

Formulation and Implementation of Sharia Bank Development Strategy in the Dynamics of National Banking Competition

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Abstract

This study analyzes the formulation and implementation of Islamic bank development strategies within the context of increasingly intense national banking competition. The primary focus is on identifying internal and external factors influencing Islamic bank competitiveness, including regulatory developments, market penetration, product and service innovation, and changing customer preferences. This study uses a qualitative approach using literature review and policy analysis, incorporating a strategic management framework to assess the effectiveness of strategies implemented by Islamic banks. The results indicate that the success of Islamic bank development is largely determined by the institution's ability to formulate a differentiation strategy based on Islamic values, strengthen digital capabilities, and build strategic partnerships with various stakeholders. The implementation of strategies that are adaptive and responsive to market dynamics has been shown to significantly impact performance improvements, operational effectiveness, and public trust. These findings provide conceptual and practical contributions to strengthening the competitiveness of Islamic banks in a competitive national banking ecosystem.

Keywords: Development Strategy, Islamic Banks, Strategic Management, Banking Competition, Service Innovation, Banking Regulations.

INTRODUCTION

The Islamic banking industry in Indonesia is one of the financial sectors that has experienced significant development since its inception in the early 1990s. The presence of Bank Muamalat Indonesia as the first Islamic bank in 1991 marked a significant milestone in the journey of the Islamic financial system in Indonesia, which was born from the initiative of the Indonesian Ulema Council (MUI) to provide alternative financial services free from usury practices and based on Islamic principles. Concurrently, government regulations such as Law No. 7 of 1992 and its subsequent amendment through Law No. 10 of 1998 further strengthened the operational foundation of Islamic banks and opened up opportunities for the broader development of Islamic financial institutions at the national level.(Antonio, 2010).

Despite significant potential due to the dominant Muslim population and growing public awareness of Sharia-compliant financial services, the development of Islamic banks in Indonesia has not been fully optimized. Asset growth, branch network expansion, and market penetration of Islamic banks remain below the growth rates of conventional banks. This is due to various challenges, ranging from limited public literacy regarding Islamic banking operations, regulatory gaps that have not fully accommodated the characteristics of the Islamic financial system, to a lack of human resources with specialized competencies in Islamic banking.(Antonio, 2010).

Furthermore, the complex dynamics of national banking competition require Islamic banks to formulate competitive, adaptive, and distinctive business strategies. Islamic banks are not only required to consistently adhere to Islamic principles, but also to increase product innovation, expand service networks, develop Islamic-based monetary instruments, and improve service quality to compete in the increasingly competitive national banking ecosystem.(Kartajaya, 2006)In this context, various strategic approaches such as value-based differentiation, strengthening digital technology, and public education on Islamic economics and

finance are crucial elements for the sustainability and competitiveness of the Islamic banking industry.

Government regulations, through the role of Bank Indonesia and the Financial Services Authority (OJK), have significantly contributed to the accelerated development of this industry. Policies regarding the dual banking system, the establishment of legal instruments related to Islamic banking operations, and the development of Islamic monetary instruments have laid the foundation for a stronger and more competitive Islamic banking ecosystem. However, the development of Islamic banking still presents legal, structural, and institutional challenges that require continuous improvement, particularly regarding strengthening the supervisory function, the effectiveness of the Sharia Supervisory Board, and institutional coordination between regulators and industry players.(Hamzah, 2008).

Taking these dynamics into account, this study aims to analyze the formulation and implementation of Islamic banking development strategies in the face of national banking competition. The analysis focuses on internal and external factors influencing Islamic banking competitiveness, including regulations, product innovation, public literacy, human resource capabilities, and Islamic marketing strategies, which are key differentiators of Islamic banks from conventional banks. This research is expected to provide conceptual contributions as well as practical recommendations for strengthening the Islamic banking industry in Indonesia in the long term.

Recent studies confirm that the competitiveness of Islamic banks increasingly depends on their ability to combine value-based differentiation with technological advancement and sustainability. As highlighted by Rahman et al. (2023), customer satisfaction and loyalty in Islamic banking are strongly influenced by perceptions of ethical behavior, service security, and religious alignment. These findings suggest that competitive advantage is no longer derived solely from Sharia compliance, but also from the ability to deliver a holistic and trustworthy banking experience.

