

DETERMINANT PROFITABILITY OF THE ISLAMIC BANKING INDUSTRY IN INDONESIA : LITERATURE REVIEW

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ABSTRACT

The growth of the Islamic banking industry in Indonesia can be attributed to the increasing public awareness of sharia principles in financial activities and strong government regulatory support, which includes regulations covering aspects ranging from capital requirement to operational procedures. It is evident that Shariah banks have the potential to thrive in the financial sector through strategic initiatives and a commitment to their core values. By leveraging technology and innovation, enhancing risk management practices, diversifying revenue streams, and strengthening governance and compliance processes, Shariah banks can position themselves for sustainable growth and success in the future. It is essential for Shariah banks to continue adapting to the changing landscape of the financial industry while staying true to their principles in order to maximize their profitability and impact.

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INTRODUCTION

The growth of the Islamic banking industry in Indonesia can be attributed to the increasing public awareness of sharia principles in financial activities and strong government regulatory support, which includes regulations covering aspects ranging from capital requirements to operational procedures. Additionally, Sharia Banking has expanded its branch network significantly to provide wider access for the public and diversified its product offerings to meet various financial needs of the community (Nashirah & Joni, 2024). This growth can be attributed to the country's large Muslim population and their preference for banking in accordance with Islamic principles (Ahmad, 2015). Moreover, the rise of Sharia Banking can also be linked to the increasing demand for ethical and socially responsible financial services in the market. As consumers become more conscious of where their money is being invested and the impact it has on society, Sharia Banking offers a transparent and ethical alternative that aligns with their values. This shift in consumer behavior has prompted traditional banks to incorporate Islamic finance principles into their offerings as well, in order to remain competitive in the evolving financial landscape. With the government's support and regulatory frameworks in place, Islamic banks in Indonesia are well-positioned to continue expanding their market share and contributing to the overall financial stability of the nation.

One of the key factors driving the growth of Islamic banking in Indonesia is the increasing awareness and understanding of Islamic finance among the population. As more people become familiar with the principles and benefits of Sharia-compliant banking, they are more likely to choose Islamic banks over conventional ones. Additionally, the government's efforts to promote Islamic finance through initiatives such as tax incentives and regulatory reforms have also played a significant role in the industry's expansion. These measures have helped create a conducive environment for Islamic banks to thrive and attract a larger customer base. For example, a young professional in Indonesia may choose to open a savings account with an Islamic bank that offers competitive profit-sharing rates instead of a traditional bank. This decision is influenced by their growing knowledge of Islamic finance principles and the perceived ethical advantages of Sharia-compliant banking over conventional practices. Additionally, the government in Indonesia has

implemented tax incentives for individuals who invest in Islamic financial products, making it more appealing for customers to choose Islamic banking options (Hörnlein, 2015) . Furthermore, regulatory reforms have made it easier for Islamic banks to operate and offer a wider range of products, further increasing their attractiveness to customers seeking ethical and profitable banking solutions.

Despite the focus on ethical principles, profitability remains a crucial aspect for Shariah banks to thrive in the competitive financial industry. While Islamic banking aims to adhere to Islamic principles such as prohibition of interest (riba) and unethical investments, it is also important for these banks to remain financially sustainable and profitable in order to attract investors and customers. In fact, many Shariah-compliant financial institutions have been able to achieve impressive profitability levels by offering innovative products and services that cater to the needs of their target market. "Sharia banks face challenges related to achieving broader market penetration, meeting diverse financial needs of customers, ensuring Sharia compliance, and adapting operations to different regulatory environments while remaining competitive and financially sustainable. Despite these challenges, Sharia banks offer an ethical alternative in the financial system, operating within Islamic law and principles ." (Fischer & Cohen, 2023) For example, some Islamic banks have introduced profit-sharing arrangements and Islamic bonds (sukuk) to generate returns for their customers while adhering to Shariah principles. However, a detailed counterexample to this may arise when an Islamic bank invests in a company that produces alcohol or engages in other haram (forbidden) activities, compromising their adherence to Shariah principles. This could lead to backlash from the Islamic community and damage the reputation of the bank, ultimately hindering its growth and expansion in the global banking sector.

