

Strategy To Accelerate Islamic Banking Development In Indonesia: An Analytic Network Process Approach

Lina Marlina^{1*)}, Kartawan²⁾, Trisna Wijaya³⁾, Annas Syams Rizal Fahmi⁴⁾
^{1,2,3,4)} University of Siliwangi, Indonesia

*Corresponding Author
Email: linamarlina@unsil.ac.id

Abstract

The Islamic banking sector is a fundamental pillar in shaping the trajectory of Indonesia's Islamic industry, fostering sustainable economic growth. As a financial institution, it facilitates capital flows and significantly contributes to national economic growth. This study aims to analyze strategies for the development of Islamic banking in Indonesia using the ANP method, addressing the research gap on this topic and responding to the urgent need for strategies to enhance the Islamic banking industry in Indonesia. This research uses the Analytic Network Process (ANP) method, which is based on three basic principles: complexity structuring, measurement, and synthesis. The results of this study can be concluded that the strategy of accelerating the development of the Islamic banking industry in Indonesia using the ANP method, focusing on the problems of human resources, regulation, product innovation, and low public literacy. The main strategies include increasing Islamic banking literacy, developing the quality of human resources and infrastructure, and diversifying products according to market needs. Policy recommendations include comprehensive training for human resources, coordination of regulatory institutions, digital product innovation, and public education on the advantages of Islamic banking.

Keywords : *Analytic Network Process (ANP), Indonesia, Islamic Banking Development*

INTRODUCTION

The banking sector plays a vital role in promoting economic growth and development by facilitating the flow of capital and liquidity in the market (Berger et al., 2020; Zavadska, 2020). Similarly, the Islamic banking, a fast-growing segment of Indonesia's financial industry, plays a significant role in the economy by adhering to Islamic principles and contributing to both financial performance and economic progress. Unlike conventional banks, Islamic banks generate profits through equity participation, where borrowers are required to share their profits with the bank instead of paying interest. Islamic banks differ from conventional ones by generating profits through equity participation, where borrowers share profits with the bank rather than paying interest (Hussain et al., 2016).

In recent years, Indonesia's Islamic banking sector has experienced significant growth and development, demonstrating substantial potential, with a rapid expansion of assets and branches alongside those of conventional banks (M. Anwar et al., 2020). According to (Widyarini & Hadi, 2021), during the pandemic, Islamic banking contributed 24% of total assets, 4% of third-party funds, and 7% of financing to economic growth. Moreover, the progress of the Islamic banking industry is closely linked to the activities associated with the halal industry. This connection is evident in the intermediation role of Islamic banks, which plays a crucial part in promoting the halal industry. By offering specialized services, Islamic banks further boost the halal industry's development in Indonesia (Nyoman, 2023).

This aligns with Goeltom's (2009) view that Islamic banking contributes meaningfully to the growth of the real sector, given its connection to tangible economic activities. The growth of Islamic banking has also intensified competition within the financial sector, as local banks strive to expand their asset base through mergers and acquisitions. This heightened competition has led to improvements in the quality of banking services and a broader range of Islamic banking products (Syarifuddin et al., 2022). Additionally, the development of Islamic banking in

Indonesia reflects the society's growing demand for a financial system that offers healthy and Islamic-compliant products and services (Syarifuddin et al., 2021). Consequently, it can be concluded that the expansion of Islamic banks continues to exert a positive influence on national economic development, accompanied by ongoing enhancements in the quality of products and services (Syarifuddin et al., 2021).

However, the development of Islamic banks in Indonesia still faces several challenges. (Trianto et al., 2021) identify key obstacles, including a lack of awareness about Islamic finance, institutional and operational difficulties, and unequal competition with global conventional banks. (M. Anwar et al., 2020) further highlight additional challenges, such as the difficulty of ensuring compliance with Islamic law while operating within a predominantly conventional banking sector, the complexity of Islamic financial instruments that can hinder banks in their development and effective implementation, and the need for equity-based financing.

(Hasan, 2023) identified several challenges hindering the development of Islamic banks, including: 1) the diversity of Islamic boards and assessments, which can result in a lack of uniformity across products, causing uncertainty among clients; 2) the rising demand for high-quality human resources in Islamic banks, making it difficult for these institutions to find sufficiently skilled and qualified staff; and 3) governance challenges, particularly in ensuring compliance with Islamic principles and establishing a framework to assure investors and stakeholders. (Ghoniya & Hartono, 2020) further explain that the scarcity of Islamic financial instruments can weaken the transmission of monetary policy and often forcing Islamic banks to maintain higher liquidity levels. Ensuring the financial stability of Islamic banks is crucial, as these banks must carefully balance risk and profit while adhering to Islamic principles.

To facilitate the development and the growth of the Islamic banking industry, several factors must be considered, including establishing a robust legal and regulatory framework that supports the sector's expansion while ensuring compliance with Islamic principles. Additionally, investing in essential infrastructure, such as digital platforms and financial markets, is essential to support the continued development and expansion of Islamic banks (Hasan, 2023). Other strategies include focusing on the development of halal products and services, enhancing the regulatory framework and governance practices to build public trust, implementing favorable tax policies to level the playing field between Islamic and conventional banks (Stefany & Hilwa, 2024), developing human resources, adopting better and more effective instruments and policies for Islamic banks, creating and applying Islamic-compliant benchmarks, conducting widespread public awareness programs, ensuring that Islamic banks are subject to appropriate regulation and supervision, and improving the infrastructure and capabilities of the Islamic financial system. These measures can help bridge existing gaps and create new opportunities in international markets (Abubakar & Handayani, 2019).

