

Analysis of Indonesian *Syariah* Financial Institutions Development Strategies

Amas Sari Marthanti

amas.mtm@bsi.ac.id

Jaka Santosa

jaka.jos@bsi.ac.id

Ahmad Rafik

ahmad.aaf@bsi.ac.id

Wawan Ridwan

wawan.wwr@bsi.ac.id

Mohammad Amas Lahat

m.amas.mas@bsi.ac.id

Sabaruddin Siagian

sabaruddin.sgd@bsi.ac.id

Universitas Bina Sarana Informatika

ABSTRACT

The research aims to examine the development strategy of Indonesian *Syariah* financial institutions. This research focuses on how Indonesian *Syariah* financial institutions increase their capacity to increase their competitiveness in the Indonesian financial industry. In this research, descriptive research methods were used. Moreover, the data source for this research uses secondary data, which comes from OJK and BPS data. Three decades ago, a *Syariah* bank, PT. Bank Muamalat Indonesia (BMI). The establishment of this Indonesian *Syariah* bank was based on intensive requests from thinkers, religious leaders, and Islamic entrepreneurs regarding the importance of accommodating Muslims who wish to make financial transactions in the Indonesian financial industry by applying the principles of Islamic *Syariah*. After BMI Bank had been operating for several years, the government issued the Banking Law and, in the banking law, recognized the dual system in Indonesian banking, namely, the conventional banking system and the *Syariah* banking system. Next, the government also issued the *Syariah* Banking Law to regulate the *Syariah* banking operational system in Indonesia. *Syariah* financial institutions have developed from an institutional perspective, with many *Syariah* banking branch offices, capital markets, and the *Syariah* non-bank financial industry (IKNB). However, in these three decades, Islamic financial institutions controlled 10 percent of the market share in the Indonesian financial industry. In this research, a strategy was produced to accelerate the capacity of Islamic financial institutions to compete with conventional financial institutions. This research also produced

basic (grand), corporate, and functional strategies for accelerating the development of Indonesian *Syariah* financial institutions.

Key words: Strategy; Financial institutions; *Syariah*

INTRODUCTION

With Sharia economics not only pursuing worldly benefits but also economic activities that take into account the afterlife, Sharia economics or Islamic economics has noble goals in running the economy. Of course, Indonesian Muslims must encourage the development of sharia economics to contribute to the economic process in the world, especially in the Indonesian economy. With religious encouragement in economic activities to follow the principles of the Koran and hadith, Muslims, especially Indonesian Muslims, carry out economic activities by paying attention to Sharia values and rules. By carrying out economic activities based on Sharia, Muslims are given space to carry out economic activities while carrying out their religious worship.

Encouragement to carry out economic activities while implementing Islamic law is for Muslims, especially Indonesian Muslims. Hence, thinkers or scholars, as well as Islamic leaders and Indonesian Islamic business people have a responsibility so that Muslims in Indonesia are given space in the economy to carry out their economic activities by following Islamic law. the Muslim people. Indonesian Muslim thinkers, scholars, and business people realized this noble mission, where economic principles based on the Koran and hadith were established by establishing an Islamic bank, PT. Bank Muamalat Indonesia (BMI), in 1997. The establishment of the BMI bank was the initial history of the birth and development of Islamic economics in Indonesia(Prandawa et al., 2022).

The government responded to the push to develop Sharia economics in Indonesia by issuing four laws related to Sharia banking, and the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) issued 138 fatwas regulating Islamic economic practice activities in society. Apart from the four laws related to the implementation of Sharia-based economics and the DSN-MUI issuing 138 fatwas related to the implementation of Sharia economics, Indonesia has also established several Sharia banks and Sharia non-bank institutions, namely, the Sharia capital market. , sharia insurance, sharia procurement, sharia financing.

It must be acknowledged that the development of Sharia economics, especially the development of Sharia financial institutions in Indonesia, has experienced great progress since the establishment of the first BMI bank in Indonesia. At the urging of Islamic thinkers, scholars Islamic religious leaders, and Islamic business people, it is necessary to carry out financial transactions by following the principles of the Koran and hadith, which prohibit transactions with usury (interest) but use the principle of profit/loss sharing in institutions finance. However, conventional banking financial institutions that rely on *riba* (interest) are more established or established in Indonesia. Hence, the portion size of conventional financial

institutions is still much larger than that of Sharia financial institutions. In terms of the development of the banking industry, based on OJK data, as of June 2023, the nominal value of conventional banking credit is very large, reaching IDR 6,312 trillion, amounting to 94.9 percent.

