

Strategic Management for Enhancing the Competitiveness of Islamic Banking in Indonesia

Ahmad Mustofa¹, Dewi Lusiana², Imam Royani Hamzah³
^{1,2,3}IAI Nusantara Ash-Shiddiqiyah, Ogan Komering Ilir, Indonesia
Email: ¹achmadmustofa1346@gmail.com, ²dewilusiana.dl17@gmail.com, ³imamroyani164@gmail.com

ARTICLE INFO

Kata Kunci:

Daya Saing; Manajemen Strategis; Perbankan Syariah; Tata Kelola Syariah; Transformasi Digital

Keywords: Strategic Management; Competitiveness; Islamic Banking; Sharia Governance; Digital Transformation

Article history:

Submitted: 16-05-2026
Revision: 29-05-2026
Accepted: 08-06-2026
Published: 17-06-2026

ABSTRAK

Perbankan syariah di Indonesia mengalami pertumbuhan yang signifikan dalam satu dekade terakhir, namun pangsa pasarnya masih relatif terbatas dibandingkan dengan perbankan konvensional. Persaingan industri yang semakin ketat, percepatan transformasi digital, perubahan perilaku nasabah, serta munculnya teknologi finansial telah menciptakan tantangan strategis baru bagi lembaga perbankan syariah. Penelitian ini bertujuan untuk menganalisis pendekatan manajemen strategis yang diperlukan untuk meningkatkan daya saing perbankan syariah di Indonesia dalam lingkungan keuangan digital yang semakin dinamis. Penelitian menggunakan pendekatan kualitatif deskriptif melalui studi kepustakaan dengan mengkaji literatur akademik terkini, laporan industri, dan publikasi regulator yang berkaitan dengan perbankan syariah, keuangan digital, dan manajemen strategis. Hasil penelitian menunjukkan bahwa daya saing berkelanjutan ditentukan oleh integrasi transformasi digital, inovasi produk berbasis syariah, kolaborasi strategis dengan ekosistem fintech, penguatan kualitas sumber daya manusia, serta penerapan tata kelola syariah yang baik. Selain itu, peningkatan literasi keuangan syariah dan optimalisasi keterlibatan nasabah melalui kanal digital menjadi faktor penting dalam memperluas penetrasi pasar dan loyalitas nasabah. Penelitian ini menegaskan bahwa daya saing perbankan syariah tidak hanya ditentukan oleh kinerja keuangan, tetapi juga oleh kemampuan menciptakan nilai melalui adaptasi teknologi, tata kelola yang etis, dan inovasi yang berorientasi pada kebutuhan nasabah.

ABSTRACT

Islamic banking in Indonesia has experienced significant growth over the past decade; however, its market share remains relatively modest compared to the conventional banking sector. Intensifying competition, rapid digital transformation, changing customer expectations, and the emergence of financial technology have created new strategic challenges for Islamic banking institutions. This study aims to analyze strategic management approaches required to enhance the competitiveness of Islamic banking in Indonesia within an increasingly dynamic digital financial environment. Employing a qualitative descriptive approach through library research, the study examines recent academic literature, industry reports, and regulatory publications related to Islamic banking, digital finance, and strategic management. The findings indicate that sustainable competitiveness depends on the integration of digital transformation, Sharia-based product innovation, strategic collaboration with fintech ecosystems, human capital development, and the strengthening of Sharia corporate governance. Furthermore, improving Islamic financial literacy and expanding customer engagement through digital channels are essential for increasing market penetration and customer loyalty. The study argues that Islamic banking competitiveness should no longer be viewed solely from a financial performance perspective but also from the ability to create value through technological adaptation, ethical governance, and customer-centered innovation. These findings contribute to the development of strategic management frameworks for Islamic banking in emerging digital economies.

This is an open access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.



INTRODUCTION

The global banking industry is undergoing a profound transformation driven by rapid technological advancement, changing customer expectations, and the emergence of digital

financial ecosystems (Santoso et al., 2021; Dinçkol et al., 2023; Jan et al., 2023). Digitalization has fundamentally altered how financial services are produced, delivered, and consumed, forcing banking institutions to continuously adapt their business models and competitive strategies (Akyildirim et al., 2025). In this increasingly dynamic environment, competitiveness is no longer determined solely by financial strength or branch network expansion but also by an institution's ability to leverage technology, innovate products, enhance customer experience, and respond effectively to evolving market demands (Asih et al., 2025; Jafri et al., 2025). Consequently, strategic management has become a critical instrument for ensuring long-term sustainability and competitive advantage within the contemporary banking sector.