The Analytical Network Process (ANP) method is an effective approach to support research in developing strategies for the Islamic banking industry. ANP is a development of the Analytic Hierarchy Process (AHP), which not only prioritizes criteria hierarchically but also considers the mutual relationships and interdependencies between criteria or sub-criteria in a system (Olmedo-Navarro et al., 2023). With this feature, ANP is well suited to tackle complex problems, where various factors influence each other. The process involves subjective judgment from experts to determine the weight of each element, and then uses a network of relationships between elements to come up with a more accurate solution or recommendation (Shafaghat et al., 2022). This makes ANP a very useful tool in strategic decision-making situations, especially in the context of an industry such as Islamic banking, which has many interconnected aspects, such as regulation, technology, human resources and markets (Chorol & Gupta, 2023).

Several relevant studies on Islamic banking development strategies include (Abubakar & Handayani, 2019), who discuss the acceleration of growth through the implementation of Islamic banking governance. (Miftah & Wibowo, 2017) explore alternatives for mergers among Islamic

banks. (Abdullah et al., 2024) examine the concepts of ESG and Islamic finance, identifying shared and unique characteristics, and investigating the role of Islamic banks in promoting growth and financial stability within the Islamic finance sector. (Syarifuddin et al., 2021) discuss the potential for developing Islamic banking post-merger as a means to enhance inclusion and accelerate Islamic finance in Indonesia. Zubair (2008) analyzed the growth of the Islamic banking industry in Indonesia, while (Iqbal et al., 2022) investigate strategies for Indonesian Islamic commercial banks to maximize profitability through fintech.

Despite the breadth of existing research, no study has specifically explored strategies to accelerate the development of Islamic banking in Indonesia using the ANP method. Therefore, conducting research on this topic is crucial to assess the progress of Islamic banking in Indonesia and to identify effective strategies for its further development. This study aims to analyze strategies for the development of Islamic banking in Indonesia using the ANP method, addressing the research gap on this topic and responding to the urgent need for strategies to enhance the Islamic banking industry in Indonesia.

RESEARCH METHODS

This study employs the Analytic Network Process (ANP) method, which is grounded in three fundamental principles: structuring complexity, measurement, and synthesis. The Analytic Network Process (ANP) is a decision-making methodology that extends the Analytic Hierarchy Process (AHP) to handle complex problems involving interdependencies and feedback among elements (Keyvanfar et al., 2021). ANP involves pairwise comparisons to derive relative priorities, incorporates both quantitative and qualitative data, and uses a supermatrix to calculate the overall influence of each element within the network. It is widely applied in fields like strategic planning, resource allocation, and policy analysis (Syarifuddin et al., 2021). In this research, a total of 12 expert respondents participated, including academics, practitioners, and regulators.

The ANP method presents several benefits when compared to other approaches, such as :

1. This approach enables a comprehensive and holistic analysis rather than a partial one, considering all relevant factors and criteria within the model framework, both hierarchically and in terms of their interrelationships (Saaty, 2006).
2. The method relies less on constructing logical arguments and more on the intuition and judgment of experienced experts. These experts use their understanding to make informed decisions or conclusions (Saaty, 2006).
3. The cost for respondents is lower, as in-depth interviews are conducted directly with experts who have a thorough and profound understanding of the issue.
4. The survey process is time-efficient and does not require an extended period to complete.
5. Therefore, the respondents involved in this study will include experts in Islamic banking in Indonesia. The total number of respondents for this study is 12.

Research utilizing the ANP method involves three primary phases: model construction, model quantification, and results analysis. These research steps are illustrated in Figure 1.

Source: Ascarya (2005)

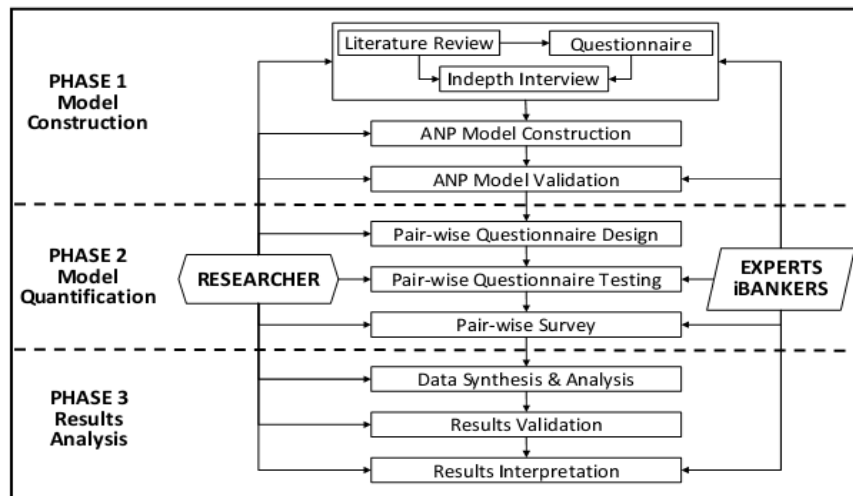


Figure 1 ANP Research Steps

In phase 1, also known as model construction or decomposition, the goal is to identify, analyze, and structure the complexity of the problem into an appropriate ANP network. This phase consists of the following steps:

1. Conducting a literature review, distributing questionnaires, and performing in-depth interviews with marketing experts and practitioners as well as specialists in Islamic banking behavior to gain a thorough understanding of the problem.
2. Constructing an ANP network based on the insights gathered from the research.
3. Validating the designed ANP network with experts and practitioners to ensure its accuracy and relevance.