The purpose of this research paper is to analyze the impact of ethical investing on Islamic banking institutions and the challenges they face in maintaining Shariah compliance while seeking profitable investment opportunities. The scope of the paper will include a review of existing literature on ethical investing in Islamic finance, case studies of Islamic banks that have faced ethical dilemmas, and recommendations for how these institutions can navigate the complexities of ethical investing in a global financial market. By examining the intersection of Islamic principles and ethical investing practices, this paper aims to provide valuable insights for Islamic banks looking to balance profitability with adherence to Shariah guidelines.(Jamal, 2021) Specifically, the paper will delve into the key principles of Shariah law that govern ethical investing, such as the prohibition of riba (interest), gharar (uncertainty), and haram (forbidden) activities. It will also explore the challenges that Islamic banks face in ensuring their investments are in line with these principles, particularly in a rapidly changing and interconnected global economy(Nashirah & Joni, 2024) . Additionally, the paper will analyze the potential benefits of ethical investing for Islamic banks, including enhanced reputation, increased customer loyalty, and long-term sustainability. Overall, the goal of this paper is to provide a comprehensive framework for Islamic banks to navigate the complexities of ethical investing while remaining true to their values and principles. One potential counterargument could be that ethical investing may limit the profitability of Islamic banks compared to traditional banks that do not adhere to strict ethical guidelines. Additionally, some critics may argue that the subjective nature of ethics could lead to disagreements within Islamic banks on what constitutes ethical investments.(Mehmet et al., 2021)

LITERATURE REVIEW

Background of Shariah Banking in Indonesia

Shariah banking in Indonesia has a rich history dating back to the 1960s, when the first Islamic bank, Bank Muamalat Indonesia, was established. Since then, the industry has grown significantly, with numerous Islamic banks and financial institutions offering a wide range of Shariah-compliant products and services. The development of Shariah banking in Indonesia has been supported by specific government regulations and initiatives aimed at promoting Islamic

finance as an alternative to conventional banking.(ugustine. & lenges, 2022) Overall, Shariah banking has become an integral part of Indonesia's financial system, providing a viable option for Muslims seeking banking services that align with their religious beliefs.

Furthermore, the success of Shariah banking in Indonesia has also been attributed to the increasing awareness and demand for ethical and sustainable financial practices among the population. This shift towards Islamic finance has not only benefited the Muslim community but has also attracted non-Muslim customers who are drawn to the principles of transparency, fairness, and risk-sharing that underpin Shariah banking. As a result, Islamic banks in Indonesia have seen steady growth in their customer base and market share, demonstrating the growing acceptance and popularity of Shariah-compliant banking in the country. Additionally, the industry's continued innovation and adaptation to meet the evolving needs of customers have further solidified its position in the financial sector, making it a competitive and attractive alternative to traditional banking.

Regulatory framework for Shariah banks in Indonesia

The regulatory framework for Shariah banks in Indonesia plays a crucial role in ensuring the stability and integrity of the industry. The country's Financial Services Authority (OJK) has implemented strict guidelines and regulations to govern Islamic banking operations, including requirements for capital adequacy, risk management, and disclosure. These measures are designed to protect the interests of depositors and investors, as well as to maintain the overall soundness of the financial system. By adhering to these regulations, Shariah banks in Indonesia are able to build trust and confidence among their stakeholders, further bolstering their reputation and credibility in the market. This commitment to transparency and accountability has been instrumental in helping Islamic banks in Indonesia attract a growing number of customers who prioritize ethical and socially responsible banking practices. As a result, the industry has experienced steady growth in recent years, with Shariah-compliant assets reaching new highs. Additionally, the OJK's oversight has helped to mitigate the risks associated with Islamic banking, ensuring that the sector remains resilient in the face of economic challenges. Overall, the regulatory framework in Indonesia has played a crucial role in fostering a healthy and sustainable Islamic banking sector that contributes to the country's financial stability and development. For example, Bank Muamalat Indonesia has seen an increase in customers who specifically seek out Islamic banking services due to their ethical principles. This has led to the bank expanding its branch network and product offerings to meet the growing demand for Shariah-compliant financial solutions.

