



The Contribution of Indonesian Islamic Banks to Economic Growth Post-Merger: Opportunities and Challenges

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Abstract: The integration of Islamic finance into Indonesia's national economic strategy is seen as a key driver of sustainable economic growth. However, the Islamic banking sector, despite its potential, continues to face structural and market-related limitations. This study investigates the contribution of Bank Syariah Indonesia (BSI) to Indonesia's economic growth following the merger of three state-owned Islamic banks Bank Syariah Mandiri, BRI Syariah, and BNI Syariah by focusing on the post-merger opportunities and challenges. The research aims to answer two central questions: (1) What opportunities does BSI hold for contributing to economic development in Indonesia? and (2) What are the major internal and external challenges it must overcome to achieve these goals? Using a qualitative research design, this study collected data from BSI branch offices in Aceh, Manado, and West Java, and analyzed data from official BSI financial documents, articles and books related to Islamic banking studies in Indonesia. The results indicate that BSI has consolidated a robust capital base of over IDR. 239.56 trillion and improved its capacity for financial intermediation, making it a strategic institution aligned with the endogenous growth theory. Nonetheless, BSI's potential is constrained by issues including underdeveloped governance integration, technological lags, limited regulatory autonomy, and low financial literacy. These findings suggest that while BSI holds strong prospects for supporting inclusive national development, realizing its full potential requires overcoming institutional, technological, and educational gaps. Strengthening legal frameworks, enhancing literacy programs, and harmonizing regulatory policies are essential to maximize BSI's contribution to Islamic financial and economic advancement in Indonesia.

Keywords: Merger, Bank Syariah Indonesia, opportunities, barriers, economic growth

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Abstrak: Integrasi keuangan syariah ke dalam strategi ekonomi nasional Indonesia dianggap sebagai pendorong utama pertumbuhan ekonomi yang berkelanjutan. Namun, sektor perbankan syariah, meskipun memiliki potensi besar, terus menghadapi batasan struktural dan pasar. Studi ini mengkaji kontribusi Bank Syariah Indonesia (BSI) terhadap pertumbuhan ekonomi Indonesia pasca merger tiga bank syariah milik negara Bank Syariah Mandiri, BRI Syariah, dan BNI Syariah dengan fokus pada peluang dan tantangan pasca merger. Penelitian ini bertujuan untuk menjawab dua pertanyaan utama: (1) Apa peluang yang dimiliki BSI untuk berkontribusi pada pembangunan ekonomi Indonesia? dan (2) Apa tantangan internal dan eksternal utama yang harus diatasi untuk mencapai tujuan tersebut? Menggunakan desain penelitian kualitatif, studi ini mengumpulkan data dari kantor cabang BSI di Aceh, Manado, dan Jawa Barat, serta menganalisis data dari dokumen keuangan resmi BSI, artikel dan buku yang terkait dengan kajian perbankan Islam di Indonesia. Hasil penelitian menunjukkan bahwa BSI telah mengonsolidasikan modal dasar yang kuat sebesar lebih dari Rp. 239,56 triliun dan meningkatkan kemampuannya dalam intermediasi keuangan, menjadikannya lembaga strategis yang sejalan dengan teori pertumbuhan endogen. Namun, potensi BSI dibatasi oleh masalah termasuk integrasi tata kelola yang belum berkembang, keterlambatan teknologi, otonomi regulasi yang terbatas, dan literasi keuangan yang rendah. Temuan ini menyarankan bahwa meskipun BSI memiliki prospek yang kuat untuk mendukung inklusi

Kata Kunci: Merger, Bank Syariah Indonesia, peluang, hambatan, pertumbuhan ekonomi

Introduction

Historically, Islamic banking began in Pakistan in the 1950s and then spread to the Arab world, marked by the emergence of the Mit Ghamr Savings Bank in Cairo in 1963. The bank, founded by Ahmad al-Najjar, operated as a rural social bank along the Nile Delta. Despite its rural operations and limited scale, it is considered to have played a significant role in developing Islamic financial and economic thought. Under unfavourable political circumstances, the bank was taken over by the National Bank of Egypt and the Central Bank of Egypt in 1967, thus operating on an interest-based basis. In 1972, when the interest-free banking system was reintroduced, the Nasser Social Bank emerged as Mit Ghamr's replacement.¹

¹ Jamal Abdul Aziz, "Islamic Banking in Global Economic Context (Critical Studies of Operational System and Performance of Islamic Banking)," *al-Ihkam: Jurnal Hukum dan Pranata Sosial* 12 No. 2 (2017). Irwan Thaib, et.al., "Maximizing Internal Sharia Resources: Innovation and Collaboration Strategies for Enhancing Bank Syariah Indonesia's Business Performance," *Jurnal Ilmiah Peuradeun* 23, No. 2 (2025).

