
**ANALYSISINDONESIAN SHARIA BANKS' READINESS TO FACE THE
EVOLUTION OF FINANCIAL TECHNOLOGY-BASED SHARIA FINANCIAL
SERVICES IN INDONESIA**



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Abstract

The purpose of this study is to assess the level of readiness and steps taken by Bank Syariah Indonesia (BSI) in responding to the development of Financial Technology-based financial services. The research method used is descriptive qualitative by collecting data through observation, interviews, and documentation. The results of the study indicate that Bank Syariah Indonesia (BSI) has prepared itself by considering the Slameto concept, which includes aspects of readiness to meet demands and goal motivation as well as physical, mental, and emotional balance. In addition, the study also discusses efforts in building technology to improve employee skills and knowledge, especially in the areas of security, risk, and fraud, which have been achieved through Core System Modernization, Connectivity and Infrastructure, Monitoring and Management of Combined Data, Structure, Business Mentoring, and Internal Improvement, as well as through Unified Platform & Customer 360 and Digital Expansion & Open Banking. All of this aims to improve employee quality through training to adapt to the digital era, develop human resources, improve security and infrastructure, and expand Bank Syariah Indonesia's (BSI) digital network.

Keywords: Bank Syariah Indonesia, Sharia Financial Services, Financial Technology

INTRODUCTION

Since the beginning of Islam, trade has been an integral part of Muslim life, serving as a source of halal income, among other professions. Early Muslims engaged in commercial transactions not only within the Arabian Peninsula but also beyond its borders, reaching as far as East Africa, West Africa, and East Asia. This resulted in the simultaneous spread of Islam to these regions, which was reflected in the ethical codes of commercial transactions that followed. This success in trade was supported by the concepts of Sharia introduced to a society previously plagued by pre-Islamic exploitative practices, discrimination, rights violations, and other injustices.(Budi Wibowo et al., 2013).

Islam brought the concepts of preserving and upholding property rights, sharing profits and risks, implementing high ethical standards, promoting social justice, implementing contracts, and upholding fairness in transactions. This great revolution, revealed to the Prophet Muhammad (peace be upon him) through His words in the Qur'an and inherited historical laws, introduced a new economic order, which later became the foundation for modern Islamic finance.(Hida Hiyanti et al., 2019).

Financial technology is a contemporary concept that facilitates transactions. The presence of technology in financial transactions offers advantages in accessibility and service reach. It is crucial to direct financial innovation toward the development of responsive, secure digital financial innovations, prioritizing customer protection and risk management.(Astari Rumondang et al., 2019).

With the goal of increasing financial inclusion, Fintech aims to simplify access to financial products needed for transactions, essentially providing solutions to urgent needs and introducing new transaction models, particularly in payments, lending, and investment. Fintech integrates finance and technology to provide a wide range of creative, innovative, and practical financial products, facilitating transactions effectively and efficiently. In this context, Islamic finance has embraced the development of financial technology, provided it remains compliant with Sharia principles (Fathul, 2020).

In today's modern era, technology usage is growing rapidly to meet the need for information and electronic services. Technology has been proven to increase effectiveness and efficiency in various activities, including the financial sector. The close relationship between technology and the financial sector is becoming increasingly important over time.

Fintech (Financial Technology) is one of the latest innovations in the financial sector that integrates modern technology. Its goal is to introduce ease of access, convenience, and cost efficiency in financial services (Chrismastianto, 2017). Fintech emerged as a response to the difficulties faced by communities underserved by the traditional financial industry, often caused by strict regulations in the banking sector and geographic limitations that make banking access difficult in some areas. As a result, there is inequality in economic development.

Financial Technology (Fintech) is a rapidly growing industry, particularly in the financial services sector in Indonesia. Individual-to-individual lending, digital payment systems, online investments, and other innovations introduced by Fintech have made financial access easier and more inclusive for the public. Advances in information technology will bring changes and transformations that the banking industry must prepare for. In the field of information technology, we are currently in the era of the fourth industrial revolution.

The way people interact and work has shifted in this century, and the banking industry is no exception.

