supervisors assigned to monitor and support program implementation. These limitations weakened oversight and consequently reduced the overall effectiveness of BSI Smart service delivery.

3.2.5. Socio-Economic Conditions of the Community

Socio-economic characteristics of the community significantly influenced the implementation and uptake of policies and programs.⁷¹ Rural communities were generally economically disadvantaged and had lower educational attainment compared to their urban counterparts.⁷² These disparities affected the use of banking services, resulting in a higher proportion of unbanked individuals in rural areas than in urban settings. The results of Vong et al.'s study conducted on rural communities in Indonesia showed that many people in Indonesia still did not possess bank accounts in rural areas.⁷³ This indicated that socio-economic conditions had a direct impact on the utilization of formal financial services. A survey was conducted among residents living around selected mosques, comprising 100 respondents from rural areas and 100 from urban areas, to assess the use of BSI Smart services.

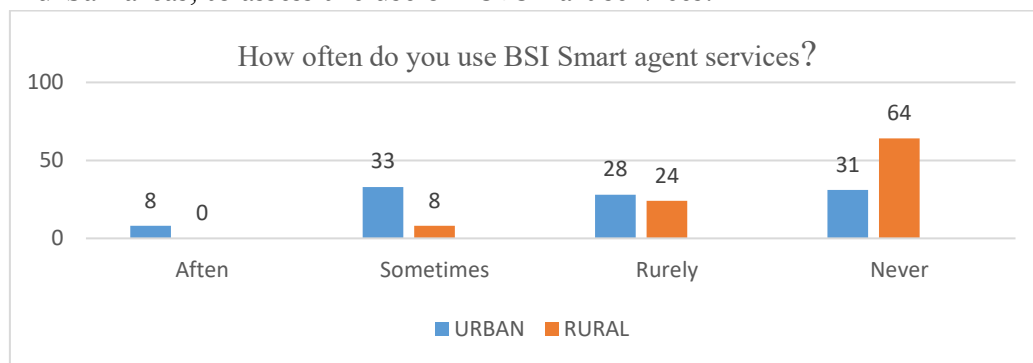


Figure 5. Use of BSI Smart services

⁷⁰ INF 01, INF 02, Inf 03 and Inf 04 Personal Interviews, September, 4, 2024.

⁷¹ Evert Vedung, *Public Policy and Program Evaluation* (New York: Routledge, 2017).

⁷² Trimono Trimono, Muhammad Nashif Farid, and Mohammad Sufa Ammar Habibi, "Statistika Deskriptif Pada Analisis Ketimpangan Kemiskinan," in *Prosiding Seminar Nasional Sains Data*, vol. 3, 2023, 253–59, <https://doi.org/10.33005/senada.v3i1.120>; Aryohaji Istyawan, "Kemiskinan Perdesaan Dan Perkotaan: Sebuah Literature Review," *AKADEMIK: Jurnal Mahasiswa Humanis* 5, no. 2 (2025): 973–86, <https://doi.org/10.37481/jmh.v5i2.1365>.

⁷³ John Vong, Purnendu Mandal, and Insu Song, "Digital Banking for Alleviating Rural Poverty in Indonesia: Some Evidences," *Smart Technologies for Smart Nations: Perspectives from the Asia-Pacific Region*, 2016, 3–18, https://doi.org/10.1007/978-981-287-585-3_1.

Figure 5 shows that, out of 100 respondents in urban areas, 69 had used BSI Smart services at the mosque, while only 36 in rural areas had done so. Conversely, 64 in rural communities had never used the service, compared to 31 in urban communities. The services used by urban communities included (1) smart savings *wadiah Yad Dhamanah*, (2) savings products for *haji*, *qurban*, and *umrah*, and (3) cash withdrawals. Most of the service users in urban areas were regular mosque congregants.⁷⁴ Rural communities tended to use services such as electricity token payments, mobile airtime or data purchases, and cash withdrawals.⁷⁵