In the previous period, the PLS3 system—the system that underpins Islamic banking operations—had been operating in Pakistan and Malaysia since the 1940s. They managed the collective Hajj pilgrimage in an unconventional manner (i.e., an interest-free system).⁴ Following these two initial pioneering efforts, Islamic banks grew and developed rapidly. From just one Islamic bank in the world in the 1970s, it increased to nine banks in the 1980s, namely Nasser Social Bank (1971), Islamic Development Bank (1975), Dubai Islamic Bank (1975), Faisal Islamic Bank of Egypt (1977), Bahrain Islamic Bank (1979), and the International Islamic Bank for Investment and Development (1980). Between 1980 and 1985, Islamic banks in the United Arab Emirates (UAE) grew rapidly.²

In 1985, twenty-four Islamic banks and other Islamic financial institutions were established in Qatar, Sudan, Bahrain, Malaysia, Bangladesh, Senegal, Guinea, Denmark, Switzerland, Turkey, the United Kingdom, Jordan, Tunisia, and Mauritania. More and more Islamic banks and financial institutions are being established in almost all Muslim countries. Even in non-Muslim countries with significant Muslim minorities, such as the United States and Australia, efforts are being made to establish Islamic financial institutions. The International Association of Islamic Banks reported that there were more than two hundred Islamic financial institutions operating worldwide by 1999. In the last decade, the number of Islamic banks worldwide has increased significantly.³

As a country with the largest Muslim population, Indonesia should be the pioneer and mecca of Islamic finance development in the world.⁴ This is not an 'impossible dream' because Indonesia's potential to become a global player in Islamic finance is very large, including: (i) a large Muslim population is a potential customer for the Islamic finance industry; (ii) bright economic prospects, reflected in relatively high economic growth (in the range of 6.0%-6.5%) supported by solid economic fundamentals; (iii) an increase in Indonesia's sovereign credit rating to investment grade which will increase investor interest in investing in the domestic financial sector, including the Islamic finance

² Muhammad Aqib Ali, "Growth and Development of Islamic Banking: A Global Review," *Review of Applied Management and Social Sciences* 5, No. 2 (2022), p. 263-289. Jamal Abdul Aziz, "Islamic Banking in Global Economic Context, p. 345.

³ Syaugi Seff and Muhammad Syarif Hidayatullah, "Urgency of The Application of Sharia Guarantee In Islamic Banking In Indonesia," *Syariah: Jurnal Hukum dan Pemikiran* 20, No. 2 (2020). Khaerunnisa Wahid, et.al., "Islamic Banking in Indonesia: An Analysis of Regulation, Operations, and Contemporary Issues from the Perspective of Sharia and Economic Transformation," *Anwarul* 5, No. 4 (2025), p. 598-609.

⁴ Muhammad Tho'in, "Profitability of Islamic Commercial Banks in Indonesia," *Iqtishadia: Jurnal Ekonomi dan Perbankan Syariah* 6, No 2 (2019), p. 89-99.

industry; and (iv) abundant natural resources that can be used as underlying transactions in the Islamic finance industry.⁵

The role of the Islamic economy as one of the sources of Indonesia's new economic growth requires the integration of every element of the Islamic economy which is reflected in a strong Islamic economic ecosystem. The development of the Islamic financial sector must be aligned with the needs of strengthening the real sector, especially the halal industry, Islamic businesses and infrastructure development in order to create sustainable synergies.

To become a new pillar of national economic strength and encourage Indonesia to become a global center for Islamic economics and finance, Minister of State-Owned Enterprises (SOEs) Erick Thohir has announced plans to merge SOE Islamic banks.⁶ This is because the total assets of state-owned Islamic banks will increase and become the largest in Indonesia (CNN Indonesia, 2020). Three state-owned Islamic banks have signed a Conditional Merger Agreement (CMA). The three state-owned Islamic banks that will be merged are BRI Syariah, BNI Syariah, and Bank Syariah Mandiri. The CMA is the initial part of the merger process. For information, BRI Syariah's assets in the second quarter of 2020 amounted to IDR 49.6 trillion, BNI Syariah IDR 50.78 trillion, and Bank Syariah Mandiri IDR 114.4 trillion.⁷

The government's policy breakthrough to merge the three Islamic banks is expected to provide a new choice of financial institutions for the community while at the same time being able to boost the national economy. One of the visions carried out by BSI is to become a world-scale Islamic bank, namely the target to be ranked in the top 10 Islamic banks in the world with a large capitalization value by 2025. Achieving this target is a big challenge because the Financial Services Authority (OJK) noted that the total assets of Islamic banking, including Islamic commercial banks (BUS) and Islamic business units (UUS) as of November 2020 were only 3.97% of the total assets of commercial banks. In addition, the value of Islamic financing for BUS and UUS is only 2.49% of total commercial bank financing. The Islamic financial inclusion rate in 2019 also fell 200 bps from 11.1% in 2016 to only 9.10%. In contrast, the financial inclusion rate of conventional banking actually increased from 65.6% in 2016 to 75.28% in 2019.⁸

⁵ Alamsyah, H. Perkembangan dan prospek perbankan syariah Indonesia: Tantangan dalam menyongsong MEA 2015. Paper Presented at the Scientific Lecture of the Association of Islamic Economists (IAEI), Milad Ke-18 IAEI, (13April 2012).

