

Islamic Banking Innovation: Addressing Fintech Challenges Through Blue Ocean Strategy

Ramadhani Irma Tripalupi¹, Iwan Setiawan², Muhammad Zaky³, Kadar Nurjaman⁴,
Reza Fauzi Nazar⁵

¹²³⁴⁵Sunan Gunung Djati State Islamic University, Bandung, Indonesia

*Corresponding author: ramadhaniirmatripalupi@uinsgd.ac.id

Abstract

Article History

Received : 2026-01-06

Revised : 2026-09-12

Accepted : 2026-10-14

Purpose— This study examines Islamic banking innovations to address fintech challenges through a blue ocean strategy. Therefore, the main focus of the discussion is on: External business environment factors of Islamic banking; Internal business environment factors; SWOT analysis; and Blue Ocean Strategy.

Design/methodology/approach— This descriptive qualitative research used primary data collected through interviews and secondary data. Five Islamic commercial banks were selected through purposive sampling. Data were collected, reduced, and then triangulated using literature and documentation studies to strengthen arguments and analysis, leading to strategic and innovative recommendations.

Findings— The strategy of Islamic banks in responding to fintech challenges focuses on holistic digital transformation to achieve operational efficiency, increased security, Sharia compliance, and the creation of a holistic digital service ecosystem, such as: integrating various financial services, ZISWAF platforms and disaster mitigation, cardless withdrawals, investment services, legacy management, and halal supply chain financing in one holistic ecosystem supported by partnerships with industry and government.

Research implication/limitation— This study develops an integrated digital ecosystem model for Islamic banking based on Blue Ocean Strategy, emphasizing value innovation amidst fintech disruption. Unlike previous studies that focused on digitalization and operational efficiency, this study offers a strategic framework that integrates sharia principles, digital transformation, and differentiation strategies to create new competitive advantages. Thus this study expands the literature on Islamic banking digital transformation through a Blue Ocean Strategy perspective and provides a conceptual framework for strengthening competitiveness in the fintech era.

Originality/value— A weakness of this study is its limited representation of the broader and rapidly evolving dynamics of the Islamic finance and fintech markets, due to the limited data used and the specific sample size. However this study provides useful initial insights, and therefore requires multiple approaches to build a more robust and comprehensive body of knowledge that provides a complete or definitive picture of the complex and ever-changing Islamic finance and fintech landscape.

Keywords: Islamic Banking Innovation; Blue Ocean Strategy; Fintech Challenges; SWOT Analysis;

JEL Classifications: G21, O33, L10, M10



This is an open-access article under the CC BY-NC license.

How to cite: Tripalupi et al. (2026). Islamic Banking Innovation: Addressing Fintech Challenges Through Blue Ocean Strategy *Journal of Business Management and Islamic Banking*, 5(2), 157-170.
<https://doi.org/10.14421/jbmib.2026.0502-03>.

1. Introduction

Digital-based financial services, known as financial technology (fintech), have been widely offered by both the banking sector and non-bank financial institutions. The latest technological and information developments in the financial sector began around 2016, offering services utilizing modern technology (Saksonova & Kuzmina-Merlino, 2017). These services are not only high-tech but also help customers make transactions more convenient (Rupesh, 2023), easy, and practical because they can be accessed anywhere (Lien et al., 2020). Moreover, with almost the entire world being hit by the Coronavirus Disease 2019 (COVID-19) pandemic, one impact has been a change in people's behavior in using digital services. According to the Global Web Index (GWI), more than 76% of internet users aged 16-64 years used smartphones during the pandemic (Manurung, 2021). This behavioral change has prompted various institutions to accelerate digital transformation or improve digital-based services, both in conventional and Islamic banking.

The fintech industry experienced rapid growth before the COVID-19 pandemic, as evidenced by the increase in fintech investment in the Asia-Pacific region, which reached almost US\$3.5 billion in 2015. This indicates the increasingly strong digital transformation in the financial services industry (Accenture, 2015). In terms of funding, Asia dominated in 2018, with \$22.65 billion and 563 transactions. This was followed by the United States, which reached \$11.89 billion with 659 transactions. Europe reached \$3.53 billion with 363 transactions (Ali & Zaini, 2019).

Despite the nominal size of Islamic finance, fintech lending growth in Indonesia was phenomenal as of March 2018, reaching IDR 4.47 trillion, with an annual growth rate of 74.6%. This demonstrates significant disruptive potential and a much faster acceleration of financial inclusion compared to the traditional sector. This phenomenon confirms that fintech represents a key strategic opportunity for the Islamic finance industry to substantially increase its market share (Setyowati, 2018). Currently, this market share remains far below that of the conventional financial industry, a reality that demands further innovation and a more aggressive market penetration strategy. Recent data shows that this market share is still far below that of the conventional financial industry. Another opportunity factor is the Muslim population, which accounts for 85% of the total 250 million people, with approximately 140 million registered, and nearly 70% are internet users.

The development of fintech plays a crucial role in transforming financial services through digitalization and business model innovation, increasing efficiency, financial inclusion, and the competitiveness of the banking industry in the digital economy era (Navaretti, 2017; Afjal, 2023; Campanella et al., 2023). Therefore, integration and collaboration between Islamic banking and fintech are crucial strategies for addressing digital disruption, changing consumer behavior, and expanding market share in the digital financial era (Gomber et al., 2017; IFSB, 2023).

