

SHARIA INTERNAL RESOURCES: CAPABILITIES TO DRIVE THE SUSTAINABILITY OF ISLAMIC BANKING

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Abstract

Having the largest Muslim population in the world, Indonesia presents a potential market for the development of Islamic banking, especially considering that the market share of Islamic banking is currently less than 10%. The unique characteristics of Islamic banking, which distinguish it from conventional banking, suggest the possibility of having extraordinary internal resource capabilities. This study aims to explore internal resources within the context of Islamic banking, a sector with considerable potential for growth in the financial industry. This study uses an exploratory approach with focus group discussion and exploratory factor analysis to develop and identify the dimensions of Sharia Internal Resources. The results are first-order factors generated by grouping items into four dimensions. Each formed dimension corresponds to Islamic elements that refer to activities and operational processes based on Islamic law. Furthermore, the second-order analysis found that the formed, first-order factors can be integrated into a more comprehensive construct: Sharia Internal Resources. These findings enrich general knowledge by providing insight into the internal resources that are essential and unique for the sustainability of the Islamic banking sector, particularly when facing competition dominated by conventional banking.

Keywords: *Sharia Internal Resources; Resource-Based View; Islamic Banking*

Abstrak

Memiliki populasi muslim terbesar di dunia, Indonesia menjadi pasar potensial bagi perkembangan perbankan syariah, didukung fakta bahwa pangsa pasar perbankan syariah hanya mencapai kurang dari 10%. Karakteristik unik pada perbankan syariah dibandingkan dengan perbankan konvensional berpotensi memiliki kemampuan dan

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kapabilitas sumber daya internal yang juga berbeda. Studi ini bertujuan mengeksplorasi sumber daya internal dalam konteks perbankan syariah, yang merupakan sektor dengan pertumbuhan sangat potensial di industri keuangan. Studi ini menggunakan pendekatan eksplorasi dengan fokus grup diskusi dan exploratory factor analysis untuk mengembangkan dan mengidentifikasi dimensi-dimensi dari Sumber Daya Internal Syariah. Hasilnya, faktor-faktor first-order dihasilkan dari pengelompokan item-item menjadi empat dimensi. Masing-masing dimensi yang terbentuk mengarah pada unsur syariah yang mengacu pada aktivitas dan proses operasional yang berlandaskan hukum syariah. Selanjutnya, analisis second-order menemukan bahwa faktor-faktor first-order yang terbentuk terintegrasi ke dalam satu konstruk yang lebih komprehensif, yaitu Sumber Daya Internal Syariah. Temuan ini berkontribusi memperkaya pengetahuan dengan memberikan wawasan tentang sumber daya internal yang penting dan unik untuk keberlanjutan sektor perbankan syariah dalam menghadapi persaingan yang didominasi oleh perbankan konvensional.

Kata Kunci: *Sumber Daya Internal Syariah; Resources-Based View; Perbankan Syariah*

مستخلص

يقال إن إندونيسيا، باعتبارها دولة تضم أكبر عدد من السكان المسلمين في العالم، تعد سوقاً محتملة لتطوير الخدمات المصرفية الإسلامية، إلا أن الحقائق تشير إلى أن حصة السوق للخدمات المصرفية الإسلامية لا تصل إلا إلى أقل من 10%. وبالإضافة إلى ذلك، فإن الخصائص الفريدة التي تتمتع بها المصارف الإسلامية مقارنة بالمصارف التقليدية لديها القدرة على امتلاك قدرات وإمكانات مختلفة للموارد الداخلية. تهدف هذه الدراسة إلى استكشاف الموارد الداخلية في سياق الخدمات المصرفية الإسلامية، وهو قطاع يتمتع بإمكانات نمو كبيرة في الصناعة المالية. تعتمد هذه الدراسة على المنهج الاستكشافي مع مناقشات المجموعات المركزة وتحليل العوامل الاستكشافية لتطوير وتحديد أبعاد الموارد الشرعية الداخلية. ونتيجة لذلك، تم إنشاء عوامل من الدرجة الأولى عن طريق تجميع العناصر في أربعة أبعاد. ويؤدي كل بعد يتم تشكيله إلى عناصر الشريعة التي تشير إلى الأنشطة والعمليات التشغيلية القائمة على الشريعة الإسلامية. وبالإضافة إلى ذلك، وجد التحليل من الدرجة الثانية أن العوامل من الدرجة الأولى التي تم تشكيلها تم دمجها في بناء أكثر شمولاً، ألا وهو الموارد الشرعية الداخلية. وتساهم هذه النتائج في إثراء المعرفة حول الموارد الداخلية المهمة والفريدة لاستدامة المصارف الإسلامية في مواجهة المنافسة التي تهيمن عليها المصارف التقليدية.

الكلمات الرئيسية: الموارد الشرعية الداخلية؛ عرض قائم على الموارد؛ المصرفية الإسلامية.

A. Introduction

Islamic finance has become one of the fastest-growing financial segments within the global financial system, with an average growth of 17% since 2009.¹ Islamic banking, a component of Islamic finance, is a banking system that operates under sharia principles in its business activities.² The term "sharia" originates from the Arabic word *شريعة* (*sharī'ah*), which directly translates to "the path to a water source." In the context of Islamic tradition, this metaphor signifies the path to righteousness and the divine law as revealed in the Quran

¹ Asian Development Bank, "Islamic Finance," accessed August, 2022, <https://www.adb.org/what-we-do/sectors/finance/islamic-finance#accordion-0-11>.

² Otoritas Jasa Keuangan, "Prinsip dan Konsep Dasar Perbankan Syariah," accessed August, 2022, <https://ojk.go.id/id/kanal/syariah/tentang-syariah/Pages/Prinsip-dan-Konsep-PB-Syariah.aspx>.

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and the teachings of the Prophet Muhammad.³ The fundamental basis of Islamic banking is established under *Surah Al-Baqarah: 275*, which declares that Allah has permitted trade and prohibited *riba* (usury).⁴ According to *Tafsir Al-Qurtubi*, this verse emphasizes the distinction between fair trade and exploitative interest.⁵ Accordingly, Islamic banking aims to establish a financial system that is just, transparent, and free from harmful practices. Islamic banking does not merely pursue economic profit but also carries a social mission to create welfare and justice for all segments of society. Profits must originate from halal, ethical transactions that provide broad social benefits. This positions Islamic banking as a strategic instrument for achieving sustainable development based on Islamic values. Thus, the Islamic banking sector plays a crucial role in a financial system that supports sharia principles and Islamic ethics.

According to the International Monetary Fund's 2017 report, the rapid growth of Islamic finance is predicted to continue, driven by strong economic performance in countries with large Muslim populations.⁶ Islamic finance has the potential to overcome global challenges as it offers many benefits, such as closely aligning with the real economy, reducing inflationary pressures, creating job opportunities, and supporting economic growth.⁷ In 2022, the Islamic banking sector accounted for more than 72% of all global Islamic financial assets.⁸ Several prior studies have demonstrated that the growth of Islamic banking can even positively influence a country's economic growth in the long term.⁹ This is applicable, particularly in nations with Muslim-majority populations.¹⁰ This supports the importance of

³ T. Jeremy Gunn and Omar Sabil, "Sharī'a in the Qur'an: A Word Meaning 'Law' or a Metaphor Evoking 'Path'?", 2023, 23–54, https://doi.org/10.1007/978-3-031-27188-5_2.

⁴ Al-Qur'an, *Surah Al-Baqarah: 275*.

⁵ Al-Qurtubi, *Tafsir Al-Qurtubi* (Beirut: Dar al-Kutub al-Ilmiyyah., n.d.).

⁶ International Monetary Fund, *Ensuring Financial Stability in Countries with Islamic Banking* (Washington: International Monetary Fund, 2017), <https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/02/21/PP-Ensuring-Financial-Stability-in-Countries-with-Islamic-Banking>.

⁷ Mohammad Ashraful Ferdous Chowdhury, Chowdhury Shahed Akbar, and Mohammad Shoyeb, "Nexus Between Risk Sharing vs Non-Risk Sharing Financing and Economic Growth of Bangladesh: ARDL Bound Testing and Continuous Wavelet Transform (CWT) Approach," *Managerial Finance* 44, no. 66 (2017): 739-758, doi:10.1108/MF-12-2016-0371.

⁸ Otoritas Jasa Keuangan, *Roadmap Pengembangan dan Penguatan Perbankan Syariah Indonesia 2023-2027* (Jakarta: Otoritas Jasa Keuangan, 2023), [https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Roadmap-Pengembangan-dan-Penguatan-Perbankan-Syariah-Indonesia-2023-2027/Roadmap%20Pengembangan%20dan%20Penguatan%20Perbankan%20Syariah%20Indonesia%20\(RP3SI\)%202023-2027%20180924_.pdf](https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Roadmap-Pengembangan-dan-Penguatan-Perbankan-Syariah-Indonesia-2023-2027/Roadmap%20Pengembangan%20dan%20Penguatan%20Perbankan%20Syariah%20Indonesia%20(RP3SI)%202023-2027%20180924_.pdf).

⁹ Jamel Boukhatem and Mouldi Djelassi, "The Bank-Lending Channel of Monetary Policy Transmission in a Dual Banking System: Empirical Evidence from Panel VAR Modeling," *Cogent Economics & Finance* 10, no. 1 (December 31, 2022), <https://doi.org/10.1080/23322039.2022.2107765>.

¹⁰ Early Ridho Kismawadi, "Contribution of Islamic Banks and Macroeconomic Variables to Economic Growth in Developing Countries: Vector Error Correction Model Approach (VECM)," *Journal of Islamic Accounting and Business Research* 15, no. 2 (February 6, 2024): 306–26, <https://doi.org/10.1108/JIABR-03-2022-0090>.

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Islamic banking as a critical research focus for developing Islamic finance, which can significantly improve operational capabilities and sustainability.