⁶ Lida Puspaningtyas, 7 Alasan Pentingnya Merger Bank Syariah BUMN. *RepublikaOnline*. <https://republika.co.id/share/qi6gay440>. Accessed. October 14. 2020.

⁷ CNN Indonesia, Erick Thohir Ungkap Alasan Merger 3 Bank Syariah BUMN. *Ekonomi*. <https://www.cnnindonesia.com/ekonomi/20201013165129-78-57962/erick-thohir-ungkap-alasan-merger-3-bank-syariah-bumn>. Accessed. October 13. 2020.

⁸ "Ketiban Berkah Bank Syariah", *Bisnis Indonesia*, February 02. 2021, p. 16.

The purpose of merging Islamic banks is to encourage larger Islamic banks so that they can enter the global market and catalyze the growth of the Islamic economy in Indonesia. In addition, the merger of Islamic banks is considered to be more efficient in fundraising, operations, and spending. Through this Islamic bank merger, it is hoped that Islamic banking will continue to grow and become a new energy for the national economy and will become a state-owned bank that is equal to other state-owned banks. which is equal to other state-owned banks so that it is beneficial in terms of bank policy and transformation.⁹

Recorded as of December 2020, BSI's assets have reached IDR 239.56 trillion (see Table 1). Such assets place BSI as the 7th largest bank in Indonesia in terms of assets. The assets of the bank coded BRIS were below PT Bank CIMB Niaga Tbk (IDR 281.7 trillion) and above PT Bank Panin Tbk (IDR 216.59 trillion) as of September 2020.¹⁰ These huge assets can leverage a greater ability to support economic financing. In addition, it is expected to become an accelerator for the development of the Islamic economy in Indonesia.

Table 1: Performance of 3 State-Owned Islamic Banks and the Result of BSI Merger (IDR Trillion)

	BNI Syariah		BRI Syariah		Mandiri Syariah		Bank Syariah
	2019	2020	2019	2020	2019	2020	Per Desember
Total Assets	44,98	55,01	43,12	57,70	112,29	126,85	239,56
Financing	43,77	47,97	34,12	49,34	99,81	112,58	209,98
Third Party Funds	32,58	33,05	27,38	40,00	75,54	83,43	156,51
Profit	0,6	0,5	0,074	0,25	1,28	1,43	2,1

After BSI was inaugurated by President Joko Widodo, BRIS' share price in yesterday's trading session closed up 14.8% to Rp2,800 per unit and formed the bank's market capitalization of Rp27.4 trillion. BRIS' capitalization is the highest in the Islamic bank group. Since the opening of stock trading this year, BRIS shares have recorded an increase of 24.4%.¹¹ This shows that the presence of BSI as a result of the merger of 3 BUMN Islamic Banks has been well received by the public, both business people and investors as noted by the stock exchange.

⁹ Muhammad Nursyamsi and Lida Puspaningtyas, "Merger Bank Syariah BUMN Dimulai", *Republika*, 13 Oktober 2020, p. 1.

¹⁰ "Misi Besar Bank Syariah: Bank Syariah Indonesia", *Bisnis Indonesia*, February 02, 2021, p. 1.

¹¹ "Misi Besar Bank Syariah: Bank Syariah Indonesia", *Bisnis Indonesia*, February 02, 2021, p. 1.

Entrepreneurs also gave positive comments on BSI. Director of PT Anugerah Mega Investama Hans Kwee is optimistic that the existence of the new Islamic bank will contribute positively to the process of strengthening the Indonesian economy which is being hit by the pandemic. He emphasized that BSI will get a very large size, both in terms of assets, branch offices, and highly qualified human resources. There are many things that BSI can do for national economic recovery. The fundraising potential of BSI will be better with qualified global channels to raise cheap non-conventional funds to finance various strategic projects.¹²

Executive Director of the National Committee for Sharia Economics and Finance (KNEKS) Ventje Rahardjo hopes that BSI can become a prime mover in the literacy development of Indonesia's sharia economic and financial ecosystem. BSI can play a major role in enhancing the development of the halal ecosystem that has been pioneered by the three Islamic banks before the merger. Ventje also believes that BSI has the capacity to strengthen the capabilities and reach of wholesale financing, both at home and abroad.¹³

Meanwhile, Bank Syariah Indonesia President Director Hery Gunardi confirmed that the pillars that support BSI in providing competitive products are supported by excellent services, namely innovative products, extensive networks, competent human resources, reliable IT systems, and strong capital.¹⁴ Based on the initial achievements and optimism from various parties, the presence of BSI is a hope that can make a major contribution in supporting economic development and improving people's welfare.