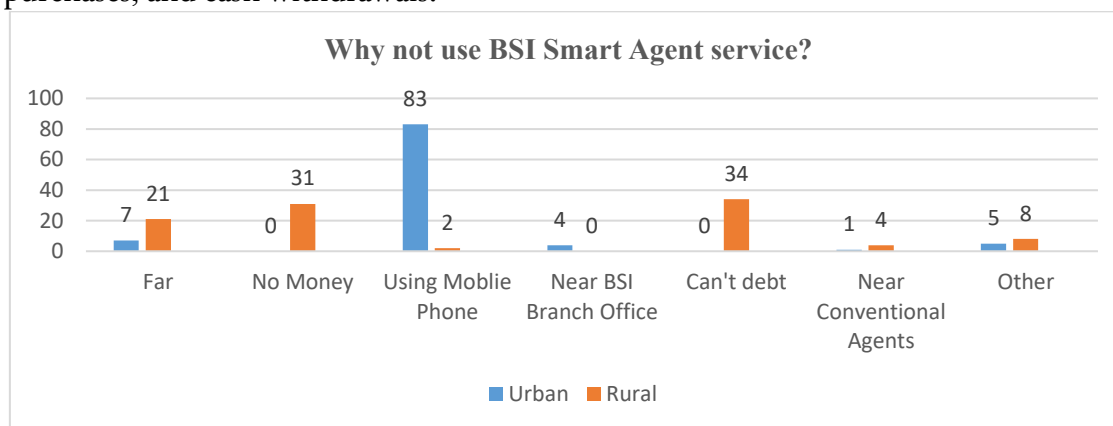


Figure 6. Reasons to use BSI Smart Mosque-Based services

Figure 6 showed that the reasons urban residents did not use BSI Smart services included proximity to BSI Branch Office, the greater convenience of conducting banking or Payment Point Online Bank (PPOB) transactions through mobile banking, proximity to conventional branchless banking agents, and other minor reasons. The most dominant reason among urban respondents was the preference for mobile banking, accounting for 83%. In contrast, the reasons cited by urban users who did engage with mosque-based BSI Smart services included supporting the prosperity of the mosque, fostering social ties, and contributing to the mosque's economic development.⁷⁶ Meanwhile, in rural areas, respondents reported different reasons for not using BSI Smart services at the mosque. These included long distances to the service point, lack of financial resources, restrictions on obtaining goods or services on credit (such as airtime, data, or electricity tokens), and other factors. The most prominent reason was the prohibition on credit purchases, cited by 34% of respondents, followed by lack of money at 31%. According to several informants, rural communities remained highly dependent on informal financial institutions.⁷⁷ This underscored the strong influence of socio-economic conditions on the utilization of BSI Smart services.

⁷⁴ Inf 01, Inf 02, and Inf 06 Personal Interviews, Oct, 4, 2024

⁷⁵ Inf 05 and Inf 07 Personal Interviews, Oct, 10, 2024.

⁷⁶ Inf 08, Inf 09 and Inf 10 Personal Interviews, Oct, 4, 2024

⁷⁷ Inf 05 and inf 07 Personal Interviews, Oct, 10, 2024.

Based on these conditions, it could be asserted that the implementation of the mosque-based BSI Smart program had not been effective, as reflected in the indicators above. This limited effectiveness had implications for the broader objectives of promoting inclusive Islamic finance, including Islamic banking.

3.3. Opportunities and Challenges

Opportunities and challenges in policy and program implementation referred to two central questions, namely (i) what factors supported the success of policy implementation? and (ii) what factors hindered the success of policy implementation? The supporting factors represented the opportunities, while the inhibiting factors constituted the challenges of BSI Smart policy and program. To reinforce the results regarding the effectiveness of the mosque-based BSI Smart Branchless Banking program, opportunities and challenges were summarized in the following table.

Table 1. Opportunities and Challenges

| No | Opportunities | Challenges |
|----|--|--|
| 1 | The majority of the population is Muslim, namely 87.20% of the total population in Indonesia (Central Statistics Agency, 2024) | Low public knowledge about Islamic finance and Islamic banking institutions, including BSI Smart program |
| 2 | There are 308,435 mosques in Indonesia (Ministry of Religion of the Republic of Indonesia, 2024). | The public's perception of Islamic banking is the same as that of conventional banking. |
| 3 | The mosque is the center of Muslim activities, making it a strategic place for increasing Sharia financial inclusion. | The behavior of Muslim communities that still carry out transactions with informal finance |
| 4 | BSI has signed a memorandum of understanding (MoU) with the Indonesian Mosque Council and collaborates with 55,461 mosques (Bank Syariah Indonesia, 2021). | Lack of mastery of information technology by mosque-based BSI Smart managers, especially in rural areas |
| 5 | Government policy on Branchless Banking, or called Laku Pandai, and the National Strategy for Inclusive Finance | BSI Smart supporting devices often experience disruptions, especially in rural areas. |
| 6 | There are still many Muslims who are unbanked and underbanked or who do not yet have access to financial and banking services. | The number of branchless banking in conventional banks is greater than Islamic banks. |
| 7 | The development of digital technology is an opportunity for BSI to expand its reach through the mosque-based BSI Smart program. | The number of mobile phone users as a banking transaction tool, specifically in urban areas |

Source: *Author Framework, 2025*

Table 1 showed that the majority of Indonesian population was Muslim, constituting 87.20% of the total population.⁷⁸ This demographic composition represented a major opportunity for the mosque-based BSI Smart program. In addition, Indonesia had an estimated 308,435 mosques—or, based on independent counts by Indonesian “mosque hunters,” as many as 554,152 mosques,⁷⁹ which traditionally served as central hubs of Muslim social and religious activity. BSI had also signed a memorandum of understanding (MoU) with the Indonesian Mosque Council and collaborated with 55,461 mosques,⁸⁰ making these locations strategic points for implementing branchless banking initiatives and expanding sharia financial inclusion. Government policies on Branchless Banking and the National Strategy for Inclusive Finance, combined with the large number of unbanked and underbanked Muslims and the rapid development of digital financial technology, further strengthened the opportunity to extend the reach of BSI Smart program. Through these opportunities, the program aimed to provide easy access to banking services for wider segments of society, thereby increasing Third Party Funds and expanding the market share of BSI.

