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AN ANALYSIS OF THE INDONESIAN SHARIA BANKING DEVELOPMENT ROADMAP 2020-2025

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ABSTRACT

This article aims to examine the Roadmap that has been published by the Financial Services Authority (OJK) for the expansion of Islamic banking in Indonesia in the next five years. In particular, it seeks to analyze the main pillars that the Roadmap has identified to further the progress of Islamic banking in Indonesia. These pillars are strengthening the identity of Islamic banking, synergizing the Islamic economic ecosystem, and strengthening licensing, regulation, and supervision. This study applies a qualitative method to analyze the implementation of the 2020-2025 Islamic banking development roadmap. The data was analyzed using taxonomic analysis techniques method, that conducts not only a general exploration but also focuses on a particular domain in accordance with the research focus of the researcher. Because this research is qualitative in nature, the data was interpreted based on the content review system. The paper finds that the use of technology is one of the most important tools to achieve the three pillars of Islamic banking in Indonesia. Having the full support of all Islamic banking stakeholders is also another important factor that will further progress the industry. The analysis of the Islamic banking Roadmap provides an overview on the key pillars that have been identified as drivers for the future of Islamic banking in Indonesia. This will provide important knowledge to industry players, the academic and other stakeholder to understand the direction that the industry will be taking in the next five years so that they can collaborate effectively to support the progress of the industry. The analysis of the 2020-2025 Islamic banking development roadmap is a first in the existing literature. A critical analysis of this recently released document by the OJK in 2021 is deemed important to elucidate the future direction of the Islamic banking industry to stakeholders in Indonesia.

Keywords: Identity of Islamic banking, Islamic economic ecosystem, Sharia Banking Development Roadmap 2020-2025

INTRODUCTION

According to financial situations and several determinants that have influenced its progress during more further than two decades, the Indonesian Islamic banking industry continues to develop with varying growth rates to be precise since 1992. In 2013 the banking authority was given authority to the Financial Services Authority (OJK) which was previously held by Bank Indonesia (BI), the basis for consideration of the separation of the supervisory authority of banking financial institutions between BI and OJK in accordance with the law which states that there is a need for an independent financial services supervisory agency (Alisjahbana et al., 2020). Consistently makes various efforts to encourage the progress of the nationwide Islamic banking business so that it can grow healthily, sustainably, and make more positive contributions in supporting quality economic development.

In 2015, the OJK issued a strategic plan for Indonesian Islamic banking called the 2015-2019 Indonesian Sharia Banking Roadmap. The names and ranges of the planning period are adjusted to the roadmap for other financial services sectors in the OJK. This roadmap expected to serve as a guideline for

the direction to be accomplished, including actions prepared to achieve predetermined increase targets including to actualize the development goals of the nationwide Islamic banking business. (OJK, 2015).

The publication of the 2015-2019 Indonesian Islamic banking development Roadmap was due to the failure to achieve the 2002-2011 Indonesian Islamic banking development blueprint target. The 2015-2019 roadmap no longer targets Islamic banking market share numbers but focuses on improving Islamic banking such as strengthening capital, using digital technology in transactions, and increasing Islamic banking literacy for Indonesian society (OJK, 2015).

It seems that Islamic banking in Indonesia is not only sufficient to see from the Roadmap that has been published by the OJK but also needs to get sufficient incentives to increase its growth. Seeing the development of Indonesian Islamic banking in accordance with the 2015-2019 Roadmap. The Indonesian government continues to improve the existence of Indonesian Islamic banking to make it wider. Among them is the merger of Islamic banking in order to compete with several countries such as Malaysia and the Middle East. After going through a long process, a strategy emerged to merge 3 Islamic commercial banks, namely BRI Syariah, BNI Syariah, and Bank Syariah Mandiri. These three banks became one called Bank Syariah Indonesia (BSI).

In February 2021, PT Bank Syariah Indonesia (BSI) was inaugurated as a result of the merger of 3 commercial banks, namely "Bank Syariah Mandiri (BSM), Bank BRI Syariah and Bank BNI Syariah". The hope is that PT. BSI will succeed in one of the world's biggest Islamic banks in the next five years. The government's plan with the OJK to strengthen the sharia economic sector has received good support from several stakeholders, one of which is the Islamic banking sector. 3 Islamic commercial banks have decided to be ready to merge into one bank to increase the market share of Indonesian Islamic banking furthermore be able to compete beside conventional banking (Hasan, 2020b).

The statement of problems that will appear in this roadmap has a positive impact on the development of Islamic banking in Indonesia, especially with the merger of the 3 Islamic banks above. The implication of this research is that Islamic banking in Indonesia has a clear direction, especially in attracting customers and also increasing Islamic banking assets in Indonesia. The challenges facing the banking industry in the future are increasing, varied, and dynamic. These challenges mainly arise from the Covid-19 pandemic and the large-scale social restriction policies that have followed. In addition, there are a number of banking structural challenges that still have to be faced related to business scale and banking competitiveness as well as the rapid development of the digital economy and finance accompanied by changes in people's economic behavior (Hanafi, 2021).

After obtaining the results of the 2015-2019 sharia banking development roadmap, the OJK has decided to continue the 2020-2025 sharia banking development roadmap. After seeing the contents of the 2020-2025 sharia banking development roadmap, it turns out that the policy direction is almost the same as the 2015-2019 sharia banking roadmap.

As the focus of the 2015-2019 sharia banking roadmap, the Financial Services Authority (OJK) mentioned several issues hindering the growth of the Islamic banking industry, namely business models, IT, HR, as well as external literacy factors. All of the bottlenecks for the growth of this industry are things that are often mentioned and are not new (Kharisma, 2021). The problems above actually exist because there is no significant incentive that can motivate substantially all players in the Islamic economic ecosystem to address these issues (Kalsum, 2014) (Shamsudheen & Azhar Rosly, 2020). The novelty in this research is analyzing the roadmap that has just been released by the Government in 2021, the analysis of the Islamic banking roadmap is a new analysis researched by researchers using taxonomy techniques.

After the brief preface, the study designed essentially ensues: the following section analyses the literature review related to the study; research methods and data used in research; followed by the survey findings and analysis section, and the closing section concludes the study with a series of recommendations.

LITERATURE REVIEW

In the literature review, this research is divisible into three parts by the roadmap for the development of Indonesian Islamic banking for 2020-2025. The first installment explains the strengthening the identity of Islamic banking, the second part synergizing the Islamic economic ecosystem while the third part highlights the strengthening licensing, regulation, and supervision (Otoritas, 2020).