In Indonesia, the acceleration of digital transformation has significantly reshaped the financial services landscape. The growing adoption of mobile banking, digital payment systems, artificial intelligence, and financial technology (*fintech*) platforms has intensified competition among financial institutions (Mbarek, 2025). Consumers increasingly demand financial services that are fast, convenient, personalized, and accessible through digital channels. These developments have encouraged banking institutions to invest heavily in digital infrastructure and innovation (Akyildirim et al., 2025). For Islamic banking, however, the challenge extends beyond technological adaptation. Islamic banks must simultaneously maintain compliance with Sharia principles while competing with conventional banks and agile fintech firms that often possess greater technological flexibility and market responsiveness (Harahap et al., 2023; Nugraheni & Muhammad, 2024; Zafar & Jafar, 2024).

Although Islamic banking in Indonesia has demonstrated consistent growth in recent years, its market share remains relatively modest compared to the conventional banking sector (Choiri et al., 2025; Wibowo & Setyono, 2025). This condition indicates that growth has not yet translated into a proportional increase in competitiveness. Several structural challenges continue to constrain the development of Islamic banking, including limited public understanding of Islamic financial products, relatively low levels of Islamic financial literacy, insufficient product differentiation, and the perception that Islamic banking services are less innovative than their conventional counterparts (Muslichah et al., 2023; McGregor & Alghamdi, 2024; Nofriansyah et al., 2026). Furthermore, intensified competition within the digital financial ecosystem has increased pressure on Islamic banks to improve operational efficiency and deliver greater value to customers.

The emergence of fintech has further transformed the competitive landscape. Fintech firms offer streamlined financial services characterized by speed, accessibility, and user-centered digital experiences. These advantages have attracted younger generations and digitally savvy consumers who increasingly prioritize convenience over traditional banking relationships. Consequently, Islamic banks face the challenge of maintaining their distinctive Sharia identity while simultaneously adopting innovative technologies and business models. Rather than viewing fintech solely as a competitor, many scholars argue that strategic collaboration between Islamic banking institutions and fintech ecosystems represents a promising pathway for enhancing competitiveness and expanding financial inclusion.

From the perspective of strategic management, competitiveness is closely associated with an organization's ability to develop and sustain valuable resources and capabilities. The Resource-Based View (RBV) suggests that firms achieve competitive advantage through resources that are valuable, rare, difficult to imitate, and effectively organized. In the context of Islamic banking, these resources include (Tuzzahroh & Laela, 2022; Farezy et al., 2025) institutional reputation, customer trust, technological capabilities, and specialized human capital. However, possessing

strategic resources alone is insufficient in highly dynamic environments. Dynamic Capability Theory further emphasizes the importance of continuously sensing market changes, seizing emerging opportunities, and reconfiguring organizational resources in response to technological and competitive disruptions. Therefore, the competitiveness of Islamic banking increasingly depends on its ability to integrate strategic resources with adaptive capabilities in the digital era.

Previous studies have highlighted the importance of digital transformation, product innovation, service quality, and Sharia-based differentiation in strengthening the competitiveness of Islamic banking. However, much of the existing literature tends to examine these factors independently. Studies on digital banking often focus on technology adoption and customer behavior, while research on Islamic banking competitiveness frequently emphasizes financial performance, governance, or product development (Santoso et al., 2021). As a result, there remains a limited understanding of how these strategic dimensions interact within an integrated management framework capable of enhancing competitiveness in an increasingly digitalized financial environment.

This gap is particularly relevant given the growing complexity of competition faced by Islamic banking institutions. Digital transformation, fintech collaboration, customer engagement, human capital development, Sharia governance, and financial literacy are interconnected factors that collectively influence competitive performance (Aspiranti et al., 2023; Mishref & Sa'ad, 2024; Wasim & Zafar, 2024). Examining these elements separately may overlook the strategic synergies required to achieve sustainable competitive advantage. Therefore, a more comprehensive strategic management perspective is needed to explain how Islamic banking institutions can effectively navigate technological disruption while maintaining compliance with Sharia principles and strengthening their market position.

Based on these considerations, this study aims to analyze the strategic management approaches required to enhance the competitiveness of Islamic banking in Indonesia. Using a qualitative literature-based approach, the study explores the strategic roles of digital transformation, product innovation, fintech collaboration, human resource development, Islamic financial literacy, and Sharia governance in shaping competitive advantage. Theoretically, this research contributes to the integration of strategic management perspectives, particularly the Resource-Based View and Dynamic Capability Theory, within the context of Islamic banking. Practically, the findings are expected to provide insights for policymakers, regulators, and banking practitioners in designing adaptive and sustainable competitive strategies capable of strengthening the position of Islamic banking in Indonesia's rapidly evolving financial industry.