With the advent of Fintech, even people living in remote areas can benefit from technology-based financial services without having to travel long distances to financial institutions. Data from the World Bank's 2014 Findek shows that only around 36% of Indonesia's population has an account at a formal financial institution, while the remaining 64% lack access to formal financial institutions, often referred to as the "unbanked." This means that more than half of Indonesia's population is unserved by financial services such as banks. This situation creates opportunities for financial companies to utilize technology. An example is Investree, a Fintech startup engaged in peer-to-peer lending, which facilitates loans between borrowers and lenders. This makes it easier for people to invest or obtain business funding without having to meet physically. Another advantage for lenders is that they can directly receive profit sharing from borrowers without additional costs.

As a Sharia-compliant financial and banking institution, Bank Syariah Indonesia (BSI) needs to prepare for the challenges and transformations brought about by fintech. This preparation encompasses various aspects such as technology, legal aspects, risk management, marketing, and corporate strategy. In recent years, the emergence of fintech and technology partnerships has resulted in significant changes in the financial industry. Indonesian lifestyles are increasingly influenced by the digital era, particularly in the banking sector. Investments in technology have been increasing among certain commercial banks and Regional Development Banks (BPD). The responsibility for this shift lies with fintech companies, which continue to explore new avenues to provide alternatives for financial transactions. Banks need to enhance their digital banking services and seize the opportunities presented by the digital economy, the fourth industrial revolution, and digital banking. The latest Financial Services Authority (OJK) regulation, POJK12/POJK.03/2018, which emphasizes the Provision of Digital Banking Services, aligns with these efforts.

Evaluating BSI's readiness is crucial. This investigative process allows for assessment of BSI's readiness to face the fintech phenomenon, how the Islamic banking sector is preparing for fintech developments, and identifying the opportunities and risks faced. Various aspects such as required information technology infrastructure, data and transaction security, regulatory compliance, user acceptance and adaptation to new technologies, and business strategies related to market changes are the primary focus of BSI's readiness evaluation. BSI has the potential to make a significant contribution to fintech development in Indonesia by providing reliable security, robust infrastructure, and essential technical support.

The number of internet users continues to increase, as reported by the Indonesian Internet Service Providers Association (APJII), citing sources on indonesiabaik.id. In Indonesia, where the number of internet users reached over 196 million in 2020, this trend is also evident. This percentage equates to approximately 72% of the total population. Table 1 shows the distribution of internet users by country in Indonesia over the years.

Table 1.
Internet Consumers in Indonesia

2017	143,000,000 Million users
2018	172,000,000 Million users
2020	197,000,000 Million users

2022	210,000,000 Million users
2023	216,000,000 Million users
2024	222,000,000 Million users
2025	230,000,000 Million users

Source: Indonesian Internet Service Providers Association (APJII), 2020
Technology

In the following decade, there was a significant increase in fintech adoption, with the percentage of users jumping from 7% in 2006/2007 to 78%. Around 135-140 companies are involved in these services, with 43% focused on the payments industry, including startups addressing secure and mobile payments.

Bank Syariah Indonesia plans to leverage the benefits of fintech to accelerate the financing process and expand its operational reach. Fintech systems can better manage risks, making the financing process simpler, faster, and more scalable.

According to Bank Indonesia's definition, financial technology is the result of the integration of technology and financial services, transforming traditional business models into more modern ones. Now, payments can be made remotely in seconds, unlike in the past, when payments required direct interaction and specific currencies. Fintech, according to Schueffel (2019), is a new business sector that uses technology to increase the use of financial services.

The purpose of combining past and current research is to assess the extent of organizational readiness to adopt technology. The research subjects used by previous and current researchers use different approaches to analyze the readiness of Islamic banks in Indonesia for the development of fintech-based financial services. For example, research conducted by Zouari & Abdelhedi (2021) employed an online survey distribution method to collect descriptive data.

Since Bank Syariah Indonesia was established in February 2021, this study was conducted to investigate readiness issues, particularly in facing the rapid growth of the fintech industry. This study aims to gain a deeper understanding of Bank Syariah Indonesia's overall readiness to improve service quality, particularly the extent to which the bank has prepared itself to provide superior service, both conventionally and through fintech.