This merger is also expected to increase the market share of the Islamic economy in Indonesia, which currently only reaches 9.68% and the contribution of Islamic banking is only around 6.81%. This is very ironic considering that the Muslim population reaches around 229 million people out of a total of 270 million Indonesians, so it is time for the potential of the Islamic economy and finance to continue to be improved so that it grows and develops to be large.

The spread of COVID-19 in Indonesia has a wide impact on various sectors, not only on the health sector. One of the significant impacts is in terms of the economy as found in the corporate sector, MSMEs, households, and the financial sector. Bank Indonesia (BI) as the central bank in Indonesia seeks to maintain exchange rate stability so that the rupiah does not experience excessive pressure. Some of the steps include starting from using foreign exchange reserves to invite investors to enter Indonesia to reducing the Statutory Reserve Requirement (GWM) of commercial banks from the original 8% down to 4%. BI's policy has a significant impact on banks as an important player in the economy in Indonesia

¹² "Misi Besar Bank Syariah: Bank Syariah Indonesia", *Bisnis Indonesia*, February 02, 2021, p. 1.

¹³ "Bank Syariah Indonesia Beroperasi", *Republika*, February 01, 2021, p. 1.

¹⁴ "Bank Syariah Indonesia Beroperasi", *Republika*, February 01, 2021, p. 1.

(PS, 2018) because, thanks to the lower GWM, banks can increase the distribution of financing, one of which occurs in Islamic banking.

Regarding the banking industry, in terms of assets, the amount of financing distribution, and Third Party Funds (DPK), the Islamic banking sector in Indonesia has grown and developed well. From data taken from the Financial Services Authority (OJK) website, precisely in June 2020, the wealth of Islamic banking in Indonesia experienced a growth of 9.22% (around IDR545.39 trillion yoy). The amount of financing disbursements in Islamic banking rose to IDR 377.53 trillion (grew by 10.13%), while the growth of third party funds reached IDR 430.21 trillion (grew by 8.99%).

Although the growth of Islamic banking in Indonesia is positive, the market penetration of Islamic banking is still relatively small when compared to the market penetration of conventional banking. Indonesia's Islamic banking penetration rate in 2020 was only 6.18%, while the rest was owned by conventional banking (Alfi, 2020). Departing from this problem, the government then agreed on a merger plan for state-owned Islamic banks in Indonesia, namely Bank Negara Indonesia Syariah (BNIS), Bank Syariah Mandiri (BSM), and Bank Rakyat Indonesia Syariah (BRIS) which bears a new name as Bank Syariah Indonesia (BSI). With this merger, it is hoped that it can produce even greater assets so that it can increase the level of market penetration throughout Indonesia. If these three Islamic banks have officially merged, the merged Islamic banking is estimated to have assets of IDR 220-225 trillion.

Meanwhile, the merger of these companies will also pose many challenges considering that the merger was carried out in the midst of the COVID-19 pandemic disaster, such as financing risks and operational risks. In order to provide additional literacy related to this new merger phenomenon, the author conducted a critical analysis of the opportunities and challenges of the formation of BSI. In more detail, the results of this study are expected to provide information related to the problems that arise from merger policies so that stakeholders can minimize risks and take advantage of existing opportunities to maximize the growth of Islamic banking in Indonesia.

Another study on the merger of state-owned Islamic banks was also conducted by Amalia Nasuha, entitled *The Impact of Spin-Off Policy on Islamic Bank Performance*. The results of his research state that there are differences in the financial performance of five Islamic banks in Indonesia, namely BNI Syariah, BRI Syariah, BJB Syariah, Bank Syariah Bukopin, and Bank Victoria Syariah one year before the spin-off and one year after the spin-off.¹⁵

Researcher Anis Fataniah also conducted a study entitled *Financial Performance Analysis, the Impact of the Merger of 3 BUMN Islamic Banks and*

¹⁵ Amalia Nasuha, "Dampak Kebijakan Spin-Off Terhadap Kinerja Bank Syariah," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 4, No. 2 (2012).

the Strategy of Bank Syariah Indonesia in National Economic Development. The research concluded that with the merger of Islamic banks, the capital problem in Islamic banks has been resolved and Islamic banks will be able to expand more widely to meet and facilitate the needs of the community. The existence of large capital will also encourage Islamic banks to provide greater financing to the community.¹⁶

Not only that, Ika Atikah also conducted research on Strengthening the Merger of BUMN Islamic Banks and its Impact on State Economic Stability. The purpose of her research is to find out the legal arrangements for strengthening the merger of Islamic banks into BSI and its impact on the country's financial stability amid the COVID-19 pandemic.¹⁷ The formulation of the problem in this study is how the opportunities and challenges faced by Bank Syariah Indonesia (BSI) after the merger and the role of Bank Syariah Indonesia (BSI) after the merger in increasing economic growth in Indonesia.