In Phase 2 involves the quantification of the model using pair-wise comparisons, which includes:

1. Designing a pairwise comparison questionnaire that aligns with the ANP network developed in Phase 1.
2. Testing the pairwise comparison questionnaire with potential expert and practitioner respondents to refine it.
3. Conducting a survey with expert and practitioner respondents and guiding them on how to properly complete the pairwise questionnaire to ensure consistency in their responses.

Phase 3 involves the synthesis and analysis of the results, which includes:

1. Processing the data obtained in Phase 2 using ANP (SuperDecisions) software to perform synthesis, obtain results, and calculate the geometric mean and rater agreement.
2. Validating the results to confirm their reliability.

Interpreting the findings, analyzing the outcomes, and providing policy recommendations based on the results.

RESULT AND DISCUSSION

In this research, the factors affecting the acceleration of the development of the Indonesian Islamic banking industry are categorized into four key indicators: human resources, structural, technical, and market aspect. The results of the ANP analysis for these indicators are explained in the image below.

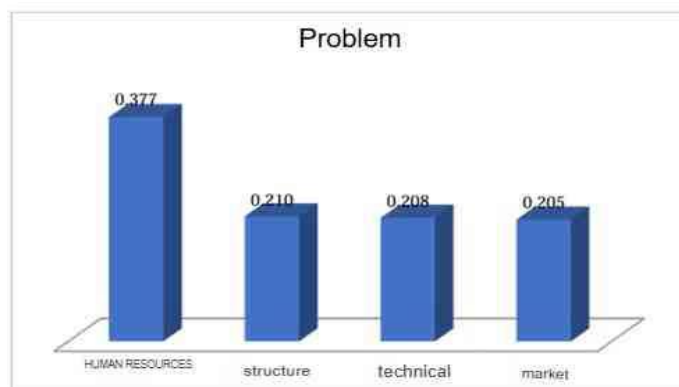


Figure 1: Problems of Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of issues related to accelerating the development of the Islamic banking industry in Indonesia. The HR sub-problem emerges as the primary priority, with an average weight of 0.377. Following this, the structural aspect ranks next with an average weight of 0.210, followed by the technical aspect with an average weight of 0.208, and finally, the market aspect with an average weight of 0.205. Additionally, the rater agreement value is 0.22 ($w = 0.22$) and the P-Value is 0.053 (significance level 0.05). This indicates that the level of agreement among experts is weak and statistically insignificant. Consequently, the problem aspects are not significantly impactful in accelerating the development of the Islamic banking industry in Indonesia, and there is a weak consensus among experts regarding the prioritization of sub-indicators for this issue.

The subsequent analysis delves into the HR sub-problem, which encompasses four key indicators: (1) weak understanding among Islamic bank practitioners, (2) supply orientation, (3) insufficient quantity of Islamic banking human resources, and (4) a lack of relevant academic backgrounds among Islamic bank employees. The ANP analysis results for these indicators are shown in the image below.

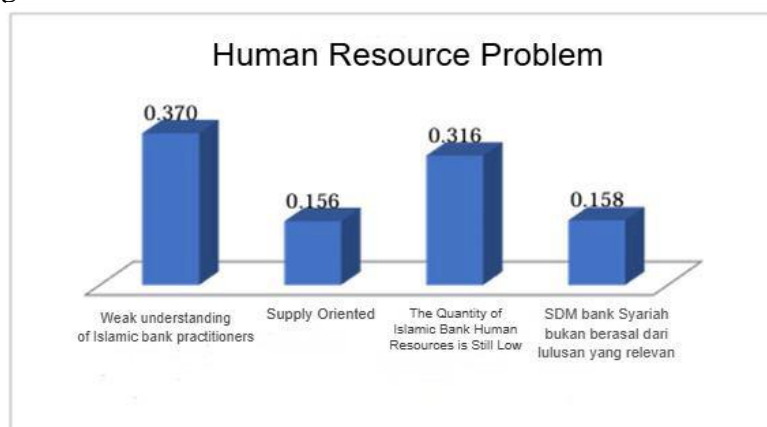


Figure 2: Human Resources Sub-Problem in Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of HR sub-problems related to accelerating the development of the Islamic banking industry in Indonesia. The primary indicator is the weak understanding of Islamic banking practitioners, with an average weight of 0.370. Following this, the quantity of Islamic bank human resources is still minimal, with an average weight of 0.316. The indicator of Islamic bank human resources not coming from relevant graduates has an average weight of 0.158, and supply orientation ranks last with an average weight of 0.156. Additionally, the rater agreement value is 0.23 ($w = 0.23$) and the P-Value is 0.070 (significance level 0.05). This indicates a weak and statistically insignificant level of agreement among experts.

The analysis of the structural sub-problems reveals several key indicators: inadequate alignment between government and regulatory authorities, suboptimal regulation and supervision, insufficient government support, and misalignment of visions among Islamic banking stakeholders. The following image displays the ANP analysis results for these structural sub-problems.