Comparison of Shariah banking with conventional banking in Indonesia

While Islamic banking in Indonesia has shown significant growth and success, it is important to also consider how it compares to conventional banking in the country. One key difference is the emphasis on ethical principles and adherence to Shariah law in Islamic banking, which sets it apart from the profit-driven model of conventional banking. Additionally, Islamic banks in Indonesia often offer unique financial products and services that cater to the specific needs and preferences of Muslim customers. "Islamic banks in Bangladesh offer unique financial products and services that cater to the specific needs and preferences of Muslim customers, with factors such as Islamic values, ethical organization, and reputation significantly impacting customer attitudes and behavioral intentions towards using these services (Muhammad et al., 2022) This includes profit-sharing arrangements, asset-backed financing, and restrictions on investing in certain industries, such as alcohol and gambling. By contrast, conventional banks in Indonesia operate under a more traditional interest-based system and may not have the same level of focus on ethical considerations. Despite these differences, both Islamic and conventional banks play a vital role in the Indonesian financial sector and contribute to the overall economic development of the country. For example, Islamic banks in Indonesia offer Sharia-compliant home financing options that adhere to Islamic principles,

such as avoiding interest and ensuring transparency in transactions. On the other hand, conventional banks in Indonesia may offer traditional mortgage loans with varying interest rates based on market conditions, providing a different set of options for customers looking to purchase a home.

Factors Affecting Profitability of Shariah Banks in Indonesia

Shariah compliance is a key factor that influences the profitability of Islamic banks in Indonesia. While adhering to Islamic principles may limit certain profit-making activities, such as charging interest on loans, it also attracts a specific customer base that values ethical and transparent banking practices. This can lead to increased customer loyalty and trust, ultimately contributing to the long-term success and sustainability of Shariah banks in the country. Additionally, the reputation of a bank's Shariah compliance can also impact its ability to attract investors and secure funding for future growth and expansion. As such, maintaining a strong commitment to Shariah principles is essential for ensuring the profitability and competitiveness of Islamic banks in Indonesia. For example, a Shariah bank in Indonesia that consistently adheres to ethical banking practices may attract customers who prioritize social responsibility and fairness in their financial transactions. This loyal customer base can help drive the bank's growth and profitability over time, as they are more likely to refer others and continue utilizing the bank's services. Additionally, by upholding Shariah principles, the bank can also attract socially conscious investors who are interested in supporting businesses that align with their values, providing a stable source of funding for future expansions and initiatives. This strong foundation of support from both customers and investors can help the bank weather economic downturns and navigate challenges in the financial industry. By maintaining a reputation for ethical practices and transparency, the Shariah bank can differentiate itself from competitors and build trust with stakeholders, further solidifying its position as a leader in the market. Furthermore, as more consumers become aware of the benefits of ethical banking, the bank may see an increase in demand for its services, leading to further growth and success in the long term. (Jan et al., n.d.) In addition, this positive reputation can also attract top talent to the company. (Yeung, 2011) However, a detailed counterexample to this scenario could be a situation where the Shariah bank is involved in a scandal or unethical behavior, causing a loss of trust from stakeholders and customers. This could result in a decrease in demand for its services and ultimately lead to financial struggles and a decline in market leadership. For example, if a Shariah bank is found to be involved in money laundering or fraudulent activities, it could tarnish its ethical reputation and drive customers away. This loss of trust could also deter top talent from wanting to work for the bank, further exacerbating its financial struggles and market decline. In contrast, a conventional bank could operate ethically and transparently, gaining the trust of stakeholders and customers. In contrast, a conventional bank could operate ethically and transparently, gaining the trust of stakeholders and customers. (Jan et al., n.d.) This could lead to an increase in demand for its services, attract top talent, and solidify its position as a market leader. For instance, if a conventional bank is known for its strong ethical practices and commitment to compliance, it is likely to attract more customers who value integrity and trustworthiness in financial institutions. (Paola et al., 2015)

Market competition and pricing strategies

play a significant role in shaping a bank's reputation and market position. By offering competitive rates and innovative products, a bank can differentiate itself from competitors and attract a larger customer base. Additionally, a bank's pricing strategies can impact its profitability and long-term sustainability in the market. It is important for banks to carefully consider their pricing strategies in order to remain competitive and meet the evolving needs of their customers.

Furthermore, the implementation of effective risk management practices is crucial for maintaining stability and profitability in the financial sector. Banks must constantly assess and mitigate various types of risks, including credit risk, market risk, and operational risk, in order to protect their assets and ensure the safety of their customers' deposits. Failure to adequately manage

these risks can result in financial losses, reputational damage, and even regulatory sanctions. Therefore, banks must invest in robust risk management systems and processes to safeguard their operations and maintain the trust of their stakeholders. Additionally, transparency and accountability in financial reporting are essential for building and maintaining trust with customers and investors. By providing clear and accurate information about their financial performance and risk exposure, banks can enhance their credibility and reputation in the market. (Mohammad et al., 2016) Ultimately, the combination of effective risk management practices, transparent communication, and competitive pricing strategies is key to ensuring the long-term success and sustainability of financial institutions.