In 2018, the Financial Services Authority (OJK) encouraged the Islamic financial industry to digitize and collaborate or partner with fintech. This is in line with the statement of the National Sharia Council of the Indonesian Ulama Council (DSN MUI), which encourages collaboration between fintech companies and Islamic banks to accelerate the increase in the Islamic financial market share (Sholikah, 2018). In fact, the DSN MUI has provided a strong foundation for Islamic fintech to develop in Indonesia by issuing fatwas on Islamic fintech, including fatwas on Islamic fintech electronic money and fatwas on fintech loans or financing.

The accelerated development of fintech during the pandemic has had a systemic impact on the business environment—both internal and external—so a thorough analysis of the

opportunities and challenges accompanying this fundamental shift is essential for institutional sustainability. One such approach is the SWOT analysis approach, which analyzes the business environment. Companies determine their position in four key strategic areas: strengths (S), weaknesses (W), opportunities (O), and threats (T). The company then identifies these changes so the institution can determine appropriate actions (Osita & Justina, 2014).

This paper is based on the following studies: First, Lien et al.'s (2020) research shows that fintech services are crucial for the banking sector in Vietnam. Ali & Zaini (2019) research reveals that fintech has significant potential to impact the financial industry, but its potential impact on the Islamic financial sector is slower than on conventional finance. Djawahir (2018) research reveals that, based on 2017 Bank Indonesia data, there is a gap in fintech's contribution to financial services, primarily due to Indonesia's low financial literacy and inclusion index.

Ali & Zaini, (2019) research further demonstrated that fintech has brought significant changes to both the conventional and Islamic financial industries, with both positive and negative potential impacts. However, the Islamic financial industry tends to be slower to adapt than the conventional industry. Rusdiana (2018) explained that fintech in Indonesia—particularly Islamic fintech—has significant potential because it can provide solutions to pressing needs not yet met by traditional financial institutions. Kennedy (2017) paper examines the need for modern financial services presented through fintech, which is seen as both an opportunity and a challenge. Fintech in Indonesia is still in its infancy and development stages. Many industries remain untapped, and many opportunities remain untapped.

Based on the above explanation, it is clear that there is potential, opportunity, and importance in developing fintech in the financial industry, particularly the Islamic financial sector. Therefore, the author examines Islamic banking innovations to address fintech challenges through a blue ocean strategy. This strategy fills the gaps in previous studies by offering innovative strategic solutions to transform Islamic banking to compete and create sustainable competitive advantage in the digital era. The study, conducted through a SWOT analysis and a blue ocean strategy to boost this sector, can determine the appropriate next steps.

Therefore, the main focus of this paper is on: (1) External business environment factors in Islamic banking; (2) Internal business environment factors; (3) SWOT analysis; and (4) Blue Ocean Strategy. The results of this study are expected to contribute to the Islamic banking sector in formulating the latest strategic steps, because several situations of internal and external business environment factors have undergone significant changes. This research is necessary because Islamic banking is facing a shift in competitive dynamics from a product-based approach to digital service innovation. Therefore, a Blue Ocean Strategy is needed to identify, create, and exploit potential market niches.

2. Literature Review

2.1 Fintech and Digital Transformation in Islamic Banking

2.1.1 Theoretical Background

Fintech is a technological innovation that integrates financial services with digital technology to create more efficient, innovative, and inclusive services (Chuen & Low, 2018; Gozman et al., 2018). In the financial industry, fintech plays a crucial role in increasing competitiveness through the digitization and automation of services. Islamic banking operates based on Sharia principles, such as the prohibition of *riba* (usury), *gharar* (unlawful

activity), and maisir (gambling), while emphasizing fairness and transparency (Alnori & Ariff, 2021). However, the Islamic banking industry still faces obstacles in strengthening innovation and maximizing service digitalization. In this context, Islamic fintech exists as an integration of financial technology with Sharia principles to improve efficiency, financial inclusion, and customer experience (Menne et al., 2022).

2.1.2 Previous Studies and Research Gap

Previous research shows that fintech is transforming the financial services industry through increased service efficiency and business model innovation (Arner et al., 2016; Claessens et al., 2018; Navaretti, 2017). In Islamic banking, digitalization and fintech adoption increase financial inclusion and industry competitiveness (Gomber et al., 2017; Arner et al., 2021), although adoption is slower than in the conventional sector due to limited digital infrastructure, dynamic sharia regulations, and low financial technology integration (Ali & Zaini, 2019). Furthermore, the IFSB (2023) emphasizes the importance of collaboration between Islamic banks and fintech in responding to changes in digital consumer behavior and accelerating service innovation. However, research analyzing the internal and external strategic environments of Islamic banking in facing fintech disruption is still limited, particularly those integrating SWOT and Blue Ocean Strategy. Therefore, this study aims to fill this gap by formulating an Islamic banking innovation strategy based on SWOT and Blue Ocean Strategy.

2.2 Strategic Management

2.2.1 Theoretical Background

Strategic management is a series of managerial decisions and actions that formulate and determine the long-term performance of an entity (David, 2001). Strategic management is a decision-making process to utilize company resources effectively and efficiently in an ever-changing company environment (Beer et al., 2005). SWOT analysis is a tool to identify strategic factors, internal strengths and weaknesses of a company or resources, and external opportunities and threats to develop an effective business strategy (David, 2001). SWOT is a stable and commonly used framework of reference to assist in making effective strategic decisions through evaluating the company's internal and external factors (Gürel & Tat, 2017).