Digital transformation is another critical factor. Carbó-Valverde et al. (2020) emphasize that progressive digitization—from informational to transactional services—can enhance customer reach and operational efficiency, provided that issues of cybersecurity and digital literacy are adequately addressed. This is aligned with Lin et al. (2020), who found that adoption of internet banking is significantly influenced by trust and perceived ease of use, particularly in developing countries. Thus, investment in secure and accessible digital platforms is indispensable for Islamic banks seeking to expand their market base.

Moreover, sustainability practices, including green banking, have emerged as value-adding strategies. According to Jillani et al. (2024), stakeholder involvement in environmentally responsible banking strengthens brand image and aligns with global trends toward ethical finance. For Islamic banks, which are built on moral and social justice principles, adopting green initiatives provides both reputational and operational benefits.

In the Indonesian context, empirical evidence from Mawardi et al. (2024) indicates that Islamic banks exhibit stronger financial stability regimes compared to their conventional counterparts, although they tend to recover more slowly during economic crises. This reinforces the need for robust risk management and capital adequacy strategies. Meanwhile, Sobol et al. (2023) found that profitability in Islamic banks is influenced by internal factors such as equity

ratios and operational costs, as well as external factors like GDP growth and oil prices—highlighting the complexity of strategic planning in the sector.

Taken together, these insights affirm that Islamic banking development strategies must be multidimensional. Effective formulation and implementation require synergy between regulatory frameworks, institutional capabilities, market-oriented innovation, and the ethical foundations of Islamic economics. In this dynamic, the role of policy support from regulators such as Bank Indonesia and OJK remains central, particularly in areas of digital infrastructure, human resource development, and public literacy on Islamic finance.

METHOD

This research employs a qualitative approach with a literature review method. The entire analysis process was conducted through the search, collection, and review of various relevant scientific sources, including books, national journals, banking regulations, and financial authority policy documents related to the development of Islamic banking in Indonesia. This approach enabled researchers to identify the concepts, trends, and strategic dynamics that shape the formulation and implementation of Islamic banking development strategies.

Data were analyzed using content analysis within a strategic management framework, encompassing the identification of internal-external factors, policy responses, and strategic industry practices. The analysis process was conducted in three stages: (1) data reduction to select relevant literature; (2) data presentation in the form of strategic themes such as regulation, sharia marketing, network development, human resources, and market dynamics; and (3) drawing conclusions regarding the effectiveness of strategies implemented by sharia banks in the context of national banking competition.

This method was chosen to provide a comprehensive understanding of the direction of Islamic banking development without collecting field data, but still emphasizing academic validity through critical evaluation of scientific sources.

RESULTS AND DISCUSSION

A Brief Chronology of the Birth of Sharia Banking

Historically, Islamic banking in Indonesia was born from the MUI, formally marked by the establishment of Bank Muamalat Indonesia (BMI) in 1991. BMI, the first Islamic bank, was hailed as the golden child of the hard work of the banking team established by the MUI. Islamic banking has experienced rapid growth and development over time, even to this day.

In the long term, the development of Islamic banks is expected to: (1) have high competitiveness by consistently adhering to Islamic values, (2) be able to play a significant role and become a reliable banking institution in improving economic performance and people's welfare, and (3) have the ability to compete globally with international financial operational standards with a strategy for developing Islamic banks to achieve these hopes by taking the steps faced. One important aspect that must be taken into consideration is the public's views and knowledge regarding the Islamic banking system.

In the past seven years since the enactment of Law No. 7 of 1992 concerning banking, which provided the opportunity for the establishment of Islamic banks, the development of Islamic banks, in terms of the number of branch offices and the volume of business activities, has remained unsatisfactory. Therefore, the government has a desire to further encourage the

development of Islamic banks in Indonesia. This initiative is being implemented by recognizing that a significant portion of the Indonesian population is currently eagerly awaiting a sound and reliable Islamic banking system to accommodate their need for banking services in accordance with Islamic principles.

Sharia Marketing Strategy

A marketing strategy is essentially a comprehensive, integrated, and unified plan in the marketing field, which provides guidance on the activities to be carried out to achieve a company's marketing goals. In other words, a marketing strategy is a series of goals and objectives, policies, and rules that provide direction to marketing efforts. companies from time to time, at each level and reference and allocation, especially as a company response in facing the ever-changing environment and competitive conditions.(al-Qardhawi, 1997).