As the country with the largest Muslim population worldwide, Indonesia has great potential in the Islamic banking industry. According to data from The Royal Islamic Strategic Studies Centre, as of 2022, as many as 231,055,500 people, or 86.7% of Indonesia's population, are Muslims. This large Muslim population offers a significant opportunity for Islamic banking to play an essential role in economic growth, welfare improvement, and equitable distribution of national development.¹¹ Additionally, religion is of utmost importance in how Indonesia is governed and influences various crucial aspects, including the economy.¹² Unfortunately, the great potential of Indonesian Islamic banking does not necessarily guarantee that local Islamic banks will be similarly successful in capitalizing on existing opportunities, especially compared to the dominance of conventional banking in Indonesia. Data from Komite Nasional Ekonomi dan Keuangan Syariah National (lit.' Committee for Islamic Economy and Finance', abbreviated as KNEKS) shows that the Islamic banking industry continues to experience steady growth, particularly in financing distribution and asset accumulation.¹³ Although Islamic banking has consistently increased in market share each year, the growth rate remains relatively slow. According to data from Otoritas Jasa Keuangan (lit.' Financial Services Authority', abbreviated as OJK), it was reported that the market share of Islamic banking in Indonesia had only reached 7,72%. This number is significantly lower than conventional banking, which dominates the rest of the market share (92,28%).¹⁴ Despite Indonesia's substantial growth potential in its Islamic capital market, a noticeable lag impedes the full development of the country's Islamic financial system.¹⁵

Islamic banks must align their internal resources to win business competition in the long term. The approach that emphasizes the importance of internal resources is called the

¹¹ Otoritas Jasa Keuangan, "Statistik Perbankan Syariah," accessed August, 2022, <https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/statistik-perbankan-syariah/default.aspx>.

¹² Zubir, Kamaruzzaman Bustamam-Ahmad, "The Dialectics of Islam and Custom in the Kenduri La'ot Tradition of the coastal Muslim Community of East Aceh," *The Indonesian Journal of the Social Science* 10, no. 3, (September, 2022): 905-928.

¹³ Otoritas Jasa Keuangan, "Laporan Perkembangan Keuangan Syariah Indonesia 2023" (Jakarta, 2023), <https://kneks.go.id/storage/upload/1732098490-Laporan%20Perkembangan%20Keuangan%20Syariah%20Indonesia%20Tahun%202023.pdf>.

¹⁴ Otoritas Jasa Keuangan, "Siaran Pers: Kinerja Positif Perbankan Syariah 2024," [ojk.go.id](https://ojk.go.id/berita-dan-kegiatan/siaran-pers/Pages/Kinerja-Positif-Perbankan-Syariah-2024.aspx), February 21, 2025, <https://ojk.go.id/berita-dan-kegiatan/siaran-pers/Pages/Kinerja-Positif-Perbankan-Syariah-2024.aspx>

¹⁵ Syafwendi Syafiril, "Reformulating the applicable strategies in improving financial literacy and inclusion index toward Islamic capital market," *Jurnal Ilmiah Islam Futura* 21, no. 1, (February 2021): 63-79, doi.org/10.22373/jiif.v0i0.5787

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resource-based view (RBV), proposed by Jay B. Barney.¹⁶ The RBV approach helps companies build sustainable competitiveness by using their internal resources. RBV has two assumptions when analyzing internal resources as a source of competitive advantage. First, RBV assumes that companies within an industry may have heterogeneous resources. Second, RBV assumes that resources may be perfectly immobile between companies so that they can provide a lasting advantage for a specific company.¹⁷

Identifying internal resources through the RBV approach can help a company develop a competitive advantage.¹⁸ The RBV framework explains that internal resources encompass a wide range of tangible to intangible assets. Intellectual property, brand reputation, and knowledge are intangible assets, while financial capital and machinery are tangible.¹⁹ Moreover, The RBV framework considers organizational culture, human resources, and leadership as essential resources.²⁰ Leveraging internal resources allows companies to manage better factors that support long-term success without external reliance. However, maximizing internal resources has its own challenges, such as continuously advancing skills and technology to ensure the resources remain aligned with market changes.²¹ Despite such challenges, by relying more on internal resources, organizations can create unique value that would be difficult for competitors to replicate, as internally built competitive advantages are often more challenging for outsiders to maintain or emulate.²²

To strengthen the role of Islamic banking in Indonesia, Islamic banks should strengthen their internal resources by upholding sharia principles. As outlined within the RBV framework, internal resources are considered core competencies necessary for the continuity and sustainability of sharia services in banking. The RBV approach also suggests that internal resources can contribute to pursuing organizational excellence and relevance. However, per the authors' findings, no research has examined the specific characteristics and dimensions of

¹⁶ Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (March 1991): 99-120, doi:10.1177/014920639101700108.

¹⁷ Jay Barney, "Looking Inside for Competitive Advantage," *Academy of Management Executive* 9, no. 4 (November 1995): 49-61.

¹⁸ Jay B. Barney, David J. Ketchen Jr., and Mike Wright, "Bold Voices and New Opportunities: An Expanded Research Agenda for the Resource-Based View," *Journal of Management* 47, no. 7 (September 2021): 1677-1683, doi:10.1177/01492063211014276.

¹⁹ Manjul Gupta and Joey F. George, "Toward the Development of a Big Data Analytics Capability," *Information & Management* 53, no. 8 (December 2016): 1049-1064, doi:10.1016/j.im.2016.07.004.

²⁰ Sanjay Kumar Singh *et al.*, "Green Innovation and Environmental Performance: The Role of Green Transformational Leadership and Green Human Resource Management," *Technological Forecasting and Social Change* 150, (January 2020): 1-12, doi:10.1016/j.techfore.2019.119762.

²¹ Shelby D. Hunt, "The Evolution of Resource-Advantage Theory: Six Events, Six Realizations, Six Contributions," *Journal of Historical Research in Marketing* 4, no. 1 (January 2012): 7-29, doi:10.1108/17557501211195046.

²² Jay Barney, "Looking Inside for Competitive Advantage," *Academy of Management Executive* 9, no. 4 (November 1995): 49-61.

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internal resources in Islamic banking. Islamic banking has a specific governance system guided by Islamic law, often called Islamic Corporate Governance (ICG). ICG has two elements: corporate governance and sharia governance.²³ The latter element is the main difference between Islamic and conventional banking.²⁴ Given this fundamental difference, the authors believe that exploring the internal resources specifically tailored for Islamic banking is essential for the industry's growth. RBV principles focusing on valuable, rare, unique, and irreplaceable resources can be aligned with sharia principles to ensure Islamic banking competes effectively in an increasingly dynamic market.²⁵

Adopting sharia rules as the company's basis gives Islamic banks unique elements that conventional banks do not have. Previous research explained that corporate governance in Islamic banks is subject to a multilevel governance system in which religious elements play a considerable role.²⁶ There are notable differences in internal systems related to religious councils. In the context of Islamic banking in Indonesia, the religious council consists of Dewan Syariah Nasional (lit. 'National Sharia Council,' abbreviated as DSN) at the macro (national) level and Dewan Pengawas Syariah (lit. 'Sharia Supervisory Board,' abbreviated as DPS) at the bank (company) level.²⁷ Both councils play an essential role in determining the structure and work practices of Islamic banking, ensuring adherence to Islamic laws.²⁸ Furthermore, DPS also has the role of introducing comprehensive policies, processes, and infrastructure to ensure that financial institutions uphold sharia compliance in every aspect of their operations, building upon an apt sharia governance framework.²⁹ Integrating Islamic banking governance with RBV clarifies the company's internal resources, thus providing

²³ Ahmad Ali Jan, Fong-Woon Lai, and Muhammad Tahir, "Developing an Islamic Corporate Governance framework to examine sustainability performance in Islamic Banks and Financial Institutions," *Journal of Cleaner Production* 315, (September, 2021): 1-20 doi.org/10.1016/j.jclepro.2021.128099

²⁴ Osama Shibani and Cristina De Fuentes, "Differences and Similarities Between Corporate Governance Principles in Islamic Banks and Conventional Banks," *Research in International Business and Finance* 42, (December 2017): 1005-1010, doi:10.1016/j.ribaf.2017.07.036.

²⁵ Christina B. Gibson, Stephen C. Gibson, and Quinn Webster, "Expanding Our Resources: Including Community in the Resource-Based View of the Firm," *Journal of Management* 47, no. 7 (September 2021): 1878-1898, doi:10.1177/0149206320987289.

²⁶ Walid Mansour and M. Ishaq Bhatti, "The new paradigm of Islamic corporate governance," *Managerial Finance* 44, no. 5, (May, 2018) 513-523 doi.org/10.1108/mf-01-2018-0043

²⁷ Dudi Rudianto and Tetty Sari Rahmiati, "Performance Comparison Between Islamic Banks and Conventional Banks in Indonesia," *Ekuitas: Jurnal Ekonomi dan Keuangan* 18, no. 1 (March 2014): 41-55, doi:10.24034/j25485024.y2014.v18.i1.102.

²⁸ Celine Meslier, Tastaftiyan Risfandy and Amine Tarazi, "Islamic banks' equity financing, Sharia supervisory board, and banking environments," *Pacific-Basin Finance Journal* 62, (September 2020): 1-24, doi.org/10.1016/j.pacfin.2020.101354

²⁹ Tasawar Nawaz, "Momentum Investment Strategies, Corporate Governance and Firm Performance: An Analysis of Islamic Banks," *Corporate Governance* 17, no. 2 (April 2017): 192-211, doi:10.1108/CG-03-2016-0052.

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insight into how businesses can strategically allocate their resources to gain a sustainable competitive advantage.³⁰

A strong internal structure supports effective corporate governance, even without the rule of law. A balance between the board's independence and its composition is essential³¹. An efficient board committee, such as a risk committee, can offer significant oversight and direction.³² The procedure for monitoring the operational risks of Islamic banks is more extensive than that of conventional banks due to their higher legal complexity and the necessity of upholding moral aspects.³³ The cost structure of Islamic banks is also higher, especially for staff training aimed at improving managerial competence.³⁴ Islamic bank employees must understand Islamic financial literacy and inclusion, a unique knowledge that conventional banks lack. Furthermore, other opinions emphasize that people or human resources continue to be a significant challenge for Islamic banking in Indonesia. Many individuals still lack adequate knowledge of Islamic business operations.³⁵ If the development of Islamic banking is not paired with increased human resource competence, new problems, such as low Islamic financial literacy and inclusion in Indonesia, may arise.³⁶

The challenge of identifying human resource capital capable of undertaking operations and businesses in Islamic banking, which has different paradigms, visions, and personalities from conventional banking, is clear evidence that the internal resources of these two banking sectors are distinct. This difference highlights that Islamic banking has unique internal resources based on sharia principles, unlike conventional banking. Therefore, this study aims to explore the dimensions of Sharia Internal Resources more profoundly to explore how these dimensions contribute to creating a competitive advantage based on adherence to sharia principles. Understanding the key dimensions of internal resources will enable Islamic banks

³⁰ Fred Konneh Songa Monson, "Unveiling the Strategic Resource Dimension: A Bibliometric and Systematic Review of the Resource-Based View and Its Application to Corporate Governance," *The Journal of High Technology Management Research* 35, no. 2 (2024): 1-28, doi:10.1016/j.hitech.2024.100516.