Identity of Islamic banking

During the last few decades, Islamic banking in Indonesia has developed quite well, such as an increase in the number of customers who conduct transactions in Islamic banking (Hasan, 2020c). The development is facing various challenges on various aspects theoretical, operational, and implementation (Abdulle & Kassim, 2015). Islamic banking still has not maximally made changes to the aspects of social order small community of market players to get to know each other, existence the role of kinship, ethnicity, and religious Sufistic ties that can provide trust and maintain stakeholder relations (Putra & Wijayanti, 2020).

The continuity of Islamic banking to this day has drawn many criticisms and underlying problems. The reason is that Islamic banking is often equated with conventional banking (Sa'id, 2020) (Foyasal, 2010). Another indicator is because Islamic banking is not yet capable reach all groups of society, also because it is no different from conventional banking. For that, we need a firm position Islamic banking in providing benefits and even concerns on issues of income inequality, poverty alleviation, and social justice (Hanefah et al., 2020) (Muhammad & Hilman, 2013).

The development of Islamic banking has not been so rapidly supported by technology services that are maximum for your needs short-range and long-range investments for the community. The lack of sharia banking products and services, apart from being profit-oriented, has to be socially oriented. Islamic banking has not taken too seriously to maintain its in-depth identity as an Islamic Bank, including by using social funds for even greater development (Hasan, 2021b) (Utomo et al., 2020) (Hasan, 2021b). The reality is shown with the practice and enforcing business segmentation particularly focused on city regions. Meanwhile in rural areas which found in many people with low income, (poor) has not been touched maximally (Abdulle & Kassim, 2015).

Islamic banking as a financial institution that upholds its ethical values in business provides the best interests by providing a level of satisfaction to the stakeholders (stakeholders). Ethical values incorporation and business are an inseparable unit. Where religious norms revise economic systems and laws as a code of ethics and discipline that is applied to solve moral problems in the business world (Antonio & Nugraha, 2013). Thus, management effectiveness, ethical identity (Islamic banking) could strike performance in achieving the performance expected by the company (Berrone et al., 2007).

The Previous literature formulated three main dimensions that indicate corporate identity, namely communication, visual image, and behavior (van Riel & Balmer, 1997). Communication is made by the company through the provision of information or the publication of various reports, such as financial reports, annual reports, sustainability reports, and others. Communication is also a way for companies to show transparency towards stakeholders.

The identity of a sharia banking company is certainly different from the identity of a conventional banking company, including the information disclosed in the annual report. Meanwhile, according to

(Sholihin et al., 2018), the five features of the information distinguish the ethical identity of Islamic banking from the ethical uniqueness regarding the organization in general, including; the underlying theory and implications, a prerequisite of usury-free products and services, the agreement based on Islamic rules and principles, concentrate on improvement and social purposes and compliance with the Sharia Supervisory Board (DPS).

In the research of (Rahmat & Nurzaman, 2019), eight dimensions of ideal ethical identity should be formulated in the annual report of Islamic banking, namely

- (1) concept and purpose statement;
- (2) information on the council of directors and top surveillance;
- (3) products and services;
- (4) zakat; alms and qardh hassan;
- (5) commitment to workers;
- (6) the commitment to borrowers;
- (7) the commitment to community;
- (8) information on the Sharia Supervisory Board (DPS).

The relationship between ideal ethical identity disclosure and financial performance of Islamic banking has not been discussed, especially in each dimension of ethical identity. Meanwhile, research on the influence of ethical identity on financial offering conducted by shows that corporate moral integrity has a, directly and indirectly, positive effect covering economic performance. Nevertheless, have not included financial institutions, especially Islamic banking. Additionally, the scope of ethical identity from research is different from the ideal ethical identity of Islamic banking. Thus, it raises the problem of whether the ethical identity disclosed by Islamic banking is also related to financial performance.

The research was conveyed by (Zaki et al., 2014) who tried to test the effect of ethical identity disclosure on Islamic banks in Asia by taking a sample of the best bank for each country. The results show that only two of the eight dimensions of ethical identity affect financial performance. Though, the study conducted by (Zaki et al., 2014) only took 9 samples of Islamic banks in Asia where the results were not sufficiently representative. Besides, the research uses a representation of Islamic banks of various countries which allows for differences in the structure regulations of the banking scheme.

Based on the results of the publication in the Daily Republika in 2012, who have analyzed the findings of (Hanafi, 2021) have provided arguments about the best bank in the country of Asia according to Asiamoney (2011) and the bank has published an annual report on their website in English for five consecutive years (2006-2010). Based on these criteria, there are seven compliant Islamic banks, namely “Al Baraka Banking Group (Bahrain), Bank Syariah Mandiri (Indonesia), Kuwait Finance House (Kuwait), CIMB Islamic Bank (Malaysia), Meezan Bank (Pakistan), Qatar Islamic Bank (Qatar), Al Rajhi Bank (Saudi Arabia)”.

Based on the findings above, it appears that Islamic banks communicate more ethical identity about commitment to debtors and communicate very little about their vision and mission. This is so surprising because this communication about the vision and mission should be highlighted (Noordin & Kassim, 2019). This vision and mission are what differentiates between Islamic banks and conventional banks (Mohamed Saeed et al., 2021). Meanwhile, research from (Nastiti & Kasri, 2019) on the corporate ethical identity index added that Islamic banking in Indonesia must further enhance and prioritize zakat, alms, and virtue loans as core business products in facing the challenges of financial globalization and free markets. To improve public trust in the presence of Islamic banking in Indonesia. Figure 1 some corporate ethical identity index in Islamic bank Indonesia.