Meanwhile, Sharia banking only amounted to IDR 343 trillion, with a portion of only 5.1 percent. In terms of non-banking institutions and capital markets, they are based on data from PT. Indonesian Central Securities Depository (KSEI), the number of Sharia capital market investors is 114,116, while conventional capital market investors reached 8.86 million.

Based on OJK data, the portion of market share control between the conventional financial industry and the Sharia financial industry, conventional financial institutions dominate over Sharia financial institutions. However, the growth per year (yoy) between conventional financial institutions and Sharia financial institutions is where the magnitude of growth of Sharia financial institutions is greater than conventional financial institutions. Based on OJK data, in June 2023, conventional banking credit growth was only 7.08 percent, while Sharia banking credit/financing growth was very large at 21.87 percent. Indonesia is the largest Islamic country in the world (Grace, 2018). Based on BPS data, in June 2023, Indonesia's population will reach 278.69 million people.

Meanwhile, there are 229 million Muslims, with a share of 82 percent. A strategy for developing sharia financial institutions is needed, apart from serving the large Muslim population, Indonesian sharia financial institutions are also able to compete with conventional financial institutions.

The strategies needed to increase the strength of Sharia financial institutions to serve Muslims and simultaneously increase the competitiveness of Sharia financial institutions require basic strategies, corporate strategies, and functional strategies. Thus, the problem we create is, first, the basic strategy for developing Indonesian Sharia financial institutions. Second, what is the corporate strategy for developing Sharia financial institutions? Moreover, third, what is the functional strategy for developing Islamic financial institutions? With a basic strategy for developing Sharia financial institutions, it is easier for them to serve the Islamic community that adheres to the implementation of Sharia, which will increasingly be fulfilled in the Indonesian economy in the future.

LITERATURE REVIEW

Strategy

With the portion of Sharia financial institutions still being very small compared to conventional financial institutions, to increase the portion of Sharia financial institutions, strategic steps are needed, namely creating a basic strategy for Sharia financial institutions, corporate strategies, and functional strategies for Sharia financial institutions.

According to David (2010), strategy is a way to achieve long-term goals; business strategies include geographic expansion, diversification, acquisition, product development, market penetration, employee rationalization, divestment, liquidation, and joint ventures.

According to Anthony et al. (2013), strategy is formulating an organization's mission and goals, including action plans to achieve goals by explicitly considering competitive conditions and the influence of outside forces that directly or indirectly affect the organization's survival. According to Robbins and Coulter (2016), an organization has three levels of strategy: basic, competitive, and functional. According to Rangkuti (2015), the strategy formulated is more specific depending on the functional activities of management.

Financial Institutions

Financial institutions in the world of finance act as institutions that provide financial services to their customers, where financial regulations from the government generally regulate these institutions. (Wiwoho, 2014). Financial institutions are generally divided into two, namely, banking financial institutions and non-bank financial institutions. Based on banking law, financial institutions are divided into two types: first, banks and people's credit banks (BPR). Second, non-bank financial institutions comprise capital markets, finance companies, insurance, and procurement.

Sharia financial institutions, just like conventional financial institutions, have two types: Sharia banking institutions and Sharia non-bank financial industries (IKNB). Only Sharia financial institutions apply Sharia principles in their operations, particularly not imposing interest rates but imposing profit/loss sharing or mudharabah. Sharia banking financial institutions are divided into two, namely, Sharia banks and Sharia People's Credit banks (BPR). Moreover, the Sharia non-bank financial industry (IKNB) comprises the Sharia capital market and financing companies.

Syariah

After explaining the strategies of conventional and Sharia financial institutions, now is the time to explain the meaning of Sharia. This explanation regarding Sharia supports analysis or discussion related to development strategies for Sharia financial institutions. The principle of this Sharia financial institution is that it does not apply usury or interest in the operations of this Sharia financial institution. What must be prohibited apart from usury or interest in the operations of Sharia financial institutions include maysir or gambling, gharar or uncertainty of contracts, haram, and unjust.

