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Analysis Of Sharia Banking's Strategy In Facing Technology In The Digital Era

Galuh Rachmalia, Arif Zunaidi, Fachrial Lailatul Maghfiroh
Institut Agama Islam Negeri (IAIN) Kediri
galuh1353@gmail.com, arifzunaidi@iainkediri.ac.id, fachrialailatul@gmail.com

ABSTRACT

Islamic banking in Indonesia is experiencing rapid development and changes in the business environment, which makes banking in a competitive business environment. In this journal, we will discuss Islamic banking strategies in dealing with technological developments in the current digital era. To analyze and develop the implementation of Islamic banking strategies, one of which is to prepare a management model as proposed by Fre R. David, in which the analysis and selection process is divied in to 3 stages. Stage 1 : the input stage, summarizing the basic input information needed in formulating the strategy, stage 2 : the matching stage which focuses on effort to produce alternative strategies that can be implemented by combining several external and internal factors, stage 3 : the decision stage where using one kind of technique namely the quantitative strategic planning matrix (QPSM). In this journal using descriprive research. Descriptive research is a research method that describes the characteristics of the population or the phenomenon being studied. The research in this journal aims to increase knowledge about Islamic financial institutions an increase knowledge about strategies for dealing with technological competition in today's era.

Keywords: business environment, Islamic banking strategies, technological competition, Islamic financial institutions.

INTRODUCTION

In Indonesia, the banking system is divided into two types of financial institutions: conventional and Sharia. A conventional bank is a banking institution that focuses on financial management through its interest-intermediation function. Conventional banking uses an interest rate system to calculate interest on deposits and credit products. Islamic banking is a financial institution that uses a profit-sharing system for all deposit and credit products that differs from the interest rate system because it takes Islamic law principles into account. In Islamic banking, the belief that interest rates are an act of usury that violates Islamic law can lead to a reduction in welfare for customers or consumers (Pratomo, 2017)

In general, a Sharia bank is a bank whose business is based on Islamic law or Sharia principles, such as prohibiting transactions involving usury (interest), gharar, and maysir. The first practice was carried out by Islamic banks in Egypt with the establishment of the Nasser Social Bank in 1971, followed by the establishment of the first commercial Islamic bank under the name Dubai Islamic Bank in Dubai. The pioneering practice of Islamic banking in Indonesia began in the early 1980s with several discussions on the theme of Islamic banking as a pillar of Islamic economics. Then, in Indonesia, laws and regulations governing Islamic banks will be drafted (Kasri & Iman, 2010).

The Islamic banking industry has grown rapidly in the last ten years, not only in terms of the number of Islamic Commercial Banks (BUS), but also in terms of assets, which reached hundreds of trillions (Wastuti & Hasan, 2022). The growth of Islamic banking and changes in the business environment have made banking a competitive business. And then came the rapid development of technology and information. As a result, Islamic banking must develop strategies to compete in today's market.

Every company faces fairly stiff competition in the era of free competition. Because of the rapid increase in the intensity of competition from competitors, a company or business must be able to see what customers or consumers will need and try to fulfill these needs by providing the best service that makes customers or consumers feel satisfied in order to dominate the market. The quality of management or service is a very influential factor that builds customer loyalty, which has a significant impact on a company's growth and survival. Banking institutions, as a result, must have precise concepts and strategies in order to compete in business (Imam, 2020).

In the field of information technology, Islamic banking institutions must always update and adhere to the most recent technology that allows customers or consumers to conduct banking activities more easily. Furthermore, banks with simple technology are more likely to offer the same products as other banks. New strategies combined with effective and innovative technology can be used here (Fatwa, 2017).

To deal with problems in Islamic banking, several strategies can be developed. Having a solid company foundation is necessary for capitalizing on business opportunities. That foundation can be built from within, beginning with how the process was when the company was founded. It is critical to develop a responsible and innovative company's strategic vision and mission. The next step is to define the goals of Islamic banking, which will serve as the company's identity. Power when building itself can be a driving force for companies to enter technological rivalries in the current era (Sulistiani, 2019).

The role of a financial institution in draining assets is unquestionably critical (Carruthers, 2020). The concept of Islamic economics, on the other hand, requires that the movement of money be followed by movement in the real sector (Choiriyah et al., 2022). As a result, in the current technological era, it is critical to develop strategies for the application of Islamic banking. If you do not plan a technology-based strategy, you risk becoming obsolete and losing consumer or customer interest.