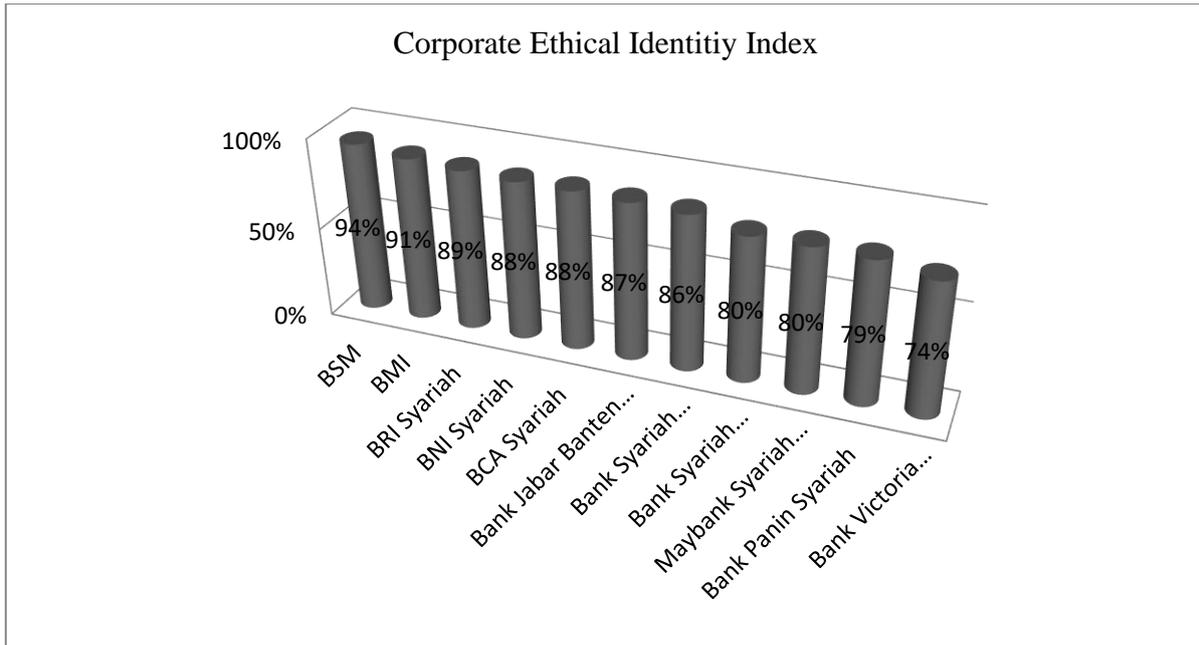


Figure 1. Corporate ethical identity index

Islamic economic ecosystem

The Islamic economic system is the mother of all activities and an economic model with Islamic sharia dimensions (Omar Mohammed & Md Taib, 2015a). Because as a system, in addition to carrying values, principles, direction, and goals that must be well understood by economic actors and related parties in sharia-based economic operations, it must also be applied in reality to economic models as a translation real value, principles, direction, and purpose. Herein lies the fundamental difference within the Islamic economic method and the conventional economic method, both capitalistic and interest-based socialism (Hasan, 2020a).

Sharia economy is a just people's economy, is not it actualizing a conglomerate economy as well as a capitalist economy that is oriented towards investors/shareholders. Nor is it an authoritarian economy like a socialist economy that is oriented towards absolute government policies in regulating all sides of economic life (Rahman & Anwar, 2014) (Ramli, Majid, Muhamed, & Yaakub, 2014). The Islamic economic system recognizes multi-type ownership, in contrast to the capitalist or socialist economic systems. In terms of ownership, the prevailing capitalist economic system is private/private/investor ownership, then the prevailing socialist economic system is state ownership, whereas in Islam various forms of ownership, both private and state keep it recognized. However, to ensure justice, then strategic production branches can be controlled by the state (Omar Mohammed & Md Taib, 2015b).

Islamic economy is a characterized economy with justice by the equity of production, distribution, and consumption. The crisis can be overcome if the economic concept is Islamic, the economic actors are Islamic, and Islamic work culture. This is because Islam is *rahmatan lil 'Alamin* (mercy for all nature) and Islamic economics (sharia economics) are *rahmatan Lil' Alamin* economies which are also full of values (ethics, morals, morals, and faith) that surround them as a process towards prosperity and prosperity. Islamic economics rejects the practice of *maysir* (gambling) transactions, *gharar* (obscurity), haram, usury (interest in money), and transactions that are falsehood (Mohammad, 2019). In Islamic economics the prevailing theory is the Economic Value of Time not the Time Value of money like conventional economies, this implies that the function of money in Islamic economics is only a measure of price and a medium of exchange, not as a commodity (Abdullah, 2017).

According to (Zulfikar, 2020). Islam views economic growth while the majority of social development, which is process material need support religious culture. Several important goals must be prioritized, such as creating employment opportunities, economic stability, overall justice, and concern for

the surrounding environment. Concerning the issue of population restraint, Hasan perceived that it is inseparable from the Sharia standards included in the Maqhasid Sharia. Meantime, a different prospect is present (Ali, 2020). Following Ibn Khaldun's theoretical approach, he explained that the ideal economic progress is to meet all the primary needs of mankind and dematerialization. On the contrary, the appearance of extreme exhaustion, ethical pollution, and economic desire are early indicators of the downfall of culture.

In the Islamic economy, entrepreneurship is highly encouraged. The same applies to the most advanced technology, economic growth and ownership are not differentiated. That is there is no intrinsic contradiction between Islamic values and the development of the values economics wants. (Ros Aniza & Abdul Rahman, 1997). Even though various emerging countries are predominantly Muslim nations. This article then intends to see the economic concepts and theories of development based on the angle. From an Islamic economic way of looking at it, here are the suitability and differences described in Islamic and conventional economic theory. This adds to the repertoire of science (Benaicha, 2020).

In various kinds of literature on Islamic economics. Islamic economics views that economic growth is part of economic development. Economic growth is defined by: "*a sustained growth of a right kind of output which can contribute to human welfare*" (continuous growth of production factors that are capable of contributing properly for human welfare). Based on this definition, economic growth according to Islam is value-laden. An increase experienced by a factor of production is not considered economic growth if the production is for example include items that are proven to have a bad effect and harm humans (Hasan, 2021a). Based on these two basic characteristics, then development economics analysis can be a part of economics that proposes to dissolve the predicaments encountered by emerging countries and discover methods to solve those obstacles so that these countries can improve their economies further rapidly. In its development, the experts provide an understanding or limitation of development economics based on this background.

Economic growth according to Islamic economics is not only related to the increase in goods and services but also related to aspects of morality and moral quality as well as the balance between worldly and *ukhrawi* goals (Hapsoro et al., 2020). The measure of the success of economic growth is not only seen from the point of view of material achievements alone or the result of quantity, but also in terms of the improvement of religious, social, and social life (Rozzani & Rahman, 2013); (Salma Sairally, 2013). If the economic growth that occurs triggers backwardness, chaos and is far from the values of justice and humanity, then it is certain that this growth is not following the Islamic economy (Saefurrahman et al., 2017). Several factors will affect economic growth, these factors are:

- (1) Invisible resources;
- (2) Human resources and entrepreneurship;
- (3) Technology (technology).