Furthermore, strong corporate governance practices play a crucial role in upholding the integrity and ethical standards of banks. Boards of directors must ensure that the bank operates in a manner that is consistent with its values and mission. "Corporate governance practices in banks have been under scrutiny, with some evidence suggesting that governance failures may have contributed to the financial crisis. However, empirical studies have not strongly supported the hypothesis that better governance led to better performance during the crisis. The Nigerian corporate governance regulatory system has also been evaluated, highlighting the influence of institutional arrangements on regulatory initiatives and the need for tailored strategies to address specific challenges (Adegbite, 2012) This includes establishing clear policies and procedures for risk management, compliance, and ethical conduct. By promoting a culture of accountability and transparency at all levels of the organization, banks can minimize the likelihood of misconduct and unethical behavior. In turn, this fosters trust among customers, investors, and regulators, ultimately contributing to the long-term success of the institution.

Asset quality and risk management practices

play a crucial role in determining the overall health and stability of a bank. Monitoring and evaluating the quality of assets, such as loans and investments, is essential for identifying potential risks and taking proactive measures to mitigate them. By implementing robust risk management practices, banks can protect themselves from unexpected losses and ensure that they are able to meet their financial obligations to customers and stakeholders. Proactive risk management also allows banks to capitalize on opportunities for growth and innovation while maintaining a solid financial foundation. In an ever-changing and unpredictable market environment, effective risk management is a key differentiator that sets successful banks apart from their competitors. However, the 2008 financial crisis demonstrated that even banks with seemingly robust risk management practices can still suffer significant losses and fail to meet their obligations. The failure of large institutions such as Lehman Brothers highlighted the limitations of traditional risk management methods in accurately assessing and mitigating systemic risks.

As a result, many banks have since reevaluated and revamped their risk management strategies to better account for interconnectedness, complexity, and uncertainty in the financial system. One approach that has gained traction in recent years is the use of advanced analytics and machine learning algorithms to enhance risk assessment and decision-making processes. By leveraging big data and predictive modeling techniques, banks can more effectively identify and anticipate potential risks, allowing them to proactively adjust their strategies and minimize potential losses. Additionally, the adoption of stress testing and scenario analysis has become increasingly common among banks as a way to simulate and prepare for various adverse events and market conditions. To better understand vulnerabilities and develop contingency plans, banks can use tools such as risk analysis, crisis impact analysis, and risk monitoring and re-evaluation. These tools help in evaluating risk, assessing uncertainty, communicating risks, and connecting risk analysis with policy implications (Mitchell, 2013) and strategic decision-making. By utilizing these tools, banks can enhance their risk management practices and ensure they are well-prepared to navigate through turbulent times. Furthermore, the integration of advanced technology, such as artificial intelligence

and machine learning, has revolutionized the way banks approach risk management by providing real-time insights and predictive analytics. This allows banks to stay ahead of potential risks and make informed decisions to protect their assets and maintain financial stability. In conclusion, a proactive and comprehensive approach to risk management is essential for banks to thrive in an ever-changing and unpredictable market environment.

Performance Analysis of Shariah Banks in Indonesia

Financial indicators used to measure profitabilityThese indicators provide insights into the overall financial health and performance of Shariah banks in Indonesia. "The indicators of efficiency, asset quality, and stability show that conventional banks in Indonesia outperform Shariah banks. Shariah banks need to enhance their IT, speed of service, asset quality, and operational costs to compete with conventional banks ." (*Lsa Elsa Wiwik Utami and Lucky Nugroho, 2018*) By analyzing metrics such as return on assets, return on equity, and net profit margin, stakeholders can assess the efficiency and effectiveness of these institutions in generating profits and managing risks. Additionally, comparing these indicators with those of conventional banks can help identify areas of strength and weakness within the Shariah banking sector, enabling strategic decision-making and performance improvement initiatives. Furthermore, delving deeper into the drivers behind these financial indicators, such as asset quality, liquidity, and capital adequacy, can offer a more nuanced understanding of the factors influencing the profitability and sustainability of Shariah banks in Indonesia.

banks, allowing for comparisons with conventional banks and industry benchmarks. In recent years, Shariah banks in Indonesia have shown steady growth in profitability and efficiency, outperforming many conventional banks in terms of return on assets and return on equity. This trend can be attributed to the increasing demand for Islamic finance products and services, as well as the strong regulatory framework supporting the growth of Shariah banking in the country. Additionally, Shariah banks have been able to effectively manage risks and maintain strong capital adequacy ratios, further enhancing their resilience and competitiveness in the market.