This study employs a descriptive qualitative research method involving data collection through observation, interviews, and document analysis. A case study is used to gain a deeper understanding of Bank Syariah Indonesia's readiness to face the evolution of financial technology.

REVIEW OF LITERATURE

A literature review of Islamic banks' readiness to face the evolution of fintech-based financial services in Indonesia highlights significant changes in the Islamic banking industry in line with the rapid development of financial technology. Islamic banks in Indonesia, as an integral part of the national financial system, face pressure to transform and integrate financial technology to meet the demands of an increasingly digital market and rising customer expectations.

Research by Hidayatulloh et al. (2020) shows that the adoption of financial technology by Islamic banks is not only aimed at improving operational efficiency and

customer service, but also as a strategy to expand financial access to underserved communities. This study emphasizes the importance of Islamic banks leveraging technology to expand micro- and medium-sized services and improve operational efficiency.

According to Nurhadi et al. (2019), internal factors such as robust IT infrastructure, adequate human resource competency, and an inclusive management strategy are crucial in preparing Islamic banks to adopt financial technology. The success of this technology implementation is also influenced by the bank's readiness to manage risks and comply with regulations related to data security and customer privacy.

A study by Sukmana and Alhabsyi (2021) highlighted that the adoption of financial technology in Indonesian Islamic banks also presents various challenges, including changes in organizational culture and complex system integration. This research underscores the need for Islamic banks to develop integrated and sustainable digital transformation strategies to minimize barriers to technology adoption.

In terms of regulations, research by Kholifah et al. (2020) shows that the Indonesian government has taken steps to facilitate the development of financial technology in the Islamic finance sector through policies that support innovation and broader market penetration. However, Islamic banks' adaptation to these regulations still requires adjustments and a deep understanding of market dynamics.

A study by Heryani and Hasanah (2018) suggests that financial technology not only influences how Islamic banks interact with customers but also their cost structures and profit margins. In this context, Islamic banks need to develop sustainable and innovative business models to remain competitive in the digital age.

Research by Hanifah and Ariyani (2019) highlights that public acceptance of financial technology in the context of Islamic banking is also a key factor in its successful implementation. Positive public perceptions of the security and reliability of financial technology will strengthen its integration into Islamic financial services.

Overall, this literature review illustrates the complexity and importance of Indonesian Islamic banks' preparedness for the evolution of financial technology. Through a strong integration of strong internal factors, a deep understanding of regulations, and adaptive responses to market changes and consumer behavior, Islamic banks can leverage financial technology as a catalyst for sustainable and inclusive growth in the Islamic finance industry.

RESEARCH METHOD

In this research, the author uses a qualitative descriptive approach with a literature study method. Punaji explains that a literature study is a description of specific literature that can generally be found in scientific books and journal articles. Zen also states that a literature study is a method for collecting data by understanding and studying theories from various literature relevant to the research. In this type of research, the literature study stage is carried out by collecting literature sources, both primary and secondary. Primary sources generally come from original works written by researchers, such as articles, books, journals, theses, and research reports. Meanwhile, secondary sources are usually obtained from dictionaries, encyclopedias, and journal reviews. This research addresses the topic

RESULTS AND DISCUSSION

The importance of the financial services industry in improving living standards and supporting economic activity, based on the principle of allocating capital from those with surplus to those in need, cannot be overstated. Rapid technological advancements, particularly innovations in financial technology, have transformed the financial landscape, becoming increasingly complex. Innovation continues to evolve, reaching the point now known as Fintech (Umar A. Oseni, 2019).

Financial technology is an innovation in the financial industry that facilitates payment transactions, operations, and risk management between consumers. The Islamic finance industry has also begun to adopt this innovation as a new, solution-oriented alternative within the context of Islamic finance. In accordance with the principles of Islamic law, all business transactions or muamalah are permissible unless there is evidence to prohibit them. Based on this Islamic concept, Islamic financial institutions are expected to be more proactive and innovative in responding to innovations in the financial industry (World Economic Forum, 2012).