³¹ Abdulai Rasheed Alade *et al.*, "Effect of Corporate Governance and Credit Policies on Delinquency Management of Microfinance Banks in Nigeria," *International Academic Journal of Economics and Finance* 3, no. 5 (2020): 166-190.

³² Bakr Al-Gamrh *et al.*, "Investment Opportunities, Corporate Governance, Quality, and Firm Performance in the UAE," *Journal of Accounting in Emerging Economies* 10, no. 2 (May 2020): 261-276, doi:10.1108/JAEE-12-2018-0134.

³³ Thorsten Beck, Asli Demirgüç-Kunt, and Ourda Merrouche, "Islamic vs. Conventional Banking: Business Model, Efficiency and Stability," *Journal of Banking & Finance* 32, no. 2 (February 2013): 433-447, doi:10.1016/j.jbankfin.2012.09.016.

³⁴ Mohammad Bitar, Kuntara Pukthuanthong, and Thomas Walker, "Efficiency in Islamic vs. Conventional Banking: The Role of Capital and Liquidity," *Global Finance Journal* 46, (November 2020), doi:10.1016/j.gfj.2019.100487.

³⁵ Anif Punto Utomo *et al.*, *Dua Dekade Ekonomi Syariah: Menuju Kiblat Ekonomi Islam* (Jakarta: Gres!, 2014).

³⁶ Adiwirman Karim, *Bank Islam: Analisis Fiqih dan Keuangan* (Jakarta: Raja Grafindo, 2017).

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to craft effective strategies to strengthen their competitive position while strictly adhering to Islamic principles in all operations and services.

This study uses a mixed-method approach with an exploratory sequential design. This approach involves collecting and analyzing qualitative data to explore internal resources in Islamic banking, followed by quantitative data to validate the findings. Qualitative data was collected through a focus group discussion (FGD) to evaluate the internal resources of Islamic banking. Qualitative data is analyzed quantitatively to group the identified items into distinct dimensions. Quantitative analysis using exploratory factor analysis (EFA) is carried out from the latent construct of dimensions to the indicator and from the latent construct to the construct of the dimensions.

B. Discussion

1. *Exploration of Internal Resources in Sharia Banking*

This study explores the internal resources of Islamic banking using the RBV concept. The RBV framework explains that a company's internal resources and capabilities are the main factors that determine its competitive advantage.³⁷ Optimizing a company's chances of achieving competitive advantage requires its internal resources to be valuable, rare, impossible, or extremely difficult to replicate and manage, even with an effective organizational management system.³⁸ Competitive advantage is a key concept and a central theme in strategic management.³⁹ However, this approach has limitations in explaining the internal resources of particular types of companies. In terms of internal resources, a company can differ from others in the same industry sector. Consequently, further exploration is necessary to gain an extensive understanding of internal resources in Islamic banking.

The study began with an FGD involving ten branch manager representatives from Bank Syariah Indonesia (BSI) and five external experts in internal resources topics. Involving internal and external stakeholders from Islamic banking enriched the discussion by broadening the scope of knowledge and experience on internal resources. Branch managers were selected based on recommendations from the BSI Management Team. The authors agreed with the recommendation because branch managers have comprehensive insight into

³⁷ Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (March 1991): 99-120, doi:10.1177/014920639101700108.

³⁸ Jay Barney and William S. Hesterly, *Strategic Management and Competitive Advantage: Concepts and Cases* (New Jersey: Pearson Education, 2015).

³⁹ Olivier Furrer, Howard Thomas, and Anna Goussevskaia, "The Structure and Evolution of the Strategic Management Field: A Content Analysis of 26 Years of Strategic Management Research," *International Journal of Management Reviews* 10, no. 1 (March 2008): 1-23, doi:10.1111/j.1468-2370.2007.00217.x.

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the internal operations of Islamic banking, particularly at the branch level. Their knowledge encompasses various operational aspects, including human resources, finance, technology, and infrastructure utilization. These managers are also considered to possess a broad understanding of customer challenges and ongoing trends, enabling them to provide valuable information on customer service, which is also a critical component of Islamic banking's internal resources. They can offer unique perspectives on the diverse needs of local customers, which can subsequently inform the development of internal resources in Islamic banking institutions. Furthermore, 90% of these branch managers have worked for BSI since the bank's inauguration. Before joining BSI, most had worked for approximately 10 years in various government-owned Islamic banks. Based on these factors, it is believed that the branch managers can provide credible information regarding Sharia Internal Resources in the banking industry.

On the other hand, external experts were chosen due to their expertise and interest in internal resources. The external informants in this FGD session represented a diverse and experienced group of professionals, including consultants, practitioners, and lecturers. Their areas of expertise covered strategic management, corporate governance, organizational development, and corporate culture. Their varied backgrounds and experiences enabled these external informants to provide relevant insights into internal resource management and development in the banking industry, including sharia banking, offering perspectives from both practical and theoretical standpoints.

The FGD results were analyzed to identify indicators for developing measurement tools, ensuring the relevance of terminology, and aligning the content with strategic management theory. This comprehensive process identified 19 key indicators of internal resources in Islamic banking, which were validated through triangulation. After identifying the final 19 items through the FGD and triangulation process, the authors developed a survey as a measurement tool to assess Sharia Internal Resources. The survey was distributed to respondents to collect the data for analysis. Subsequently, an EFA was conducted to uncover the underlying factor structure of the indicators based on their specific characteristics. Within the context of Sharia Internal Resources, the EFA procedure assessed whether the proposed indicators effectively represented the intended dimensions. EFA results show that the Sharia Internal Resources variable consists of four dimensions: sharia operational capital, sharia spiritual capital, sharia infrastructural capital, and sharia organizational capital.

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2. *Sharia Operational Capital*

In this first dimension, the indicators obtained relate to human resource management and financial management, which are components used in the daily operational activities of banks. The collected indicators also contribute to developing operational processes aligned with sharia principles. Based on the characteristics of these indicators, dimension one is named "sharia operational capital."

Sharia operational capital demonstrates employee compliance with sharia principles in banking practices, such as seeking capital, credit disbursement, and financial management within Islamic banking. This dimension encompasses tangible resources, such as funds allocated to sharia-compliant products, investments, or liquidity management following Islamic financial principles, and intangible resources, such as human resources in Islamic banking institutions, including expertise, knowledge, and skills related to sharia compliance practices. Moreover, it includes the ability of the workforce to ensure compliance with sharia principles, as workforce management is one of the most important things to be improved to achieve good financial and business competence.⁴⁰

One of the indicators under the sharia operational capital dimension is related to performance management. Performance appraisals in Islamic banking, which involve daily evaluations of employees, aim to ensure that everyone works with a strong understanding of *maqashid sharia*. *Maqashid sharia* is an ethical and moral framework that governs the operations of Islamic banks, assuring that the activities conducted are in accordance with Islamic principles. In its exact meaning, *maqashid sharia* refers to the core objectives or purposes of Islamic law, which include protecting religion, life, intellect, family, and wealth.⁴¹ Human resources practice in Islamic banking directly aligns with these principles by emphasizing ethical and socially responsible financial practices to be implemented by all employees in the company. It is also explained in the hadith narrated by Bukhari and Muslim no. 1907: "*The reward of deeds depends upon the intentions, and every person will get the reward according to what he has intended.*"⁴² According to *tafsir* from *Jami' Al-'Ulum wa Al-Hikam* (1:61), this hadith was proclaimed by Imam Ahmad as one of the main hadiths in

⁴⁰ Rifqi Muhammad and Peni Nugraheni, "The effect of internal factors on the mudharabah financing of Indonesian Islamic banks," *Journal of Sustainable Finance & Investment*, (Oktober, 2021): 1–17. doi.org/10.1080/20430795.2021.1978917

⁴¹ Fahmi Ali Hudaefi and Abdul Malik Badeges, "Maqāshid Al-Sharī'ah on Islamic Banking Performance in Indonesia: A Knowledge Discovery via Text Mining," *Journal of Islamic Marketing* 13, no. 10 (August 29, 2022): 2069–89, <https://doi.org/10.1108/JIMA-03-2020-0081>.

⁴² Bukhari and Muslim. *Sahih Al-Bukhari wa Muslim*.

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Islam (*ushul al-Islam*). A practice cannot exist unless an intention precedes it. A practice that exists in the void of intention, such as acts committed by those who are asleep or insane, is not called a practice.⁴³ The *ulama* says, "If Allah burdens an act without intention, then it is the same as burdening something that cannot be afforded." As such, the basis for developing human resources in Islamic banking is applying *maqashid sharia*, ensuring that sharia principles are continuously applied in all actions at work. Each of these actions must begin with the right intention (*al-niyyah*) so that the work activity is not only valid according to sharia, but also has the value of worship. This systematic evaluation is an essential process of supervision that aims to maintain sharia compliance while increasing the competitive advantage of Islamic banks. This provides strategic benefits, as aspects of *maqashid sharia* are difficult for conventional banks to imitate, making it a sustainable competitive advantage. This performance management is also essential for Islamic banking to achieve its long-term goals.