THEORETICAL FRAMEWORK

Definition of Islamic Banking

Islamic banking is a financial institution that uses a profit-sharing system for all deposit and credit products that differs from the interest rate system because it takes Islamic law principles into account. In Islamic banking, the interest rate is seen as an act of usury that is against Islamic law, which can result in a decrease in welfare for customers or consumers (Pratomo, 2017). The practice of Islamic banking was pioneered in Egypt in 1971 with the establishment of the Nasser Social Bank. The first commercial Islamic bank, Dubai Islamic Bank, was established in Dubai in 1975. Since then, other Islamic banks have been established in various Islamic countries, including Egypt's Faisal Islamic Bank (1977), Saudi Arabia's Al-Rajhi Bank (1978), Kuwait Finance House (1979), and Malaysia's Islamic Bank (Kasri, 2009).

The practice of Islamic banking in Indonesia began in the early 1980s with discussions on the theme of Islamic banking as a pillar of Islamic economics. M. Dawam Raharjo, A. M. Saefudin, and Amien Azis were among the participants in the study. On a small scale, the concept of Islamic banking is being tested. A special initiative for the establishment of Islamic banks in Indonesia was only implemented in 1990, with the holding of workshops in Cisarua, West Java, by the Indonesian Ulema Council (MUI), August of 1990 (Kasri & Iman, 2010).

Former President Susilo Bambang Yudhoyono (SBY) stated that the Islamic banking financing industry has several advantages over traditional banking financing (Fasa, 2013). For starters, Islamic financing schemes can reduce potential vulnerabilities and bubbles that can cause an economic crisis. This profit-sharing system bridges the gap between the financial and real sectors. Second, increasing financial inclusion, particularly in the financing of small and medium-sized enterprises (SME). Furthermore, Islamic banking financing through infaq, alms, and zakat can supplement social security (social protection). Third, Islamic banking financing plays a significant role in infrastructure financing in the Master Plan program, which aims to accelerate Indonesia's economic development.

Meaning of Strategy

Meanwhile, Hamel and Prahalad define strategy as "constantly increasing and continuously carrying out action based on what customers expect in the future." Meanwhile, Pearce and Robinson stated that a company's strategy is its main plan. The strategy itself reflects a company's understanding of how, when, and where it must compete against competitors, as well as the intent and purpose of that competition. According to the definition, strategy is derived from the Greek word "stratega," which is a combination of the words "stratos" (army) and "ego" (leader). A strategy has a foundation or scheme as a goal to strive for. Because strategy is essentially a tool for achieving a goal.

It is critical to first recognize the strategy's characteristics, such as the following (Amir, 2011): first, they are rarely produced (extraordinary). Strategic decisions in organizations always have broad implications, so they cannot be made arbitrarily often enough, especially given the time dimension, which will take a long time. Second, it is significant. Strategic decisions are always important because they require significant resources and commitment. Third, consider the overall impact. Strategic decisions have far-reaching consequences and serve as the foundation for subsequent organizational decisions.

In the world of business competition, the way to win a strategy is to pay attention to the problems that exist in the background, so certain strategies are required to be able to win the competition in order to increase public interest in Islamic banking, both in the form of storage and borrowing funds. A strategy is a tactical and systematic approach to achieving business goals. According to Sutawi (2009), banks can use a variety of strategies to increase public interest in banking while also competing for Islamic banking in an increasingly competitive business world. The strategies are as follows (Amir, 2011):

1) Run a Mobile Bank Unit (UBK). UBK is a service unit that provides banking to consumers by operating a car equipped with various facilities that allow consumers to conduct various banking transactions without having to visit a bank office. UBK is a banking facility that can reach customers who live in rural areas and are far from bank offices. UBK can be run on a set schedule and is centered on economic centers such as markets, schools, campuses, industrial parks, and so on. This type of "pick up the ball" service is widely used in a variety of public service sectors, including mobile post offices, mobile health centers, mobile driving licenses, mobile samsat, and so on.
2) Through the involvement of universities (PT) and business development service providers (BDSP) in credit distribution. The involvement of a PT and BDSP in the disbursement of bank loans, which includes a variety of activities ranging from SME data collection to the credit application process, SME development, and loan installment monitoring.
3) Assisting a notary or PPAT in the building certification process According to the survey results, one of the main obstacles for SMEs in meeting credit requirements is a lack of collateral that banks can accept, particularly in the form of certificates of ownership rights (SHM) on land and buildings. This problem can be solved by involving a notary or PPAT in the collateral certification process. For SMEs considered to have credit-worthy businesses but lacking SHM collateral, land certificates are certified by a notary or PPAT as part of the

credit realization process, with costs deducted from the credit received by the SMEs. As a result, when they submit their next loan application, SMEs will already have a guarantee that the bank will accept.