2.2.2 Previous Studies and Research Gap

Based on 2017 Bank Indonesia data, there is a gap in fintech's contribution to financial services, primarily due to Indonesia's low financial literacy and inclusion index (Djawahir, 2018). Nevertheless the prospects for Islamic fintech are very promising. This sector has the potential to offer innovative solutions for communities underserved by traditional financial institutions (Rusdiana, 2018). Modern fintech services present both significant opportunities and challenges, given that the industry is still in its early stages of development in Indonesia (Kennedy, 2017). Therefore an in-depth study of company resources and strategic factors is necessary to capture opportunities in Islamic fintech. This is crucial to address the gap in previous research that has not yet applied a comprehensive SWOT analysis to develop strategies for Islamic fintech development in the Islamic financial sector in Indonesia.

2.3. Blue Ocean Strategy (BOS)

2.3.1 Theoretical Background

Blue Ocean Strategy (BOS) is a business approach to create new market space that has been ignored by competitors through value innovation, not through direct competition but by creating truly unique products or services and creating new demand (Larisang & Putri, 2024). Effective BOS requires tools that integrate assessment and implementation functions. This framework consists of four stages designed to provide a concise overview of current market conditions, by analyzing internal and external business elements, as well as competitive dynamics in existing markets: (1) eliminating what is no longer valuable to customers; (2) reducing what is far below industry standards; (3) increasing far above industry standards; (4) creating something completely new (Tripalupi et al., 2022).

3. Methodology

This research is a descriptive qualitative study. Primary data sources were interviews with six informants consisting of bank managers, digital banking officers, sharia finance practitioners, and academics, while secondary data were collected through literature and documentation studies. The population of Islamic commercial banks in Indonesia from 2019 to 2025 was 14 Islamic Sharia Commercial Banks (BUS); this study used a sample of five banks using a purposive sampling method. The purposive sampling technique applied based on several criteria is Islamic banks: (1) that have implemented digital banking services; (2) actively carrying out digital transformation during the 2019–2025 period; (3) representing various asset sizes and market share in the Islamic banking industry; (4) banks that have public reports and information relevant to this research. After data collection, reduction, and triangulation of literature and documentation studies were carried out to strengthen the argument. The next stage is to interpret the data using the SWOT analysis method (David, 2001; Gürel & Tat, 2017) and the new blue ocean strategy (Larisang & Putri, 2024; Tripalupi et al., 2022) to produce strategic and innovative recommendations for the development of Islamic banking.

4. Results and Discussions

4.1 Results

4.1.1 External Business Environment Factors

Observations of the external business environment include economic factors, industry conditions, Islamic financial literacy and inclusion, as well as policies and regulations. The Indonesian economy generally recorded stable gross domestic product (GDP) growth above 5% from 2019 to 2025, supported by domestic consumption and investment. However it experienced a sharp contraction in 2020–2021 due to the peak of the pandemic. Entering 2024, growth remains strong at 5.03%, with inflation under control. Meanwhile the manufacturing sector and public purchasing power begin to show a slowdown amid global economic pressures, posing new challenges to national export performance. In the first and second quarters of 2025, GDP growth is expected to range from 4.87% to 5.12%.

Between 2019 and 2025, the global economy experienced high volatility. This began with a pre-pandemic slowdown in 2019 and a major shock from the COVID-19 pandemic in 2020–2021. Inflation surged in 2022–2023, and growth slowed slightly in 2024–2025 but remained resilient, with inflation gradually declining. The Islamic finance industry

demonstrated resilient growth and significant transformation from 2019 to 2025, driven by digitalization; a focus on sustainable investing (ESG); and regulatory support, although this growth faced challenges during the pandemic. However the market share of the Islamic finance industry, particularly banking, remains significantly smaller than that of conventional banking, at around 7% to 8%.

Sharia financial literacy and inclusion in Indonesia from 2019 to 2025 showed a significant upward trend, although inclusion rates still lag relatively behind those of conventional finance. The 2019 Sharia financial literacy index reached 8.93%, while the Sharia financial inclusion index reached 9.10%. By 2025, the figures will reach 43.42% and 13.41%, respectively. One of the main drivers of this trend is the rapid growth of digital transactions, such as e-commerce and digital banking.

Monetary policy from 2019 to 2025 experienced significant dynamics, moving from monetary policy easing to address the COVID-19 pandemic in 2019. Implementing an extraordinary expansionary monetary policy, including a drastic reduction in the benchmark interest rate in 2020-2021. Then in 2022-2023 towards aggressive tightening to combat global inflation, stabilization with the potential for interest rate reductions in 2024-2025.

Regulations for the implementation of fintech in the payment system in Indonesia include: Bank Indonesia Regulation (PBI) Number 19/12/PBI/2017 concerning Sharia Financial Institutions; Technology Implementation; Bank Indonesia Circular Letter No. 18/22/DKSP concerning the Implementation of Digital Financial Services; PBI No. 18/17/PBI/2016 concerning Electronic Money; Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services or Peer-to-Peer (P2P) Lending; Financial Services Authority Regulation No. 37/POJK.04/2018 concerning Crowdfunding Services Through Information Technology-Based Stock Offerings (Equity Crowdfunding); Fatwa of the National Sharia Council of the Indonesian Ulama Council No: 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles; and DSN MUI Fatwa No: 116/DSN-MUI/IX/2017 concerning Sharia Electronic Money.