Succession planning in Islamic banking also considers sharia values when selecting prospective leaders.⁴⁴ Said leaders of Islamic banking must embody characteristics that reflect Islamic principles, such as justice, social care, and obedience to Allah's *Subhanahu Wa Ta'ala* laws. As in Al-Qasas verse 26, it is said: "*One of the women said, 'O my father, hire him. Indeed, the best one you can hire is the strong and the trustworthy.'*"⁴⁵ According to the *tafsir* of Ibn Kathir, one of the two women suggested to her father to hire Musa because she saw his strength and honesty. Musa's honesty is evident when he asks the woman to walk behind him so that he will not look at her during the journey, and his strength is evident when he lifts a large stone that usually requires several men.⁴⁶ Determining who is most apt for a particular position is crucial and should be assessed through succession planning. This program aims to create leaders with high integrity, morals, and earnest social responsibility, all within a professional highly competent in banking. A balance between social, spiritual, and professional abilities is needed in Islamic banking, as in Yusuf verse 55, which is explained: "*Appoint me over the storehouses of the land. Indeed, I will be a knowing guardian.*"⁴⁷ According to *Tafsir Al-Jalalyn*, "appoint me over the storehouses of the land" refers to the country of Egypt, and "I will be a knowing guardian" refers to someone with expertise in

⁴³ Ibn Rajab and Abdul Rahman bin Ahmad, *Jami' al-'Ulum Wa al-Hikam: A Collection of Knowledge and Wisdom* (Makkah: Umm al-Qura, 2006).

⁴⁴ Hameed Salim Alkaabi, Ghazwan Saleem Naamo, and Ahmed Mohammed Fahmi, "The Impact of the Components and Dimensions of Human Capital on Organizational Relations," *International Journal of Professional Business Review* 8, no. 4 (April 2023): 1-13, doi:10.26668/businessreview/2023.v8i4.1374.

⁴⁵ Al-Qur'an, *Surah Al-Qasas: 26*.

⁴⁶ Ibn Kathir, *Tafsir Al-Qur'an al-'Azim* (Beirut: Dar al-Fikr, n.d.).

⁴⁷ Al-Qur'an, *Surah Yusuf: 55*.

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treasury matters.⁴⁸ According to one opinion, the Prophet Yusuf was clever at writing and calculating. Succession planning in Islamic banking pursues not only one aspect but all social and spiritual aspects while also considering their expertise in banking-related roles.

Collaboration in Islamic banking is also emphasized through sharia values, particularly the principle of friendship. Collaboration is defined as the intentional involvement of individuals in cooperative endeavors, marked by empathetic and sympathetic attitudes towards various life dimensions, including social, economic, cultural, and religious aspects.⁴⁹ Employees are encouraged to respect and help each other based on professionalism and their bond as fellow Muslims. As explained in the Al-Maidah verse 2, it is said, "... and cooperate in righteousness and piety, but do not cooperate in sin and aggression."⁵⁰ According to *Tafsir Al-Jalalyn*, "cooperate in righteousness" means doing what is commanded, "piety" means abandoning what is prohibited, "but do not cooperate in sin" means immorality, and "aggression" means going beyond the limits of Allah's teachings.⁵¹ This verse strengthens the sense of community and reduces the potential for conflict, which can improve team performance when integrated into the workplace. Employees tend to exhibit greater openness and adaptability to change in an environment that reflects and upholds these social values. This circumstance creates a more harmonious and productive work atmosphere that supports organizational goals.

Another essential aspect of Islamic banking is financial management. Islamic financial management focuses on compliance with sharia accounting principles, ensuring all transactions and financial statements align with Islamic teachings. Financial management is essential for Islamic banking to maintain operational integrity and prevent practices that do not follow sharia principles.⁵² Effective financial management in Islamic banking involves meticulous oversight of income sources to ensure they are free from prohibited elements such as *maysir* (gambling), *gharar* (uncertainty), and *riba* (usury), often abbreviated as MAGHRIB. Furthermore, it emphasizes the equitable distribution of wealth while fostering transparency and accountability in all financial reporting processes. Employees who are knowledgeable and compliant with sharia financial management principles will contribute to

⁴⁸ Al-Mahalli, Jalal al-Din, and Jalal al-Din al-Suyuti, *Tafsir Al-Jalalyn* (Beirut: Dar al-Fikr, n.d.)

⁴⁹ Nurdin AR, Siti Yusnaini, Anton Widyanto, Warus Walidin AK, and Sulaiman, "Fordum Kerukunan Umat Beragama in Aceh: Strategies, Roles and Barriers in Maintaining Inferfaith Harmony," *Journal of Islamic Studies* 25, no. 2, (December, 2021): 306-328. doi.org/10.20414/ujis.v25i2.457

⁵⁰ Al-Qur'an, *Surah Al-Maidah*:2.

⁵¹ Al-Mahalli, Jalal al-Din, and Jalal al-Din al-Suyuti,

⁵² Ahmad Roziq and Zkiyyah Ilma Ahmad, "Enhancing performance: minimizing risk in Islamic banks in Indonesia," *Cogent Business & Management* 11, no. 1, (February, 2024): doi.org/10.1080/23311975.2023.2294519

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Islamic banks' pursuit of sustainable competitive advantage. Sharia operational capital, which involves such knowledge and compliance, has the potential to be an internal resource that is difficult for competitors to replicate.

Shariah operational capital refers to the internal capabilities of Islamic banks to efficiently and consistently implement sharia-compliant financial operations. This dimension can be further elaborated by examining specific Islamic financial products that rely heavily on robust operational structures and resources. For instance, in *murabahah* financing, operational staff must ensure that the bank first purchases the asset before reselling it to the customer and that the transaction adheres to sharia-compliant documentation standards. Similarly, in *istisna'* and salam contracts, which involve future delivery of goods, banks must establish clear procurement procedures, implement milestone-based disbursement mechanisms, and conduct compliance checks to mitigate *gharar* (uncertainty) and ensure fairness.⁵³

An illustrative example is the BSI Hasanah Card, a sharia-compliant alternative to conventional credit cards. This product not only follows Islamic contractual principles, namely a combination of *kafalah* (guarantee contract), *qardh* (interest-free loan), and *ijarah* (lease or service contract), but also demonstrates the bank's operational readiness to manage complex financial instruments while upholding Islamic ethical standards.⁵⁴ The operational staff at BSI are responsible for ensuring that every stage of the process, from application and limit determination to transaction financing and billing, is in line with sharia requirements. The ability to execute such financial products in accordance with Islamic law underscores the strategic value of operational sharia capital. It enables the bank not only to offer sharia-compliant services but also to deliver them with integrity, transparency, and consistency, which are attributes that enhance both regulatory compliance and competitive advantage. Hence, incorporating practical illustrations such as these highlights how operational capabilities directly support the application of Islamic values in banking activities.

3. Sharia Spiritual Capital

The second dimension is named sharia spiritual capital, which is formed from five statements: benevolent intentions, ethical work principle, values, faith-based principle, and a form of devotion. The five indicators encompass spiritual, ethical, and religious aspects that

⁵³ Arifa Pratami et al., "Are Shariah Banking Financing Patterns Pro-Cyclical? An Evidence from ASEAN Countries," *Cuadernos de Economía* 45, no. 127 (2022): 82–91, <https://doi.org/https://doi.org/10.32826/cude.v1i127.607>.

⁵⁴ Bank Syariah Indonesia, "Peningkatan Layanan BSI Hasanah Card," [bankbsi.co.id](https://www.bankbsi.co.id), January 16, 2025, <https://www.bankbsi.co.id/news-update/info-nasabah/peningkatan-layanan-bsi-hasanah-card>.

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closely align with sharia principles in organizational philosophies. This dimension forms the religious and moral dimension of Islamic teachings that emphasizes spiritual values, ethical guidelines, and compliance with Islamic principles related to decision-making, behavior, and culture in Islamic banking institutions. Furthermore, this dimension is the foundation that directs all operations and interactions in Islamic banking, ensuring that every decision and action follows the prevailing religious and ethical guidelines.

"Sharia" in the context of spiritual capital refers explicitly to employees' ethics, guidelines, and spiritual aspects based on sharia law, particularly as it applies to the banking sector. As a complete interpretation of spirituality would be rather broad, the five grouped indicators focus only on measuring Islamic banking employees' use of spiritual aspects in the workplace. This underscores the importance of aligning Islamic banking actions and practices with spiritual teachings and values based on sharia principles. As explained in At-Tawbah verse 105: *"And say, 'Do [as you will], for Allah will see your deeds, and [so, will] His Messenger and the believers. And you will be returned to the Knower of the unseen and the witnessed, and He will inform you of what you used to do.'"*⁵⁵ According to *Tafsir Al-Jalalyn*, *"and say"* means saying to them or humanity in general; *"you will be returned"* means being raised from the graves; *"to the Knower of the unseen and the witnessed"* refers to Allah; and *"He will inform you of what you used to do"* means Allah will reward you for it.⁵⁶ This verse underlines the importance of aligning every aspect of work with religious principles, as all actions will be held accountable.

The dimension of sharia spiritual capital provides notable advantages for Sharia Internal Resources. One key indicator is the benevolent intention of Islamic banking employees who uphold Islamic principles while working, intending to achieve a balance between this world and the hereafter. Islam teaches not only the importance of focusing on the life one has in the world but also in preparing oneself for the eternal afterlife. As explained in the Al-Qasas verse 77: *"But seek, through that which Allah has given you, the home of the Hereafter."*⁵⁷ According to *Tafsir Al-Jalalyn*, *"and seek"* means strive, *"through that which Allah has given you"* refers to giving in the form of material possessions, *"the home of the Hereafter"* means if you spend it in the path of obedience to Allah, and do not forget your share of worldly pleasures that is, you should do good deeds with it to achieve reward in the afterlife.⁵⁸ Employees of Islamic banks are encouraged to strive for positive achievements for

⁵⁵ Al-Qur'an, *Surah At-Tawbah: 105*.

⁵⁶ Al-Mahalli, Jalal al-Din, and Jalal al-Din al-Suyuti,

⁵⁷ Al-Qur'an, *Surah Al-Qasas:77*.

⁵⁸ Al-Mahalli, Jalal al-Din, and Jalal al-Din al-Suyuti,

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both the world and the hereafter. The FGD discovered that Islamic bank employees started their day with morning prayers together, reciting the Quran, and conveying good intentions through prayer. These prayers are not only for themselves but also as blessings for customers and organizations. This activity improves employee performance and productivity, which forms a common motivation to assist customers and the company in achieving rewards for the hereafter.