Islamic economics sees that the factors above are very important and desirable in achieving economic growth.

Licensing, regulation, and supervision

In the blueprint for the advancement of Islamic banking, it is stated that the objectives of Islamic banking are the realization of a competing, dynamic, and prudent Islamic banking scheme that satisfies the principles of wisdom and can boost the actual area in practical cycles within profit-sharing based financing activities and real activities inside the structure of regulation, (Nastiti & Kasri, 2019) (San-Jose & Cuesta, 2019), and towards goodness to achieve the benefit of society. In other words, the aim of developing sharia banking in the future is to create sharia banking that can support the creation of a strong economy so that prudential banking regulations are needed so that the business can always develop and positive contribution to society (Kantakji et al., 2018).

To that end, Bank Indonesia as the central bank has the authority and obligation to guide and supervise all banking activities. The objectives of banking guidance and supervision by Bank Indonesia cover four aspects, namely as follows :

- (1) Capability to License;
- (2) Capability to Organization;
- (3) Capability to Control;
- (4) Authorization to Force Sanctions

A large number of cross-sectoral problems in the monetary aids division, which involve moral hazard effects, the inadequate protection of financial service consumers, furthermore the splitting of financial policy stability have more prompted the need for the enterprise of a combined supervisory institution in the monetary services segment (Puneri et al., 2020) (Nastiti & Kasri, 2019). In connection with the foregoing, it is required to rearrange the organizational formation regarding companies that carry out managerial and supervisory duties in the field of monetary aids, which include banking, wealth exchanges, assurance, grant funds, financial institutes, and other financial service. Accordingly, on 22 November 2011, Regulation Number 21 of 2011 concerning the Financial Services Authority was passed.

The Financial Services Authority is a self-governing organization and independent from intervention by other parties, which has the authority to regulate, supervise, examine and investigate financial service institutions (Kasri & Yuniar, 2021). Institutionally, the Financial Services Authority is outside the government, indicating that the Financial Services Authority is not an element of the government's control (Tyler et al., 2020).

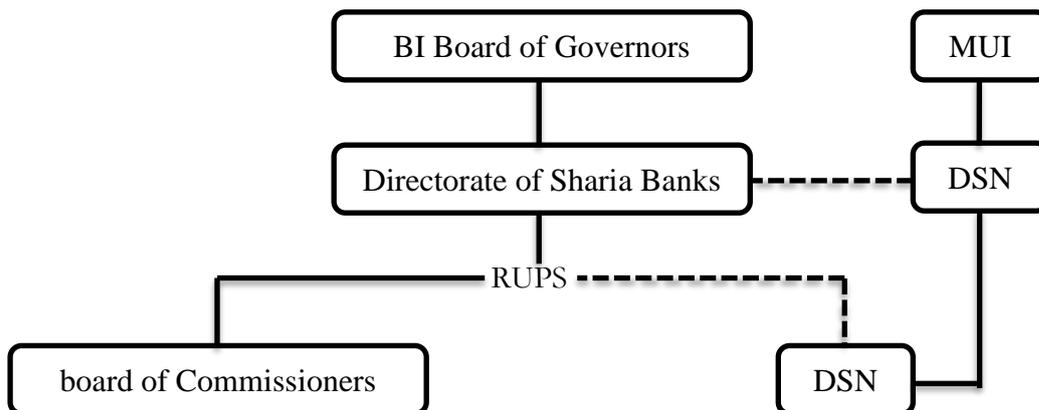


Figure 2. Relationship between MUI, DSN, DPS and Islamic banks

The Financial Services Authority established with the aim that every activity in the financial services sector carried out correctly, open, direct, and accountable way; capable to achieve a financial arrangement that raises sustainably and stably; and ready to preserve the interests of clients and community (Kasri & Yuniar, 2021).

Surveillance of Islamic banking started to be carried out finally by the Financial Services Authority on January 1, 2014. The Financial Services Authority has the authorization to:

- (1) Regulation and surveillance of Islamic bank institutions:
 - a. Licensing as the enterprise, the availability of offices, reports regarding participation, professional programs, ownership, superintendence, including human resources, alliances, consolidations, and acquisitions, as well as business license revocation;

- b. Banking activities, including sources of funds, procurement of funds, various products, and activities in the service division.
- (2) Regulation and supervision regarding the health of Islamic banks:
 - a. Liquidity, profitability, solvency, asset condition, smallest capital adequacy ratio, highest credit limit, credit to savings ratio, including assets;
 - b. Reports associated with health and achievement;
 - c. Debtor information system;
 - d. Credit testing;
 - e. Accounting criteria.
- (3) Regulation and surveillance concerning the prudential appearances of Islamic banks:
 - a. Risk superintendence;
 - b. Management;
 - c. Principles of knowing customers and anti-money laundering;
 - d. Inhibition of funding terrorism and banking offenses.
- (4) Inspection of Islamic banks.

Regulation and surveillance of institutional, wellness, prudential appearances, and Islamic banking inspections are the range of macroprudential guidance and surveillance, which is the commitment and authorization concerning the Financial Services Authority (Alisjahbana et al., 2020). The field of macroprudential regulation and surveillance, namely control and guidance other than the undertakings set out above, is the duty and authority of the Bank Indonesia.

The essential element that differentiates Islamic banks from conventional banks is the being of a Sharia Supervisory Board (abbreviated as DPS) which is independent and has an equal position with the board of commissioners. The responsibility of DPS is to supervise Islamic banks which commit to the Fatwa of the National Sharia Council (abbreviated as DSN) as well as sharia norms regarding bank operations, Islamic bank products, and management morals.

RESEARCH METHODOLOGY

This study adopts a qualitative research methodology, which combines survey and content analysis. Therefore, it is structured according to the contents of the 2020-2025 Indonesian Islamic banking development Roadmap and the previous 2015-2019 roadmap. The primary data required by the author is in the form of data collection on Islamic banking in Indonesia, and secondary data required by the author is the content of the 2015-2019 and 2020-2025 Indonesian Islamic banking roadmap.

In addition to data from the Financial Services Authority, it is also assisted by data from the Ministry of National Development Planning / National Development Planning Agency on the 2019-2024 Indonesian Sharia Economic Master Plan.

The flow outlined in Figure 3 presents a description of whence the qualitative research process can be visualized.