All consumer groupings conducted by marketing experts based on various criteria aim to identify consumer behavior traits in making purchases. Each consumer group has different behavioral traits. Each consumer group requires a specific marketing strategy so that marketing activities can successfully achieve the company's marketing goals and objectives.(Assauri, 2015)In relation to general marketing strategies, three types of marketing strategies can be distinguished that companies can adopt, namely:

1. Undifferentiated Marketing Strategy

With this strategy, the company views the market as a whole, thus focusing only on general consumer needs. Therefore, the company produces and markets only one product and attempts to attract all buyers and potential buyers with a single marketing plan. This strategy aims to achieve mass sales, thereby lowering costs.(Assauri, 2015)

2. Differentiated Marketing Strategy

With this strategy, companies only serve the needs of certain consumer groups with specific types of products. Therefore, companies or manufacturers produce and market different products for each market segment. In other words, companies or manufacturers offer a variety of products and product mixes tailored to the needs and desires of different consumer or buyer groups, with distinct marketing programs expected to achieve the highest sales levels in each market segment.(Assauri, 2015)

3. Concentrated Marketing Strategy

With this strategy, a company specializes in marketing its products to several market segments, taking into account the company's limited resources. In this case, the manufacturer selects a specific market segment and offers products tailored to the needs and desires of the consumer group within that segment, which is, of course, more specific. This marketing strategy focuses all marketing efforts on one or a few specific market segments.(Assauri, 2015)

Characteristics of Sharia Marketing

There are four characteristics of sharia marketing that can serve as a guide for marketers, namely as follows:

1. Theistic (Rabbaniyyah)

One of the characteristics of sharia marketing is its religious nature, starting from an awareness of religious values, which are seen as important and influence marketing activities so as not to harm others, starting from determining marketing strategies, selecting

markets (segmentation), focusing markets (targeting), to the stage of determining company identity (positioning).

2. Ethics (Akhlaqiyyah)

Another specialty of sharia marketing is that it prioritizes moral and ethical values in all aspects of its activities, no matter what religion, because moral and ethical values are universal values, which are taught by all religions.

3. Realistic (al-Waqi'iyah)

Sharia marketing is not an exclusive, fanatical, anti-modern, or rigid concept. Sharia marketing is a flexible marketing concept, reflecting the freedom and flexibility of Islamic law that underpins it.

4. Humanistic (al-Insaniyyah)

Sharia marketing is also universally humanistic. Definition The universal principle is that Islamic sharia was created for humans to elevate their status and maintain and preserve their humanity, in a controlled and balanced manner without regard for race, skin color, nation, or status. Therefore, sharia marketing is far from unhealthy competitive activities and justifies any means to achieve maximum profits for the company.(Kartajaya, 2006)

Development and Growth Islamic Banks in Indonesia

Following the amendment to the Banking Law No. 10/1998, the banking industry has experienced rapid growth and development. This rapid growth was particularly evident following the issuance of Bank Indonesia regulations permitting the opening of new Islamic banks and the establishment of Islamic Business Units (UUS).(Setiawan, 2006)

Law No. 10 of 1998 concerning banking opened the door for anyone wishing to establish a Sharia bank or convert from a conventional system to a Sharia one. The enactment of Law No. 10 of 1998 brought significant benefits to the national banking sector, as the government opened banking operations based on Sharia principles. This was to accommodate the growing aspirations and needs of the community. The public was given the broadest possible opportunity to establish a bank based on Sharia principles, including the opportunity to convert from a conventional commercial bank to a Sharia one.

From a macroeconomic perspective, the development of Islamic banking in Indonesia offers significant potential due to its vast market, which aligns with the majority of the country's population. Law No. 10 of 2019 does not preclude state-owned banks, national private banks, and even foreign banks from opening Islamic branches in Indonesia. This opportunity will clearly increase financial transaction opportunities in the banking sector, especially if collaborative relationships are established between Islamic banks.(Muhammad, 2006)

Government Policy Through Islamic Banking Regulations in Indonesia

It cannot be denied that government regulations have made the greatest contribution to the development of Islamic banking in Indonesia. A brief overview is provided below:

1. The 1988 October Package (Pakto) which permitted the establishment of new banks resulted in the MUI Workshop: Participants agreed to immediately establish Islamic banks.
2. Introduction of Dual banking system: BMI was established as a result of the MUI annual meeting in August 1990.
3. Law No. 7/1992 concerning the establishment of profit sharing banks.