Another important indicator of success is related to the ethical work principle derived from Islamic teachings for Islamic bank employees. Demonstrating ethical Islamic characteristics is paramount in manifesting and maintaining sharia values in Islamic banks.⁵⁹ The company routinely teaches Islamic work principles through human capital training programs. Employees are expected to apply moral character in all aspects of their work, individually and in groups. Employees with robust work ethics can respect their superiors and colleagues, leading to improved interactions with customers through values related to friendliness, courtesy, and empathy. Such an ethical work principle that follows Islamic teachings also encourages employees to abandon prohibited acts and strive for better behavior in the workplace. This notion benefits both the employees and the stronger relationships among them. Well-behaved employees will increase customer satisfaction and strengthen the reputation of Islamic banks. This ethical practice reflects the commitment of Islamic banks to integrity, morals, and social responsibility.

Value-related indicators link employee trust to good values in their work within Islamic banking, aligning with the *maqashid sharia* principles. Employees of Islamic banks are expected to maintain principles of religion, life, intellect, destiny, and property in all work activities. These values are reflected in harmonious relationships with superiors, colleagues, and customers. The significance of good relationships between fellow employees is also explained in the Hadith from Abu Musa narrated by Bukhari 1438 and Muslim 1023: "*The Muslim treasurer who is given the mandate when he gives what is ordered for him perfectly and with good intentions, then he hands over the property to the person he appoints to hand it over, then both (the owner of the property and treasurer who is entrusted earlier) are included in the person who gives alms.*"⁶⁰ The treasurer (*al khozin al muslim*) referred to here is a person who is entrusted with keeping other people's assets and is entrusted with the assets. Harmonious relationship mandates between fellow employees reflect the application of sharia

⁵⁹ Zulfahmi Alwi, Rika Dwi Ayu Parmitasari and Alim Syariati, "An assessment on Islamic banking ethics through some salient points in the prophetic tradition," *Heliyon* 7, no. 5, (May, 2021):1-9, doi.org/10.1016/j.heliyon.2021.e07103

⁶⁰ Bukhori and Muslim. *Sahih Al-Bukhori wa Muslim*.

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principles. Every employee must apply these values, from the lowest to the managerial position. Employees who believe their work has good value will be motivated to provide the best service and strive for increased customer satisfaction.

The next indicator relates to employees' faith that doing work is one way to seek blessings. Engaging in halal work that embodies good values certainly brings blessings. As narrated by Ahmad (no. 141) and as explained by a companion who once asked the Prophet (peace and blessings of Allah be upon him), "*The Prophet (ﷺ) was asked, 'What type of earning is best?' He replied, 'A man's work with his hand and every transaction which is free from cheating or deception.'*"⁶¹ According to Tafsir Shaykh 'Abdullah Al-Fauzan, the best job suits each person's circumstances and supports each other between believers.⁶² To get blessings, employees must also ask Allah *Subhanahu Wa Ta'ala* for pleasure so that everything can go according to His will. Based on information from the FGD process, the joint morning prayers conducted by Islamic bank employees are a form of effort to ask for pleasure and blessings from Allah *Subhanahu Wa Ta'ala*. In addition, other religious activities, such as mass dhikr at work, may also invite blessings from Allah *Subhanahu Wa Ta'ala*. These activities help remind Islamic bank employees to focus on seeking blessings instead of prioritizing worldly desires and always to prioritize accountability to Allah *Subhanahu Wa Ta'ala*. With earnest faith, employees are more likely to work honestly. Employees of Islamic banks with earnest faith will also maintain their integrity, as they recognize that maintaining integrity is the same as maintaining blessings in their work. This spiritual belief will continue to encourage employees to avoid sin, ensuring that Islamic banking employees are motivated to assist customers honestly.

The next indicator is the form of devotion. Islamic banking always instills an understanding in its employees that their work embodies a form of devotion akin to being on a "long prayer mat." A "long prayer mat" symbolizes the ability of Islamic bank employees to work while simultaneously performing acts of worship. Various activities conducted by Islamic banks, such as offering education on the importance of avoiding MAGHRIB-sourced funds, reflect a form of devotion. Serving customers with sincere interest is also part of a form of devotion. Therefore, working in Islamic banking is part of devotion. By continuously instilling these spiritual values, Islamic banking management will encourage employees to achieve high performance while integrating the principles of faith in all aspects of work. As such, it is a manifestation of devotion to Allah *Subhanahu Wa Ta'ala*.

⁶¹ Ahmad ibn Hanbal, *Musnad Ahmad* (Beirut: Dar al-Fikr, n.d.).

⁶² Al-Fauzan, *Tafsir Al-Fauzan* (Riyadh: Maktabat al-Ma'arif, n.d.).

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One of the main challenges in applying sharia spiritual capital within an organization is the diversity of individual beliefs among employees. Each of the employees in a company may come from different religious backgrounds, thus making it difficult to implement a unified spiritual approach in the company. To encounter the challenge, a company must establish a transparent and inclusive organizational spirituality value beyond the background differences. The said value can be embedded in the company's vision and mission statements, emphasizing universal principles such as integrity, compassion, purpose, and respect.⁶³ By doing so, a company can foster a shared sense of meaning and ethical grounding for all employees.

4. Sharia Infrastructural Capital

The next dimension contains three indicators: office facilities, information technology, and digitization. This dimension is given the label of sharia infrastructural capital. In this dimension, including "sharia" signifies that every aspect of the Islamic banking infrastructure must comply with sharia law provisions. Within the context of the Islamic banking industry, infrastructural capital has unique characteristics based on Islamic principles. This dimension encompasses office facilities with Islamic nuances, information technology to enhance employees' sharia literacy, and digitalization through mobile banking applications that are promoted as spiritual companions. All infrastructure, encompassing both physical and technological, must be specifically designed to ensure that all banking operations comply with sharia law.

Information technologies are essential to Sharia Internal Resources because of their capability to enhance operational efficiency, transparency, and compliance with sharia principles. Information technology can be a means that makes it easier for employees to improve and maintain their understanding of sharia principles. It is undeniable that leading companies possess the latest technologies. In the present era, information technology has become more crucial than physical facilities (such as designing office spaces or bank branches that create an Islamic atmosphere). Advanced information technologies enable banks to monitor sharia compliance in real-time for every transaction while streamlining internal processes such as recording, reporting, and risk management.

⁶³ Raysa Geaquinto Rocha and Paulo Gonçalves Pinheiro, "Organizational Spirituality: Concept and Perspectives," *Journal of Business Ethics* 171, no. 2 (June 21, 2021): 241–52, <https://doi.org/10.1007/s10551-020-04463-y>.

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Furthermore, technology enables quick and easy access for employees and customers to obtain accurate information, enhancing transparency and trust in financial management per sharia principles. However, fully utilizing all available information technology facilities for sharia literacy is a unique act that exists only in sharia banking. Accordingly, utilizing information technology to improve sharia literacy will directly improve the quality of employees within sharia banking institutions.

In addition to employees, customers can benefit directly from sharia infrastructural capital through a mobile banking application incorporating spiritual aspects. This is stated in the digitalization indicator. The existence of digitalization that integrates Islamic nuances is an indication of Islamic banks' adaptive response to today's technological advancements. The COVID-19 pandemic has significantly changed consumption patterns, with consumers increasingly favoring online transactions over physical ones, having become accustomed to social distancing policies.⁶⁴ Therefore, said pattern shift necessitates businesses to adapt their strategies to meet evolving customer preferences. Prioritizing technological adaptation and industry-wide digitalization is similarly crucial for Islamic banks to navigate through potential economic downturns dynamically.⁶⁵ In today's digital era, with emphasis on new-generation customers, affordability and accessibility are essential in providing banking services that are responsive to customer needs.⁶⁶ By incorporating spiritual features and tools that support worship-related activities within their mobile banking applications, Islamic banks go beyond acting as financial and social companions but also as spiritual companions. The Islamic facilities in the mobile banking application allow customers to carry out banking trade transactions (*muamalah*) without forgetting efforts to seek benefits for the hereafter.

Including spiritual features in mobile Islamic banking applications can increase user engagement and convenience. Adding these spiritual features can motivate customers to open the application more frequently and for extended periods. This increased usage helps customers become more familiar with other digital products offered by Islamic banks. Despite the positive outcomes, the development of digitalization through mobile banking applications

⁶⁴ Fitri Ana Siregar and Khairil Razali, "UMKM Participation in Halal Industry: The Legal Framework And Opportunities," *Jurnal Ilmiah Islam Futura* 22, no. 1, (February, 2022): 127- 138, doi.org/10.22373/jiif.v22i1.10393

⁶⁵ Nilam Sari, "Service Quality, Company Image, Trust and Its Influence On Customers' Satisfaction and Loyalty at Bank Shariah Mandiri (BSM) Meulaboh Branch Office," *Jurnal Ilmiah Peuradeun* 6, no. 2 (May 28, 2018): 235–51, <https://doi.org/10.26811/peuradeun.v6i2.221>.

⁶⁶ Ghazi Zouari and Marwa Abdelhedi, "Customer satisfaction in the digital era: evidence from Islamic banking," *Journal of Innovation and Entrepreneurship* 10, no. 1, (February, 2021) doi.org/10.1186/s13731-021-00151-x

still has several potential security risks.⁶⁷ One of the most significant risks in sharia mobile banking is the vulnerability to data breaches and cyberattacks, which can undermine user trust and compromise sensitive financial and personal information. A notable example is the data breach incident of Bank Syariah Indonesia (BSI) in May 2023, when a cyber-attack led to system disruptions and the leakage of customer data (*BSI Diduga Kena Serangan Siber, Pengamat Sebut Sistem Pertahanan Bank "Tidak Kuat,"* 2023).⁶⁸ This incident highlights the need for strong cybersecurity infrastructure in Islamic banking institutions, especially as they need to do digital initiatives to meet current customer expectations. Comprehensive data protection measures must accompany the integration of sharia compliance with advanced technology, as any failure in this part might also challenge the ethical standards of Islamic finance. The continued support of organizations to integrate their spiritual values through mobile banking applications can develop a competitive advantage in the increasingly digitized landscape of Islamic banking services.