Fintech increases efficiency and convenience in transactions, as well as making it easier for people to access financial products and improve their financial literacy. Currently, fintech has become an integral part of the banking sector, both conventional and Islamic (Rahmawati, 2019).

Over the past few decades, many Islamic financial products have adopted conventional financial products by adapting the financial principles of Sharia law to meet societal needs. However, the approach to Sharia contracts in Islamic finance should not be limited to simply replicating conventional finance. Fintech should become a platform for optimizing the value proposition of Islamic finance (Muhammad Akram, 2019).

The management of PT Bank Syariah Indonesia Tbk outlined the company's strategies and plans related to the increasing adoption of digital services by banks in Indonesia and changes in customer behavior. According to Hery Gunardi, President Director of BSI, the national banking industry is undergoing a digital transition. This phenomenon is reflected in the increasing trend of digital banks nationwide. The positive response from the public, society, and capital market investors to digital banks is reflected in the increase in share prices and market capitalization of these banks. Although not previously anticipated, the popularity of digital banks is growing. Some even predict that digital service banks will become the banking business model of the future because they do not have physical branches, can be listed on the Indonesia Stock Exchange, have a growing market capitalization, moderate asset size, and no physical branch presence.

Conducting research on customer satisfaction in the digital era, using the Islamic banking industry as an example, the findings suggest that Islamic bank management needs to pay attention to customer service delivery amidst digital transformation. By improving service quality, Islamic banks in Tunisia are expected to shift from conventional banking models to digital banking models to meet customer needs and maintain their competitiveness (Waluyo et al., 2022).

Hotdiana et al. (2023) describe strategies for preparing employees for organizational change. The findings of this study indicate that in the context of organizational change, employee adjustment is prioritized before addressing non-human aspects of the

organizational structure. However, employee preparation for this change has not been given sufficient priority. Bank Syariah Indonesia (BSI) has focused on the change process and implemented specific strategies to improve employee readiness, namely:

a. Collaborating Strategy

This method, in which Bank Syariah Indonesia (BSI) collaborates with financial technology (fintech) companies to build a platform that supports their business needs, is the most moderate approach a company can take. This approach was also introduced by Ajisatria, who suggested that banks could collaborate with fintech companies and other parties to increase financial inclusion and literacy, potentially creating new innovations in service delivery to the general public (Herdinata & Pranatasari, 2020).

Fintech companies collaborate to operate in the market according to their business models. Fintech acts as an intermediary between customers and banks, similar to an analogy. To meet the needs of unbanked MSME consumers and ensure accessibility for businesses across Indonesia, Bank Syariah Indonesia (BSI) allocates various resources to fintech startups. Collaboration between fintech companies and BSI can involve revenue-sharing agreements or service agreements within their contracts, covering areas such as funding, marketing, or payments.

Hadad (2017) explained that optimizing the role and function of the FinTech industry in Indonesia requires building business synergies between the FinTech industry and the banking industry through several forms of collaboration. First, existing customer data and distribution channels in the financial industry need to be integrated with the FinTech industry. Second, to improve the efficiency of the banking industry, utilizing FinTech functions is necessary. Third, collaboration through product design processes and product bundling between FinTech products and the banking industry can provide solutions for consumers and benefit both parties. Fourth, the similarity of business sectors indicates that synergy is achieved only by banks that focus on the MSME sector and FinTech that provide digital platforms for MSMEs. This indicates a significant opportunity for collaboration between the Islamic banking industry and the FinTech industry with supportive regulations. Although the Islamic banking industry's response to FinTech developments appears slow compared to conventional banking (Ali et al., 2019), there is still an opportunity to make changes through strategic collaboration with the FinTech industry as an integral part.

Furthermore, the *tabarru'* contract can be implemented by using fintech as an aggregator for MSMEs. Before fintech, MSMEs faced difficulties in directly accessing Islamic banking services. With the help of information provided by fintech aggregators, customers can choose products that best suit their needs.

Collaboration is needed not only to develop underserved businesses in the market but also to accelerate business expansion (Anggraini, 2019). Considering that MSMEs contribute 62% to Indonesia's GDP, the MSME sector offers significant opportunities for both institutions to strengthen the national economy (Kartika et al., 2020). However, MSMEs receive little attention; in fact, only 30% of the US\$2 trillion in funding needs of the community were met in 2021.