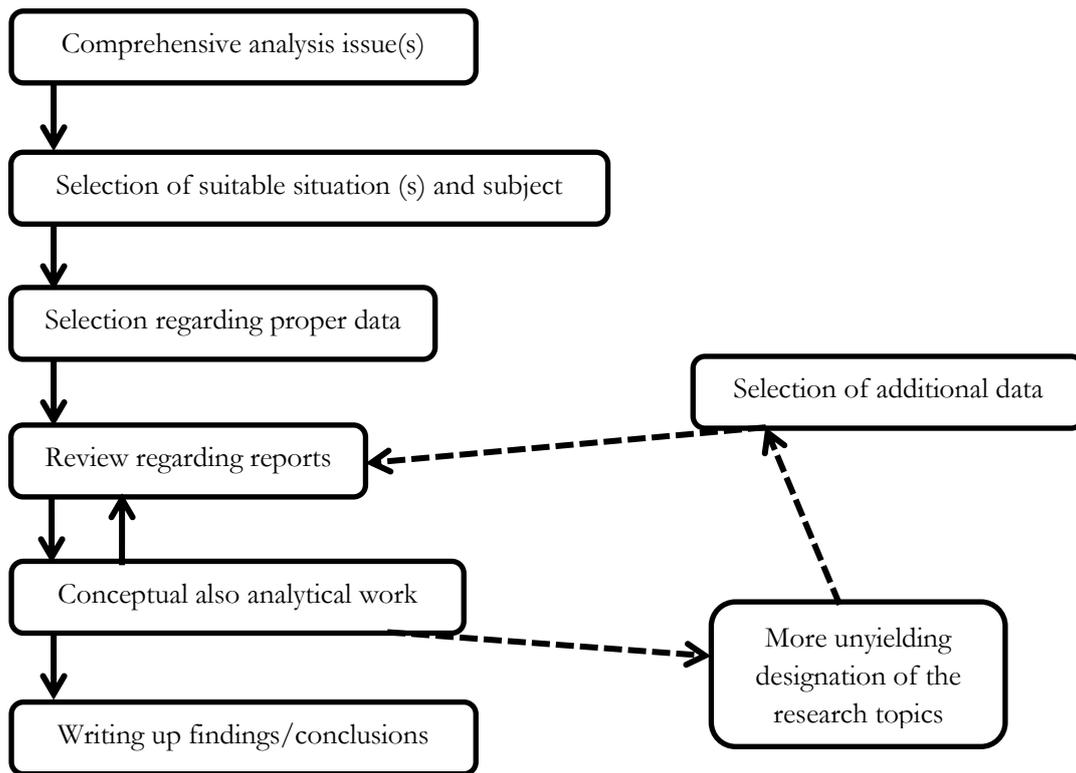


Figure 3. A representation regarding the principal moves of qualitative research in this journal

The data collection method uses the 2015-2019 and 2020-2025 Roadmap. Initially, the authors looked at the 2020-2025 Indonesian Islamic banking development Roadmap. However, the authors succeeded in compiling a Roadmap before 2020, namely the 2015-2019 Roadmap. The content of this roadmap is not much different from the government's goal of making Indonesia a new power in the field of Islamic economics.

Library studies are also self-managed and have several advantages when combined with qualitative methods because researchers have the opportunity to clarify and understand the contents of the roadmap to be studied. This also allows the researcher to motivate other researchers to research the same research.