5. Sharia Organizational Capital

The fourth dimension is called sharia organizational capital, a combination of indicators related to the collection of expertise, internal procedures, and capabilities of an organization, which ultimately involves utilizing intellectual and structural resources while applying sharia principles. Sharia organizational capital ensures that all organizational activities prioritize business aspects and maintain compliance with sharia principles across all operations. These components include the company's vision and missions, which are always in line with Islamic ethical values, an organizational culture that reflects Islamic moral principles and laws, governance that ensures compliance with the principles of sharia justice and transparency, and a decision-making process that complies with Islamic moral and ethical values. Focusing on sharia organizational capital enables Islamic banking to enhance its credibility and integrity, fostering greater trust among customers and stakeholders committed to sharia compliance. Many contemporary scholars argue that the extent to which Islamic

⁶⁷ Belbergui Chaimaa, Elkamoun Najib, and Hilal Rachid, "E-Banking Overview: Concepts, Challenges and Solutions," *Wireless Personal Communications* 117, no. 2 (March 28, 2021): 1059–78, <https://doi.org/10.1007/s11277-020-07911-0>.

⁶⁸ BBC, "BSI Diduga Kena Serangan Siber, Pengamat Sebut Sistem Pertahanan Bank 'Tidak Kuat,'" BBC News, May 16, 2023, <https://www.bbc.com/indonesia/articles/cn01gdr7eero>.

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banks achieve *maqashid sharia* should be the primary criterion for assessing the legitimacy and acceptance of their products and practices.⁶⁹

One critical aspect of this dimension is that organizational culture must reflect the values of justice, transparency, and adherence to sharia principles. Governance as part of a sharia organization's capital includes compliance with the principles of justice, fair distribution of wealth, and transparency in financial reporting. According to sharia law, the decision-making system must aptly consider Islamic moral and ethical values while distancing itself from prohibited or dubious practices. Implementing sharia principles in organizational capital can also include social and environmental sustainability by ensuring that the organization's operational activities do not harm the community or the surrounding environment. Thus, sharia organizational capital is not only about operational efficiency and competitive advantage but also about building a foundation that follows sharia values and principles in every aspect of the organization's activities.

An important indicator in this dimension is also related to organizational culture. BSI adopts an approach incorporating sharia values as a core element of its operations. A concrete example is the implementation of joint prayers, a form of *maqashid sharia* in the organization. This is also explained in Al-Mu'min verse 60: "*And your Lord says, 'Call upon Me; I will respond to you. Indeed, those who disdain My worship will enter Hell [rendered] contemptible.*"⁷⁰ According to Tafsir Ibn Kathir, Allah ordered His servants to pray and promised to grant it as a form of worship. People who are reluctant to pray because of pride are considered to reject the worship of Allah and are threatened with hell in a state of humiliation.⁷¹ Incorporating prayer-related acts within the organization provides an advantage, and it demonstrates a collective commitment to strengthening religious values in the workplace and creating an environment that supports the practice of worship. Participating in morning prayers inspires reflection on one's life purpose, which supports mental clarity while enhancing focus and concentration at work.

Another indicator in this dimension is related to governance in Islamic banking. Governance in Islamic banking emphasizes the importance of the DPS as a unique institution

⁶⁹ Muhammad Hanif and M. Nauman Farooqi, "Objective Performance Evaluation of the Islamic Banking Service Industry: Evidence from Pakistan," *ISRA International Journal of Islamic Finance* 15, no. 2 (2023): 38-59, doi:10.55188/ijif.v15i2.541.

⁷⁰ Al-Qur'am, *Surah Al-Mu'min: 60*

⁷¹ Ibn Kathir, *Tafsir Al-Qur'an al-'Azim*.

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ensuring that the bank's policies and operations align with sharia principles.⁷² Furthermore, The DPS provides confidence to various stakeholders that the institution operates ethically and per sharia values. The DPS also has a strategic role in issuing fatwas and recommendations related to products, services, and policies taken by banks, ensuring decisions continuously align with sharia provisions. In addition, the DPS ensures that the internal audit process is carried out comprehensively to detect and prevent practices contrary to sharia and maintain transparency and accountability in Islamic banking operations.

To ensure alignment with sharia principles, the DPS is responsible for standardizing the fulfillment of sharia aspects. This involves thoroughly assessing the bank's policies, operational practices, and service products. The DPS ensures that every element of the bank's activities is directed per sharia law and ethics provisions.⁷³ In addition, the DPS functions as a mediator between the bank's management and its customers to ensure that all transactions carried out are free from elements prohibited in Islam, such as *maysir*, *riba*, and *gharar*.⁷⁴ By conducting regular evaluations of all operational aspects, the DPS helps strengthen public confidence in the integrity and sustainability of Islamic banks in complying with sharia principles.

Related to service products, the DPS plays a vital role in reviewing existing products and providing feedback on new products. This process involves an in-depth analysis of the product's structure, operational mechanisms, and possible sharia impacts. The duty of the DPS is in line with the hadith from Ibn Mas'ud narrated by the Majah dan Hakim: "*Riba makes something multiply. But in the end, riba makes a little (a small amount, or a few blessings)*."⁷⁵ The DPS' recommendations and insights are a determining factor in building the public's trust in Islamic banking by ensuring that the products offered are financially profitable and do not contain elements of *riba* (which goes against Islamic principles). Thus, the DPS acts as a supervisory body and a guarantor of sharia-compliance quality in Islamic banking operations and service products.

The governance structure of Islamic banking is a unique asset that is difficult for conventional financial institutions to imitate, primarily because they do not focus on Islamic

⁷² Rita Wijayanti and Doddy Setiawan, "The Role of the Board of Directors and the Sharia Supervisory Board on Sustainability Reports," *Journal of Open Innovation: Technology, Market, and Complexity* 9, no. 3 (September 2023): 100083, <https://doi.org/10.1016/j.joitmc.2023.100083>.

⁷³ Muhammad Syarofi and Lutfianah Putri, "The Importance of Sharia Supervisory Board on Islamic Financial," *Airlangga Journal of Innovation Management* 4, no. 1 (August 31, 2023): 74–83, <https://doi.org/10.20473/ajim.v4i1.45357>.

⁷⁴ Ibtissem Baklouti, "Is the Sharia Supervisory Board a Friend or an Enemy of Islamic Banks?," *Journal of Islamic Marketing* 13, no. 2 (January 13, 2022): 526–41, <https://doi.org/10.1108/JIMA-04-2020-0118>.

⁷⁵ Ibn Majah, *Sunan Ibn Majah* (Beirut: Dar al-Kutub, n.d.).

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ethical principles. Not all banks have a remarkable sharia supervisory institution to ensure compliance with sharia principles. As such, this aspect can be considered rare in the conventional banking sector. Although institutions that mirror the functions of the DPS may be replicable to a certain extent, complete replication is complex because it requires a deep understanding of sharia principles. The ability to establish supervisory boards like the DPS shows that Islamic banking has an organizational structure that effectively supports this aspect's implementation and maintenance. This involves the supervisory bodies' efficient and practical arrangement within the overall organizational structure.

Another indicator of the sharia dimension of organizational capital, namely *Rahmatan lil 'Alamin*-oriented decision-making, reflects the commitment in Islamic banking to become a financial sector institution that reflects Islamic values that provide grace to the entire universe. The principle of *Rahmatan lil 'Alamin*, which means "mercy to all creation," emphasizes the ultimate aim of compassion, justice, and kindness for all. This principle is based on the Qur'anic verse: "*And We have not sent you, [O Muhammad], except as a mercy to the worlds*" (Qur'an 21:107).⁷⁶ According to Tafsir Tahlili, the purpose of Allah in sending the Prophet Muhammad, along with His religion, was none other than to provide guidance and warnings so that humanity may attain happiness in this world and the hereafter.⁷⁷ God's mercy upon all of creation encompasses protection, peace, love, and other forms of grace bestowed upon His creatures, including both believers and non-believers, as well as animals and plants. Islamic banking applies the *Rahmatan lil 'Alamin* concept through financial practices with ethical values, justice (*'adl*), and societal benefit (*maslahah*), so they are not just profit-driven businesses but also institutions committed to fulfilling the broader socio-economic needs of society.⁷⁸ Profit-and-loss sharing systems such as *mudharabah* and *musyarakah* in Islamic banking are examples of this commitment.⁷⁹ Under a *mudharabah* agreement, the bank provides money, the business owner offers knowledge, profits are shared fairly, and losses are suffered only by the investor. On the other hand, *musyarakah* is the mutual capital contribution of both couples, whose results are divided in proportion to their individual

⁷⁶ Al-Qur'an, *Surah Al-Anbiya: 107*.

⁷⁷ Ministry of Religious Affairs of the Republic of Indonesia, *Tafsir Al-Qur'an al-Karim: Tahlili Method*. (Jakarta: Lajnah Pentashihan Mushaf al-Qur'an, Balitbang-Diklat, Ministry of Religious Affairs, 2014).

⁷⁸ Nurhani Fithriah, "Innovation of Islamic Banking Industry as an Alternative Islamic Economic Development in Indonesia," *Jurnal Jurisprudence* 7, no. 2 (February 3, 2018): 132–41, <https://doi.org/10.23917/jurisprudence.v7i2.4838>.

⁷⁹ Meutia I and Febrianti T, "The Shariah Enterprise Theory: Implementation of Corporate Social Responsibility Disclosure for Islamic Banking in Indonesia," *International Journal of Business, Economics and Law* 20, no. 5 (2019): 35–43.