METHOD

This study employed a qualitative approach with a descriptive literature review design to analyze strategic management practices that enhance the competitiveness of Islamic banking in Indonesia (Creswell & Poth, 2023). A qualitative approach was considered appropriate because it enables a comprehensive exploration of concepts, strategic frameworks, and empirical findings related to competitiveness, digital transformation, innovation, and governance within the Islamic banking industry. Through a literature-based inquiry, the study synthesizes existing knowledge and identifies strategic factors shaping the competitive position of Islamic banking in an increasingly dynamic financial environment.

The study relied exclusively on secondary data obtained from peer-reviewed journal articles, academic books, industry reports, and official publications issued by relevant institutions,

including Bank Indonesia and the Financial Services Authority (*Otoritas Jasa Keuangan*). To ensure the relevance and timeliness of the analysis, the literature was limited to publications released between 2021 and 2025, with the exception of seminal works used to support theoretical foundations. A total of 28 references were analyzed, comprising 23 journal articles and 5 supporting sources, including books, industry reports, and policy documents.

The selection of literature followed predefined inclusion and exclusion criteria. Included sources consisted of Indonesian- and English-language publications discussing strategic management, competitiveness, digital transformation, product innovation, Islamic financial literacy, fintech collaboration, human resource development, and Sharia governance within the context of Islamic banking. Only accredited or indexed academic publications and official institutional reports with clearly documented methodologies were included. Publications lacking academic rigor, studies unrelated to Islamic banking, and inaccessible or unverifiable sources were excluded from the analysis.

Data were collected through systematic documentation and literature review procedures (Almusaed et al., 2025). Subsequently, the selected materials were analyzed using qualitative content analysis to identify recurring themes, patterns, and strategic dimensions relevant to Islamic banking competitiveness. The analysis process involved literature identification, source selection, thematic coding, category development, data interpretation, and synthesis of findings (Miles et al., 2018). Particular attention was given to strategic themes such as digital transformation, Sharia-compliant product innovation, fintech partnerships, customer engagement, Islamic financial literacy, human capital development, and Sharia corporate governance.

To enhance the credibility and reliability of the findings, source triangulation was applied by comparing evidence across academic publications, industry reports, and regulatory documents. This approach enabled the study to develop a comprehensive understanding of strategic management practices and formulate an integrated framework for strengthening the competitiveness of Islamic banking in Indonesia.

RESULT AND DISCUSSION

The analysis of the selected literature reveals that the competitiveness of Islamic banking in Indonesia is shaped by a combination of technological, organizational, and institutional factors. The findings indicate that digital transformation has emerged as the most influential driver of competitiveness, enabling Islamic banks to improve operational efficiency, expand customer reach, and deliver more responsive financial services. However, digitalization alone is insufficient to create sustainable competitive advantage. The literature consistently highlights the importance of complementary strategic factors, including Sharia-based product innovation, service quality, Islamic financial literacy, fintech collaboration, human capital development, and effective Sharia governance.

From a strategic management perspective, these factors are interconnected and mutually reinforcing. Digital transformation provides the technological infrastructure for innovation and service improvement, while product differentiation and customer education strengthen market acceptance and customer loyalty. Similarly, fintech collaboration enhances innovation capacity and operational agility, whereas competent human resources and sound Sharia governance ensure that technological advancement remains aligned with Islamic principles and institutional

sustainability. The following discussion elaborates on these strategic dimensions and their implications for strengthening the competitiveness of Islamic banking in Indonesia.

Digital Transformation as a Driver of Competitiveness

The literature consistently identifies digital transformation as one of the most significant determinants of competitiveness in Islamic banking. The adoption of digital services such as *mobile banking*, digital payment systems, Islamic *e-wallets*, and online financing platforms has substantially improved operational efficiency, reduced transaction costs, and enhanced customer convenience. Studies suggest that digitalization enables Islamic banks to provide faster, more accessible, and more personalized services, thereby strengthening customer satisfaction and competitive positioning in an increasingly digital financial ecosystem.

More importantly, digital transformation should not be understood merely as the adoption of technology but as a fundamental shift in business strategy and organizational processes. The transition from branch-based banking to customer-centric digital banking has changed the way Islamic banks design products, interact with customers, and create value. In this context, technology functions as a strategic enabler that allows Islamic banks to respond more effectively to evolving customer expectations and competitive market dynamics.