4) Making use of funds from corporate social responsibility (CSR). Because CSR does not expect profits from the bank, this collaboration can maximize the use of CSR funds. Through collaboration with companies, CSR funds from the company can be accommodated by banks and distributed to SMEs using credit distribution standards, but with a mutually beneficial and agreed-upon margin.

RESEARCH METHODOLOGY

Descriptive research is used in this study. Descriptive research is a research method that describes the characteristics of the population or phenomenon being studied. As a result, this research method focuses primarily on explaining the object of study in order to answer what events or phenomena are occurring. Descriptive research has two main characteristics: it focuses on problems that existed at the time the research was conducted, or actual problems, and it describes the facts about the problem being investigated and how they were accompanied by a rational interpretation.

RESULT AND DISCUSSION

The stages of strategic management are as follows, including the following (David, 2009):

1) Strategy development

This stage includes developing the company's vision and mission, identifying opportunities and external threats to an organization, recognizing internal strengths and weaknesses, setting long-term goals, always preparing alternative strategies, and selecting specific strategies to achieve goals.

2) Strategy execution

This stage entails establishing annual goals, developing policies, motivating employees, and allocating resources in order for the formulated strategy to be implemented. The implementation of this strategy is commonly referred to as the "strategic management action stage." Strategy implementation entails mobilizing employees and managers to carry out the strategy that has been developed. Interpersonal skills are important in the successful implementation of strategies because strategy implementation affects all employees and managers in an organization.

3) Strategy Evaluation

The final stage of strategic management is to determine whether or not the strategy can be implemented smoothly. This is evident from the three strategic assessment activities: reviewing external and internal factors as the foundation for strategy, measuring performance, and taking corrective actions. In a large organization, strategy formulation, implementation, and evaluation activities occur at three hierarchical levels.

Companies that use strategic management provide additional, tangible benefits. Strategic management improves a company's ability to prevent problems. According to Grenly, strategic management has the following advantages:

1) Enables identification, prioritization, and exploiting of opportunities as they arise.
2) Provide an objective view of management issues.
3) Presenting a framework to be implemented for better coordination and control of activities.
4) Minimize the effects of unfavorable conditions and changes.
5) Enable major decisions that can better support the goals that have been set.
6) Make a more effective allocation of time and resources to pursue identified opportunities.
7) Allows the allocation of fewer resources to correct some mistakes or make various decisions, etc.
8) Creating a framework for internal communication among employees
9) Help integrate individual behavior into a joint effort.
10) Provides a basis for clarifying individual responsibilities.
11) Encourage forward thinking.

12) Provide cooperative, integrated, and enthusiastic thinking to deal with opportunities. 13) Encourage positive behavior toward a change.
13) Creating discipline and formality in management within the company

Winning the Market by Using Market-Oriented Strategic Planning

Strategic planning is the management process of developing and maintaining organizational goals, expertise, and resources in accordance with constantly changing market needs and keeping pace with developing technology. The purpose of strategic planning is to shape and improve the company's business and products. The first task that managers will face is analyzing long-term opportunities. In order to improve business units in this market, managers must recognize that customers' needs to keep up with technology that facilitates transactions are growing. To analyze customer needs, it must run a marketing information system that employs cutting-edge, innovative, and user-friendly technology. Marketing is an important marketing tool because only by researching customers' needs and desires can a company serve them well (Imam, 2020).

Recognizing The Surrounding Environment Of The Company

According to Wahyudi (1996), one of the most important factors supporting a company's success in today's technological era is the environment. Many historical examples show how failure can occur due to an inability to read the environment. As a result, it is necessary to examine the surrounding environment. The environment is broadly divided into two categories, which are as follows (Sulistiani, 2019):

a. Internal Environment

The internal environment is what the company has control over. It is in this internal environment that a company must be able to read its own strengths and weaknesses in order to gain a competitive advantage when entering a market. The company's ability to read an internal environment analysis is a determining factor that can create advantages over competitors. Management and organizational structure, organizational policies, financial resources, human resources, attitudes, and employee behavior are all examples of things that can be included in the internal environment.

b. External Environment

The external environment is a force outside the company that can affect it but over which the company has no control. This external environment is divided into three parts: first, the general environment. The "general environment" is a larger group of people who can influence an industry and the businesses that surround it. External factors have a variety of implications, including:

a) The ups and downs of economic conditions are caused by many things. Usually due to the business cycle, inflation or deflation, monetary, fiscal, and balance of payments policies
b) Changes in the social and political climate Factors that influence the company include beliefs, values, attitudes, opinions, and people's lifestyles. When a society's social attitudes change, the demand for various types of goods and services will also experience changes. Companies must be able to translate forecasts of technological progress into the business world. With information about the impact of social change, it will be easier for companies to formulate the right strategy. Political factors also influence because they are the main consideration in formulating company strategy. Where the political condition became something that could be seen some time ago is because market participants tend to wait to penetrate the market due to waiting for the election process.
c) Technological developments Technology is developing very quickly; therefore, companies, especially Islamic banking, must be able to understand technological advances in the current era and in the future. Forecasting technology can help banks protect and improve the profitability of companies in growing industries. This of course will create a high level of awareness of the challenges and needs of existing customers.
d) Changes in government policies Government policies greatly affect banking conditions.