4.1.2 Internal Business Environment Factors

Sharia banks are consistently committed to strengthening their competitiveness in order to strengthen their businesses. Efforts undertaken in accordance with this policy are formulated in their vision and mission statements, which broadly include: (1) strengthening business competencies; (2) improving the quality of human resources; and (3) strengthening information technology to prepare or improve digital-based services.

As part of efforts to increase competitiveness, Islamic banks are focusing on improving digital services (based on information technology or IT) needed by the public. To this end, Islamic banks are developing the necessary IT tools. These tools include the establishment of Information Technology Management (ITM)—covering: a vision and mission, an IT strategic plan, an IT roadmap, an IT organization; IT systems and governance, specifically for digital products or services, infrastructure, security, and risk management.

Islamic banks' Information Technology Management (ITM) is implemented through operational application development strategies, IT system reengineering, and enhanced data security. Islamic banks implement digital service systems through technology platforms that must comply with Islamic principles. Key systems include online account opening; transfer and payment transactions; and *zakat*, *infaq*, *sedekah*, and *waqf* (ZISWAF) services, as well as cardless withdrawals, all through the main mobile banking platform. Governance is under strict supervision by the Financial Services Authority (OJK) to ensure efficient and secure

operations, encompassing aspects such as sharia compliance, IT implementation, and secure, responsive, and transparent digital service delivery.

The core infrastructure of digital services includes: server hardware and software, operating systems, and applications; a network with secure connectivity for transactions; customer and transaction databases; and cybersecurity against digital threats. Meanwhile, the security of Islamic banking digital services prioritizes the protection of customer data and transactions through a combination of encryption technology, Sharia-compliant privacy policies, and education on fraud awareness and the use of official channels.

The comprehensive risk management of Islamic banking digital services manages cyber risks for data security, system and human resource operations, compliance, and reputation, with a primary focus on the application of Sharia principles to ensure all transactions are halal, fair, and free from gharar and maisir elements.

4.1.3 SWOT Analysis

Based on observations of the internal and external business environmental factors above, a SWOT analysis was carried out as follows:

Table 1. SWOT Analysis

Internal Factors		Strength	Weakness
External Factors	Opportunity	Internal: <ul style="list-style-type: none"> Operational application development; IT system renovation. Digital services. Sharia compliance; efficient IT implementation; secure, responsive, and transparent digital service delivery. Network security according to industry standards. Customer database and transactions are in line with sharia principles. External: <ul style="list-style-type: none"> National economic conditions. Global economic conditions. Growth of the Islamic finance industry. Islamic financial inclusion. Policies and regulations. 	Internal: <ul style="list-style-type: none"> IT system renovation; data security enhancement. Implementation and monitoring costs. Scalability, system integration, and quality of IT human resources. Cyber security from digital threats. External: <ul style="list-style-type: none"> National economic conditions. Global economic conditions. Growth of the Islamic finance industry. Islamic financial inclusion. Policies and regulations.
	Threat	Internal: <ul style="list-style-type: none"> Operational application development; IT system renovation. Digital services. Sharia compliance; efficient IT implementation; secure, responsive, and transparent digital service delivery. Network security according to industry standards. Customer database and transactions are in line with sharia principles. External: <ul style="list-style-type: none"> Global economic conditions. Sharia banking market share. 	Internal: <ul style="list-style-type: none"> IT system renovation; data security enhancement. Implementation and monitoring costs. Scalability, system integration, and quality of IT human resources. Cyber security from digital threats. External: <ul style="list-style-type: none"> Global economic conditions.

- Sharia financial literacy.
- Sharia banking market share.
- Sharia financial literacy.

Source(s): Authors' own work.

4.1.4 Blue Ocean Strategy

Table 2. Blue Ocean Strategy

Reduced	Enhanced
<ul style="list-style-type: none"> • Minimize the operational costs of inefficient digital services. • HR skills gap. • Volatility due to global economic uncertainty. • The impact of low Islamic financial literacy 	<ul style="list-style-type: none"> • Digitalization and product/service innovation. • Operational efficiency. • Compliance with Sharia principles and regulations. • Quality of IT and cybersecurity human resources. • Sharia financial literacy and education.
Removed	Created
<ul style="list-style-type: none"> • Inefficiency of digital-based services. • Eliminate rigid and unscalable IT architecture. • Unmanaged cybersecurity risks. • Lack of transparent governance. 	<ul style="list-style-type: none"> • An agile, efficient, and resilient business model. • Integrated cybersecurity framework. • Customer loyalty and a wider market base. • Strong industry-government synergy. • Flexible and scalable IT architecture.

Source(s): Authors' own work.

4.2 Discussions

4.2.1 External Business Environment Factors

Amidst stable domestic economic growth and accelerated technology adoption post-pandemic, Islamic banks are intelligently leveraging fintech adaptations to increase efficiency (Dubey, 2019) and expand market reach, while mitigating risks focused on cybersecurity (Mehdiabadi et al., 2020), sharia compliance, and strong regulatory compliance.