One of the most important contributions of digital transformation is its role in facilitating product innovation. Digital technologies enable Islamic banks not only to digitize existing products but also to develop new financial solutions that are more flexible, efficient, and responsive to contemporary customer needs (Khoirunnisa et al., 2025; Martín-Rojas et al., 2026). Digital financing applications based on *murabahah*, *musyarakah*, or other Sharia contracts can significantly simplify financing procedures, accelerate approval processes, and improve service delivery. Such innovations contribute to greater customer convenience and strengthen perceptions of Islamic banking as a modern and competitive financial alternative.

Furthermore, digital transformation supports data-driven decision-making through the utilization of *big data* analytics and customer intelligence. By analyzing customer behavior and transaction patterns, Islamic banks can develop personalized products and targeted services, including goal-based savings, digital microfinance solutions for SMEs, and integrated *zakat*, *infaq*, and *sadaqah* services. This capability not only enhances customer engagement but also increases the relevance and attractiveness of Islamic banking products across different market segments.

Digitalization also contributes to improving financial inclusion and Islamic financial literacy. Products and services that were previously perceived as complex can now be delivered through intuitive digital interfaces that simplify customer interaction and understanding. Consequently, digital transformation enables Islamic banks to communicate Sharia values such as transparency, fairness, and accountability more effectively, thereby strengthening public trust and expanding market participation.

Sharia Product Innovation and Competitive Differentiation

Product innovation represents a critical strategic instrument for strengthening the competitive position of Islamic banking. In increasingly saturated financial markets, competitiveness cannot rely solely on Sharia compliance because compliance has become a minimum requirement rather than a unique source of differentiation. Therefore, Islamic banks must continuously develop products that not only conform to Islamic principles but also address the evolving financial needs of contemporary consumers.

The literature indicates that modern customers prioritize convenience, flexibility, speed, and transparency in financial transactions. Consequently, successful Islamic banking products are those capable of integrating Sharia principles with customer-centered design. Digital savings products, microfinancing solutions, green financing initiatives, and integrated social finance services have emerged as important areas of innovation that strengthen the attractiveness of Islamic banking institutions. These innovations demonstrate that Islamic banking can remain faithful to religious principles while simultaneously responding to market demands and technological developments.

From a strategic management perspective, product innovation contributes to competitive differentiation by creating unique value propositions that are difficult for competitors to replicate (Idris & Yunanto, 2025). Unlike conventional financial institutions, Islamic banks possess a distinctive advantage in the form of ethical and value-based financial products. The principles of justice, transparency, risk-sharing, and social responsibility provide a foundation for developing products that appeal not only to religiously motivated customers but also to consumers seeking ethical and sustainable financial solutions.

Furthermore, innovation contributes to enhancing public understanding of Islamic finance. Products that are simple, transparent, and supported by clear digital communication facilitate customer learning and reduce misconceptions regarding Islamic banking. Thus, product innovation serves not only as a commercial strategy but also as an educational mechanism that supports the broader development of the Islamic financial ecosystem.

Service Quality and Islamic Financial Literacy

Service quality remains a fundamental determinant of customer satisfaction and loyalty in the banking industry. For Islamic banking, service quality encompasses not only operational efficiency but also the consistent implementation of Sharia principles throughout the customer experience. Customers increasingly expect financial services that are accessible, responsive, transparent, and technologically integrated.

The literature suggests that customers are more likely to maintain long-term relationships with financial institutions that consistently deliver reliable and trustworthy services. In Islamic banking, trust is particularly important because customers expect institutions to uphold both professional standards and religious values. Consequently, service quality becomes a critical mechanism through which Islamic banks translate abstract Sharia principles into tangible customer experiences.

Despite improvements in service delivery, low levels of Islamic financial literacy continue to constrain the growth of the industry (Nofriansyah et al., 2026; Wibowo et al., 2026). Many potential customers remain unfamiliar with fundamental concepts such as profit-sharing mechanisms, Sharia contracts, and the distinctions between Islamic and conventional banking products. This knowledge gap limits market expansion and weakens the effectiveness of marketing and product innovation initiatives.

Digital technology offers significant opportunities to address these challenges. Educational content embedded within mobile applications, social media platforms, and digital banking services can enhance public understanding of Islamic finance while simultaneously promoting customer engagement. Interactive tools, financial simulations, educational videos, and personalized learning features enable Islamic banks to integrate financial literacy initiatives into daily customer interactions.

