

Prospects For The Development of Sharia Banking In Indonesia In The Digital Era

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Abstract

This study aims to analyze the prospects for the development of Islamic banking in Indonesia in the digital era. Using a qualitative approach based on literature review, this paper explores the digital transformation of Islamic banking systems, emerging opportunities from technological advances, and structural challenges faced by the industry. The findings reveal that digitalization significantly enhances operational efficiency, financial inclusion, and Sharia-compliant product innovation. However, issues such as low Islamic financial literacy, data security, and human resource readiness remain key obstacles. Proposed strategies include strengthening digital infrastructure, collaborating with fintech companies, innovating within Islamic principles, and adopting adaptive regulatory frameworks. With the right synergy, Islamic banking can grow sustainably and contribute to an inclusive, ethical, and fair financial system.

Keywords: *Digitalization, Islamic Banking, Financial Inclusion, Technological Transformation, Strategy*

Abstrak

Penelitian ini bertujuan untuk menganalisis prospek pengembangan perbankan syariah di Indonesia dalam menghadapi era digital. Melalui pendekatan kualitatif berbasis studi pustaka, kajian ini menyoroti transformasi digital dalam sistem perbankan syariah, peluang yang muncul dari perkembangan teknologi, serta tantangan struktural yang dihadapi. Temuan menunjukkan bahwa digitalisasi memberikan dampak signifikan terhadap efisiensi, inklusi keuangan, dan inovasi produk syariah. Namun, tantangan seperti rendahnya literasi keuangan syariah, keamanan data, dan kesiapan sumber daya manusia menjadi hambatan utama. Strategi yang disarankan mencakup penguatan infrastruktur digital, kolaborasi dengan fintech, inovasi berbasis nilai-nilai Islam, serta dukungan regulasi yang adaptif. Dengan sinergi yang tepat, perbankan syariah dapat berkembang secara berkelanjutan dan berkontribusi terhadap sistem keuangan yang inklusif, etis, dan berkeadilan.

Kata Kunci: *Digitalisasi, Perbankan Syariah, Inklusi Keuangan, Transformasi Teknologi, Strategi*

Introduction

The development of digital technology has brought about significant changes in various aspects of human life, including the banking sector. Digitalization is now a major force in expanding access to financial services, including Islamic banking, which has historically faced challenges such as limited service coverage and public literacy. In Indonesia, with the world's largest Muslim population, Islamic banking has enormous potential for significant growth, especially if it can optimally utilize digital technology (Ghadizah et al., 2025).

Digitalization in Islamic banking not only means changes in the way services are provided, but also encompasses a shift in operational paradigms, business models, and customer interactions. Innovations such as mobile banking, internet banking, online account opening, and the integration of blockchain and AI into operational systems are part of this transformation. The use of these technologies enables Islamic banks to reach customers in remote areas, facilitate transactions, and ensure compliance with Islamic principles (Yunitasari et al., 2024).

One of the major opportunities in the digital era is increasing digital literacy among the public, especially the younger generation. According to Goodstats data (2025), the number of internet users in Indonesia is estimated to reach over 220 million by 2025. This indicates that the public is technologically ready to accept digital-based banking services. However, this readiness is not yet fully accompanied by a deep understanding of Islamic financial principles and products.

Islamic financial literacy remains a serious challenge. The Financial Services Authority (OJK) reported in its 2019 report that the Islamic financial literacy index in Indonesia only reached around 8.9%, significantly lower than the general financial literacy rate of 38%. This low literacy rate is due to a lack of outreach, a limited understanding of Islamic terminology, and the perception that Islamic products are only for certain groups (Bisnis et al., 2024).

In addition to literacy, regulation is a crucial factor in supporting the digital transformation of Islamic banking. Through Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), the government has provided a legal framework supporting the development of technology-based Islamic financial products. This regulation is complemented by policies from Bank Indonesia and the Financial Services Authority (OJK) that establish a regulatory sandbox for Islamic fintech, as well as regulations related to consumer protection and cybersecurity (Hasanah et al., 2024).

However, challenges in digital security remain a major concern. With the increase in digital transactions, the risk of cyberattacks also increases. Lubis et al. (2025) emphasize the importance of protecting customer data through advanced security systems such as encryption, two-factor authentication, and real-time threat detection systems. Islamic banks must be able to build customer trust through secure and transparent digital systems.