Indonesia's current fintech regulations, characterized by a supportive framework for digitalization and innovation, such as the Bank Indonesia Regulation on Payment Systems (PBI SP) and the National Standard for Open API Payments (SNAP), create significant opportunities for Islamic banks. Despite facing challenges from fluctuating monetary policy and low market share, this regulatory clarity enables banks to accelerate growth and effectively bridge the gap in Islamic financial literacy and inclusion in Indonesia (Suryadarma & Faqih, 2024).

4.2.2 Internal Business Environment Factors

Islamic banks build internal resilience through infrastructure readiness (Mehdiabadi et al., 2020) and human resources Kotarba (2016) to face fintech disruption, while opening up collaboration opportunities Arner (2016) and meeting market demands for digital banking services that are fast, convenient, guarantee integrity, and can be used by customers anytime and anywhere (Herath & Herath, 2019).

Islamic banking practices in Indonesia adhere to Sharia principles and are subject to a regulatory framework overseen by the Financial Services Authority (OJK). Islamic banks operate with a focus on compliance with Indonesian Islamic banking industry standards (Nurhasanah, 2021), while focusing on operational efficiency, cybersecurity, and PROVIDING advanced digital banking services to meet market needs, including: feature-rich mobile banking; a Peer-to-Peer (P2P) fintech lending platform registered with the OJK and compliant with Sharia; and utilizing encryption technology to secure transaction data (Hasanah et al., 2024).

Adaptive Islamic banks now surpass conventional digital banks through deep integration of advanced technology and strict Sharia compliance (Menne et al., 2022). These institutions align infrastructure, security, and risk management to create a digital banking ecosystem that is safe, efficient, ethical, and fully compliant with Islamic principles.

4.2.3 SWOT Analysis

Islamic banks are strengthening their position to face various challenges by focusing on three key pillars: digitalization, increased efficiency, and strict Sharia compliance. This strategy is designed to address global economic uncertainty, intense competition, and low Sharia financial literacy. By integrating easily accessible digital education channels, Islamic banks leverage their internal strengths as a foundation for building more resilient and adaptive business models. This approach enables effective management of global economic volatility through planned digital innovation and a strong commitment to Sharia values that meet customer needs.

The key focus for the effective growth of the Islamic finance industry encompasses several key pillars: leveraging internal strengths through digitalization, improving operational efficiency, and steadfast adherence to Sharia principles. This approach is designed to unlock opportunities such as attracting a broader customer base, encouraging product and service innovation, and increasing financial inclusion, thereby reaching segments of society previously underserved by the formal financial system. These efforts are supported by a comprehensive government regulatory framework aimed at expanding financial inclusion, strengthening the contribution of the national economy, and better preparing the Islamic finance industry to face global economic dynamics.

Islamic banks' primary strategy for achieving sustainable growth focuses on strengthening internal capabilities and mitigating external risks through a coordinated approach. Key pillars include strategic investments in integrated IT infrastructure and cybersecurity, improving human resource quality, innovating digital products to expand market reach, enhancing Islamic financial literacy, and implementing rigorous and flexible cyber risk management to address global economic uncertainty. This comprehensive approach, supported by sound governance and regulatory compliance, enables Islamic banks to build internal resilience while actively capitalizing on opportunities in evolving financial markets.

The primary strategy for Islamic banking in navigating the dynamic fintech landscape focuses on internal strengthening and external adaptation. Internally, it is necessary to revitalize technology infrastructure, adopt flexible cloud-based solutions, and design open APIs. Implementing a comprehensive cybersecurity framework, investing in human resource training, and conducting a thorough IT cost-benefit analysis are also crucial. To mitigate external threats and adapt, robust risk management must be implemented amidst global economic uncertainty. Diversifying product portfolios, developing innovative products relevant to millennials, and promoting the benefits of technology-based Islamic banking are key steps while ensuring strict Sharia compliance.

The discussion above emphasizes the need for Islamic banks to invest in digitalization and robust technological infrastructure to face external threats and competition, including from the fintech industry. This is consistent with the findings of [Lien et al. \(2020\)](#), who highlighted the critical role of fintech services for the banking sector as a whole. The study also demonstrates that Islamic banks need to actively leverage internal strengths and Sharia compliance as key differentiators. This aligns with the observation of [Ali & Zaini \(2019\)](#), who noted that while fintech has the potential to revolutionize the Sharia sector, its impact on the Sharia sector requires an approach grounded in Islamic principles.

The above discussion answers [Djawahir \(2018\)](#); [Fauzi Abu-Husin et al \(2025\)](#); [Kennedy \(2017\)](#) the adaptive strategy of Islamic banking in facing the low financial literacy and inclusion index is realized through the use of easily accessible digital education channels, confirming that digital product or service innovation and internal strengthening (IT infrastructure, HR, and cybersecurity) are the keys to opening up opportunities and reaching underserved segments of society.

4.1.4 Blue Ocean Strategy

These measures focus on full digitalization to eliminate manual inefficiencies, leverage big data analytics for rapid risk assessment, and optimize transparent ZISWAF distribution ([Fauzi Abu-Husin et al., 2025](#)). Furthermore, this strategy includes adopting flexible IT architectures such as cloud computing, APIs, and blockchain to eliminate rigid infrastructure, as well as strengthening cybersecurity defenses by implementing zero-trust architecture, multifactor authentication (MFA), and an AI-based Security Operations Center (SOC) ([Jindal & Chavan, 2023](#)). Finally, this strategy aims to eliminate the lack of transparent governance through the implementation of digital GCG and a centralized compliance dashboard for better accountability to regulators and internal supervisors ([Srimaya & Amalia, 2023](#)).