The relationship between service quality and financial literacy is mutually reinforcing. Higher levels of financial literacy improve customers' ability to understand and appreciate Islamic financial products, while better service experiences strengthen trust and encourage deeper engagement with Islamic banking institutions. Therefore, competitiveness depends not only on technological sophistication but also on the ability to educate customers and foster meaningful financial relationships.

Fintech Collaboration and Ecosystem Development

The emergence of financial technology has transformed the competitive environment of the banking industry. Rather than competing directly with fintech firms, many Islamic banks have increasingly adopted collaborative strategies aimed at leveraging complementary capabilities and resources. Such collaborations enable Islamic banks to access innovative technologies, improve operational agility, and expand their customer base.

Fintech companies possess strengths in technological innovation, customer experience design, and rapid product development. Islamic banks, meanwhile, contribute institutional credibility, regulatory compliance, extensive customer networks, and expertise in Sharia finance. The integration of these complementary capabilities creates opportunities for mutual value creation and strengthens the overall competitiveness of the Islamic financial ecosystem.

Collaboration is particularly important for expanding financial inclusion. Digital platforms developed through partnerships between banks and fintech firms can reach underserved populations, including rural communities, small businesses, and younger consumers who may have limited access to traditional banking services. This broader reach contributes to both commercial objectives and the social mission of Islamic finance.

Moreover, fintech collaboration facilitates the development of innovative financial solutions, including digital financing, peer-to-peer platforms, embedded finance, and integrated social finance services. These innovations improve customer convenience while supporting the broader objective of creating a more inclusive and efficient financial system.

However, successful collaboration requires effective coordination, regulatory compliance, and strategic alignment between participating institutions. Without clear governance structures and shared objectives, collaborative initiatives may generate operational risks, compliance challenges, and reputational concerns. Therefore, ecosystem development must be accompanied by strong institutional frameworks that support sustainable partnerships.

Human Capital as a Strategic Resource

Human resources represent one of the most valuable strategic assets in Islamic banking. According to the Resource-Based View, sustainable competitive advantage emerges from resources that are valuable, rare, difficult to imitate, and effectively managed. Human capital fulfills these criteria because employee knowledge, expertise, and organizational capabilities are not easily replicated by competitors (Zafar & Jafar, 2024).

The findings indicate that Islamic banking increasingly requires professionals possessing dual competencies. Employees must not only understand Islamic finance and Sharia principles but also possess the technological skills necessary to operate within digital financial ecosystems. This combination of financial expertise and digital literacy is essential for supporting innovation, customer service, risk management, and strategic decision-making.

Rapid technological change has altered workforce requirements across the banking sector. Traditional banking competencies are no longer sufficient in environments characterized

by digital platforms, artificial intelligence, data analytics, and automated services. Consequently, Islamic banks must continuously invest in training, professional development, and talent management initiatives to maintain competitiveness.

Human capital development also contributes to organizational adaptability. Employees capable of learning, innovating, and responding to environmental changes enhance the institution's ability to navigate uncertainty and exploit emerging opportunities. This adaptive capacity is particularly important within highly dynamic financial markets where technological disruption continuously reshapes competitive conditions. Therefore, investments in human capital should be viewed not as operational expenses but as strategic investments that directly influence organizational performance and long-term competitiveness.

Strengthening Sharia Corporate Governance

Sharia corporate governance plays a pivotal role in sustaining the competitiveness and credibility of Islamic banking institutions. While digital transformation and product innovation enhance operational capabilities, governance provides the institutional foundation necessary to ensure accountability, transparency, and compliance with Islamic principles.

Effective governance strengthens stakeholder confidence by ensuring that banking operations are conducted ethically and responsibly. Customers, investors, regulators, and other stakeholders are more likely to trust institutions that demonstrate strong governance practices and consistent adherence to Sharia standards. Consequently, governance contributes not only to risk management but also to reputation building and competitive positioning.

In the context of digital transformation, governance becomes increasingly important due to the growing complexity of operational, technological, and cybersecurity risks (Singh et al., 2022; Gong & Yang, 2024; Nepal et al., 2024). Digital banking environments expose institutions to challenges such as data privacy concerns, cyber threats, algorithmic biases, and compliance issues. Strong governance mechanisms help mitigate these risks while supporting responsible innovation.

The role of Sharia Supervisory Boards is particularly significant in maintaining institutional legitimacy. These boards ensure that products, services, and operational activities remain consistent with Islamic principles despite ongoing technological and organizational changes. Their oversight helps preserve public confidence and differentiates Islamic banks from conventional competitors.

Furthermore, governance contributes to long-term sustainability by promoting ethical decision-making and stakeholder-oriented management. In an era where environmental, social, and governance considerations increasingly influence consumer and investor preferences, strong Sharia governance represents a strategic advantage that aligns economic objectives with broader societal values.