In simple terms, the meaning of Sharia is a clear path Allah shows to humanity (Wakalahmu, 2022). This path is in the form of laws and provisions in the Islamic religion, which originate from the Koran, hadith of the Prophet Muhammad SAW,

ijma, and qiyas(Rukmana, 2019). Sharia's purpose is so that humanity does not get lost in life, either in this world or in the afterlife, because Allah has told us which way to go(Shofa, 2023).

Sharia contains all aspects of life, from worship to business, law and justice, family, etc. (Ahmad Ifham, 2010).

METHOD

The research method used is a descriptive method with a library research approach. This descriptive method is a method that describes research(Suganda & Mujib, 2023). This descriptive research aims to describe, explain, and validate the form of Indonesia Shariaia financial institutions ns(Ramdhan, 2021).

This library study method looks for relevant references to the problem(Ulfa, 2021). Literature studies describe theoretical analysis, scientific studies, references, and literature on local community habits, norms, and values developed in the observed field conditions. (Sugiyono, 2016).

The data used in this research is secondary data. According to Arikunto (2013), secondary data is obtained through many documents. Secondary research data comes from data from the Financial Services Authority (OJK) and the Central Bureau of Statistics (BPS).

RESULTS AND DISCUSSION

Expansive or Growth Strategy (Growth)

In strategic management science, the basic strategy is the main strategy (grand strategy) in a corporation and is divided into 3, namely, expansive strategy or growth strategy, stability strategy, and retrenchment strategy.). Each basic or grand strategy has derivative strategies, also called corporate strategies. Suppose the external opportunity position is greater than the threat and the corporation's internal strength position is greater than its internal weaknesses. In that case, the company's basic strategy is expansionary or growth. Suppose the corporation's external opportunity position is smaller than its threat position. In that case, the position of strength does not allow the company to expand, and its position of weakness is large. In that case, the company's strategy is to adopt a stability strategy. If the corporation's opportunity position is small, there is a threat from the corporation's external position, and the strength of the company's internal position is not strong. The company's weaknesses are very large, so a reduction or retrenchment strategy is taken.

We apply this to the condition of Indonesian Sharia financial institutions and the choice of basic strategy or grand strategy that must be taken to accelerate the greater contribution of these Sharia financial institutions to the Indonesian economy. To treat the basic strategy of Indonesian Sharia financial institutions, what is

considered are the external and internal conditions of Indonesian Sharia financial institutions.

With the central and regional government leader recruitment system, which has a direct election system, whose leaders are elected directly by the people, after the Reformation era from the New Order era government, which had an indirect election system, the leader was elected by the MPR, then from the central government leader, the president, down to regional leaders, will respond to the demands of the Islamic community in order to maintain relations between leaders and their communities, especially Islamic communities who want the capacity to increase sharia-based financial institutions.

The attitude of government leaders who are "friendly" or accommodating towards the interests of Muslims, especially the development of Indonesian Sharia financial institutions, has resulted in Sharia financial institutions getting bigger until now, even though in 1992 there was still one Sharia bank, BMI bank. Based on OJK data, in 2022, Indonesian Sharia financial institutions will be divided into three main types: first, Sharia banking; second, the Sharia non-bank financial industry (IKNB); and third, the Sharia capital market. According to report data (Financial Services Authority (OJK), 2022), in banking financial institutions, there are 13 Sharia commercial banks, 20 Sharia business units (UUS), and 167 Sharia people's financing banks. The non-bank financial industry (IKNB) has 58 Sharia insurance, 31 Sharia financing companies, 7 Sharia venture capital companies, 10 Sharia pension funds, and 98 other Sharia IKNBs. In the Sharia capital market, 1 Sharia investment management, there are 61 Sharia investment management units, 78 State Sukuk (outstanding), 221 Corporate Sukuk (outstanding), and 274 Sharia mutual funds (outstanding).

From 1992 until now, Islamic financial institutions have increased drastically institutionally. What happened was that the Islamic community wanted to be accommodated in Sharia-based financial transactions, and the government also provided space for development to fulfill the community's interests.

The amount of government accommodation in order to fulfill the wishes of the people who carry out Sharia-based financial transactions cannot be separated from the fact that 82 percent of the Indonesian population is Muslim, and Indonesia also has the largest Muslim population in all of Indonesia. This means that the strength of Muslims is taken into account by every leader from the center to the regions to accommodate the interests of Muslims who want to carry out Sharia-based financial transactions. With a Muslim population of 229 million, Indonesia is a large force that the government needs to take into account to accommodate the interests of this large number of people by providing space for movement and encouraging Sharia financial institutions to meet the demands of the very large number of Muslims. Accommodating the enormous expectations of the Islamic community, apart from providing performance satisfaction to leaders from the center to the regions, also increases the credibility of leaders who are "friendly" towards the interests of the majority of Indonesia's Muslim population.