Several recent studies have emphasized the strategic role of Islamic banking in promoting economic development in Muslim-majority countries. Conducted a systematic review of SCOPUS-indexed research and found a consistent positive correlation between Islamic banking and inclusive economic growth. Similarly, Anwar¹⁸ observed that Islamic financial deepening significantly contributes to Indonesia's GDP expansion, especially in rural and underbanked regions. Irawan argued that sharia-compliant financial institutions support sustainable development by providing access to financing for micro, small, and medium enterprises (MSMEs).

On the regulatory side, the integration of Islamic banking within national legal frameworks presents challenges that can hamper institutional independence, as shown in recent findings by M. Junaidi.¹⁹ These scholars highlight that the lack of autonomous policy-making capacity limits the innovation potential of institutions like BSI. Moreover, Yusuf et al.²⁰ documented that Indonesian Islamic banks are still in the process of optimizing their governance structures, despite significant progress since the merger.

¹⁶Anis Fatinah, et.al., "Analisis Kinerja Keuangan, Dampak Merger 3 Bank Syariah BUMN dan Strategi Bank Syariah Indonesia (BSI) Dalam Pengembangan Ekonomi Nasional," *Jurnal Manajemen Bisnis (JMB)* 34. No. 1. (2021), p. 11.

¹⁷ Ika Atikah, et.al., "Penguatan Merger Bank Syariah BUMN dan Dampaknya Dalam Stabilitas Perekonomian Negara," *SALAM: Jurnal Sosial dan Budaya Syar-i* 8, No. 2 (2021). Lisa Rachel Usmany and Ida Bagus Badjra, "Perbedaan Kinerja Keuangan Bank OCBC NISP Sebelum Dan Sesudah Merger di Indonesia," *E-Jurnal Manajemen Universitas Udayana* 8, No. 8 (2019).

¹⁸ Moh. Anwar, "The Impact of Islamic Financial Deepening on Economic Growth in Indonesia," *Airlangga Journal of Innovation Management* 5, No. 1 (2024), p. 78–90.

¹⁹ M. Junaidi, "Islamic Banks' Contribution To Indonesia Districts' Economic Growth: A Fixed Effects Analysis," *Journal of Economics, Finance and Administrative Science*, 2024.

²⁰ Mahmud Yusuf, et al., The Role of Islamic Banks in Indonesia: A Systematic Literature Review, *Al-Mashrafiyah* 7, No. 1 (2023), p. 16–35.

The contribution of BSI post-merger has also attracted significant scholarly attention. According to Rizvi²¹ and Kazak, et, al²² Such consolidation efforts enhance systemic stability and credit growth, which are essential for long-term economic resilience. However, technological gaps and low financial literacy remain critical obstacles to full-spectrum financial inclusion (Customer Switching Study, 2023; Regulatory Challenges, 2024). These insights provide a comprehensive academic framework for assessing the real and potential impact of Islamic banking on Indonesia's economic transformation. This research uses a qualitative research approach. This research describes the Role of Bank Syariah Indonesia in Increasing Economic Growth in Indonesia (Analysis of Opportunities and Obstacles for Islamic Banks After Merger). The type of data used in this research is primary data from interviews with resource persons of Bank Syariah Indonesia Aceh, Manado, and West Java Branch Offices and secondary data in the form of documentation of Bank Syariah Indonesia (BSI) financial statements. The population in this study is Bank Syariah Indonesia Aceh, Manado, and West Java Branch Offices. The sample in this study is the source of Bank Syariah Indonesia Aceh, Manado, and West Java Branch Offices.

The data collection methods used in this research are interviews and documentation. Documentation used in this research is in the form of interviews with resource persons of Bank Syariah Indonesia Aceh Branch Office, Manado, and West Java. data analysis techniques in this research will describe the main problems, namely: Describe the Role of Bank Syariah Indonesia in Increasing Economic Growth in Indonesia (Analysis of Opportunities and Obstacles of Islamic Banks After Merger).