An Integrated Strategic Management Framework for Islamic Banking Competitiveness

The findings demonstrate that competitiveness in Islamic banking cannot be achieved through isolated strategic initiatives. Rather, sustainable competitive advantage emerges from the integration of digital transformation, product innovation, service quality, financial literacy, fintech collaboration, human capital development, and Sharia governance within a coherent strategic management framework.

Digital transformation functions as the primary enabler that supports innovation, operational efficiency, and customer engagement (Restrepo-Morales et al., 2024; Wulandari et al.,

2024). Product innovation creates differentiation and strengthens value propositions, while service quality and financial literacy foster customer trust and loyalty. Fintech collaboration expands innovation capacity and market reach, whereas human capital development ensures organizational adaptability and strategic execution. Finally, Sharia governance provides the ethical and institutional foundation necessary to sustain growth and legitimacy.

From the perspective of Dynamic Capability Theory, competitiveness depends on the ability of Islamic banks to continuously sense environmental changes, seize emerging opportunities, and transform organizational resources accordingly. Institutions that successfully integrate these strategic dimensions are more likely to achieve sustainable growth and maintain relevance within rapidly evolving financial markets.

Accordingly, the future competitiveness of Islamic banking in Indonesia will depend not merely on technological adoption or financial performance, but on the development of an integrated strategic management approach that combines innovation, governance, human capital, and customer value creation within a distinctly Islamic framework. Such an approach enables Islamic banking institutions to strengthen their market position while simultaneously advancing the broader objectives of Islamic finance and sustainable economic development.

CONCLUSION

This study demonstrates that the competitiveness of Islamic banking in Indonesia is increasingly determined by its ability to implement integrated strategic management in response to rapid technological and market changes. The findings reveal that digital transformation serves as the primary driver of competitiveness by enhancing operational efficiency, improving customer experience, expanding market reach, and enabling data-driven innovation. However, digitalization alone is insufficient to generate sustainable competitive advantage. Islamic banking competitiveness is also influenced by Sharia-based product innovation, service quality, Islamic financial literacy, fintech collaboration, human capital development, and the effective implementation of Sharia corporate governance. These factors are interconnected and collectively shape the ability of Islamic banks to create value, strengthen customer trust, and maintain relevance in an increasingly competitive financial ecosystem.

From a strategic management perspective, the study highlights the importance of integrating technological capabilities with ethical governance and customer-oriented innovation. Product innovation grounded in Sharia values strengthens differentiation, while financial literacy initiatives improve public understanding and acceptance of Islamic financial products. Furthermore, strategic partnerships with fintech institutions enhance innovation capacity and financial inclusion, whereas competent human resources and strong governance mechanisms ensure that technological advancement remains aligned with Islamic principles. Therefore, sustainable competitiveness requires Islamic banks to move beyond traditional banking models and adopt adaptive strategies that combine innovation, digital capability, and institutional integrity.

The study contributes to the literature by integrating the Resource-Based View and Dynamic Capability perspectives into the context of Islamic banking competitiveness. It proposes that competitive advantage emerges not only from valuable organizational resources but also from the ability to continuously reconfigure those resources in response to environmental change. Practically, the findings provide strategic insights for regulators, policymakers, and banking practitioners in designing future-oriented development strategies for the Islamic banking sector.

Future research may extend this study through empirical investigations examining the relationships between digital transformation, innovation capability, governance quality, and competitive performance using quantitative or mixed-method approaches. Comparative studies across countries and Islamic financial institutions may also provide deeper insights into the strategic factors that contribute to sustainable competitiveness in the global Islamic banking industry.