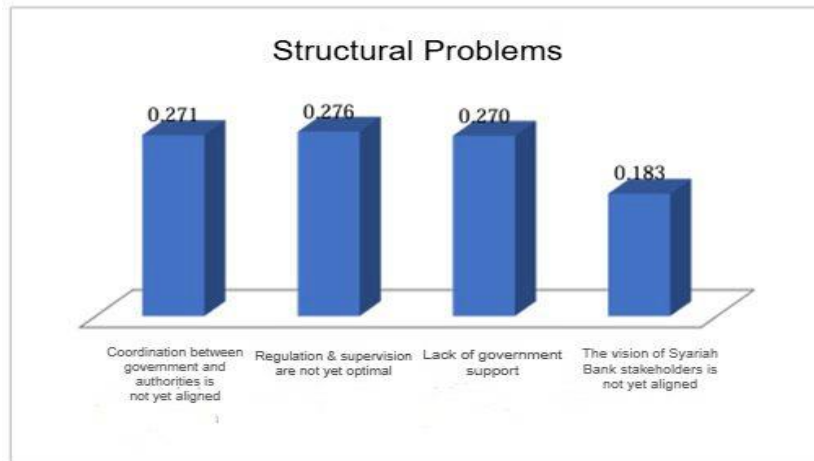


Figure 3: Structural Sub-Problem in Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of structural sub-problems for advancing the Islamic banking industry in Indonesia. The primary issue identified is the suboptimal regulation and supervision, with an average priority score of 0.276. Following this, the lack of alignment between government and regulatory authorities has a priority score of 0.271, insufficient government support is ranked with an average of 0.270, and the misalignment of visions among Islamic banking stakeholders holds the lowest priority with an average of 0.183. Additionally, the rater agreement value is 0.07 ($w = 0.07$) and the P-Value is 0.543 (sign. 0.05), indicating a weak and statistically insignificant level of consensus among experts. This suggests that the structural sub-problems do not significantly impact the acceleration of Islamic banking development in Indonesia, and there is a low level of agreement among experts regarding the priority sub-indicators in this aspect. The ANP analysis results for these technical sub-problems are as follows:

The image above presents the priority ranking of technical sub-problems affecting the development of the Islamic banking industry in Indonesia. The top priority issue identified is the relatively weak product innovation, with an average score of 0.320. This is followed by inadequate Islamic bank capital, which holds a priority score of 0.290. Inadequate ICT ranks next with an average score of 0.240, while relatively expensive funding costs, making Islamic banks less competitive, is the lowest priority issue with an average score of 0.150.

Furthermore, the rater agreement value is 0.11 ($w = 0.11$) and the P-Value is 0.489 (sign. 0.05), indicating a weak and statistically insignificant level of consensus among experts. This implies that, while these technical issues are acknowledged as challenges, there is little agreement among experts on their relative importance or impact on the acceleration of Islamic banking development in Indonesia.

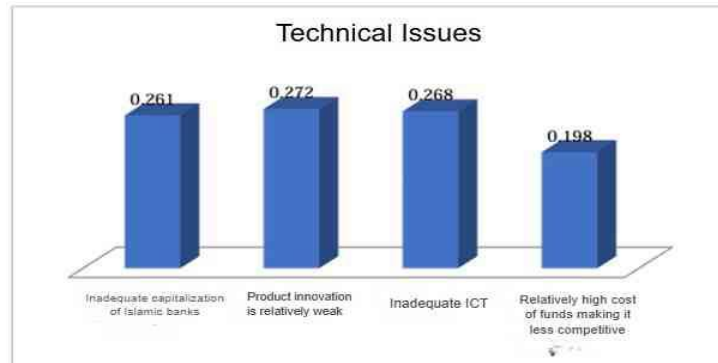
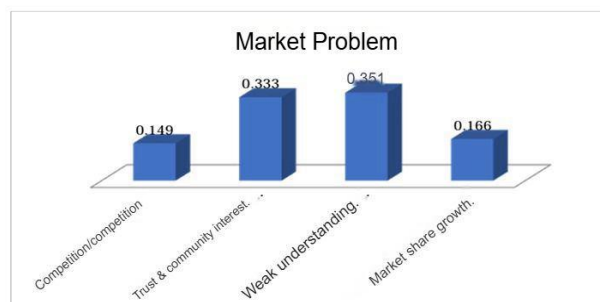


Figure 4. Technical Sub-Problems in Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of technical sub-problems in accelerating the development of the Islamic banking industry in Indonesia. The highest priority indicator in this aspect is the relatively weak product innovation, with an average score of 0.272. This is followed by inadequate ICT infrastructure, with an average score of 0.268, insufficient capital of Islamic banks at 0.261, and finally, the relatively high cost of funds making them less competitive, with an average score of 0.198. Additionally, the rater agreement value is recorded at 0.02 ($w = 0.02$), and the P-Value is 0.865 (significance level of 0.05). This indicates that the experts exhibit a weak and statistically insignificant level of agreement.

The following analysis focuses on the market sub-problem, which includes indicators such as competition, relatively low public trust and interest, weak public understanding, and stagnant market share growth. The results of the ANP analysis for these market sub-problems



are as follows.

Figure 5. Market Sub-Problems in Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of market sub-problems in accelerating the development of the Islamic banking industry in Indonesia. The indicator identified as the top priority in this aspect is the weak public understanding, with an average score of 0.351. Following this, the low levels of trust and public interest are ranked second, with an average score of 0.333. Stagnant market share growth ranks third, with an average of 0.166, and finally, competition/rivalry is ranked last, with an average of 0.149. Additionally, the rater agreement value is noted to be 0.26 ($w = 0.26$), with a P-Value of 0.048 (sign. 0.05). This indicates that experts show weak to significant levels of agreement. The findings suggest that the market sub-problem aspect significantly influences the acceleration of Islamic banking industry

development in Indonesia, although there is a weak level of agreement among experts in identifying the sub-indicators that are the main priorities within this sub-problem.

Finally, the analysis focuses on strategies to accelerate the development of the Islamic banking industry in Indonesia. This aspect includes seven key indicators: improving service quality and product diversity, increasing public literacy and preferences, strengthening and harmonizing regulation and supervision, enhancing capital and business scale while improving efficiency, optimizing fund structure to support the expansion of financing segments, strengthening policy synergy between authorities, the government, and other stakeholders, and improving the quantity and quality of human resources, information system technology (IST), and other infrastructure. The following presents the results of the ANP analysis.