4. Banks are permitted to operate in a dual system: Law No. 10/1998, BI recognizes the existence of Islamic banks. Conventional banks are permitted to open Islamic branch offices.
5. Monetary policy based on sharia principles:
 - a. Law No. 23/1999: BI regulates & supervises Islamic banking.
 - b. BI can determine monetary policy based on sharia principles.
 - c. BSM stands.
 - d. The first UUS was established.
 - e. BI establishes Sharia Banking R&D Team
 - f. Issuance of Operational & Institutional Regulations: BI establishes institutional regulations for Islamic banking and the establishment of PUAS (Islamic Interbank Money Market) & SWBI (Bank Indonesia Wadi'ah Certificate).

The above regulatory policies need to be guided toward synergy to foster a harmonious and sustainable understanding of Islamic banking. The concept of the trias politica, based on the value of ta'awun, can be applied in this context, with practitioners acting as the executive, the government, along with the Indonesian Ulema Council (MUI), playing a legislative role, and academics, along with the MUI, playing a judicial role, continually assessing its development. (Maulana, 2008).

The Development of Islamic Banks and Their Problems

Sharia banking was officially introduced to the public in 1992, with the enactment of Law No. 7 of 1992 concerning banking. This law, further interpreted in various government regulations, has provided ample opportunity for the establishment of banks operating on profit-sharing/Sharia principles. To date, the development of Sharia banking has shown less than encouraging growth, both in terms of network and business volume, compared to the growth of conventional banks. This is reflected in the relatively small population of Sharia banks.

Many challenges and problems are faced in the development of Islamic banking, particularly related to the implementation of a new banking system, a system that differs significantly from the dominant system that has developed rapidly in Indonesia. Below, we outline some of the obstacles that have arisen in connection with the development of Islamic banking. (Antonio, 2010).

1. Public Inadequate Understanding of Sharia Bank Operational Activities.

Because it is still in its early stages of development, it is understandable that most people currently lack a clear understanding of the Islamic banking system and principles. Fundamentally, the Islamic economic system is clear: it prohibits the practice of usury and the unfair accumulation of wealth by certain parties. However, in practice, the products and services, the basic principles of the bank-customer relationship, and the halal business practices within Islamic banking still need widespread dissemination.

The differences in product characteristics between conventional and Islamic banks have led to reluctance among users of banking services. This reluctance is partly due to the loss of the opportunity to earn a steady income in the form of interest on deposits. Therefore, it is important to note that placing funds with Islamic banks can also provide competitive financial returns. Furthermore, one of the unique characteristics of the bank-customer relationship within the Islamic banking system is the existence of moral force and the demand for high business ethics from all parties.

2. Existing Banking Regulations Do Not Fully Accommodate Sharia Bank Operations

Due to a number of differences in operational implementation between Islamic banks and conventional banks, Islamic banking regulations need to be adjusted to comply with Islamic law, enabling Islamic banks to operate effectively and efficiently. These regulations include those governing:

- a. Instruments needed to address liquidity problems.
- b. Monetary instruments that comply with sharia principles for the purposes of carrying out central bank duties.
- c. Accounting, auditing and reporting standards and.
- d. Provisions governing the principle of prudence.

These provisions are very necessary so that Islamic banking becomes an element of the monetary system that can carry out its functions well.(Antonio, 2010).

3. Limited Number of Islamic Bank Office Networks

Developing a network of Islamic bank offices is necessary to expand service reach to the public. Furthermore, the limited number of Islamic banks also hampers the development of cooperation between Islamic banks. This collaboration, among other things, is essential for interbank fund placement to address liquidity issues. As a business entity, Islamic banks need to operate economically. A broad network of bank offices will increase business efficiency.

4. There are still few human resources who have skills in managing Sharia banks

The human resource constraints in the development of Islamic banking stem from the system's relative infancy. Furthermore, academic institutions and training in this field are very limited, resulting in a shortage of educated and experienced personnel in Islamic banking, both from implementing banks and from the central bank (bank supervisors and researchers). Human resource development in Islamic banking is crucial, as the success of Islamic banking development at the micro level is largely determined by the quality of management, the level of knowledge, and skills of bank managers. Human resources in Islamic banking must possess extensive banking knowledge, understand the implementation of Islamic principles in banking practices, and have a strong commitment to consistently implementing them.(Antonio, 2010)

For this reason, Bank Indonesia has programmed "Strengthening Human Resources (HR) of Sharia Banks" through various activities:

- a. Conduct training.
- b. Conducting studies/research.
- c. Facilitating practical work opportunities, internships, and research.
- d. Providing technical assistance to improve the competency of Islamic bank management.(Machmud, 2010).