REFERENCES

- Akyildirim, E., Corbet, S., Mukherjee, A., & Ryan, M. (2025). Global Perspectives on Open Banking: Regulatory Impacts and Market Response. *Journal of International Financial Markets, Institutions and Money*, 101(2), 102159. <https://doi.org/10.1016/j.intfin.2025.102159>
- Almusaed, A., Almssad, A., & Yitmen, I. (2025). Qualitative Data Collection and Management. *Practice of Research Methodology in Civil Engineering and Architecture*, 417–454. https://doi.org/10.1007/978-3-031-97393-2_13
- Asih, D. N. L., Andrianingsih, V., & Faisol, Moh. (2025). The Impact of Financial Literacy, Financial Technology, Social Environment, and Lifestyle on Financial Management. *Jurnal Akademi Akuntansi*, 8(2), 314–324. <https://doi.org/10.22219/JAA.V8I2.37454>
- Aspiranti, T., Ali, Q., Sudrajad, O. Y., & Rusgianto, S. (2023). Shariah Governance Reporting of Islamic Banks: An Insight from Malaysia. *Cogent Business and Management*, 10(2). <https://doi.org/10.1080/23311975.2023.2247220>
- Choiri, A., Wibowo, W., Ariga, A., & Setyono, J. (2025). Analisis Strategi Optimalisasi Likuiditas pada Perbankan Syariah di Indonesia. *EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi*, 4(4), 6122–6134. <https://doi.org/10.56799/EKOMA.V4I4.7778>
- Creswell, J. W., & Poth, C. N. (2023). *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*, 5th Edition. 552.
- Dinçkol, D., Ozcan, P., & Zachariadis, M. (2023). Regulatory standards and consequences for industry architecture: The case of UK Open Banking. *Research Policy*, 52(6), 104760. <https://doi.org/10.1016/j.respol.2023.104760>
- Farezy, I., Ariani, Z., Hidayanti, N. F., Agustina, A., & Hulaimi, A. (2025). *Integration of Blockchain Technology in Islamic Finance: Opportunities and Challenges Towards Transparency and Sharia Compliance*. <https://journal.ummat.ac.id/index.php/iicece/article/view/31325>
- Gong, Y., & Yang, X. (2024). Understanding Strategies for Digital Government Transformation: A Strategic Action Fields Perspective. *International Journal of Information Management*, 76, 102766. <https://doi.org/10.1016/j.ijinfomgt.2024.102766>
- Harahap, D., Afandi, A., & Siregar, T. M. (2023). The Islamic Banking Customers' Intention to Use Digital Banking Services: An Indonesian Study. *Journal of Islamic Monetary Economics and Finance*, 9(3), 533–558. <https://doi.org/10.21098/JIMF.V9I3.1673>
- Idris, F. Y., & Yunanto, A. (2025). Access to Green Financing for Rural SMEs: The Strategic Role of Banking in Promoting a Sustainable Circular Economy in Indonesia. *The International Conference on Sustainable Economics Management and Accounting Proceeding*, 1(01), 1598–1603. <https://doi.org/10.32424/ICSEMA.1.1.400>
- Jafri, J. A., Mohd Amin, S. I., & Abdul Rahman, A. (2025). Financial Technology (Fintech) Research Trend: A Bibliometric Analysis. *Discover Sustainability*, 6(1), 1–23. <https://doi.org/10.1007/S43621-025-01225-6/TABLES/10>