"Islamic banks in Indonesia have been able to attract a larger customer base and expand their market share, solidifying their position as key players. However, Islamic banks face challenges such as lack of adequate personnel training, unsatisfactory relationships with central banks, and difficulties in communication due to the unique nature of Islamic banking operations ." (er. & Harvard, n.d.) This success has also attracted foreign investors and partners, leading to collaborations and joint ventures that have further bolstered the growth and stability of Shariah banking in Indonesia. With the continued support of regulators and the increasing awareness and acceptance of Islamic finance principles among the general population, the future looks promising for Shariah banks in Indonesia as they continue to innovate and expand their offerings to meet the evolving needs of their customers.

Comparison of profitability between Shariah banks and conventional banks

One key area of interest for many stakeholders is the comparison of profitability between Shariah banks and conventional banks in Indonesia. This analysis can provide valuable insights into the financial performance and sustainability of both types of institutions, shedding light on their respective strengths and weaknesses. By examining key financial indicators such as return on assets, return on equity, and net profit margins, we can gain a better understanding of how Shariah banks stack up against their conventional counterparts in terms of profitability.

This comparison can also help identify any potential areas for improvement or growth for both types of banks. Additionally, analyzing the profitability of Shariah banks and conventional banks can offer valuable information for investors, regulators, and policymakers looking to make informed decisions about their financial investments or regulatory frameworks. A comprehensive analysis of profitability is crucial for providing a holistic view of the performance and potential of

both Shariah and conventional banks in Indonesia, ultimately contributing to a more robust and stable financial system.

Case studies of successful Shariah banks in Indonesia

show that implementing ethical and Islamic principles in their banking practices can lead to increased customer trust and loyalty, resulting in higher profitability. For example, Bank Muamalat Indonesia has seen significant growth by offering Shariah-compliant products and services that cater to the needs of the Muslim population in the country. By analyzing the profitability of Shariah banks like Bank Muamalat Indonesia alongside conventional banks in Indonesia, a comprehensive understanding of the financial landscape can be achieved. This can provide valuable insights into the effectiveness of ethical banking practices in driving profitability and sustainability within the Indonesian banking sector. Ultimately, showcasing how incorporating Shariah principles can lead to increased profitability and customer satisfaction in the long run.

This ability has enabled them to tap into a niche market and establish a strong reputation for integrity and transparency. In contrast, conventional banks in Indonesia have faced challenges in recent years due to issues such as corruption and mismanagement. By comparing the performance of Shariah and conventional banks, policymakers can gain valuable insights into the strengths and weaknesses of each sector, enabling them to make informed decisions on how to regulate and support the financial industry in Indonesia. Ultimately, this can lead to a more sustainable and resilient banking system that benefits both the economy and the society as a whole.

One key area of comparison between Shariah and conventional banks is their risk management practices. Shariah banks are required to adhere to strict ethical principles, which can help mitigate the risk of unethical behavior and financial misconduct. This can ultimately lead to a more stable and secure banking system, reducing the likelihood of financial crises and ensuring the protection of depositor funds. Additionally, Shariah banks often have a more conservative approach to lending, which can help prevent excessive risk-taking and reduce the likelihood of loan defaults. This can lead to a more sustainable and profitable banking sector in the long run.

Challenges and Opportunities for Shariah Banks in Indonesia

Regulatory challenges and their impact on profitability

One of the main challenges facing Shariah banks in Indonesia is navigating the complex regulatory environment. The stringent regulations governing Islamic finance can sometimes hinder the growth and profitability of these banks, as they must comply with both conventional banking laws and Shariah principles. This can create additional costs and administrative burdens, making it difficult for Shariah banks to compete with their conventional counterparts. However, these regulatory challenges also present opportunities for Shariah banks to differentiate themselves in the market and build trust with customers who prioritize ethical and Islamic-compliant banking practices. By effectively managing these regulatory challenges and leveraging their unique value proposition, Shariah banks in Indonesia can position themselves for long-term success and sustainable growth.