Potential of Bank Syariah Indonesia in Indonesia

The growth of Islamic banking in Indonesia began in the early 1980s, with numerous discussions about Islamic banking taking place in various venues. The concrete initiative to establish an Islamic bank came in 1991, when the notarial deed establishing Bank Muamalat Indonesia (BMI) was signed. However, the bank began operations on May 1, 1992. By September 1999, BMI had more than 45 outlets across Jakarta, Bandung, Semarang, Balikpapan, and Makassar. Since 1998, after the government released a new banking act (UU No. 10/1998)¹⁰, there was a wide trend to create the sharia branches inside commercial (conventional) banks.¹¹ This trend, of course, has a positive impact on the spread of Islamic banks in many regions. Bank Syariah Mandiri (BSM)¹² is the first state bank converted to a sharia bank completely. Recently a number of commercial-private banks have opened sharia branches inside their institutions, among them are Bank

²¹ Rizvi, S. A. R. "Role of Islamic Banks In The Indonesian Banking Industry," *Journal Of International Financial Markets, Institutions & Money*, (2020).

²² Hasan Kazak, et. al, "Impacts of Conventional and Islamic Banking Sectors on Economic Growth," *Applied Economics*, (2023)

IFI, Bank Niaga, BNI “46 (five branches), BTN, Bank Mega, BRI, Bank Bukopin, BPD Jawa Barat, and BPD Aceh.²³

The emergence of Islamic banks was driven, among other things, by the development of Islamic thought in the Muslim world in the late 19th and early 20th centuries. The *ijtihad* movements of the previous era had given rise to bipolar Islamic thought and movements in the modern era, namely neo-revivalism and modernism (including neo-modernism). While neo-revivalists appeared fundamentalist in character with simple issues such as the prohibition of interest, the obligation to wear the hijab, and the abolition of family planning programs, modernists (and neo-modernists) preferred to raise principled and philosophical issues, so too difficult for the general public to understand, such as educational reform, the status of women in society, and a representative system of government.²⁴

As one of the leading sectors in the Islamic finance industry, Bank Syariah Indonesia has several opportunities and challenges in practice. These opportunities and challenges are identified from the perspectives of human resources, regulation and governance, research and development, literacy, data and technology, funding, management processes, and financing.

a. Human Resources

1. Population and growth of the Indonesian Muslim community.
2. Islamic economics study programs have sprung up in state or private universities that can supply the needs of Islamic banks for qualified human resources.

b. Regulation & Governance

1. There is regulatory support/master plan from regulators such as OJK, Bank Indonesia, Bappenas, Ministry of Finance, Ministry of Religious Affairs, etc.
2. The government and regulators have their own vision in the development of Islamic economy.
3. Regulations related to the halal industry and social Islamic finance are opportunities for Islamic banks to increase funding aspects and expand financing segments/allocations.

c. Research and development

1. Increased number of Islamic banking related study programs at the university level.
2. There are various research/training institutions that focus on the development of Islamic economics.

²³ Jamal Abdul Aziz, “Islamic Banking in Global Economic Context, p. 347.

²⁴ Jamal Abdul Aziz, “Islamic Banking in Global Economic Context, p. 347. Nur Hidayah and Abdul Azis, “Implementation of Progressive Law in Sharia Banking Dispute Settlement: Case Study of Religious Court Decisions in Indonesia,” *Ulumuna: Journal of Islamic Studies* 27, No. 1 (2023).

3. The emergence of research results from PTS / PTN that open sharia study programs.
- d. Literacy
 1. Regulatory support to increase Islamic financial inclusion, especially banking, for example with the *laku pandai* program.
 2. Financial literacy conducted to various segments of society.
 3. Literacy can be used as a tool to further increase public understanding of Islamic banking in an effort to increase the market size of Islamic banking.
- e. Data & Technology
 1. Islamic business units can utilize the technology owned by the parent bank.
 2. The development of financial technology (fintech) as a means of developing the Islamic banking industry.
- f. Funding
 1. The development of the halal industry.
 2. Development of MSMEs.
 3. The potential for people who do not have an Islamic bank account is still high
 4. Market share is still low so there is great unrealized funding potential.
 5. Government support for the development of the Islamic economy has begun to be seen with the policy on BPKH funds.
 6. Development of ZISWAF fund management and sukuk instruments.
- g. Process
 1. There are several liquidity instruments that can be utilized by Islamic banks to manage their liquidity, but still generate profits, such as short-term securities with sharia principles.
 2. Process automation can be utilized by Islamic banks in facilitating their operations/business processes.
 3. Digital banking can be utilized by Islamic banks in facilitating services to customers/community.
- h. Financing
 1. The development of the halal industry.
 2. Development of MSMEs.

Challenges of Bank Syariah Indonesia in Indonesia

Despite the capital consolidation achieved post-merger, Bank Syariah Indonesia still faces structural limitations, particularly concerning its institutional independence. The regulatory framework remains heavily influenced by Bank Indonesia, leading to limited maneuverability in creating innovative sharia-compliant financial policies. This dependency hampers the full development of an autonomous Islamic banking system in Indonesia.