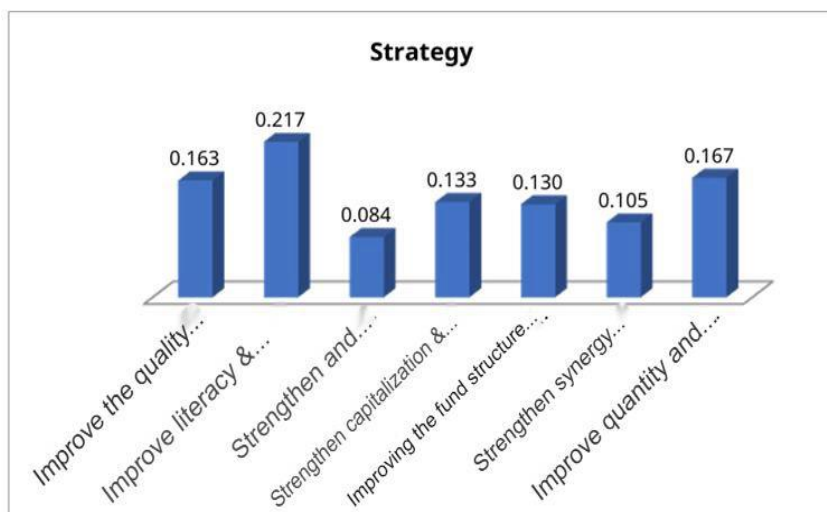


Figure 6. Strategies for Accelerating the Development of the Islamic Banking Industry in Indonesia

The image above illustrates the priority ranking of strategies for accelerating the development of the Islamic banking industry in Indonesia. The most prioritized indicator in this aspect is increasing public literacy and preferences, with an average score of 0.217. Following this, improving the quantity and quality of human resources, information system technology (IST), and other infrastructure ranks second with an average score of 0.167. Enhancing service quality and product diversity is next, with an average score of 0.163, followed by strengthening capital and business scale and improving efficiency, which has an average score of 0.133. Optimizing the fund structure to support the expansion of financing segments comes next, with an average score of 0.130, while strengthening policy synergy between authorities, the government, and other stakeholders has an average score of 0.105. Lastly, strengthening and harmonizing regulation and supervision ranks lowest, with an average score of 0.084. The rater agreement value is 0.47 ($w = 0.47$), and the P-Value is 7.773 (significance at 0.05), indicating that the experts demonstrate a relatively high yet insignificant level of agreement. This suggests that while the strategic aspect is not significantly influential in accelerating the development of the Islamic banking industry in Indonesia, the experts exhibit a relatively high level of agreement in identifying the sub-indicators that are the main priorities in this strategy.

Findings

Based on the results of the ANP analysis, several key findings emerged that can inform policy decisions. The first finding pertains to the problem aspect of accelerating the development of the Islamic banking industry in Indonesia, with human resources identified as the primary priority. It was found that many human resources in Islamic banks lack the necessary competence in understanding Islamic principles, which are crucial for developing Islamic-compliant banking products and services. This deficiency creates gaps in product development and industry growth (Yusuf, 2015; Zulfikar, 2020). Furthermore, A considerable number of human resources are

recruited from conventional banking sectors. . These individuals may lack specific knowledge and skills required for Islamic banking, leading to a lack of commitment to Islamic principles and ineffective implementation of Islamic banking standards (Zulfikar, 2020).

The limited availability of specialized educational and training institutions in Islamic banking further exacerbates this issue, resulting in a shortage of qualified professionals to address gaps in the industry. This shortage hinders the development of Islamic banking in Indonesia (Zulfikar, 2020). Moreover, Fitriasaki (2012) highlights that while the Islamic banking sector has experienced growth, this expansion has not been accompanied by a proportional increase in well-educated employees. The sector faces a significant human resources challenge, which further impedes its development. Thus, addressing Human Resources (HR) challenges in Islamic banks is critical for the advancement of Islamic banking in Indonesia. Since Islamic banking operates under Islamic principles, it is essential that HR professionals not only possess the requisite skills but also adhere to these principles.

The second finding found that the main priority in the HR sub-problem was the weak understanding of Islamic banking practitioners. The weak understanding of Islamic banking practitioners is a significant problem in human resources (HR) issues in the development of Islamic banking in Indonesia for several reasons. Islamic banking practitioners do not understand Islamic issues in depth, thus hampering their ability to develop and implement Islamic products and services effectively (Zulfikar, 2020). This lack of understanding is a particular challenge in the context of Indonesia, where most of the population is Muslim, and the demand for Islamic banking products is very high. (Iswanaji, 2018) stated that the lack of specialized knowledge in the field of Islamic finance and banking makes it difficult for practitioners to manage and develop Islamic banking operations efficiently. Apart from that, this low competency can also be caused by a lack of teaching materials, minimum curriculum standards, and lack of coordination between Islamic financial education stakeholders. The regulatory environment in Indonesia also poses challenges for Islamic banking practitioners. The absence of specific regulations regarding environmentally friendly banking and audit policies, as well as the lack of a digital and environmentally friendly banking index, further complicates the situation (Syarvina et al., 2023).