By fully adopting digital banking services, companies can achieve significant operational cost efficiencies through process automation and reduced physical infrastructure ([Haikel & Sunitiyoso, 2022](#)). The HR skills gap is minimized with intensive training programs in data analytics, cybersecurity, and Islamic finance ([Umboh, 2025](#)). Global economic volatility is addressed through product portfolio diversification ([Viverita et al., 2023](#)) in digital Islamic finance, such as crowdfunding and peer-to-peer financing. Low levels of Islamic financial literacy are addressed with user-friendly fintech applications with interactive educational features and AI-based chatbot support, ensuring easy and instant access to literacy ([Salsabila et al., 2025](#)).

Improvement actions that focus on five main pillars: Digitalization and product/service innovation through the development of integrated digital banking applications - such as BSI Mobile -, collaboration with fintech P2P lending for MSME financing, and the use of AI for Sharia robo advisors; Operational efficiency: by automating back-office processes and transactions to increase service speed and reduce operational costs ([Fauzi Abu-Husin et al., 2025](#)). Compliance with Sharia principles and regulations by ensuring that all digital products have DSN-MUI fatwas, are supervised by DPS, and comply with OJK regulations with good corporate governance; Quality of IT and cybersecurity human resources through competency improvement with ongoing training programs and the implementation of strong security systems to protect customer data ([Umboh, 2025](#)). Sharia financial literacy and education through massive digital campaigns and the provision of easily accessible information to educate the public about Sharia financial products and principles ([Salsabila et al., 2025](#)).

Creating a robust and efficient Islamic digital banking platform can be achieved by adopting a super application model (Fauzia, 2025): integrating various financial services, including the ZISWAF platform and disaster mitigation, cardless withdrawals, investment services, legacy management, and halal supply chain financing into a single, holistic ecosystem. This strategy relies on a cloud-based IT architecture and open APIs for agile fintech scalability and collaboration, while a robust cybersecurity framework (MFA, zero-trust) and blockchain potential build customer trust. Supported by industry-government synergy through the regulatory sandbox of the Financial Services Authority (OJK) and Bank Indonesia (BI) (Ammanda, 2025), this approach creates a broad digital Islamic financial ecosystem, fosters customer loyalty, and ensures compliance with sharia principles (Setiawan et al., 2025).

5. Conclusion and Recommendation

Indonesia's supportive fintech regulatory framework allows Islamic banks to accelerate growth by leveraging technology to improve efficiency and financial inclusion, while still managing key risks such as cybersecurity and robust compliance. Islamic banking is addressing fintech disruption with an approach that leverages cutting-edge digital technology while adhering to strict Sharia principles, creating an efficient, secure, ethical, and relevant digital ecosystem.

The sustainable growth strategy of Islamic banking centers on internal strengthening through digitalization and strict Sharia compliance. This is designed to build resilience, capitalize on opportunities amidst global economic dynamics and intense competition, and offer fair, ethical, and innovative financial solutions. This comprehensive approach, supported by good governance, enables Islamic banks to be adaptable, resilient, and make a positive contribution to the national economy.

The strategy of Islamic banks in responding to fintech challenges focuses on holistic digital transformation to achieve operational efficiency, increased security, sharia compliance, and the creation of a holistic digital service ecosystem, such as: integrating various financial services, ZISWAF platforms and disaster mitigation, cardless withdrawals, investment services, legacy management and halal supply chain financing in one holistic ecosystem supported by partnerships with industry and government.

A weakness of this study is its inability to represent the broader and rapidly evolving dynamics of the Islamic finance and fintech markets, due to the limited data used (2019-2025) and the specific sample size. To address this, future research is recommended to broaden the data coverage, increase the sample size, and diversify data collection techniques to provide more comprehensive and relevant insights into the ever-changing industry landscape.

Declarations

Authorship

The authors actively participated in preparing and writing the manuscript and have read and approved the final revised version of the manuscript for submission to JBMIB.

Author Contribution Statement

Ramadhani Irma T. contributed to the research design, manuscript writing, and revision. Iwan Setiawan contributed to the research design and manuscript revision. Muhammad Zaky and Kadar Nurjaman contributed to data analysis. Reza Fauzi Nazar contributed to data collection and translation.

Funding Statement

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Data Availability Statement

This descriptive qualitative study uses primary data collected through interviews and secondary data from relevant sources. In accordance with ethical guidelines and to protect the confidentiality of research participants, the raw data are not publicly available. However, anonymized data may be made available by the corresponding author upon reasonable request, subject to ethical considerations and the protection of participants' confidentiality.

Declaration of Interests Statement

The authors declare that they have no known financial or personal relationships that could have influenced the research or the findings reported in this manuscript.