The two businesses mentioned have the opportunity to develop more innovative and affordable products and services in response to this need (Kartika et al., 2020). Through collaboration, they have the potential to offer more sophisticated and affordable solutions than ever before, which is a crucial step in strengthening national loyalty. Another

opportunity is hampered by high levels of poverty, which results in a large portion of Indonesians lacking or having limited access to banking services.

More than 73% of the global population lacks access to banking services, with 22.2% of these coming from Muslim-majority countries (Zouari & Abdelhedi, 2021). Indonesia is one of the countries with a low level of financial inclusion. This is due to the high percentage of unbanked people; in 2017, for example, only 36% of the population had a bank account (Zainull, 2019). This percentage increased by only 2% from the previous year, when it reached 34% in 2016. Decades later, in 2020, it was reported that 92 million Indonesians of working age lacked access to banking and financial services; this number represents more than half of Indonesia's total 182 million working-age population (Rahmati & Ibrahim, 2022).

Strategic collaboration between FinTech and Islamic banking has a positive impact on the banking industry. Research conducted by Todorof (2018) provides a strong foundation for the opinions of respondents in this study. The use of FinTech technology by conventional banks has driven consolidation in Islamic banking, particularly in terms of Sharia regulations that provide security to customers and guarantee the halal (permissible) nature of products. This synergy is expected to increase the competitiveness of Islamic banking through transparency in financial transactions that can be observed by industry players, regulators, and customers. The National Sharia Council of the Indonesian Ulema Council (DSN MUI) plays a crucial role in formulating Sharia regulations that guarantee the halal implementation of FinTech in Islamic banking. An academic legal framework must be prepared to regulate FinTech activities applied in the technical operations of Islamic banking. Therefore, Islamic banking has a significant opportunity to utilize FinTech to increase efficiency and financial inclusion while complying with established Sharia principles.

b. Distribution of Islamic Banking with Financial Technology
(Islamic Banking Channelization With Fintech)

This strategy proposes a loan-based fund distribution model in which banks assume all risks, while fintech companies, under contractual terms, have limited authority. Both institutions have their respective advantages in theory. Bank Syariah Indonesia (BSI) can provide substantial funding to fintech companies, while fintech companies can attract customers to BSI as a financing alternative because the customer acquisition process can be faster, more effective, and more economical without requiring personal interaction. Fintech companies will also benefit from improved collection quality, as studies have shown that this distribution channel model has a significant impact on BSI's growth, based on the ease of customer access to BSI services (Artiningrum, 2022).

c. Connotative Strategy

This approach is considered more radical because it considers startups as competitors to banks. Bank Syariah Indonesia (BSI) offers various options for implementing this strategy. One is to use an established startup as a base for building a new business model. This could be a business entity fully funded by BSI, or it could be a legally recognized subsidiary managed by an Islamic financial institution. BSI's concept, infrastructure, and human resources provide an opportunity to compete in the startup market.

According to Mustafa Khamal Rokan (2019), building something from scratch requires a lot of energy, but because this market is growing rapidly, there are many opportunities available. Alternatively, Bank Syariah Indonesia (BSI) could consider acquiring a stake in a financial technology (fintech) company to influence their policies and

ensure the continuity and profitability of the business. The next step is to create a model that involves fintech companies as partners to operate in markets that Islamic banking has not yet reached due to BSI's highly prudent risk policies and regulations. One target market is entrepreneurs who place their funds with BSI before allocating them to peer-to-peer platforms.

d. Internal Strategy of Bank Syariah Indonesia (BSI)

Besides posing risks to the development of fintech companies, in some cases, these companies also serve as a signal for Bank Syariah Indonesia (BSI) to continuously improve services according to client needs. Fundamentally, banks have been convenient hubs for public transactions before the advent of fintech. However, with the rapid development of digital technology and increasingly rapid changes in societal needs, the role of these institutions has gradually diminished.