One way for Shariah banks to navigate these regulatory challenges is by working closely with regulators to develop frameworks that accommodate their Islamic principles while still meeting regulatory requirements. By proactively engaging with regulators and advocating for regulatory changes that align with Shariah principles, banks can help shape the regulatory environment in a way that is more conducive to their business model. Additionally, Shariah banks can invest in technology and digital solutions to streamline their operations and reduce costs, making them more competitive in the market. By staying ahead of regulatory developments and embracing innovation, Shariah banks can strengthen their position in the industry and attract a broader customer base. Opportunities for growth and expansion in the Islamic banking industry include exploring new markets and partnerships, diversifying product offerings, and enhancing customer engagement. As

the global Muslim population continues to grow and demand for Shariah-compliant financial products increases, Shariah banks have the potential to expand their reach and impact. By seizing these opportunities and staying true to their values, Shariah banks can solidify their role in the financial landscape and contribute to the growth and development of the Islamic banking industry as a whole.

Role of technology and innovation in improving profitability

The role of technology and innovation in improving profitability for Shariah banks cannot be understated. By embracing digital solutions, such as mobile banking and online payment platforms, Shariah banks can streamline their operations, reduce costs, and enhance the overall customer experience. Additionally, investing in innovative financial products, such as blockchain technology and robo-advisors, can help Shariah banks stay ahead of the curve and attract a wider customer base. Embracing technology and innovation is essential for Shariah banks to remain competitive in an increasingly digital world and drive sustainable growth in the long term.

By leveraging these digital tools, Shariah banks can also improve financial inclusion by reaching underserved populations who may not have access to traditional banking services. This can help empower individuals and communities to build financial stability and achieve their goals. Furthermore, embracing technology can also enhance transparency and accountability within Shariah banks, ensuring that they operate in accordance with Islamic principles and ethical standards. Overall, the adoption of digital solutions is crucial for Shariah banks to adapt to the changing financial landscape and continue to thrive in the modern economy.

Recommendations For Improving Profitability Of Shariah Banks In Indonesia

Enhancing risk management practices

and diversifying investment portfolios are key recommendations for improving the profitability of Shariah banks in Indonesia. By implementing robust risk management strategies, such as stress testing and scenario analysis, banks can better identify and mitigate potential risks that may impact their financial performance. Additionally, diversifying investment portfolios can help spread risk and maximize returns, ensuring a more stable and sustainable source of income for the bank. By taking these proactive measures, Shariah banks in Indonesia can strengthen their financial position and drive long-term profitability in a competitive market environment.

Diversifying revenue streams

offering innovative products and services tailored to the needs of their customers can also help Shariah banks in Indonesia stay ahead of the competition. By continuously evaluating market trends and consumer behavior, banks can identify new opportunities for growth and expansion. Developing strong relationships with customers and maintaining a high level of customer satisfaction can also contribute to the overall success of Shariah banks in Indonesia. Overall, a combination of risk management strategies, diversification of investment portfolios, and a focus on customer-centric practices can position Shariah banks for long-term success and sustainability in the Indonesian banking industry.

CONCLUSION AND SUGGESTION

it is evident that Shariah banks have the potential to thrive in the financial sector through strategic initiatives and a commitment to their core values. By leveraging technology and innovation, enhancing risk management practices, diversifying revenue streams, and strengthening governance and compliance processes, Shariah banks can position themselves for sustainable growth and success in the future. It is essential for Shariah banks to continue adapting to the

changing landscape of the financial industry while staying true to their principles in order to maximize their profitability and impact.

include the need for continued collaboration with regulatory bodies to ensure compliance with evolving standards, as well as the importance of educating consumers about the benefits of Islamic finance. Additionally, as competition in the banking sector increases, Shariah banks must differentiate themselves through superior customer service and tailored product offerings that cater to the unique needs of their target market. By remaining agile and responsive to market trends, Shariah banks in Indonesia can solidify their position as key players in the financial industry and drive sustainable growth for years to come.

Further research could explore the impact of government regulations on the growth of Shariah banking in Indonesia, as well as the potential for collaboration between Shariah banks and conventional banks to expand the reach of Islamic finance. Additionally, studying consumer perceptions and attitudes towards Islamic finance products and services could provide valuable insights for Shariah banks looking to attract and retain customers. Furthermore, investigating the role of technology and digitalization in enhancing the efficiency and accessibility of Shariah banking services could offer new strategies for Shariah banks to stay competitive in the rapidly evolving financial landscape.

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