5. Legal/Structural Problems

- a. There is no alignment with the vision, and a lack of coordination between the government and authorities in the development of Islamic banking.
- b. Regulation and supervision are still not optimal.
- c. Lack of government support and backing for the development of Islamic banking, especially when compared to neighboring countries.(Rusydia, 2016).

Objectives of Sharia Bank Development

The aim of developing Islamic banking is to fulfill the following:

1. The Need for Banking Services for Communities Who Cannot Accept the Concept of Interest
With the implementation of the Islamic banking system alongside the Islamic banking system alongside the conventional banking system, the mobilization of public funds can be carried out widely, especially from segments of society that have not been touched by the conventional banking system.
2. PeFinancing Space for Business Development Based on the Partnership Principle In this principle, the concept applied is a harmonious relationship between investors (mutual investor relationship). In the conventional system, the concept applied is an antagonistic relationship between debtors and creditors (debtor to creditor relationship).
3. The Need for Superior Banking Products and Services. The Sharia banking system has several comparative advantages, including the elimination of perpetual interest charges (imperpetual interest effect), restrictions on unproductive speculative activities, and financing targeted at businesses that adhere to moral (halal) principles.(Antonio, 2010).

Sharia Bank Development Strategy

The development strategy of Islamic banks is aimed at improving business competency on par with conventional banking, conducted comprehensively by referring to the current analysis of the strengths and weaknesses of Islamic banking in Indonesia. Islamic banks use a profit-sharing system similar to a sale and purchase product, namely an agreement to exchange objects or goods of value voluntarily between two parties, one receiving the objects and the other receiving according to the agreement or provisions that have been approved by Sharia and agreed upon.(Mukhlisin, 2017)The efforts undertaken by Islamic banks include improving human resource skills, improving regulations, and conducting outreach programs. The main focus of the Islamic banking system development strategy includes:

1. Improvement of Provisions

Efforts undertaken include adjusting the basic instruments of the Central Bank Law and the Banking Law, and developing supporting regulations for Islamic banking operations. Law No. 10 of 1998, amending Law No. 7 of 1992 concerning Banking, has implemented articles that open up broader development opportunities for Islamic banks. Articles in this law relating to sharia will subsequently be incorporated into Bank Indonesia Board of Directors' decrees governing all Islamic banking operations.

2. Development of Islamic Banking Network

The development of the Islamic banking network is primarily aimed at providing broader public access to Islamic banking services. Policies supporting the development of Islamic banking are being formulated through legal instruments and regulations. The effectiveness and efficiency of Islamic banking institutions, such as the Sharia Supervisory Board, must be continuously improved. The development of the Islamic banking network is being carried out through the following methods:

- a. Improving the quality of Islamic commercial banks and Islamic rural credit banks (BPRS) that are already operating.
- b. Changes in the business activities of conventional banks (total conversion) which have good business conditions and are interested in carrying out banking business activities based on sharia principles.

- c. Opening of sharia branch offices (full branches) for conventional banks that have good business conditions and are interested in conducting banking business activities based on sharia principles.
3. Monetary Instrument Development

The development of monetary instruments is intended to support monetary policy and the business activities of Islamic banks. In relation to Islamic banking business activities, the creation of these instruments is expected to assist in the development of the money market among Islamic banks.
4. PeImplementation of Islamic Banking Socialization Activities

The socialization activities carried out aim to provide complete and correct information regarding Islamic banking business activities to the public, including entrepreneurs, banking circles, and other members of the public.(Antonio, 2010)
5. Education

These educational activities are a fundamental strategy for fostering understanding of Islamic economics in general and Islamic banking in particular, among all levels of society, including the younger generation and children. These educational activities must be a joint strategy of the government, through the Ministry of Education and Culture, in developing national education programs.(Mursadi, 2011). Driven by demand, public enthusiasm for using Islamic banking products and services is growing, with a new, more universal and inclusive image emerging, and the industry positioning Islamic banking as an alternative banking system accessible to all without exception.(Hendriana, 2013).
6. Consistency

Sharia banking institutions must adhere firmly to Sharia principles. Avoid the temptation to deviate from Sharia product mechanisms into non-Sharia-compliant ones simply to gain customers quickly. While this may yield satisfactory results in the short term, it will become a stumbling block in the long term, detrimental to the development of the Sharia banking system as a whole. Consistently implementing Sharia principles is a key strategy in developing Sharia banks.(Mursadi, 2011).
7. Peservice improvement

Islamic banking needs to continuously improve the quality of its services. The principles of friendly, easy, fast, and affordable service should be a trademark of Islamic banks. This includes friendly service, easy and fast processing, and low administrative costs. Efforts to facilitate access to information and withdrawals of funds or savings must also be enhanced.(Ja'far, 2016).