Several internal strategies that Bank Syariah Indonesia (BSI) can implement to compete with financial technology (fintech) companies include adopting a similar philosophy and strategy, implementing new technologies, and prioritizing engagement and security to reduce costs. These steps are believed to improve service quality, create a safer and more diverse financial environment, and enhance Bank Syariah Indonesia (BSI)'s reputation and loyalty.

Conceptually, the creation of a fintech business represents an innovation for Bank Syariah Indonesia (BSI), aiming to provide simpler, more practical, safer, more effective, and more efficient financial transaction facilities, while ensuring a higher level of security. A combination of these innovations, along with efforts to reduce costs as much as possible, is crucial to achieving equitable prosperity for those who cannot yet utilize Islamic banking services due to relatively high costs.

It is undeniable that these requirements will raise service standards and create a more stable and diverse financial environment. This represents a potential opportunity for Bank Syariah Indonesia (BSI), as the integration of fintech services can accelerate the growth of the BSI sector in Indonesia, providing leading-edge services that strengthen Bank Syariah Indonesia's (BSI) reputation and loyalty in an era of increasing internet penetration and mobile phone usage (Waluyo et al., 2022).

Substantially, because Bank Syariah Indonesia (BSI) is an established industry entity with support from various stakeholders and strong funding and regulatory support, BSI needs to adhere to the same standards as financial technology (fintech) companies considered advanced. Furthermore, Bank Syariah Indonesia (BSI) must adapt its financing model by engaging fintech companies that focus on developing innovative solutions to address financial challenges in society or simplifying transaction processes for the public. Currently, service approaches in the Islamic financial sector tend to mimic those used by conventional banks, which can lead to the perception that such approaches are limited to "shariaizing" or changing the presentation of conventional products.

e. Legal Basis for Sharia Economics / Islamic Economics for the Development of Sharia Banking

In line with KH Ma'ruf Amin's view, Muslims need to achieve economic empowerment through creative and innovative innovation. Therefore, Islamic law protects the various innovations mentioned, while BSI's operations are governed by applicable regulations. In this context, the importance of Sharia law and constitutional legal protection

is emphasized, as both have played a role in advancing BSI's growth in the digital era. Ensuring that the proposed strategies remain in line with the moral standards and legal principles established in Sharia economic practices is imperative (Restia Christianty, Muhammad Faisal, 2023).

According to Zainull (2019), Islamic economic law requires that transactions adhere to the principles of justice, integrity, and the common good. To uphold these principles in Islamic banking practices, BSI must continue to innovate and adhere to the principles of maqashid sharia for the benefit of all parties. This includes complying with established DSN-MUI fatwas and focusing on providing halal products that do not involve transaction models that conflict with Islamic economic principles.

Muhammad Harfin Zuhdi emphasized that every transaction must comply with sharia principles, in accordance with Islamic economic law, which prohibits transactions that are *maal ghairu mutaqaawwim* and prohibits elements of *israf*, *ribawi*, *gharar*, *risywah*, fraud, and oppression. Furthermore, it is necessary to pay attention to various principles in *mu'amalah al-iqtishadiyah*, which include the principles of divinity, justice, and the benefit of all customers, as well as the principles of willingness and freedom (Fahmi, 2019).

In addition, the basic principle in running a business with *ta'awun* is prioritizing the needs of all stakeholders and collaborating for the advancement of Islamic banking by offering more affordable interest rates to the public.

The case analysis involving Bank Syariah Indonesia (BSI) covers a wide range of services, including cash management, financing, trade services, savings, and treasury. With the continuous advancement of technology, BSI needs to keep up with these trends to remain competitive with other banks more efficiently, especially after merging several leading Islamic banks in Indonesia, such as Bank Syariah Mandiri (BSM), Bank Negara Indonesia (BNI) Syariah, and Bank Rakyat Indonesia (BRI) Syariah. Despite the recent merger of these Islamic banks into BSI in February 2021, Bank Syariah Indonesia (BSI) remains actively promoting and transforming its legacy system into a new one. However, several changes have been made, including steps to gradually transition from the old conventional system to a more modern one (Rahmati & Ibrahim, 2022).