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contributions.⁸⁰ By using these two systems, Islamic banking promotes economic development and shows the inclusive and loving nature of *Rahmatan lil 'Alamin*.⁸¹

The leaders in Islamic banks should be able to match the organizational policies and operations with the ideals of *Rahmatan lil 'Alamin*. An Islamic leader is viewed as a moral custodian who preserves concepts of justice, responsibility, and compassion in decision-making rather than merely an administrator.⁸² This means emphasizing ethical governance, fair treatment of employees and clients, and socially responsible investing strategies.⁸³ Integrating these ideas can help Islamic banks' leaders to create a system that is efficient and competitive but also spiritually rooted and socially helpful, thereby ultimately reflecting the core of Islam as compassion to all spheres.⁸⁴ Decision-making in Islamic banking is guided by considering its impact on customers, the community, and shareholders while complying with sharia principles. Islamic banking decision-making is oriented towards providing maximum benefits, which reflects the uniqueness of the sharia approach and cannot be easily imitated by conventional institutions that do not adhere to such principles. This approach is relatively common in the Islamic banking industry because adherence to Islamic values is often at the core of their business model. Although other banking institutions may attempt to imitate the concept of *rahmatan lil'alamin* to attract more customers, its implementation is complex and requires a deep understanding of Islamic values and an awareness of social sustainability. *Rahmatan lil'alamin*-oriented decision-making demonstrates that Islamic banking utilizes an organizational structure that supports these values. This may involve a decision-making process that requires sharia experts' input and business strategies that integrate social and sustainability aspects.

With regard to the explanation of operational, spiritual, infrastructural, and organizational capital dimensions, the next step is to statistically analyze the grouped dimensions of several indicators that can confirm the construct or variable. The results of the dimensional grouping based on EFA are then examined in the second order to ensure that the

⁸⁰ Silvani Alexa, Sabrina Rezahraini, and Devi Syukri Azhari, "Islam Rahmatan Lil'alamin," *Journal of Multidisciplinary Inquiry in Science, Technology and Educational Research* 2, no. 2 (2025): 3038–3044.

⁸¹ Retno Sayekti, "Applying the Concept of Rahmatan Lil Alamin in Publication: A Transdisciplinary Perspective on Scientific Publication Literacy and Practices in Indonesian Universities," *College & Research Libraries News* 82, no. 11 (2021), <https://doi.org/10.5860/crln.82.11.513>.

⁸² Mohamad Adam and Luk Luk Fuadah, "Islamic Corporate Governance: A Rahmatan Lil Alamin," *Academy of Accounting and Financial Studies Journal* 26, no. 2 (2022): 1–10.

⁸³ Muhammad Arif, Yahya Aidel, and Qayyum Mahmood, "Application of the Rahmatan Lil Alamin Concept in a Pluralistic Society during the Pakatan Harapan Government Era in Malaysia," *International Journal of Business and Social Science* 12, no. 7 (2021), <https://doi.org/10.30845/ijbss.v12n7p5>.

⁸⁴ Adrian and Junanah, "The Implications of Rahmatan Lil'alamin in the Islamic Economics Context: A Study at an Islamic University in Indonesia," *Borneo International Journal of Islamic Studies* 5, no. 1 (September 20, 2023): 13–30, <https://doi.org/10.51590/waraqat.v2i1.49>.

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indicators used effectively validate the constructs or variables in the study. Table 1 presents the results of the second-order analysis, including a two-tailed hypothesis test with an error rate of 5%. Accordingly, the critical value that must be met is 1.96, or the *p*-value must be less than 0.05. Based on the results of the analysis, it can be seen that the dimensions of BSI's internal resources can form latent construction variables, which the author then named Sharia Internal Resources. These results show that the indicators used can confirm the constructs or variables in the study.

Table 1. Dimensional construct test results – second order

Hypothesis	<i>Path Coefficient</i>	T Statistics (O/STERR)	<i>p</i> - value
Sharia Internal Resources → Sharia Operational Capital	0.915	83.642	0.000
Sharia Internal Resources → Sharia Spiritual Capital	0.899	63.500	0.000
Sharia Internal Resources → Sharia Infrastructural Capital	0.901	65.160	0.000
Sharia Internal Resources → Sharia Organizational Capital	0.854	35.510	0.000

Source: Author

The results emphasize the vital role of internal resources in creating sustainable competitive advantages and improving the company's business performance, especially in Islamic banking. This study explores the unique characteristics of Sharia Internal Resources as developed based on the RBV framework.⁸⁵ It was found that Sharia Internal Resources consist of four dimensions: sharia operational, sharia infrastructural, sharia organizational, and sharia spiritual capital. These dimensions distinguish Islamic banking from conventional banking institutions.

6. Contribution of Sharia Internal Resources in Creating Competitive Advantage based on Compliance with Sharia Principles

Sharia Internal Resources have become a unique strategic capability for Islamic banks that conventional banks cannot easily imitate. Sharia Internal Resources are the primary foundation for Islamic banking in creating competitive advantages, especially in navigating intense competition with conventional banks. This concept can be explained based on value, rarity, imitability, and organization (VRIO), which refers to the RBV approach and how

⁸⁵ Jay Barney, "Firm Resources and Sustained Competitive Advantage," *Journal of Management* 17, no. 1 (March 1991): 99-120, doi:10.1177/014920639101700108.

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internal resources can become a sustainable competitive advantage.⁸⁶ These resources include the unique capabilities and internal assets of Islamic banking, which are directly integrated with Islamic principles.

The first dimension formed in this study is sharia operational capital. The collected indicators lead to the development of operational processes that adhere to sharia principles. This validates that the naming of "sharia" in this dimension is not only a differentiator; it has significant implications for describing the indicators contained in it. Such indicators include performance appraisal based on an understanding of *maqashid sharia*, human capital development to produce sharia bankers, developing leaders who have sharia characters, credit disbursement by paying attention to the free principle of MAGHRIB, as well as financial management guided by Islamic accounting.

Applying sharia principles in Islamic banking ensures that the distribution of funds avoids practices that contain *maysir*, *riba*, and *gharar*, all of which are prohibited in Islam. This approach provides a unique approach to risk management in Islamic banking by prioritizing fairness, transparency, and transaction security. The process of usury avoidance aligns with risk management practices in Islamic banking, which encourages transparency in every financial contract to prevent injustice and ensure that all parties understand their obligations. Strict adherence to transparency within every financial contract demonstrates Islamic banking's commitment to the principles of fairness and honesty, which are fundamental aspects of sharia principles.

Risk management in Islamic banking is unique and built from its foundational principles. This distinctive aspect enhances people's trust in Islamic banks, directly attracting more customers and establishing strong customer loyalty that contributes to the bank's business growth. The beliefs of the public, especially Muslims, become aware because they are listed in Al-Baqarah verse 279: "*And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged.*"⁸⁷ According to Tafsir Ibn Kathir explains that this verse is a strong warning for those who continue to practice *riba* after the prohibition has been imposed, with the threat of war from Allah and His Messenger.⁸⁸ However, if they repent, they are entitled to the principal of their wealth without additional *riba*, so they do not oppress

⁸⁶ Jongsoo Kim and Richard Makadok, "Unpacking the "O" in VRIO: The Role of Workflow Interdependence in the Loss and Replacement of Strategic Human Capital," *Strategic Management Journal* 44, no. 6 (June 2023): 1453-1487, doi:10.1002/smj.3358.

⁸⁷ Al-Quran: *Surah Al-Baqarah*: 279.

⁸⁸ Ibn Kathir, *Tafsir Al-Qur'an al-'Azim*.

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or be wronged. Such a level of trust is difficult for competitors to replicate, especially for conventional banks that may not have the same approach to guaranteeing fairness and transparency based on religious principles. Effective risk management is also related to reducing potential losses and improving the financial sustainability of Islamic banking. A robust and transparent risk management system gives Islamic banks an edge in financial stability and survivability in a volatile market.⁸⁹ With a strong foundation in risk management, Islamic banks can offer products that are more affordable, safe, and in accordance with customer needs while maintaining higher trust among stakeholders and investors.⁹⁰ As explained in An-Nisa verse 29, "O you who have believed, do not consume one another's wealth unjustly ..." ⁹¹ According to *Tafsir Al-Jalalyn*, "do not consume your one another's wealth unjustly" means ways that are haram according to religion, such as *riba* and gasab/plundering.⁹² This paragraph warns that transactions should be carried out correctly and clearly to minimize possible risks.

Another important aspect of operational capital is related to succession planning. Succession planning ensures that the organization has leaders and employees who have the potential to take on the role and responsibility of leaders.⁹³ Succession planning in Islamic banking considers specific characteristics that can help develop future leaders. Regarding the undertaking of leadership positions, succession planning in Islamic banking has a unique approach that considers sharia values and *maqashid*. Applying *maqashid sharia* in succession planning provides significant value for Islamic banking. The selection of leaders based on the principles of *maqashid sharia* ensures that they not only meet the standards of professional competence but also have a strong commitment to sharia principles such as fairness, transparency, and adherence to religious ethics.

Leaders prioritizing *maqashid sharia* in Islamic banking offer a rare and valuable advantage. In contrast, conventional banks typically select their leaders by solely considering financial expertise and business leadership without considering the deeper moral and ethical dimensions. The focus on *maqashid sharia* in succession is difficult for competitors to imitate

⁸⁹ Nurul Rafiqoh Lubus, Muhammad Satrya Mutthaqin, and Sugianto, "Relevansi Strategi Manajemen Risiko Pembiayaan dalam Konteks Perbankan Syariah," *Jurnal Kajian Ekonomi & Bisnis Islam* 5, no. 4 (2024): 2699-2711, doi:10.47467/elmal.v5i4.1334.

⁹⁰ Nilam Sari, Azharsyah Ibrahim, Muzammil, and Muksal. "Managing Financing Risk of Islamic Banking Products in Indonesia: A Value at Risk Approach." *Jurnal Ilmiah Islam Futura* 24, no. 1 (February 2024): 213-240. doi:10.22373/jiif.v24i1.17693.

⁹¹ Al-Qur'an, *Surah An-Nisa: 29*.

⁹² Al-Mahalli, Jalal al-Din, and Jalal al-Din al-Suyuti, *Tafsir Al-Jalalayn* (Beirut: Dar al-Fikr, n.d.)

⁹³ Jason D. Shaw, "The Resource-Based View and Its Use in Strategic Human Resource Management Research: The Elegant and Inglorious." *Journal of Management* 47, no. 7 (2021): 1787-1795, doi:10.1177/0149206321993543.