The economic growth factor has been quite high for several decades, and the economic capacity has become increasingly large, so Sharia-based financial developments will also follow. In 2045, or the next two decades, if the government does not mismanage the economy and a consistent democratic political system of quality and justice is still consistently running, Indonesia will become a developed country like South Korea. The magnitude of our future economic growth and its capacity will also increase because the Indonesian economy receives an abundance of demographic bonuses, which admit a very large young, productive population into the world of work, encouraging economic growth and the scale of our economy. After the new Order, economic growth is around 5-7 percent, and with the demographic bonus of receiving a productive workforce, economic growth and scale will increase. So, Indonesia's economic prospects automatically increase Sharia-based finance.

Islamic financial institutions' internal strength position must be considered in creating their basic strategy. If we look at the capital side of Sharia financial institutions, there is still potential for accelerated growth. In 2022, Sharia banking capital, proxied by the capital adequacy ratio (CAR), will still be high, at 28 percent, even though the financial authority, OJK, stipulates that the minimum level is 12 percent. Regarding capital, there is still potential for significant growth increase, but it is doubtful that it will be sustainable. This is because the share of Sharia financial institutions is still small compared to conventional financial institutions.

The Indonesian government should not be "allergic" to mechanisms for intervening with Sharia financial institutions by strengthening the capital and funding of these Sharia financial institutions. The basis is that this Sharia financial institution was only established in 1992, even though this conventional financial institution has been running since Indonesia existed hundreds of years ago because we run our economy according to market mechanisms, not based on Islamic Sharia principles. Judging from the new perspective of establishing this Sharia financial institution, support from the government is needed so that this Sharia financial institution can compete with conventional financial institutions.

Apart from the new side of the establishment of Indonesian Sharia financial institutions, if you learn from other Islamic countries, take Malaysia as an example; the Malaysian government helps with the capital and funding of Sharia financial institutions so that the size of Sharia financial institutions makes a large contribution to the country's economy. So, the government must be "brave" in placing its funds both to strengthen capital and increase the funds of our Sharia financial institutions.

It must also be acknowledged that because this Sharia financial institution has just been established, apart from the capital, it cannot be able to support the accelerated growth of Sharia financial institutions in the future in terms of functional human resources, information technology, and the branch network is still weak. That is why the government and associations of Sharia financial institutions must work together to strengthen the internal side of Sharia financial institutions.

If we look at the explanation above, the opportunities from the external side are very large compared to the threats. Also, taking into account that capital capacity is still sufficient, but its ability is limited to increase the share of market share in the Indonesian economy, the basic strategy or grand strategy in order to increase the share of Indonesian sharia finance is an expansionary strategy or growth strategy that Indonesian sharia financial institutions must take.

Sharia BUMN Bank Merger Strategy

There are two expansive strategies or growth strategies that are applied, namely, first, increasing internal capacity, and second, carrying out an external corporate strategy by carrying out mergers or mergers and acquisitions. In strategic management, the ability to improve business to increase business growth by carrying out internal growth has limits. To increase significant growth, we can carry out an external strategy, merge the company with another company, or purchase or acquire another company.

The government, in this case, the Ministry of State-Owned Enterprises (BUMN), is implementing a Sharia banking growth strategy by merging three state-owned banks, PT. Bank Syariah Mandiri, PT Bank BNI Syariah, and PT. BRI Syariah. The result of the merger of the three banks was named PT with the results of the merger of these three state-owned banks, which became PT. Bank Syariah Indonesia generated a total core capital of IDR 22.6 trillion. Meanwhile, the assets of PT. Bank Syariah Indonesia Rp. 240 trillion, and its financing will be Rp. 157 trillion.

The merger of the three state-owned banks will certainly increase the banks' capacity and competitiveness of PT. The Indonesian Sharia Bank. It is reflected that Bank Syariah Indonesia's ranking has increased sharply to rank 6th in the national banking industry. Meanwhile, Sharia banks, Sharia, the Arabian Peninsula, and Malaysia stabilize the global Sharia banking ranking. With the merger of 3 state-owned banks into Bank Syariah Indonesia, apart from generating business capacity for the merged bank and generating efficiency due to the synergy between the three banks, PT. Bank Syariah Indonesia can be a training place for Sharia banking human resources and a place to learn about modern sharia banking operations. The capital owner, in this case, the Ministry of BUMN, asked the management of PT. Bank Syariah Indonesia so that the bank becomes a learning medium for all national Sharia banks.