(As' ad, 2021; Rizka et al., 2022) highlight the importance of providing specialized education and training programs for Islamic banking practitioners to ensure a thorough understanding of Islamic law and Islamic economics. Such programs should include courses on Islamic finance, banking, and economics, as well as workshops focused on Islamic compliance and risk management. Furthermore, fostering collaboration among stakeholders—such as government bodies, industry practitioners, academics, and the community—is essential for promoting the growth of Islamic banking. This collaborative approach should address industry challenges and ensure that all stakeholders are well-informed about Islamic banking practices (Iswanaji, 2018). Additionally, conducting research and development in Islamic banking can help practitioners stay current with the latest trends and best practices, thereby enhancing their understanding and expertise in the field.

The third finding from the structural sub-problems analysis indicates that the primary issue is the suboptimal regulation and supervision of Islamic banking. This problem arises from inconsistencies and conflicting norms between institutions regarding their regulatory and supervisory authority, leading to legal uncertainty in their implementation (Sood et al., 2017). Prior to the establishment of the Financial Services Authority (OJK), Bank Indonesia had comprehensive authority over the financial services industry, including banking. However, the OJK Law, enacted on November 22, 2011, shifted the regulatory and supervisory responsibilities to the OJK. This transition has introduced norm inconsistencies and legal uncertainties (Aslamia et al., 2023). The complexity of regulating and supervising Islamic banking is further compounded by Indonesia's dual banking system, which encompasses both conventional and Islamic banking. This dual system necessitates a robust regulatory and supervisory framework

to ensure that both banking systems are equally integrated into the national banking legal framework (Sood et al., 2017).

The fourth finding, derived from the analysis of technical sub-problems, identifies weak product innovation as the primary concern. According to (Anggraini et al., 2022), Islamic bank officers often lack a comprehensive understanding of Islamic law and its application, which impedes the development of innovative products. Additionally, limited human resource capacity hampers the ability of banks to creatively and innovatively develop new products. (Iswanaji, 2018) further notes that the evolving Islamic banking regulatory framework in Indonesia presents challenges to industry innovation and development. (Paruzi & Irhamdessetya, 2023) recommend fostering synergy between bankers, Islamic Supervisory Board (DPS) supervisors, and the OJK to effectively implement Islamic governance. This includes offering protection, support for Islamic banking development, and consultation on bank growth. Mulyadi and Athoillah (2017) stress the importance of developing Islamic banking products and services that adhere to Islamic principles, rather than merely replicating conventional banking products. This approach ensures that innovations align with religious principles and do not compromise their religious integrity. (Hasanah & Istikomah, 2023) advocate for the use of digital technologies to enhance financial inclusion. They suggest implementing mobile and internet banking services, accessible via application stores, to facilitate various financial transactions independently and efficiently. Moreover, leveraging cloud computing, artificial intelligence, and machine learning can streamline processes, improve data analysis, and enhance customer experience, thereby increasing the competitiveness of Islamic banking products.

The fifth finding, based on the analysis of market sub-problems, identifies weak public understanding as the primary issue. This deficiency is attributed to low public literacy concerning Islamic economics, particularly Islamic finance, which impedes a comprehensive understanding of Islamic banking. Financial literacy is essential for economic development and significantly influences public engagement with financial institutions. Higher levels of financial literacy facilitate easier access to financial services for the public (Simahatie et al., 2021). (Iswanaji, 2018) further highlights that misinterpretations of Islamic financial concepts and the absence of standardization pose major challenges to Islamic banking in Malaysia and Indonesia. To address the issue of weak public understanding, several strategies can be implemented. (Aravik et al., 2023; Widyarini & Hadi, 2021) suggest that educating the public on Islamic banking principles and practices can mitigate misunderstandings. This can be achieved through workshops, seminars, and online resources. Additionally, providing clear and concise information about Islamic banking products and services can enhance trust and confidence among customers. Engaging the public through various platforms, such as social media, can further disseminate accurate information and resolve misconceptions about Islamic banking.

The final finding from the ANP analysis on strategic aspects identifies increasing community literacy and preferences as the primary priority indicator. Enhancing public literacy and preferences for Islamic banking is crucial for optimizing interest in Islamic banking products and services. This finding is supported by research from (Sugiarti & Ulfah, 2024), they demonstrate a significant positive relationship between Islamic financial literacy and public interest in Islamic banking products. Increasing financial literacy can therefore enhance public interest and engagement with Islamic banking. (Yeni et al., 2023) underscore that understanding public perceptions and behaviors allows for adjustments in Islamic banking services to better align with consumer needs, thereby boosting interest and preferences. Implementing strategies to enhance public literacy and preference will foster the growth of the Islamic financial industry in Indonesia, leveraging its substantial potential given the country's large Muslim population (Satria et al., 2021).

(Sugiarti & Ulfah, 2024) highlight Bank Syariah Indonesia's (BSI) strategy to enhance Islamic financial literacy through partnerships with educational institutions. This approach

involves both financial education and the development of Islamic financial literacy infrastructure, in line with POJK Number 3 of 2023. Additionally, Mustofa et al. (2022) emphasize the critical role of financial education and Islamic financial literacy infrastructure in boosting public literacy and preference for Islamic banking, noting the significant impact of educators in this process. By providing Islamic financial training and support to teachers, their competence can be improved, which, in turn, enhances community financial literacy. (Satria et al., 2021) suggest that broadening access to Islamic financial products, such as microinsurance, can promote greater community inclusion in Islamic finance. This can be accomplished through targeted behavior programs and ensuring the availability of Islamic banking services in commercial banks. These strategies aim to increase public interest and engagement with Islamic banking products.