Meanwhile, several challenges hindered the effective implementation of the policy and program. First, public knowledge of sharia finance and sharia banking institutions—including BSI Smart program—remained low. Many community members perceived sharia banking as no different from conventional banking, and a significant portion of Muslim population still preferred transactions through informal financial systems. Second, mosque-based BSI Smart managers often lacked sufficient technological proficiency, and supporting technological devices frequently experienced disruptions, particularly in rural areas. Weak supervisory mechanisms further intensified these issues. BSI Smart agents located far from BSI Branch Office often experienced delays in receiving support when operational problems occurred. Another challenge originated from the higher number of branchless banking agents operated by conventional banks compared to sharia banks. Consequently, communities tended to choose conventional agents due to the closer proximity. The widespread use of mobile phones for digital banking—specifically in urban areas—offered a simpler and more convenient alternative, reducing reliance on BSI Smart agents. Based on the opportunities and challenges identified in the implementation of the mosque-based BSI Smart Branchless Banking program, several steps were necessary to improve its effectiveness:

- 1) Positioning mosques as centers of Islamic financial literacy integrated with BSI Smart services. Considering the large number of mosques in Indonesia, position-

⁷⁸ BPS, “Jumlah Penduduk Menurut Agama.”

⁷⁹ AFP, “Indonesia’s ‘mosque Hunters’ Count Them up One at a Time,” <https://www.bangkokpost.com/>, 2020.

⁸⁰ BSI, “Laporan Tahunan 2021.”

ing them as hubs of Islamic financial education had strong potential to enhance the inclusive Islamic finance index.

- 2) Intensive Islamic financial education to the congregation and the community around the mosque. This education aimed to strengthen community understanding and skills in making sound financial decisions, including knowledge of financial products, budgeting, saving, investing, and managing financial risks, all of which contributed to financial well-being.
- 3) Development of adequate technology for agents, including easy-to-use devices, user-friendly applications, and stable internet connections.
- 4) Expansion of BSI Smart agent network based on mosques, specifically in rural areas far from banking services, in connection with the objectives and targets of Laku Pintar policy and program. Expansion of BSI Smart agent network must consider the quality of Human Resources appointed as BSI Smart agent managers.
- 5) Periodic Monitoring and Evaluation. The objective was to ensure the suitability between policy implementation and policy objectives, identify various problems, measure effectiveness and efficiency, and improve accountability. Monitoring and evaluation would help ensure that policies or programs achieve the objectives effectively and efficiently, as well as provide feedback for making improvements.

The active participation of all stakeholders BSI Branch Office, BSI Smart agent managers, Mosque Management boards, congregants, and the broader community, was essential to achieving more effective and sustainable implementation of the mosque-based BSI Smart policies and programs.

4. Conclusion

In conclusion, the implementation of a mosque-based branchless banking policy had significant potential to enhance Islamic financial inclusion in Indonesia. Positioning mosques as centers for financial services proved strategic due to the strong social legitimacy and extensive networks in Muslim communities, enabling wider access to financial services for previously underserved populations. The appointment model introduced by BSI accelerated the rollout of the program, while the proposal model initiated by mosque administrators fostered greater community participation. The range of services offered such as *wadiah* savings, Hajj, Qurban, and *Umrah* savings, as well as cash deposit and withdrawal services and digital payment facilities, provided practical mechanisms for expanding financial inclusion. However, the overall effectiveness of the policy implementation remained constrained by low levels of Islamic financial literacy, persistent public perceptions that equated Islamic banking with conventional banking, and the continued reliance of many communities on informal financial practices. These

results emphasized that product availability of banking products was insufficient, rather, the integration of financial education, enhanced technological infrastructure, the expansion of BSI Smart agent network, and regular monitoring and evaluation were essential for improving policy outcomes. Theoretically, this study contributed to a deeper understanding of the strategic role of mosques in the implementation of branchless banking policies and provided insights into community-based approaches to Islamic financial inclusion. Empirically, the results offered a basis for policymakers to design more effective, sustainable, and contextually appropriate strategies for strengthening Islamic financial inclusion in Indonesia.

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