c. Industrial Environment

The industrial environment is a collection of factors that have a direct impact on a firm's competitive actions. These are the following factors: threats from new businesses, suppliers, buyers, substitute products, and the level of competition among competitors.

d. International Environment

By understanding the banking environment, management is expected to be able to analyze its environment.

Islamic Banking Business Strategy assisted by technology.

Because rapid technological advances cannot be avoided in business, Islamic banking must also use technology in its services. Especially since the world is under attack by the COVID-19 outbreak, which necessitates people keeping their distance and avoiding large crowds. To ensure that the banking business continues to thrive, the bank will continue to operate, improve, and offer appealing products to the public in order to encourage them to use Islamic banking services. Given the unusual economic conditions, it is necessary to be selective in fulfilling a customer's request for financing. It must be ensured that applying for financing can actually provide benefits and that the rate of return is better measured. There are still many people who apply for financing; it's just that the bank will make a decision on whether or not each proposed financing is feasible, given that the current conditions are not typical. It must be ensured that the business element and its ability to fulfill its obligations, if incorrect, result in a delay in fulfilling those obligations (Ana & Zunaidi, 2022).

The business strategy that can be implemented is to improve digital-based Islamic banking services by utilizing digital technology that can be accessed at any time via the internet network. Some facilities, such as ATMs, are always maintained so that customers can withdraw funds or use other services without having to go directly to the bank office but rather through ATM services in multiple locations. With the availability of mobile banking facilities used by several banks in Indonesia, both Sharia and conventional, and more comprehensive features that can be properly utilized by customers to meet their financial transaction needs, Customers can conduct any transaction they want at any time thanks to 24-hour access to mobile banking (Leni & Zunadi, 2022).

Customers can perform banking services with an adequate internet network using the application's comprehensive features, which allow them to meet their needs with easier and less expensive access. Other strategies that can be used include improving services through the implementation of good health protocols, upgrading and improving digital services so that they are always well maintained and accessible to customers, and ensuring that digital services do not experience disruption, making customers unhappy with the service. Digital (Priyanti et al., 2022).

Business Competition Influencing Factors

There are several factors that can influence the intensity of business competition in Islamic banking, namely as follows: Industry growth, fixed and storage costs, product differentiation, brand identity, Cost of switching to other goods, concentration and balance, leasing diversity, and outbound relationships

Some of the factors that influence the easy or difficult barriers to entering the business competition industry are economies of scale, product differentiation, brand identity, switching costs, capital requirements, access to distribution, an absolute cost advantage, government policies, and competitor reactions (Erman, 2015).

According to Islamic banking institutions and Bank Indonesia, the following are some of the challenges faced by Islamic banking in developing a business that works in tandem with technology (Gayo & Taufik, 2012):

a) The depositor's mindset still thinks conventionally, and there is still an impression in some communities that Islamic banks are exclusive or only involve the Muslim community; this is because the socialization of Islamic banking has not been optimal.
b) Regulations to create an investment climate in the Sharia industry that is still less flexible, tax regulations, and the growth of new products and services that have not been fully supported with an adequate legal basis, both in the form of DSN-MUI fatwas and Bank Indonesia Regulations (PBI).
c) Limited human resources to understand technology and residents in remote villages, as well as understanding of Sharia products and systems. d. There is still a lack of capital owned by Islamic banking and financing institutions.
d) The current national Sharia arbitration institution is no longer established by the government but by the MUI. This causes this institution to have no binding

authority.

e) Facilities from the government related to the settlement of problematic financing
f) Technical constraints in the form of IT information For example, the mechanism for profit sharing with third parties, which should fluctuate every month (depending on the bank's profits), Meanwhile, the system that is "set up" is still fixed every month.

CONCLUSION

Strategy is an action that is constantly being improved and carried out based on what customers expect in the future. In the world of business competition, the way to win a strategy is to pay attention to the problems that exist in the background, so certain strategies are required to be able to win the competition in order to increase public interest in Islamic banking, both in the form of storage and borrowing funds. Strategic management improves a company's ability to prevent problems.

To face business competition using technology, one business strategy is to improve digital-based Islamic banking services with several facilities already owned by banks to support customer transactions by utilizing digital technology that can be accessed at any time via the internet network.

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