The Ministry also ordered the management of PT. Bank Syariah Indonesia should learn about modern Sharia banking operational management from the Arabian Peninsula and Europe because these countries have mastered modern Sharia banking operations. Regarding the need for PT. Bank Syariah Indonesia studied the modern Sharia banking model in the Arabian Peninsula and European countries; apart from strengthening modern banking operations in these state-owned banks, it also shared knowledge and techniques for developing modern Sharia banking operations for national Sharia banks. With this modern Sharia banking operational

learning process, national Sharia banks can reduce the weaknesses in their banking operations that national Sharia banking has so far, in particular, reducing weaknesses in human resources, operations, and banking information technology. Internal improvements in national Sharia banking will reduce its weaknesses and ultimately increase its competitiveness.

Functional Strategy for Indonesian Sharia Banking

Regarding market share and asset control, Islamic financial institutions still need to catch up compared to conventional financial institutions. So, an appropriate Sharia financial institution development strategy is needed so that the competitiveness of Sharia financial institutions increases to increase market share control and asset control in the Indonesian financial industry. Financial institution development strategies in terms of basic and corporate strategy have been explained previously or at the beginning of the explanation.

If we look at it in terms of time, it has been three decades since Islamic financial institutions have been established in Indonesian financial institutions since the founding of PT. Bank Muamalat Indonesia (BMI), and seen from market share control and asset control, it can be concluded that the development of Sharia financial institutions has yet to make significant progress in serving the Indonesian financial industry. However, in terms of institutional development, which means having sharia financial institution offices, there has been progress, as explained above.

Suppose the development of Indonesian Sharia financial institutions is developed as it has been for the past three decades. In that case, the progress of Sharia financial institutions in controlling market share or asset portion will not progress significantly. A fundamental breakthrough strategy is needed for sharia financial institutions, which must be encouraged by the government.

Strategies that create breakthroughs that can increase market share or asset control have been explained in the basic or grand strategy explained above. The strategy to increase the development of Sharia financial institutions capable of driving significant progress will be explained in the functional strategy for Sharia financial institutions below.

Capital Strategy of Islamic Financial Institutions

In the financial industry, additional capital is required to support larger business expansion if there is to be significant business development. Of course, Sharia financial institutions also need capital to accelerate their business development. Especially in the banking industry, which is capital-intensive, more additional capital is needed. With additional capital, a financial institution can develop. Additional capital from remaining profits is limited to increasing the acceleration of business development; its capabilities are limited.

In the conventional and Sharia banking industry, every increase in credit/financing disbursement must be backed up by the bank's capital. It means that every additional disbursement of credit or financing must be supported by additional capital. If there is no significant increase in capital, it is impossible in the banking industry to have additional assets or significant market control. Capital calculations are based on the capital adequacy ratio (CAR). The formula for calculating capital in the banking industry, in this case calculating banking CAR, is capital divided by credit with risk or risk-weighted assets (RWA). From the perspective of the banking CAR formula, every disbursement of credit/financing will erode the bank's capital.

So, if there is significant additional credit or financing, there must also be significant additional capital. The authority, in this case, the OJK, provides a minimum regulatory limit for banking CAR of 12 percent. If a bank's CAR is below 12 percent, it means it is unhealthy, and there is a potential risk that the bank will go bankrupt or close. Usually, the OJK takes drastic action against banks with low capital, forcing bank owners to deposit capital, carry out mergers, or be liquidated.

According to Sharia Bank financial data released by financial services, Sharia Banking's CAR is 26 percent, with a market share of only 3.61 percent in the Indonesian financial industry. If we look at the large CAR of Sharia banking, developing it in the next 2-3 years is safe. However, we want to significantly increase our control of market pairs by 7 percent. In that case, the CAR of Sharia banking will have been "swallowed up" by supporting the financing disbursed by Sharia banking.