References

- Accenture. (2015). Fintech investment in Asia-Pacific set to at least quadruple in 2015 according to report by Accenture. Accenture. <https://newsroom.accenture.com/news/2015/fintech-investment-in-asia-pacific-set-to-at-least-quadruple-in-2015-according-to-report-by-accenture.htm>.
- Afjal Ali, M. M., & Zaini, M. Z. (2019). Fintech and Islamic Finance: Challenges and Opportunities. *International Journal of Islamic Economics and Finance Studies*, 5(1), 37–50.
- Alnori, S. A. M., & Ariff, M. (2021). Islamic banking and finance: Principles, governance and sustainability. *International Journal of Islamic and Middle Eastern Finance and Management*.
- Ammanda, A. (2025). Bank Digital Syariah: Inovasi Teknologi Finansial Berbasis Prinsip Islam di Era Ekonomi Digital. *ARZUSIN*, 5(5), 2643–2655. <https://doi.org/DOI:10.58578/arzusin.v5i5.7791>
- Arner, D. W. (2016). FinTech: Evolution and Regulation. Asian Institute of International Financial Law University, University of Hong Kong.
- Arner, D. W., Barberis, J., & Buckley, R. P. (2016). The Evolution of Fintech: A New Post-Crisis Paradigm. *Georgetown Journal of International Law*, 47(4), 1271–1319.
- Beer, M., Voelpel, S. C., Leibold, M., & Tekie, E. B. (2005). Strategic management as organizational learning: Developing fit and alignment through a disciplined process. *Long Range Planning*, 38(5), 445–465. <https://doi.org/https://doi.org/10.1016/j.lrp.2005.04.008>.
- Campanella, F., Serino, L., Battisti, E., Giakoumelou, A., & Karasamani, I. (2023). FinTech in the financial system: Towards a capital-intensive and high competence human capital reality? *Journal of Business Research*, 155, 113376. <https://doi.org/10.1016/j.jbusres.2022.113376>.
- Chuen, D. L. K., & LOW, L. (2018). *Inclusive FinTech (Blockchain, Cryptocurrency, and ICO)*. World Scientific.

- Claessens, S., Frost, J., Turner, G., & Zhu, F. (2018). Fintech Credit Markets Around the World: Size, Drivers and Policy Issues. *BIS Quarterly Review*, 29–49.
- David, F. R. (2001). *Manajemen strategis*. Penerbit Andi.
- Djawahir, A. U. (2018). Teknologi-layanan keuangan, literasi-inklusi keuangan, dan value pada fintech syariah di Indonesia: Perspektif SOR (Stimulus-organism-response) model. *Proceedings of Annual Conference for Muslim Scholars*, 1(1), 439–448.
- Dubey, V. (2019). FinTech innovations in digital banking. *International Journal of Engineering Research & Technology (IJERT)*, 8(10), 597–601.
- Fauzi Abu-Husin, M., Afifah, K., Aam, I., Rusydiana, S., Asnawi, I., Zafar, M. B., Hanif, M., Noor, M., Nurjanah, S., Mustafa, M., & Salleh, M. A. (2025). RESEARCH TREND IN ISLAMIC FINANCIAL TECHNOLOGY AND BLOCKCHAIN: A BIBLIOMETRIC ANALYSIS. *Mjsl.Usim.Edu.MyMF Abu-Husin, K Afifah, AS Rusydiana, MB Zafar, MHM Noor, SNM Mustafa, MA SallehMalaysian Journal of Syariah and Law*, 2025•mjsl.Usim.Edu.My, 13(1), 147–163. <https://doi.org/10.33102/mjsl.vol13no1.590>.
- Fauzia, E. N. (2025). Fenomena Super App Sebagai Suatu Layanan Digital Perbankan Ditinjau Dari Aspek Sosiologi Hukum. *Jurnal Pemberdayaan Publikasi Hasil Pengabdian Kepada Masyarakat*, 4(1), 54–60. <https://doi.org/DOI:10.47233/jpmittc.v4i1.2781>.
- Gomber, P., Koch, J.-A., & Siering, M. (2017). Digital Finance and FinTech: Current Research and Future Research Directions. *Journal of Business Economics*, 87(5), 537–580.
- Gozman, D., Liebenau, J., & Mangan, J. (2018). The innovation mechanisms of fintech start-ups: insights from SWIFT's innotribe competitio. *Journal of Management Information Systems*, 25(1), 145–179. <https://doi.org/https://doi.org/10.1080/07421222.2018.1440768>
- Gürel, E., & Tat, M. (2017). SWOT ANALYSIS: A THEORETICAL REVIEW. *The Journal of International Social Research*, 10(15), 994–1006.
- Haikel, S., & Sunitiyoso, O. (2022). Implementasi Robotic Process Automation dan Analisis Biaya-Manfaat di Bank SASA. *Techno. Com*, 21(1).
- Hasanah, N., Sayuti, M. N., & Lisnawati. (2024). Optimalisasi regulasi perbankan syariah oleh Bank Indonesia dan Otoritas Jasa Keuangan dalam akselerasi transformasi digital. *Jurnal Manajemen Terapan Dan Keuangan*, 13(3), 709–723. <https://doi.org/https://doi.org/10.22437/jmk.v13i03.36621>
- Herath, H., & Herath, H. (2019). Impact of Green banking initiatives on customer satisfaction: A conceptual model of customer satisfaction on green banking. *Journal of Business and Management*, 1(21), 24–35. <https://doi.org/DOI: 10.9790/487X-2101032435>.
- Islamic Financial Services Board. (2023). *Islamic Financial Services Industry Stability Report 2023*.
- Jindal, P., & Chavan, L. (2023). Role of blockchain technology in creating blue ocean strategy for banking products and services. *N Contemporary Studies of Risks in Emerging Technology*, 169–182. <https://doi.org/https://doi.org/10.1108/978-1-80455-566-820231008>
- Kennedy, P. S. J. (2017). Tantangan terhadap Ancaman Disruptif dari Financial Technology dan Peran Pemerintah dalam Menyikapinya. *FKBI: Jurnal Forum Keuangan Dan Bisnis Indonesia*, 6, 171–182.
- Kotarba, M. (2016). New factors inducing changes in the retail banking customer relationship management (CRM) and their exploration by the FinTech industry. *Foundations of Management*, 8(1), 69.
- Larisang, L., & Putri, M. (2024). Designing Marketing Strategy Using Swot and Blue Ocean Strategy to Increase Sales and Competitiveness at PT Zaga Krida Teknik. *Operations Excellence: Journal of Applied Industrial Engineering Учредители: Universitas Mercu Buana*, 16(3), 271.
- Lien, N. T. K., Doan, T.-T. T., & Bui, T. N. (2020). Fintech and banking: Evidence from Vietnam. *The Journal of Asian Finance, Economics and Business*, 7(9), 419–426.
- Manurung, I. N. (2021). *Percepatan Digitalisasi Perbankan di Masa Pandemi Covid-19*. CRMS. <https://crmsindonesia.org/>
- Mehdiabadi, A., Tabatabeinasab, M., Spulbar, C., Yazdi, A. K., & Birau, R. (2020). Are we ready for the challenge of Banks 4.0? Designing a roadmap for banking systems in Industry 4.0. *International Journal of Financial Studies*, 8(2), 32.
- Menne, F., Surya, B., Yusuf, M., & others. (2022). The Integration of Islamic Commercial and Social Economy Through Islamic Fintech in Indonesia. *Journal of Islamic Accounting and Business Research*, 13(5), 857–876.