Moreover, although BSI has gained public trust, its ability to fully satisfy the expectations of the Muslim community is still constrained by service limitations, technological gaps, and relatively low financial literacy among users. These internal and external factors must be addressed comprehensively to ensure BSI evolves into a highly reputable Islamic financial institution.

1. Human Resources

- a. Lack of labor specifically mastering the Islamic banking industry.

2. Regulation & Governance

- a. Various government policies/master plans and related authorities are not well integrated and synergized.
- b. There is no alignment of the vision and mission of the regulations contained in each master plan/blue print made between departments or regulators.

3. Research and development

- a. Lack of academicians related to the Islamic banking industry.

4. Literacy

- a. Penetration of the Islamic banking sector is still low.
- b. Public awareness to use Islamic bank products is still low.

5. Data & Technology

- a. BUS has technology quality that is still below conventional bank technology.
- b. The development of financial technology (fintech) if it cannot be utilized properly will threaten the development of the Islamic banking industry.

6. Funding

- a. The strong existence of conventional banks to attract large-scale consumers.
- b. The quality and quantity of human resources who understand sharia is still low.
- c. Capital that is difficult to increase.
- d. The economic scale is still low.

7. Process

- a. There is still a shortage of SDI who understand sharia and economics at the same time.
- b. The information technology system is still not as sophisticated as conventional banks.
- c. Islamic banking education and literacy is still low.

8. Financing

- a. Strong existence of conventional banks to attract large-scale customers.
- b. The digital economy may pose a threat to Islamic banks in their efforts to increase the retail financing segment.

c. The Role of Bank Syariah Indonesia (BSI) in Indonesia's Economic Growth

According to Ilham Syahputra and Irawan, in their research entitled "The Role of Islamic Banking in Encouraging the Rate of Economic Growth" it has been explained that Islamic banking plays a very important role in encouraging the rate of economic growth in Indonesia, this can be done by growing the investment sector through third party funds (DPK) and growing financing through financing provided (PYD) to the community.

In Indonesia, the development of Islamic banking is very good and is experiencing very rapid growth from year to year. The rapid growth of Islamic banking can be seen from the development of Islamic Commercial Banks (BUS), Islamic Business Units (UUS), and Islamic People's Financing Banks (BPRS) which are experiencing very rapid growth from year to year. The role of Islamic banks in fostering economic growth is aligned with endogenous growth theory, where capital accumulation and institutional strength are pivotal. Bank Syariah Indonesia, through its increased capital base and financial intermediation capacity, demonstrates a practical embodiment of this theory by enhancing business financing and national development.

Bank Syariah Indonesia has consolidated assets from the merger of IDR. 239.56 trillion which makes it the largest Islamic bank in Indonesia. The strength of Bank Syariah Indonesia's assets also includes intangible assets such as reputation, network, human capital, and management. With its large capabilities, Bank Syariah Indonesia has access to stronger financing and resilience in bank operations. According to Dr. Irfan Sauqi Beik, Bank Syariah Indonesia in the Islamic economy will become a market penetration leader. The potential penetration by Bank Syariah Indonesia will move the Islamic banking industry to penetrate the market deeper and wider so that the market share of Islamic banking can grow to double digits. Bank Syariah Indonesia will also become a value transmitter of Islamic finance which will not only strengthen the Islamic financial sector but also the sharia-based real sector, as well as all sectors in the national economy which will indirectly have an impact on economic growth in Indonesia. Bank Syariah Indonesia will influence sharia values on national economic activities as a whole.²⁵ The existence of Bank Syariah Indonesia also has a role as an innovation center for sharia finance. The vast resources of Bank Syariah Indonesia enable the transformation of universal and inclusive sharia economic values into innovative financial products and services that solve fundamental problems in the economy such as poverty and inequality. The existence of Bank Syariah Indonesia is able to improve the quality of national Islamic banking and does not rule out the possibility of increasing the competitiveness of Islamic banks at the global level.

²⁵www.wartaekonomi.co.id, accessed February 20, 2022.

In line with this, the existence of Islamic banks in Indonesia, as part of Islamic financial institutions, has contributed to economic growth, one of which is poverty reduction. Financing variables, namely assets and Islamic bank branch numbers, have a significant negative effect on poverty levels. Financing has a significant negative effect; that is, higher Islamic bank financing reduces poverty. However, total assets and network size have a significant positive effect; that is, an increase in total assets and office network numbers will contribute to an increase in poverty. This is because Islamic bank assets are supported by the majority of deposits and the distribution of financing from Islamic banks to the public is not yet optimal. Furthermore, Islamic bank branches tend to be located in provincial capitals and large cities, leaving communities in rural and remote areas unreached by Islamic banks.²⁶ Therefore, the urgent role of Islamic banks in Indonesia, which have contributed to the development of the Islamic economy, is highlighted.