In various analyses issued by the OJK both in the 2014-2017 sharia banking roadmap (Financial Services Authority (OJK), 2015c), Islamic capital market roadmap (Financial Services Authority (OJK), 2015b), sharia IKNB roadmap and annual reports of sharia financial institutions (Financial Services Authority (OJK), 2015a) It can be concluded that control of market pairs or control of sharia banking assets is very low or the fundamental weakness of the sharia financial industry has low capital.

What strategies can the stakeholders of this Sharia financial institution come up with, especially the government's policy in improving this financial institution? To increase the capital of Sharia financial institutions, these stakeholders must create a drastic strategy to increase control of market pairs and increase the contribution of financial institutions to the Indonesian financial industry.

On the government's side, it has made a capital investment policy in Indonesian Sharia financial institutions. This government capital participation can be taken from the state revenue and expenditure budget (APBN), or the government can make a policy so that state-owned banks and BPJS Employment, as well as other healthy state-owned companies, invest capital in sharia banking owned by the government, in this case, PT. Bank Syariah Indonesia (BSI), and private sharia banks as well as capital participation in Sharia IKNB and healthy sharia capital

market companies. The government's investment in capital, funds taken either from the APBN or state-owned banks and companies, is fine as long as it communicates with the House of Representatives (DPR). President Joko Widodo's government also invested capital to inject capital into state-owned companies to increase their capital and accelerate the construction of toll roads throughout Indonesia.

Apart from the government intervening in the form of capital participation from the government to Indonesian sharia financial institutions, the central and regional government also includes BSI bank as a depository for government funds in channeling government funds, which will be channeled to development programs. So far, state-owned and regional development banks (BPD) have only been used by the central and regional governments to channel operational and development funds. Now is the time for the BSI bank government to play an active role in distributing operations and developing government projects.

Capital investment from the government in sharia financial institutions must also be considered from a "moral" perspective. It is because the government also utilizes Sharia financial institutions, in this case, Sharia capital market institutions, to issue and sell government bond securities and State Sukuk bonds to finance our APBN. Based on the Sharia financial reports published by the OJK, 78 outstanding State Sukuk are sold by the government through the Sharia capital market. So, the government must be fair and also look at the services of the Sharia capital market in the sale of State Sukuk bonds in financing our APBN.

It is very appropriate for the government to form a new institution or some assignment in the Ministry of BUMN or government institutions to improve Sharia financial institutions. His job is to represent the president in developing Sharia financial institutions so that there is progress in developing structured Sharia financial institutions. OJK must also encourage owners of government-owned financial institutions and investors to increase their investment capital in Indonesian sharia financial institutions. OJK must inform the stakeholders of Sharia financial institutions on the importance of increasing large capital to accelerate market share control in the Sharia financial industry.

By adding capital to Sharia financial institutions, apart from increasing the ability to disburse larger financing, it can also reduce the weaknesses of Sharia financial institutions in human resources (HR), information technology (IT) development, and branch networks. Branches and improving the operational infrastructure of Sharia financial institutions so they can compete against conventional financial institutions in the global market. With additional capital from the government, Sharia financial institutions can finance the development of Sharia financial organizations to reduce their internal weaknesses and increase market tides in the financial industry.

Office Branch Network Strategy

To expand the capacity of Sharia financial institutions, like it or not, Sharia financial institutions must add branch offices. With the addition of branch offices of Sharia financial institutions, the ability of these institutions to mobilize or obtain funds and distribute financing is easily accessible to the public and ultimately can increase the market share of funds of these Sharia financial institutions.

Islamic financial institutions can increase their capacity to increase their competitiveness in the Indonesian financial industry by massively building branch offices throughout Indonesia. The massive development of branch offices is the main condition for winning the market against conventional financial institutions. However, branch offices that are built must have modern branch standards that can make customers comfortable making financial transactions at the Sharia financial institution. With the construction of modern offices, sharia-improving financial institutions can compete for the market in the Indonesian financial industry.

For this reason, the owners and management of Islamic financial institutions make business plans to prepare a very large budget for building branch offices of these Islamic financial institutions. There is hope for synergy in funding the construction of branch offices of financial institutions with capital participation funding from the government. Therefore, the success of building branch offices of Sharia financial institutions must be connected to the government's policy of taking sides in developing these financial institutions. This government's partiality is natural because this financial institution has only been established for three decades, even though conventional financial institutions have existed since Indonesia.