CONCLUSION

This research explores strategies for accelerating the development of the banking industry in Indonesia using the ANP method. The analysis reveals that the primary problem aspects, in order of priority, are human resources (HR), structural issues, technical challenges, and market factors. Specifically, the most critical HR issue is the insufficient understanding of Islamic banking principles among practitioners. Regarding structural problems, suboptimal regulation and supervision are the main concerns. The key technical issue is weak product innovation, while the market problem is characterized by limited public understanding of Islamic banking.

The analysis highlights three main strategies for accelerating the development of the Islamic banking industry in Indonesia: 1) increasing literacy and improving community preferences regarding Islamic banking, 2) enhancing the quantity and quality of human resources, information technology (IT) systems, and other infrastructure, and 3) improving service quality and diversifying product to meet market demands. Based on these findings, the following policy recommendations are proposed:

1. For Regulators: First, regulators should implement comprehensive training and certification programs to improve the competencies of professionals in the Islamic banking sector. Collaborating with policy institutions is vital to support this effort. Second, there should be better coordination among institutions such as Bank Indonesia, the Financial Services Authority (OJK), and other relevant entities. Developing standardized supervision practices and addressing regulatory inconsistencies are essential for more effective oversight.
2. For Practitioners (Islamic Banks): First, Islamic banks should focus on enhancing human resource competencies by offering continuous training and recruitment practices rooted in Islamic principles. Second, Banks should prioritize creating innovative products aligned with Islamic principles and increasing the use of digital technologies to improve operational efficiency and competitiveness, and the third, Islamic banks should undertake outreach programs, seminars, and other educational initiatives to raise public awareness of the benefits and advantages of Islamic banking.
3. For Academics: First, scholars are encouraged to conduct further research using alternative methodologies, such as Structural Equation Modeling (SEM), to deepen the insights provided by this study. Second, academics should prioritize research that addresses practical challenges in the Islamic banking industry, aiming to develop solutions that facilitate the industry's advancement.

REFERENCES

- Abdullah, N. A. I. N., Hidayat, A., & Haron, R. (2024). Strategic Action-Plan of Islamic Banks Towards Sustainable Finance. In *Islamic Sustainable Finance* (pp. 33–40). Routledge.
- Abubakar, L., & Handayani, T. (2019). Accelerating Growth Through The Implementa-Tion Of Islamic Banking Governance. *Journal of Islamic Law Studies (JILS) Volume*, 2(3).
- Anggraini, D. D., Akhmadi, S., Talitha, F., & Zuhrotunisa, T. (2022). Connection Innovation and Development Bank Sharia as well as Evolution Development and Innovation Contract and Islamic Banking Products. *Wealth: Journal of Islamic Banking and Finance*, 1(1), 71–81.
- Aravik, H., Hamzani, A. I., & Khasanah, N. (2023). Basic Concepts of Sharia Finance And Practices In Sharia Banking In Indonesia. *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 9(1), 17–34.
- As' ad, A. (2021). Understanding Sharia Values on Islamic Bank Community in Makassar. *Jurnal Manajemen Bisnis*, 8(2), 397–409.
- Aslamia, S., Sadikin, A. F., Saputra, M. A., Kusuma, Y. Y., Nataza, T., & Saputra, R. O. (2023). REGULATION, SUPERVISION, AND IMPLEMENTATION OF SHARIA PRINCIPLES IN BANKING BY OJK (ANALYSIS OF LEGAL ASPECTS AND CHALLENGES). *Indonesian Journal of Multidisciplinary Sciences (IJoMS)*, 2(2), 264–274.
- Berger, A. N., Molyneux, P., & Wilson, J. O. S. (2020). Banks and the real economy: An assessment of the research. *Journal of Corporate Finance*, 62, 101513.
- Chorol, L., & Gupta, S. K. (2023). Hybrid analytic network process (ANP)-Entropy model, time series analysis for predicting nitrate and fluoride in groundwater and cumulative health risk assessment. *Journal of Cleaner Production*, 428, 139316. <https://doi.org/10.1016/j.jclepro.2023.139316>
- Ghoniya, N., & Hartono, S. (2020). How Islamic and conventional bank in Indonesia contributing sustainable development goals achievement. *Cogent Economics & Finance*, 8(1), 1856458.
- Hasan, Z. (2023). AN ANALYSIS OF THE INDONESIAN SHARIA BANKING DEVELOPMENT ROADMAP 2020-2025. *Online Journal of Islamic Management and Finance (OJIMF)*, 3(1), 36–54.
- Hasanah, M., & Istikomah, I. (2023). Digitalization Of Sharia Banking In Improving Financial Inclusion In Indonesia. *PROCEEDING INTERNATIONAL CONFERENCE ON ECONOMICS, BUSINESS AND INFORMATION TECHNOLOGY (ICEBIT)*, 4, 892–895.
- Hilman, I. (2018). *Sharia Business Unit Spin-off: Strategic Development Model of Sharia Banking in Indonesia*.
- Hussain, M., Shahmoradi, A., & Turk, R. (2016). An overview of Islamic finance. *Journal of International Commerce, Economics and Policy*, 7(01), 1650003.
- Iqbal, M., Sumantri, R., & Khoirunnisa, R. (2022). Acceleration Of Financial Technology Growth In Islamic Banks As An Existence Effort To Face The Pandemic Of Covid-19. *Al-Masraf: Jurnal Lembaga Keuangan Dan Perbankan*, 7(2), 21–31.
- Ismail, D., Sayuti, M. N., & Farid, D. (2020). Conventional Banking, Sharia Banking, and Financial Justice. *Journal of Economic Studies*, 4(2), 63–75.
- Iswanaji, C. (2018). Challenges inhibiting Islamic banking growth in Indonesia using the Analytical Hierarchy Process. *Journal of Islamic Economics Lariba*, 4(2), 97–107.
- Keyvanfar, A., Shafaghat, A., Ismail, N., Mohamad, S., & Ahmad, H. (2021). Multifunctional retention pond for stormwater management: A decision-support model using Analytical