Law Number 21 Year 2008 on Islamic Banking: This law provides a strong legal umbrella for the operations of BSI and other Islamic banks in Indonesia. This law comprehensively regulates sharia principles in banking, sharia financial products and services, and supervision of sharia banks. Fatwa of the National Sharia Council (DSN-MUI): Fatwas of the DSN-MUI provide guidance on Islamic law related to Islamic financial products and services. These fatwas are the main reference for BSI in developing products and services that comply with sharia principles.

Specifically in Aceh, since the enactment of Qanun No. 11 of 2018 concerning Sharia Financial Institutions (*Lembaga Keuangan Syariah/LKS*), the government has formally granted special privileges to Sharia banking institutions to control the entire market share in the region. Conversely, conventional banking institutions can operate their businesses if they comply with Sharia principles, as stipulated in Article 2 of the LKS Qanun. In other words, if conventional banks are reluctant to convert their systems to Sharia principles, they cannot open banking businesses in Aceh. Furthermore, the consolidation of state-owned Islamic banking has made BSI the leading market in the industrial banking sector in Aceh. As a result, this has caused market distortion towards perfect competition and resulted in several negative aspects, including (1) Competition in the banking industry in this region has a negative relationship with market share because it has been dominated by state-owned Islamic banking institutions, (2) The Islamic banking industry is not included in the elements that are excluded from the exceptions to the prohibition on monopolistic practices and unfair business competition because the elements regulated in the anti-monopoly law are not

²⁶ Lucky Nugroho, et.al., "The Contribution of Islamic Bank in Poverty Alleviation," *Ahkam* 30, No. 1 (2020).

fulfilled, namely "controlling the livelihoods of many people and important branches of production".²⁷

Mobilisation of Funds Islamic banks play an active role in collecting public funds which are then channelled in the form of financing for various productive economic sectors.²⁸ This can increase the flow of funds to the real sector and encourage economic growth. Financing Based on Profit Sharing Principle Islamic bank applies the principle of profit sharing in every financing transaction. This principle encourages businesses to work more efficiently and productively because profits will be shared proportionally.²⁹

Sharia Contract Every Islamic bank transaction is based on a clear and legally binding sharia contract. This provides legal certainty for all parties involved in the transaction. Creating Good Governance: Islamic banks apply the principles of good governance to ensure transparency, accountability, and prudence in conducting business. Prevention of Financial Crime: Syariah banks must comply with the prevailing laws and regulations related to the prevention of money laundering and terrorism financing.

Conclusion

The opportunities for Bank Syariah Indonesia in the future are enormous. Given, there are many components that support the creation of healthy and reliable Islamic banking. These various supporting components need to be utilized as well as possible. The opportunities that exist, no matter how small, will contribute to the development of Islamic banking. However, the opportunity to become an established Islamic banking cannot be separated from various challenges. Both those that come from within, and those that come from outside. All challenges need to be faced, solved and then find the right solution for the advancement of Islamic banking. The time will come when Indonesian Islamic Banks will become 'prima donnas', which play an important role in national and even international development. Economic role related to economic growth caused by the development of capital and funds from Bank Syariah Indonesia which is able to increase financing in business and national development. Bank Syariah Indonesia has consolidated assets from the merger of IDR. 239.56 trillion,

²⁷ Chairul Fahmi, "The Impact of Regulation on Islamic Financial Institutions Toward The Monopolistic Practices in The Banking Industrial In Aceh, Indonesia," *Jurnal Ilmiah Peuradeun* 11, No. 2 (2023). Azharsyah Ibrahim and Abdul Jalil Salam, "A Comparative Analysis of DSN-MUI Fatwas Regarding Murabahah Contract and the Real Context Application (A study at Islamic Banking in Aceh)," *Samarah: Jurnal Hukum Keluarga dan Hukum Islam* 5, No. 1 (2021).

²⁸ Kashi, A., et.al., Do Institutional Environment And Corporate Governance Structures Determine Islamic Banks' Sustainability Performance? Evidence Across Key Jurisdictions In The Islamic Finance Industry. *Borsa Istanbul Review*, November 2023.

²⁹ Ghouse, G., et.al., Performance of Islamic Vs Conventional Banks In OIC Countries: Resilience and Recovery During Covid-19. *Borsa Istanbul Review*, 22, (2022), p. S60–S78.

making it the largest Islamic bank in Indonesia. The strength of Bank Syariah Indonesia's assets also includes intangible assets such as reputation, network, human capital, and management

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