HR Strategy

To drive company operations is in the hands of the company's human resources (HR). Whether a company's good or bad performance is determined by its human resources factors. The quality of a company's human resources determines the company's competitiveness. The competitiveness of Islamic financial institutions' human resources must be addressed. The low level of market control of Sharia financial institutions in the Indonesian financial industry must also automatically be acknowledged as the weak human resource development of Sharia financial institutions compared to the human resources of conventional financial institutions.

Because financial institutions were only born three decades ago, it is natural that the human resources of Sharia financial institutions are less competitive than the human resources of conventional financial institutions. However, the weak human resources of Sharia financial institutions should not continue to experience significant improvement in the medium and long term. If there is improvement in the human resources of Sharia financial institutions, their competitiveness can compete with conventional financial institutions.

To improve the human resources of Sharia financial institutions, it is necessary to take the side of all stakeholders to improve the development of their human

resources. As we know, the owner of PT. Bank Syariah Indonesia (BSI) is the government. BSI Bank is a modern, managed, state-owned company with qualified operational infrastructure and human resources. It would be better for the government to create a policy where BSI has the additional task of training and developing human resources for sharia financial institutions in Indonesia. The government provides incentives through low fees to Indonesian Sharia financial institution companies for HR training costs at BSI Bank.

The management of Sharia financial institutions must be aware of accelerating the development of human resources related to technical training in banking operations and also increasing knowledge of Sharia principles in Sharia banking operations. Also, the management of the Sharia financial institution has prepared a fairly large budget for human resource training. Management must be aware of the training and development of human resources; it is impossible to increase the competitiveness of Islamic financial institutions.

Information Technology Strategy

Along with the development of modern banking operations, apart from capital and human resources, which determine the key factors for success in the financial industry, information technology (IT) factors are also the key to success in the financial industry. Without superior capital, human resources, and IT, it is difficult for a financial institution to compete in the financial industry.

Sharia financial institutions must be aware of the advantages of IT, which is a key factor in digitizing banking operations. By digitizing the operations of these financial institutions, Indonesian Sharia financial institutions are of interest to all levels of society who use these financial institutions. Apart from improving customer service, digitalization also reduces operational costs. Automatically, the competitiveness of Islamic financial institutions will increase in winning competition in the market.

Digitalizing financial institution operations will also help address the need for branch offices for Sharia financial institutions. The management of Islamic financial institutions can manage a combination of developing operational digitalization and building a network of branch offices of Islamic financial institutions. With a combination of digitalization development and the construction of branch offices, we can maximize operational services that can satisfy our customers.

Digitalization and human resource development for Sharia financial institutions are being prioritized in the operational offices of Sharia financial institutions. That is why there needs to be a large investment in building digitalization and developing human resources for Sharia financial institutions. Planning financing for developing the digitalization of operations and human resources in the Sharia financial industry is necessary. Sharia financial institutions are also required to invest heavily in

building two functional lines to win competition in the financial industry. Massive investment in these two functional lines determines success in winning competition in the financial industry, so seeking special funding to build these two functional lines is necessary. Funding for digitalization and human resource development for Sharia financial institutions can be sought for loans from financial institutions, and hopefully, there will also be additional capital from the owners of these financial institutions, and this can come from capital participation from the government as discussed above.

CONCLUSION

The establishment of BMI bank triggered the government to recognize the existence of Sharia banking in the Indonesian banking system by enacting a banking law recognizing that the banking system has a dual system, namely, conventional banks and Sharia banks. It did not stop there; the government created a Sharia Banking Law, which specifically regulates Sharia banking operations. Institutionally, Sharia financial institutions, both banking financial institutions and non-bank financial institutions, have established many banks and NBFIs, Sharia capital markets, and many branch offices have also been established throughout Indonesia. However, market share or control assets are still 10 percent. To increase the competitiveness of Islamic financial institutions in competition with conventional financial institutions, there needs to be a development strategy for Indonesian Islamic financial institutions to accelerate the increase in the competitiveness of Indonesian Islamic financial institutions, by creating a development strategy for Indonesian Islamic financial institutions, namely, a basic strategy or grand strategy, Islamic financial institution corporate strategy and functional strategy. This strategy to accelerate the development of Indonesian Sharia financial institutions to increase competitiveness in the financial industry will certainly be successful if the government plays a role in increasing the competitiveness of Sharia financial institutions. The government's role is in the form of capital participation in financial institutions and coordinating Sharia financial institution stakeholders to help increase the competitiveness of financial institutions.

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