The following are the results of the analysis of BSI's readiness to face the development of Fintech-based financial services:

1. Need or Motive Goal

The importance of needs and goals always goes hand in hand in an organization. In the context of Bank Syariah Indonesia, understanding the company's needs is crucial to achieving its objectives. Analyzing Bank Syariah Indonesia's needs involves various methods, such as reviewing organizational documents, future plans, implemented strategies, and the company's vision and mission. Furthermore, an analysis of potential obstacles that may arise from both the customer and system perspectives is required.

2. Physical, Mental, and Emotional Conditions

Before the adoption of digital transactions, Bank Syariah Indonesia's operating system was manual. However, research has not found any significant issues related to physical, mental, or emotional well-being.

Fintech applications have expanded across various sectors within Bank Syariah Indonesia, including lending, financial research, retail investment, payment startups, retail financial planning, remittances, and crowdfunding. As a result of the continued integration

of technology with the banking industry, it is expected that Islamic financial transactions will become more modern and practical. This progress includes the introduction of digital banking concepts, peer-to-peer (P2P) platforms, online digital insurance services, crowdfunding, and lending services, all of which have experienced developments in recent years.

The establishment of a fintech business, conceptually, represents a breakthrough for BSI, aiming to provide sophisticated convenience in financial sector transactions, making them simpler, more practical, safer, more effective, and more efficient, while ensuring a higher level of security. This effort also aims to address the pressing need to achieve equitable prosperity for those who lack access to Islamic banking due to relatively high costs. The combination of these innovations, along with efforts to minimize costs as much as possible, is considered a crucial step in achieving this goal.

Stating that the three previous Islamic banks had robust structures, each exhibiting its own strengths and weaknesses, the merger requires a company to take a step forward to remain relevant in the ever-evolving modern era. In an effort to create a new digital transaction system with a fresher interface and a better user experience for future customers, Bank Syariah Indonesia has combined the positive and negative elements of its previous systems. Therefore, it is crucial for Bank Syariah Indonesia personnel to be able to adapt to changes quickly and accurately (Nurfuadi et al., 2023).

In the case of Fintech-based financial services, greater efficiency simplifies staff tasks, while customers benefit from flexible access to digital transactions without having to wait in lines. For employees, improving their digital transaction capabilities is crucial because skills are crucial. Knowledge serves as the foundation for skill development, with structured performance yielding productive results, similar to the use of digital transactions or fintech platforms. Therefore, employee training and development are crucial for Bank Syariah Indonesia, with a focus on increasing product digitalization, mobile system stability, enhancing existing features, and emphasizing user experience (UX) to improve user interaction with digital products.

Aiming to plan and develop fintech technology at BSI, the focus is on infrastructure and technology that will support Bank Syariah Indonesia through the 2021-2023 period. Digital banking and core financial systems are two aspects being considered in this preparation (Maryam Batubara, Nurul Inayah, 2022).

CONCLUSION

Embracing the principle of readiness, Bank Syariah Indonesia continues to push the boundaries of product innovation and digitalization, demonstrating a strong commitment to delivering superior services to its customers and the wider Indonesian public. One application projected to become among the most popular in Indonesia is BSI Mobile, a fintech-based financial service offering comprehensive solutions that address the financial, social, and spiritual needs of its users. To respond to the rapid advancement of financial technology, BSI can adopt a multifaceted approach. This includes implementing conventional strategies by partnering with fintech companies to explore untapped market segments in Islamic banking and developing new business models adapted from existing startup frameworks. Through collaborative efforts, BSI can jointly develop platforms that enhance business operations and expand customer reach. Furthermore, integrating Islamic banking with fintech through a

loan-based fund distribution model—where the bank assumes all associated risks while fintech partners operate within contractual boundaries—can provide innovative financing solutions while upholding Sharia principles. Given that the legal foundation of Islamic economics relies on the banking system, all transactions must meet the criteria of justice, integrity, and public benefit. Internally, BSI can adopt fintech-like thinking by embracing new technologies, prioritizing customer engagement, and enhancing security measures to reduce operational costs. These integrated strategies are expected to improve service quality, foster diversity and stability in the financial ecosystem, and ultimately strengthen BSI's reputation and customer loyalty.

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