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because it involves profound and complex values and processes integrated with the organization's culture and traditions. Replicating a succession system that focuses on *maqashid sharia* is about developing financially capable leaders while providing religious education, ethics training, and knowledge-sharing of commitment towards social responsibility. As explained by An-Nisa verse 58: "*Indeed, Allah tells you to convey the mandate to those who are entitled to receive it, and (tells you) when establishing a law among people so that you determine justly ...*"⁹⁴ According to *Tafsir* Ibn Kathir explains that this verse is Allah's command to His servants to fulfill their mandate to their rightful owner. Trust here includes everything entrusted to someone, whether it is Allah's rights, such as worship, or human rights, such as property or secrets.⁹⁵ Succession planning is crucial for the sustainability of Islamic banking and ultimately shapes the organization's future leaders.

Another important dimension of Sharia Internal Resources is sharia spiritual capital. This dimension necessitates that BSI should focus its attention on developing the spiritual aspects within the company. Employees who are spiritually connected to their work tend to have higher levels of commitment. Employees with a profound regard for their work, beyond the urge to work for a salary, gain inner satisfaction and a heightened sense of purpose in life. Sharia spiritual capital, including consistently applied religious and ethical values, is a scarce and valuable resource. Islamic banks with leaders and employees who are profoundly educated in religious principles and apply them in all aspects of their operations possess a scarce value that is not easily replicated by conventional banks or other organizations that do not fully integrate sharia principles into their operations.

Sharia spiritual capital is a critical dimension of Sharia Internal Resources that provides a sustainable competitive advantage. The values upheld in Islamic banking services are related to *amanah* (trust), justice, and *ihsan* (kindness and perfection), as well as the sincerity of bank staff in carrying out their duties. Applying sharia spiritual capital within Islamic banking also establishes an organizational principle that strengthens the commitment to moral and spiritual values reflected in employees' daily behaviors. When employees are committed to maintaining sincerity in serving customers, Islamic banks can establish trusted and transparent relationships, enhancing their reputation and fostering customer loyalty. This result is attributable to Muslim individuals' preference for Islamic law-based practices,

⁹⁴ Al-Qur'an, *Surah An-Nisa*: 58

⁹⁵ Ibn Kathir, *Tafsir Al-Qur'an al-'Azim*.

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particularly in business transactions.⁹⁶ A robust commitment to Islamic principles such as *amanah*, *adil*, and *ihsan* also strengthens competitive advantage. It ensures that every service meets financial needs and aligns with Islamic principles in accordance with the Quran and Islamic teachings.

Sharia organizational capital is also a critical dimension. By integrating sharia principles with the organization's vision, missions, and culture, Islamic banks create a unique identity that is difficult for competitors to imitate. A key element of such a unique identity is governance based on sharia principles and the existence of the DPS, an extraordinary governing body of Islamic banks. Under the strict supervision of the DPS, Islamic banks generally sustain a more structured, transparent, and accountable internal oversight system. Islamic banks' transactions, products, and financial services must be verified and audited to ensure compliance with sharia principles. Such sharia compliance assurance helps reduce potential abuse or harmful practices that could damage the bank's reputation. Moreover, the sharia compliance assurance gives Islamic banks an edge in dealing with regulations and oversight from authorities. Islamic banks with good governance, which ensures sharia compliance for all financial activities, are more likely to avoid legal sanctions or issues related to financial practices that do not follow sharia principles.

Islamic banks that operate under sharia-based governance, supervised by the DPS, tend to have a more sustainable long-term orientation. The applied sharia principles emphasize financial gain, social responsibility, and justice, focusing more on community development and economic sustainability. As the hadith narrated by Abu Dawud no. 4941: "*If you show mercy to those who are on the earth, He Who is in the heaven will show mercy to you.*" According to scholars such as Al-Suyuti and Ibn Rajab, this hadith reflects a universal principle of compassion (*rahmah*) that should be extended not only to fellow humans but also to animals and the environment. It underscores the ethical foundation of Islam in encouraging institutions, including Islamic banks, to act with compassion, social equity, and environmental care. Thus, when guided by these principles, Islamic banking becomes not only a financial intermediary but also a moral agent contributing to sustainable development in line with divine values. The hadith conveys that if we love all creatures, humans, animals, and the environment, Allah *Subhanahu Wa Ta'ala* will show us His love. This is a form of *rahmatan*

⁹⁶ Eka Srimulyani, "Indonesian Muslim Diaspora in Contemporary South Korea: Living as Religious Minority Group in Non-Muslim Country," *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 5, no. 2, (December, 2021): 668-688.

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lil'alam, where Islam teaches that Allah's mercy is not only for humanity but also for all His creation.

Another contribution of this study is in the dimension of sharia infrastructural capital. In Islamic banks, infrastructural capital is designed to incorporate Islamic values. This aspect includes physical office facilities with an Islamic ambiance and the use of information technology to enhance sharia literacy and digitalization. Key sharia infrastructural components include purpose-built prayer areas with separate ablution facilities, prayer time reminder systems, and workspace designs that tactfully limit physical interactions between male and female staff. These serve as key components because physical facilities are the foundation for various office activities and decision-making processes. Well-designed Islamic office facilities allow employees to perform worship comfortably in the workplace, ensuring that spiritual matters are not neglected. Moreover, using office facilities appropriately and efficiently is also strongly related to sharia compliance, as it aims to avoid wastefulness.

Information technology is utilized to improve employees' sharia literacy. Employees' sharia literacy is one of the essential things that can be advantageous for Islamic banks. Employees with good sharia literacy are needed to help improve the community's sharia literacy through education. When Islamic bank employees can provide good sharia literacy education, the community will have more confidence in the credibility of Islamic banks.

Digitalization is realized with mobile banking applications that contain spiritual aspects. In the digital era, affordability and ease of access are key to providing services responsive to customer needs. The spiritual aspects of the Islamic bank mobile application include reminders of prayer calls, Qibla directions, Quran features, and encouragement to set aside funds for charity. By embedding spiritual values and features that support worship activities in mobile applications, Islamic banks become not only financial and social partners of customers but also "spiritual friends." Islamic features in mobile applications allow customers to carry out transactions without forgetting the effort to seek benefits for the afterlife.

Based on the explanation of the significant contributions of Sharia Internal Resources, primarily through compliance with sharia principles, the dimensions summarized in this study provide a significant competitive advantage that conventional banks do not possess. Such contribution is found in the dimension of sharia operational capital, which includes various operational and managerial aspects based on sharia principles, such as risk management, governance supervised by the DPS, and employee management and development based on *maqashid sharia* values. *Maqashid sharia* presents a comprehensive view of Islam. It reflects

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its nature as a holistic and integrated behavior system that addresses individual and communal aspects. This commitment fosters the improvement of spiritual well-being, raises awareness, and ensures justice and fairness in all interactions, alongside the pursuit of maximizing profits.⁹⁷ Implementing sharia principles in all operational activity of Islamic banks guarantees transparency, fairness, and security in financial transactions. This approach builds customer trust and heightens loyalty, as these values reflect the religious teachings and guidance that the community upholds, primarily Muslim customers.

Another significant contribution is in the dimension of spiritual capital, which serves as a valuable asset in forming the organizational culture of Islamic banks. A robust organizational culture positively affects an organization's competitive advantage.⁹⁸ This aspect involves the employee's commitment to values such as *amanah*, *adil*, and *ihsan* in carrying out duties. Islamic banks that have successfully integrated spiritual values into their work culture create an environment that prioritizes ethics and honesty, which is difficult for conventional banks to imitate. This strengthens the reputation of Islamic banks as institutions that not only pursue financial profits but also prioritize social welfare and economic sustainability within the framework of Islam. Combining operational and spiritual capital allows Islamic banks to holistically provide financial services that meet customer needs, following Islamic principles and prioritizing a balance between this world and the hereafter.

C. Conclusion

This study examines internal resources within the context of Islamic banking and introduces a novel conceptualization of Sharia Internal Resources as a distinctive organizational capability that sets Islamic banking apart from its conventional counterparts. Through empirical investigation, the study identifies four interrelated dimensions: sharia operational capital, sharia spiritual capital, sharia infrastructural capital, and sharia organizational capital, which together construct a comprehensive model rooted in Islamic values, ethics, and legal principles (*al-qiyām al-Islāmiyyah wa al-sharī'ah*).

These four dimensions reflect internal capabilities that transcend mere technical efficiency, embedding spiritual ethics, religious commitment, and sharia compliance into the organizational fabric of Islamic banks. Extending the conventional RBV through a

⁹⁷ Rafiullah Sheikh and Khalid Hussain, "Reimagining Islamic Banking in the Light of Maqashid Syariah," *Qualitative Research in Financial Markets*, (2024): 1-22, doi:10.1108/QRFM-04-2024-0108.

⁹⁸ Muhammad Azeem, Munir Ahmed, Sajid Haider and Muhammad Sajjad, "Expanding competitive advantage through organizational culture, knowledge sharing and organizational innovation," *Technology in Society* 66, (August, 2021): 1-15 doi.org/10.1016/j.techsoc.2021.101635

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contextualized model incorporating industry-specific and religion-based internal resources offers theoretical insight. In particular, sharia operational capital and sharia spiritual capital contribute significantly to competitive advantage, which is ethically driven, socially responsive, and challenging to replicate in conventional financial institutions.

This study's practical contribution lies in its guidance for Islamic banking practitioners to identify, explore, and harness these internal resources as strategic assets. This highlights a novel approach that shifts focus from the external market or competition conditions to utilizing internal resources. By emphasizing the importance of understanding and utilizing these internal assets, this study demonstrates how companies, especially in the emerging Islamic banking industry, can build sustainable competitive advantages and enhance resilience in an increasingly dynamic financial environment.

Furthermore, the research is contextually grounded in Indonesia, the world's most populous Muslim-majority country, where Islamic banks operate within a dynamic and competitive dual banking system. By situating the model within this national setting, the study provides a culturally embedded and empirically validated framework that reflects the unique institutional character of Indonesian Islamic banking. The model proposed in this study holds national relevance and cross-contextual applicability, particularly for other Muslim-majority nations seeking to strengthen sharia-based institutional capacity and develop sustainable Islamic financial systems. Hence, this research contributes to theoretical enrichment and the practical advancement of Islamic banking in emerging economies. In doing so, this research aligns with the broader objectives of Islamic economics in promoting equitable, ethical, and spiritually grounded financial systems for the benefit of the *ummah*.

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