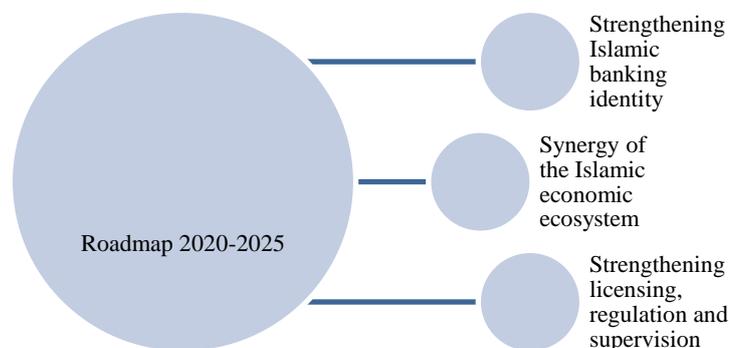


Figure 4. Taxonomic analysis

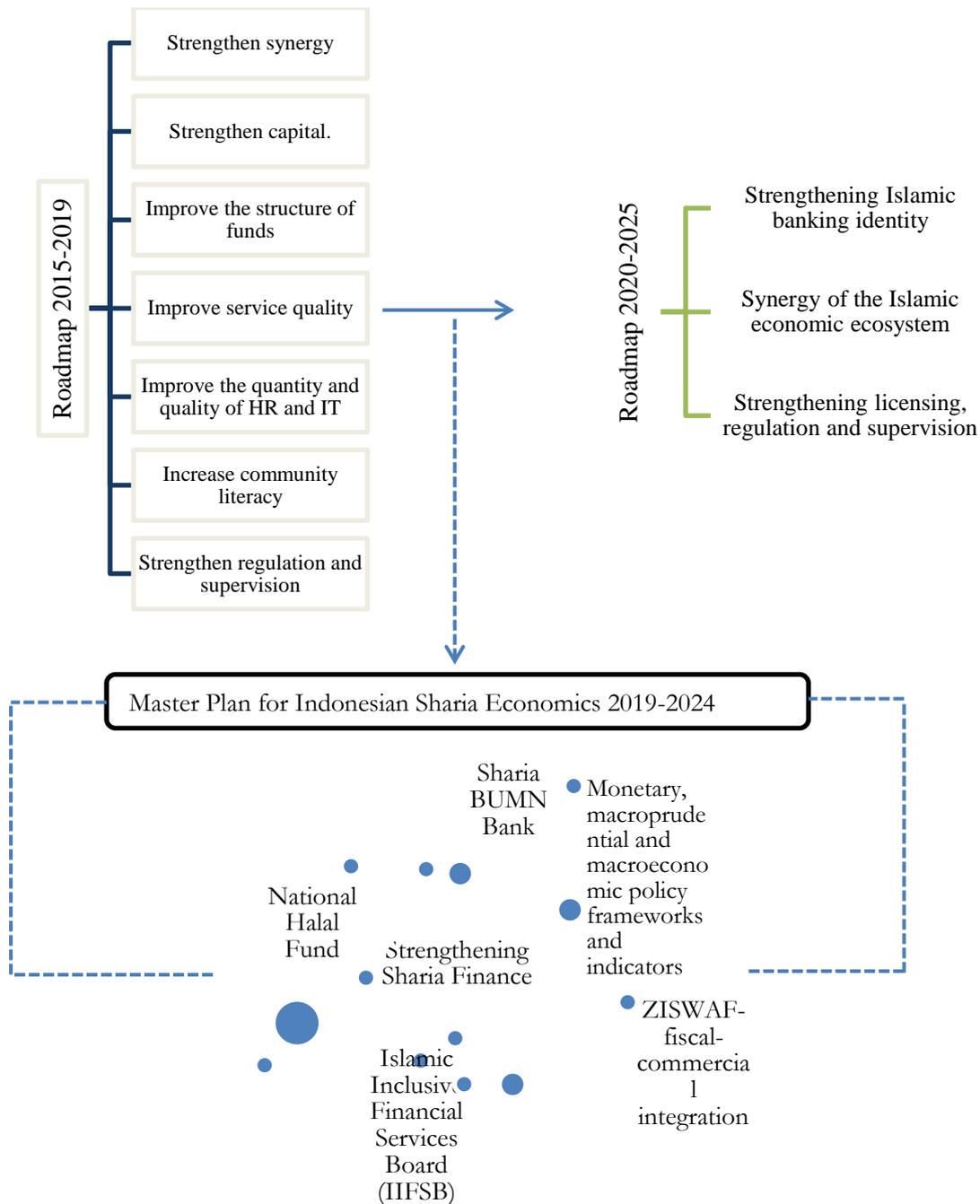


Figure 5. Sources of data analysis

Taxonomy Analysis

At the analysis stage taxonomy, researchers attempt to explain some fields according to the focus of the intricacy or study objectives. Every domain starts to explain in-depth and divided inside sub-domains, including these sub-domains are further divided feather toward extra specific elements continuously nothing remains. At this stage of the analysis, the researcher can investigate related fields and sub-domains within a deliberation amidst library substances to get a wider perception. This analysis not only explains in general terms but also focuses on certain domains that are useful for describing the research objectives that have been formulated. Data collecting is taken out continuously for investigation, in-depth discussions, and documentation so that the data solicited becomes large. This stage requires a taxonomic analysis. The

taxonomic analysis is an analysis of each data received based on planned domains. The results can be present in the scheme of association pictures, line charts, and links.

FINDINGS AND ANALYSIS

The direction of development of Islamic banks that had previously been set out in the 2015-2019 Bank Syariah Indonesia Roadmap has ended. To continue the direction of the development of Islamic banks, taking into account various strategic issues, opportunities, and challenges, the roadmap for the development of Bank Syariah Indonesia from 2020 to 2025 is tough. Created with the vision of realizing a Sharia Bank that is highly resilient, competitive, and makes a significant contribution to economic and social development. The development direction of Islamic Banks is regulated by several political guidelines. Both national external policies such as the National Medium-Term Development Plan (RPJMN) 2020-2024 and the Master Plan for Islamic Economy and Finance 2019-2024 in Indonesia. OJK's internal guidelines are the Master Plan and Roadmap for the Indonesian Financial Services Sector: Development of Indonesian Banking (RP2I). As part of the RP2I, this roadmap is a strategic step for OJK to align the direction of sharia economic development in Indonesia, particularly in the sharia financial services industry in the sharia banking sector.

An example of a country that has succeeded in building more advanced Islamic banking is Malaysia. Malaysia is the fastest growing country in the Islamic finance industry, especially Islamic banking. The Islamic banking system in Malaysia has received various recognitions and has become a reference for other countries. Just like the Islamic banking roadmap in Indonesia, Malaysia has also taken steps to strengthen banking institutions in Malaysia, such as: Financial Sector Plan 2011-2020. In strengthening Islamic banking institutions, the Malaysian government has provided a financial sector plan for a period of 10 years namely 2011-2020. Although Malaysia has achieved some major successes in its efforts to become an international Islamic financial center, efforts continue to improve the ecosystem. Islamic finance. Islamic Financial Services Act 2013 The Malaysian government also introduced the Islamic Financial Services Act 2013 to replace the previous separate Islamic finance acts. The new Act which came into force on 30 June 2013 is the culmination of Malaysia's efforts modernize the laws regulating the conduct and supervision of Islamic banking and financial institutions in Malaysia. (Ismail, Rosland, Mohamad, & Ahmad, 2015). The researcher analyzes that the Indonesian government has taken proactive steps so that Islamic banking in Indonesia can play an important role in the national economy. With this roadmap, Islamic banking in Indonesia places more emphasis on the digital technology industry to create competitive and efficient Islamic financial institutions, in addition to encouraging the development of the Islamic economic and financial ecosystem by synergizing in facilitate the development of the halal industry.

This section is the core of a journal dedicated to giving findings on the analysis of the roadmap for the development of Islamic banking in Indonesia 2020-2025.

Stengthening Islamic banking identity

As the most basic Islamic banking identity, Islamic values are something that must be applied in all aspects of Islamic banking, both from an operational and a source perspective human power. A more comprehensive application of sharia values will make the identity of Islamic banking more integrated, professional, and disciplined in the eyes of the public. In terms of product development, sharia banking will be encouraged to continue to create new products that are unique to sharia as a form of differentiation of the sharia banking business model in the banking industry.

The paradigm of innovative and creative product development is one of the important factors that industry players and regulators must have to create unique products so that they can become the first choice of society. Besides, several matters related to strengthening capital and efficiency are fundamental things that must be continuously improved to continue to improve competitiveness and resilience in the midst of post-pandemic economic uncertainty.