- Navaretti, G. B. (2017). FinTech and Banks: Friends or Foes? *European Economy Banks. Regulation, and the Real Sector*, 3(2), 9–30.
- Nurhasanah, N. (2021). The Internalisation of Hisbah Principles in OJK Regulations on Islamic Banking Compliance Supervision. *Al-Uqud: Journal of Islamic Economics*, 5(2), 275–291.
- Osita, O. I., & Justina, N. (2014). Stabilitas dan produktivitas organisasi: peran analisis SWOT, akronim untuk kekuatan, kelemahan, peluang, dan ancaman. *Jurnal Internasional Penelitian Inovatif Dan Terapan*, 2(9), 23–32.
- Rupesh. (2023). Impact of Digital Transformation on Customer Satisfaction in The Banking Sector: A Descriptive Study. *JFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES*, 12(1).
- Rusdiana, A. (2018). Bagaimana industri fintech syariah di Indonesia berkembang? model struktural pendekatan interpretatif (ISM). *Al-Muzara'ah*, 6(2), 117–128. <https://doi.org/https://doi.org/https://doi.org/10.29244/jam.6.2.117-128>
- Saksonova, S., & Kuzmina-Merlino, I. (2017). Fintech sebagai inovasi keuangan–Kemungkinan dan permasalahan implementasinya. *Jurnal Penelitian Eropa*, 2(3), 961–973.
- Salsabila, A., Saleh, S., & Rujikartawi, E. (2025). Peran Fintech Syariah dalam Mendorong Inklusi Keuangan pada Gen Z. *Indo-Fintech Intellectuals: Journal of Economics and Business*, 5(3), 5964–5978.
- Setiawan, A., Diadani, P. S., Masyita, R., Putri, S. R. A., & Nurbaiti, N. (2025). Strategi Digitalisasi di Bank Syariah untuk Meningkatkan Daya Saing. *AKSIOMA: Jurnal Sains Ekonomi Dan Edukasi*, 2(1), 260–270.
- Setyowati, D. (2018). *Pertumbuhan Perbankan Syariah Tergilas Fintech*. Kata Data. <https://www.katadata.co.id>
- Sholikhah, B. (2018). *MUI Dorong Kerjasama Fintech Syariah dan Perbankan Syariah*. Republika. <https://www.republika.co.id>
- Srimaya, L. ., & Amalia, E. (2023). Penerapan Tata Kelola Islam dalam Perbankan Syariah di Indonesia: Sebuah Studi Kepustakaan. *Jurnal Ilmiah Ekonomi Islam*, 9(1), 199–206.
- Suryadarma, F. ., & Faqih, M. (2024). Regulasi fintech di indonesia: mendorong inovasi dan melindungi konsumen dalam ekosistem digital. *Jurnal Ilmiah Mahasiswa Perbankan Syariah (JIMPA)*, 4(1), 117–126.
- Tripalupi, R. I., Yulianti, L., & Naafisah, D. D. (2022). Optimization of Financial Technology as an Opportunity for Development of Islamic Microfinance Institutions. *International Journal of Artificial Intelligence Research*, 6(1).
- Umboh, W. E. . (2025). Transformasi Digital dalam Manajemen SDM: Studi tentang Strategi Adaptasi di Era AI pada Industri Perbankan Indonesia. *SENTRI: Jurnal Riset Ilmiah*, 4(9), 1999–2013.
- A, V., Bustaman, Y., & Danarsari, D. . (2023). Liquidity creation by Islamic and conventional banks during the Covid-19 pandemic. *Heliyon*, 9(4).