- Network Process (ANP) and Global Sensitivity Analysis (GSA). *Ecological Indicators*, 124, 107317. <https://doi.org/10.1016/j.ecolind.2020.107317>
- M. Anwar, S., Junaidi, J., Salju, S., Wicaksono, R., & Mispiyanti, M. (2020). Islamic bank contribution to Indonesian economic growth. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(3), 519–532.
- Miftah, K., & Wibowo, H. (2017). Merger and industrial acceleration: Study at Indonesian Islamic banking industry. *Signifikan: Jurnal Ilmu Ekonomi*, 6(1), 29–48.
- Nasouri, M., Nabi Bidhendi, G., Hoveidi, H., & Amiri, M. J. (2021). Parametric study and performance-based multi-criteria optimization of the indirect-expansion solar-assisted heat pump through the integration of Analytic Network Process (ANP) decision-making with MOPSO algorithm. *Solar Energy*, 225, 814–830. <https://doi.org/10.1016/j.solener.2021.08.003>
- Nyoman, B. I. (2023). Strategi Akselerasi Pertumbuhan Industri Halal melalui Peran Aktif Perbankan Syariah. *BANCO: Jurnal Manajemen Dan Perbankan Syariah*, 5(2), 74–84.
- Olmedo-Navarro, A., Keller Fuentes, C., Amigo Vásquez, L., Jofre Utreras, J., Arrieta-Barrios, T., & Corrales-Paternina, A. (2023). Conforming work teams within SMEs using Fuzzy Logic and Analytic Network Process (ANP). *Procedia Computer Science*, 220, 952–957. <https://doi.org/10.1016/j.procs.2023.03.131>
- Paruzi, A., & Irhamdessetya, H. (2023). Innovation of The Sharia Banking Industry in Indonesia in The Digital Era. *The Virtual International Conference on Economics, Law and Humanities*, 2(1), 147–153.
- Rizka, R., Hakim, B., & Sholahuddin, M. (2022). Formulations And Solutions To Reduce The Minimum Interest Of Indonesian Community In Partnering With Sharia Banking. *International Journal of Social Service and Research*, 2(3), 206–219.
- Satria, C., Faizal, M., & Choirunnisak, C. (2021). Strategy for the Development of Sharia Financial Institutions in the Authority Perspective of Indonesia Financial Services. *Journal of Islamic Business and Economic Review*, 4(2), 48–56.
- Shafaghat, A., Keyvanfar, A., & Ket, C. W. (2022). A decision support tool for evaluating the wildlife corridor design and conservation performance using analytic network process (ANP). *Journal for Nature Conservation*, 70, 126280. <https://doi.org/10.1016/j.jnc.2022.126280>
- Simahatie, M., Marliyah, M., & Yusuf, Z. (2021). Financial Literature And Interest Of Aceh People In Transactions In Sharia Financial Institutions Post Implementation Of Qanun Sharia Financial Institutions In Aceh. *E-Mabis: Jurnal Ekonomi Manajemen Dan Bisnis*, 22(1), 79–84.
- Sood, M., Muhaimin, H., & Ismail, S. (2017). Regulation and supervision of Sharia banking according to Indonesian legislation. *Unram Law Review*, 1(1), 16–40.
- Sugianti, D., & Ulfah, I. F. (2024). Bank Syariah Indonesia's Strategy Increases Sharia Financial Literacy to Optimize Public Interest in Sharia Bank Products. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, 7(2), 2587–2601.
- Syarifuddin, S., Habbe, A. H., & Sapa, N. Bin. (2022). Impact of Sharia Bank Merger on Economic Development in Indonesia. *PROCEEDING ICONIEB: International Conference of Islamic Economics and Business*, 1(1).
- Syarifuddin, S., Rasantib, E., Octavianyc, M., & Mansyurd, A. (2021). Acceleration and strengthening of sharia financial inclusion through merging sharia banking in Indonesia. *Jurnal Ekonomi Dan Bisnis Islam*, 7(1).
- Syarvina, W., Tarigan, A. A., & Marliyah, M. (2023). What Strategies are Employed in the Implementation of Sharia Bank Green Banking? *Equilibrium: Jurnal Ekonomi Syariah*, 11(2), 339–366.
- Trianto, B., Masrizal, M., & Sabiu, T. T. (2021). Can Islamic Finance Drives Economic Growth?:

- Empirical Evidence From Indonesia. *At-Tijarah: Jurnal Ilmu Manajemen Dan Bisnis Islam*, 7(2), 141–157.
- Widyarini, W., & Hadi, S. (2021). Sharia bank management's problems. *Journal of Islamic Economics Lariba*, 7(1), 25–35.
- Yeni, F., Mulyani, S. R., & Susriyanti, S. (2023). Islamic financial literacy, spiritual intelligence, public perception and behaviour on public interest in Islamic banking services. *Cogent Economics & Finance*, 11(1), 2175470.
- Zavadzka, D. (2020). Scientific rationale for the influence of banking sector on the innovative development of economy. *Financial and Credit Activity: Problems of Theory and Practice*, 3(34), 52–62.
- Zulfikar, Z. (2020). How Important are Human Resources in Supporting Sharia Banking Performance in Indonesia? *INFERENSI: Jurnal Penelitian Sosial Keagamaan*, 14(2), 181–200.