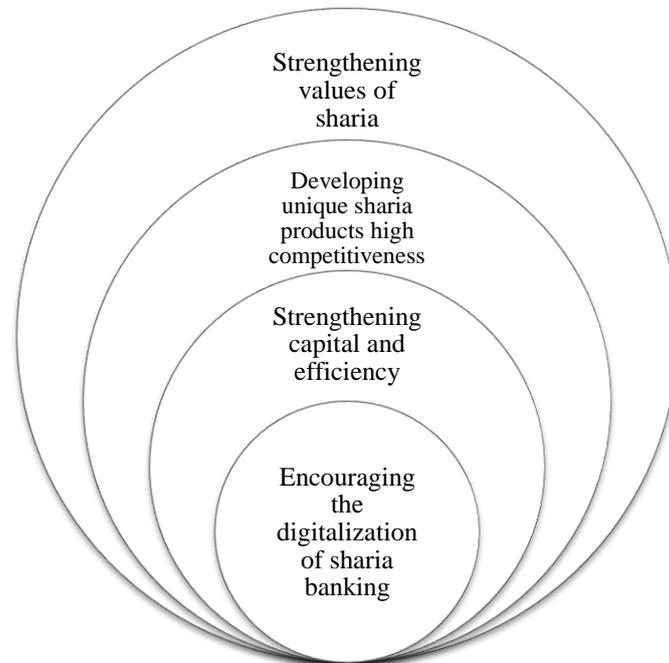


Figure 6. Strengthening Islamic banking identity

Strengthening values of sharia

That can see from the side of banking operations with human resources. The operational side of banking can see clearly from the aspect of raising and distributing funds. Islamic banking follows all the rules in terms of collection and distribution of funds to the public through, the fatwas of the National Sharia Council and following the directions of the Sharia Steering Committee. Besides, Islamic banks can also assemble human capitals starting of funds *waqf* and distribute them to the *waqf* handler (*naẓīr*) according to the wishes of the waqf donator (*wakīf*). Sharia banking can also cooperate with zakat, infaq, and sadaqah collection institutions such as BAZNAS and LAZNAS in addition to other institutions such as E-Commerce which are currently developing their business in the religious sector. The prohibition on obtaining opinions employing usury has pushed the intermediary function of banks as lenders to switch to other functions that are not contradictory.

Developing unique sharia products high competitiveness

The Financial Services Authority will continue to encourage all Islamic banks in Indonesia to continue to innovate banking products. Here it takes courage and creativity from all players in the Islamic banking industry and policymakers to create unique, superior, and competitive Islamic banking products. Islamic banking products that cannot be applied to conventional banking are one of the advantages over Islamic banking that need to be developed. When Islamic banking succeeds in making new products that comply with sharia and are of interest to the public, the government, through the Financial Services Authority and Bank Indonesia, should provide an appropriate reward such as awards. Apart from that, Islamic banking

which has the best performance in the field of fund collection and distribution can be awarded awards to encourage other Islamic banks to be motivated to perform their best not only at the national level but also internationally.

Strengthening capital and efficiency

Increasing the competitiveness of Islamic banking requires capital for product development and intensive marketing from the Islamic banking sector. Additional capital is also devoted to strengthening capital for Islamic Commercial Banks (BUS) and Sharia Business Units (UUS) through banking consolidation. Speaking of consolidation, the government has taken quite a bold step to merge 3 Islamic commercial banks into 1 bank. PT. Bank Syariah Indonesia is courageous and a step that is quite good in the environment regarding Islamic banking in Indonesia. Besides, the government through the OJK has issued regulations to strengthen the capital of BPRS (Sharia Rural Banks) through the obligation to strengthen the minimum core capital that must be met. Because the BPRS is also an institution that can assist the development of a region.

Encouraging the digitalization of sharia banking

In this increasingly sophisticated technology era, Islamic banking is required to continue to develop technology infrastructure so that it can compete with conventional banking. In addition to serving customers to make it faster, more comfortable, and better. For example, the use of technology for Mobile Banking services, Mobile banking is very much needed to accelerate innovation such as not only focusing on Islamic banking transactions but also more broadly such as electricity payments, credit purchases, water bill payments, and so on. This is very necessary so that the strength to increase customers in Islamic banking is increasing and the public is increasingly interested in saving at Islamic banks. Technology is indispensable to increase the capacity of Islamic banking in the international arena because the flow of money in the international world develops more rapidly when other countries already have qualified technology in Islamic financial transactions. Indonesian Islamic banking is needed to take golden opportunities like this to improve service to customers.

Synergy of sharia economic economy

The halal industry, Islamic financial services, Islamic social finance, and the religious sector are the four main sectors in a sharia economic ecosystem. The Islamic economic ecosystem is a forum that can facilitate these four sectors by connecting economic activities with Islamic financial transactions that occur in the ecosystem. Synergy and integration of all elements in this ecosystem are needed so that all financial activities in the Islamic economic ecosystem also use Islamic financial services. Islamic banking is being sued to be able to provide sharia financial products and services high competitiveness to satisfy the demands of financial services in the Islamic economic ecosystem. Based on the roadmap issued by the OJK, there are five important points to increase synergy in the Islamic economy through Islamic banking, namely (Otoritas, 2020).

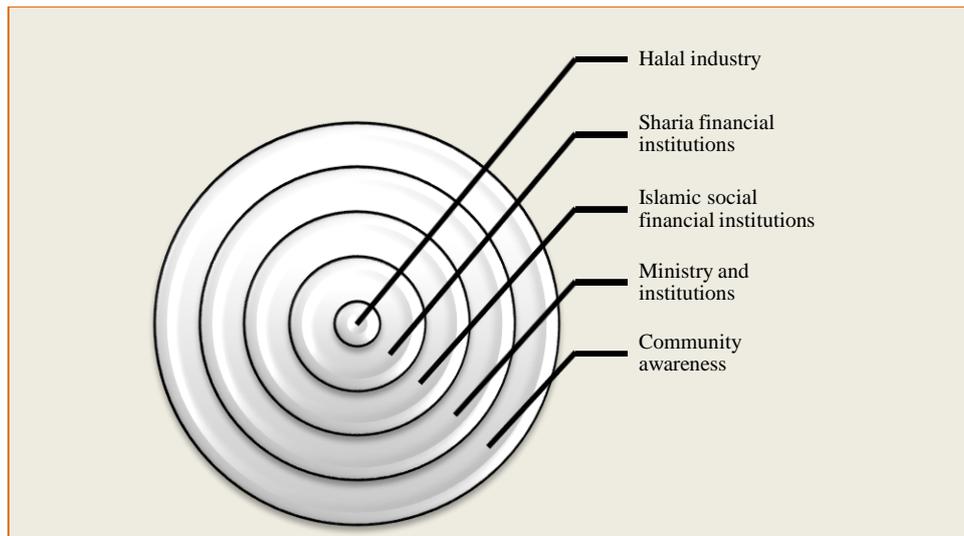


Figure 7. *Synergy of sharia economic economy*

Halal industry

The world's halal industry is growing every year, and it is a pity when Indonesia cannot take this good opportunity to develop the halal sector in the country. In some countries, the halal sector has become the main source of income in the country, such as halal tourism, halal food, and so on. 2020 is the year when the COVID19 pandemic attacks the world, here the tourism sector is hit hard enough because of the lockdown of all countries in the world to travel. But on the other hand, the halal sector does not only focus on halal tourism but many other sectors such as fashion, cosmetics, food, pharmaceuticals, and so on. The author thinks that the halal sector can still be developed even more even though during the COVID19 pandemic that hit Indonesia. When we associate it with Islamic banking, Islamic banking has an important role to provide capital loans or provide financing to halal industry players in Indonesia by providing easy terms and disbursements. However, Islamic banking implements a financing process that remains following the guidance of the Financial Services Authority and Bank Indonesia, in addition to the central government providing stimulus assistance to industries affected by COVID19.