Stages and Targets of Sharia Bank Development

To support the success of the established development strategy, the government deems it necessary to prepare a clear and targeted Islamic banking development program agenda through several stages. The steps taken include the following:

1. Establish a steering committee, expert committee, and sharia banking development working committee.
2. Conducting an inventory of existing regulatory instruments and compiling more comprehensive and necessary provisions in order to create a conducive Islamic banking climate.

3. Assisting in the implementation of human resource education and training activities is the backbone of the success of the Islamic banking development program.
4. Carrying out Islamic banking socialization activities to banking circles, the general public and religious scholars.(Antonio, 2010)

Bank Indonesia has identified four stages in the development of national Islamic banking. The first stage (2002-2004) laid a strong foundation for the growth of the Islamic banking industry. The second stage (2005-2009) strengthened the industry, increased competitiveness, operational efficiency, product specifications, and the competence and professionalism of Islamic banking human resources. The third stage (2010-2012) aimed to improve the quality of Islamic banking services and operations in accordance with international financial and service quality standards. The fourth stage (2013-2015) saw the Islamic banking industry achieve a significant share in contributing to the national economic system.(Machmud, 2010).

CONCLUSION

This research confirms that the formulation and implementation of Islamic banking development strategies within the dynamics of national banking competition are heavily influenced by a combination of internal and external factors. Internal factors include the quality of human resources, the effectiveness of service networks, the consistency of Sharia principles, and the capacity for product and service innovation. External factors include regulatory developments, public literacy levels, monetary policy support, and increasingly fierce competition in the banking industry.

In general, the development of Islamic banking in Indonesia has shown progress, but has not yet reached optimal penetration and competitiveness. Institutions' success in formulating Sharia-based differentiation strategies, strengthening digital capabilities, and implementing ethical marketing principles are key determinants of improved performance and market share expansion. Government regulations have proven crucial in creating a conducive climate, although several provisions still require refinement to be more responsive to the operational characteristics of Islamic banks.

Research Implications

Theoretically, the research results strengthen strategic management theory in the context of Islamic finance, particularly regarding the role of value-based differentiation as a foundation for competitiveness. The Islamic banking development model requires a hybrid approach combining modern innovation and Sharia compliance as its core identity.

In practice, Islamic banks need to accelerate digital transformation so that services are more accessible and competitive. Institutions need to strengthen public education programs to reduce the gap in public understanding of the principles and advantages of Islamic banks. The government and monetary authorities must improve policy alignment to support the Islamic banking ecosystem, including more comprehensive and sharia-compliant monetary instruments. Improving the quality of human resources is a strategic priority because managerial competence and integrity greatly influence operational success.

Research Limitations

Methodologically, this research uses a qualitative approach and literature review, thus not yet describing the empirical conditions quantitatively or the performance of Islamic banks based on broader statistical data. The scope of the analysis focuses more on strategic and

regulatory aspects, while the dimensions of financial technology, consumer behavior, and cross-country competitive analysis have not been discussed in depth. Limited data sources result in reliance on published literature and policies, causing the research results to be heavily influenced by the availability and completeness of existing references.

Suggestion

For the development of Sharia Banks, it is very important to expand product innovations that are relevant to the needs of the digital generation, including microfinance, MSME financing, and application-based services, Increase sharia consistency through strengthening the Sharia Supervisory Board and periodic sharia audit mechanisms, Establish strategic collaborations with fintech, educational institutions, and halal industry players to expand the business ecosystem, and optimize sharia marketing strategies by emphasizing aspects of value, transparency, and business ethics.

Regulators are expected to improve the legal framework and Sharia monetary instruments, including providing more comprehensive and efficient liquidity instruments, expanding incentives for conventional banks converting to Sharia, and improving policy integration between the government, monetary authorities, and the National Sharia Council.

For further research, it is hoped that quantitative or mixed-method research can be conducted to measure the influence of strategic variables on the performance of Islamic banks more precisely, further examine customer behavior and psychological factors that influence the choice of Islamic banks, and develop comparative studies between Indonesian Islamic banks and other countries to gain a global perspective on competitive strategies.

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