- Jan, A., Rahman, H. U., Zahid, M., Salameh, A. A., Khan, P. A., Al-Faryan, M. A. S., Che Aziz, R. B., & Ali, H. E. (2023). Islamic Corporate Sustainability Practices Index Aligned with SDGs Towards Better Financial Performance: Evidence from the Malaysian and Indonesian Islamic Banking Industry. *Journal of Cleaner Production*, 405, 136860. <https://doi.org/10.1016/J.JCLEPRO.2023.136860>
- Khoirunnisa, A. I., Iklila, H., Ali, N., Alifah, N., Yulia, S., & Safira, A. (2025). Curriculum Digitalization: The Impact of Technology on Curriculum Development in The Era of Industrial Revolution 4.0. *Indonesian Journal of Educational Research and Technology*, 5(2), 179–190. <https://doi.org/10.17509/IJERT.V5I2.85143>
- Martín-Rojas, R., Garrido-Moreno, A., Víctor, ·, & García-Morales, J. (2026). Building Organizational Resilience in SMEs: The Key Role of Digital Technologies, Transformational Leadership, and Innovation. *Review of Managerial Science*, 1–34. <https://doi.org/10.1007/S11846-025-00965-Z>
- Mbarek, K. Ben. (2025). Fintech adoption and financial inclusion in emerging economies: the moderating role of institutional quality. *SN Business & Economics* 2025 5:11, 5(11), 174-. <https://doi.org/10.1007/s43546-025-00956-y>
- McGregor, S. L. T., & Alghamdi, A. K. H. (2024). Measuring Islamic Financial Literacy. *Financial Planning Research Journal*, 10(1). <https://doi.org/10.2478/FPRJ-2024-0003>
- Miles, M. B., Huberman, A. M., & Saldana, J. (2018). Qualitative Data Analysis: A Methods Sourcebook. *SAGE Publications, Inc*, XII–384. <https://us.sagepub.com/en-us/nam/qualitative-data-analysis/book246128>
- Mishref, A. A., & Sa'ad, A. A. (2024). *Review of Literature on Shariah Governance and Audit in Islamic Banks*. <https://www.al-qanatir.com/aq/article/view/731>
- Muslichah, Putra, Y. H. S., Abdullah, R., & Usry, A. K. (2023). Islamic Financial Literacy and Financial Inclusion: Examining the Intervening Role of Financial Self-Efficacy. *International Journal of Islamic Economics and Finance (IJIEF)*, 6(2), 181–200. <https://doi.org/10.18196/IJIEF.V6I2.16384>
- Nepal, R., Liu, Y., Dong, K., & Jamasb, T. (2024). Green Financing, Energy Transformation, and the Moderating Effect of Digital Economy in Developing Countries. *Environmental & Resource Economics*, 87(12), 3357–3386. <https://doi.org/10.1007/S10640-024-00922-6>
- Nofriansyah, N., Vhalery, R., Wibowo, W., & Supardi, E. (2026). Islamic Digital Financial Literacy in Navigating Wealth Ethics and Sustainability in the 21st Century. <https://Services.Igi-Global.Com/Resolvedoi/Resolve.aspx?Doi=10.4018/979-8-3373-1842-4.Ch006>, 145–174. <https://doi.org/10.4018/979-8-3373-1842-4.CH006>
- Nugraheni, P., & Muhammad, R. (2024). The Optimisation of Qardhul Hasan Management in Islamic Banking: Enhancing Its Role in Empowering the Community. *Journal of Enterprising Communities: People and Places in the Global Economy*, 18(3), 469–486. <https://doi.org/10.1108/JEC-08-2022-0113>
- Restrepo-Morales, J. A., Ararat-Herrera, J. A., López-Cadavid, D. A., & Camacho-Vargas, A. (2024). Breaking the Digitalization Barrier for Smes: A Fuzzy Logic Approach to Overcoming Challenges in Business Transformation. *Journal of Innovation and Entrepreneurship*, 13(1), 1–22. <https://doi.org/10.1186/S13731-024-00429-W/FIGURES/6>
- Santoso, W., Sitorus, P. M., Batunanggar, S., Krisanti, F. T., Anggadwita, G., & Alamsyah, A. (2021). Talent Mapping: A Strategic Approach Toward Digitalization Initiatives in the Banking and

- Financial Technology (Fintech) Industry in Indonesia. *Journal of Science and Technology Policy Management*, 12(3), 399–420. <https://doi.org/10.1108/JSTPM-04-2020-0075>
- Singh, U. S., Singh, N., Gulati, K., Kumar Bhasin, N., Kumar, H., & Sreejith, P. M. (2022). A Study on the Revolution of Consumer Relationships as a Combination of Human Interactions and Digital Transformations. *Materials Today: Proceedings*, 51, 460–464. <https://doi.org/10.1016/j.matpr.2021.05.578>
- Tuzzahroh, F., & Laela, S. F. (2022). *Sharia Audit and Shariah Compliance of Islamic Financial Institutions: A Bibliometric Analysis*. *Jurnal Ekonomi Syariah Teori Dan Terapan*. https://www.researchgate.net/publication/366150022_Sharia_Audit_and_Shariah_Compliance_of_Islamic_Financial_Institutions_A_Bibliometric_Analysis
- Wasim, M. H., & Zafar, M. B. (2024). Shariah Governance and Islamic Banks: A Systematic Literature Review. *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/JIABR-11-2023-0386>
- Wibowo, W., Nofriansyah, N., Nasrudin, N., & Aminuddin, A. (2026). *Integrating Islamic Financial Literacy, Social Entrepreneurship, and Social Finance: Innovative Pathways to Inclusive and Sustainable Development*. 115–144. <https://doi.org/10.4018/979-8-3373-1842-4.CH005>
- Wibowo, W., & Setyono, J. (2025). Potret Empiris Tata Kelola Perbankan Syariah di Indonesia: Systematic Literature Review. *EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi*, 4(3), 5549–5563. <https://doi.org/10.56799/EKOMA.V4I3.7617>
- Wulandari, A., Marcelino, D., Suryawardani, B., & Adithya, D. (2024). Digital Capability and Literacy for MSME Transformation: Perspectives of Digital and Business Performance. *APMBA (Asia Pacific Management and Business Application)*, 13(2), 109–128. <https://doi.org/10.21776/UB.APMBA.2024.013.02.2>
- Zafar, M. B., & Jafar, A. (2024). Human Capital and Islamic Banking: A Systematic Literature Review. *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/JIABR-11-2023-0376>