Sharia financial institutions

Synergies with Islamic financial institutions are not only with other Islamic banks, however including Islamic non-bank financial such as the capital market, fintech, and companies engaged in finance. The synergy is very necessary to expand the reach of Islamic banking in encouraging the acceleration of the development of Islamic banking to all corners of Indonesia. Also, the payroll system and worker bonus payments can be done through Islamic banking, so that the level of public literacy towards Islamic banking can increase.

Islamic social financial institutions

Just like cooperation with non-bank Islamic financial institutions, synergy with social institutions or charities is also very necessary. Like sharia banking in collaboration with BAZNAS or LAZNAS in the collection and distribution of community zakat funds, besides, BAZNAS or LAZNAS can provide socialization to the public about the large potential infaq and sadaqah zakat in the country.

Ministry and institutions

The roles of ministries and institutions can also have a pretty good impact on the Islamic banking industry. Researchers can analyze, for example, the payroll of ministry employees and workers who are not only centralized in the central government but also local governments. Appealing to all ministries, both central and regional, to open accounts in Islamic banking, is also a good strategic step to increase public enthusiasm for saving in Islamic banking. Besides, ministries and institutions can include Islamic banking in every activity and project at the ministries and institutions. Thus, people's literacy towards Islamic banking is getting better.

Community awareness

Public concern also has a good impact on Islamic banking. The role of Islamic banking by providing socialization to the Islamic banking brand also plays an important role in campaigning for Islamic banking. Islamic banking can collaborate with community organizations, schools, and universities to make socialization and seminars on banking. The literacy of Indonesian society towards Islamic banking is quite low if matched to conventional banking, this is a task that needs to be carried out considering that Indonesia is the biggest Muslim nation on the earth.

Strengthening licenses, arrangement and supervision

The transformation to sharia banking, which has product differentiation, strong capital, and good governance, of course, requires a lot of changes in business processes and management. the organization, as well as capital. Business model and product innovation will be more intensive to be able to provide added value and uniqueness of Islamic banking in society. There is a need for a licensing, supervision, and regulatory system that puts forward sophisticated technology. These are all steps to accelerate Islamic banking to be more recognized by the performance of the Indonesian economy. The main focus in strengthening licensing, regulation and supervision in this roadmap can be seen in Figure 8 below (Otoritas, 2020).

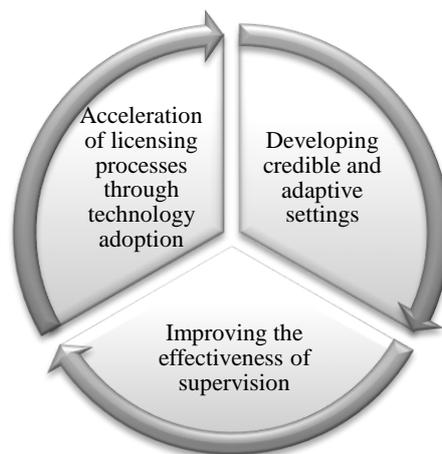


Figure 8. *Strengthening licenses, arrangement and supervision*

Acceleration of licensing processes through technology adoption

Information technology (IT) is currently a fundamental tool needed for all activities, especially activities related to business processes. The licensing process is a series of business processes that require evaluation at each process line to provide the best output. The adoption of licensing technology is needed to improve the performance of Islamic banking, which initially still applies traditional processes, but must be improved towards the use of sophisticated technology. Besides, the Islamic banking sector must make more transactions towards the real area also the philanthropic area in the industry to get a proportion during society as consumers.

Developing credible and adaptive settings

OJK has an essential purpose in providing regulation credible and adaptive for the Islamic banking business. The development of technology and the increasingly dynamic business world requires the Islamic banking industry to be better prepared to face changes. For this reason, regulations are needed that can support the development of Islamic banking amid potential disruption that will occur while maintaining stability and resilience. Sharia banking needs to align Islamic banking policies with central government policies where the outcome of the alignment can produce the best performance in the fields of each division.

Improving the effectiveness of supervision

Technology-based supervision or what is known as supervisory technology is the main agenda for OJK to develop banking supervision. Islamic banking is urgently required to develop technology-based supervision that makes it easier for Islamic banking to supervise every customer's financial transaction. For example, Islamic banking can build an integrated technology system for opening savings accounts, time deposits, and current accounts. OJK must also be able to supervise every movement in Islamic banking, BPRS, and UUS. Besides, Islamic banking will continue to follow international standards in banking supervision to carry out its duties and responsibilities comprehensively.

CONCLUSION

This study presents the survey findings regarding the 2020-2025 Islamic banking development roadmap. However, the aforementioned is not an exhaustive list. Other potential events may not be covered in the study.

The results of the analysis that has been made by researchers with literature development and data analysis in a qualitative and taxonomic manner, found that the roadmap for the growth of Islamic banking in Indonesia is almost no different from the 2015-2019 roadmap. The use of integrated technology is one of the vital points to improve the performance of Islamic banking in Indonesia. PT. Bank Syariah Indonesia is the result of synergy and hard work of the government to make Indonesia the mecca for the world's sharia economy. PT. Bank Syariah Indonesia is not only standing that does not build with regulations and roadmaps, it is to tighten the performance of Indonesian Islamic banking, so the government continues the previous 2015-2019 roadmap to the 2020-2025 roadmap.

Three important points in the 2020-2025 roadmap, the government has a focus on improving the character of Islamic banking in Indonesia, the synergy of all sharia economic stakeholders, including fellow Islamic banking, non-bank Islamic financial institutions, various social institutions, ministries, institutions,

the halal industry, the world of education. etc. And finally, the strengthening of licensing, supervision, and planning to make Islamic banking in Indonesia better and able to compete with conventional banking.

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