Furthermore, human resource development is key to supporting the Islamic banking digital ecosystem. The need for a workforce that understands technology and Islamic principles is crucial, especially in designing and managing Sharia-compliant digital financial products. Collaboration between banks, educational institutions, and the government is necessary to develop competent and relevant human resources. The National Committee for Islamic Economics and Finance (KNEKS) has played a role in developing a roadmap for the digital transformation of Islamic finance. Educational programs such as TOT training, GERAK Syariah webinars, and digital financial literacy campaigns are part of efforts to encourage public understanding and active participation in digital Islamic banking services (Ceasario & Nisa, 2024).

Thus, the background to the development of Islamic banking in the digital era demonstrates that significant potential can be achieved if technology, regulations, literacy, and human resources are developed simultaneously. Islamic banking in Indonesia plays a role not only as a provider of halal financial services but also as a driving force for financial inclusion and an ethical and sustainable digital economy.

Research Method

This research employed a qualitative approach with a library research method focused on the analysis of secondary literature, such as scientific journals, books, and official reports. This approach was chosen because it is effective for examining the phenomenon of digital transformation in the context of Islamic banking in depth and contextually (Creswell & Poth, 2018). Data were analyzed descriptively and critically to identify opportunities, challenges, and strategies for developing digital Islamic financial services in Indonesia (Moleong, 2021). Data validity was maintained through source triangulation and interrelationships between references. This approach was chosen because it allows researchers to conduct in-depth exploration of existing literature to gain comprehensive insights.

Results and Discussion

1. The Evolution of Islamic Banking Digitalization

Digitalization has become a crucial factor in shaping the new direction of Islamic banking in Indonesia. As public demand for fast, efficient, and Islamic-compliant financial services increases, Islamic banks have begun transforming their systems and services to technology-based platforms. This change is driven by increasing internet penetration, developments in information technology, and increasingly digital customer behavior. According to a report by Goodstats (2025), internet users in Indonesia are estimated to reach more than 223 million, with the majority of them being the younger generation accustomed to online services.

Islamic banking initially operated with a conventional approach aligned with Islamic principles. However, over the past decade, there has been a paradigm shift from physical services to digital services, such as mobile banking, internet banking, online account opening, and the use of Islamic e-wallets (Sihotang & Hudi, 2023). These services provide operational efficiency and ease of access for customers, especially in areas previously difficult to reach by conventional banking infrastructure. This strengthens Islamic financial inclusion and supports the mission of equitable finance, the goal of the Islamic economic system.

Technology has also brought changes in data management and transaction

security. The use of digital systems allows Islamic banks to record transactions in real time, reducing manual errors, and improving compliance with Sharia principles. One example of significant progress is the implementation of digital onboarding, which allows for face-to-face account opening, using biometric verification such as facial recognition and electronic signatures (Diva & Anshori, 2024). This feature is particularly relevant in the post-pandemic situation, which encourages contactless efficiency.

Furthermore, the integration of blockchain and smart contracts in Islamic financial transactions is a breakthrough in creating a more transparent, secure, and Islamically compliant system. Blockchain supports the principles of honesty and openness in transactions because all records are permanent and immutable, while smart contracts are used to ensure the execution of contracts is automated and Sharia-compliant (Yunitasari et al., 2024).

However, this digital transformation also requires adaptations in terms of regulations, human resources, and education. Islamic banks need to ensure that their digital services are not only efficient but also grounded in Sharia values, such as the prohibition of *riba* (usury), *maisir* (gambling), and *gharar* (unlawful activity). Therefore, this digitalization evolution is not merely a technological process, but also a transformation of values and ethics-based governance (Ghadizah et al., 2025).

Therefore, the digitalization evolution of Islamic banking in Indonesia is a continuous process that combines technological advances with the essence of Islamic finance. This transformation presents a significant opportunity to reach a wider segment of society, increase global competitiveness, and create an inclusive, ethical, and sustainable financial system.

2. Development Opportunities

The development of digital technology opens up significant opportunities for the development of Islamic banking in Indonesia. One indicator is the increasing number of internet and smartphone users, supporting the transformation of digital financial services. According to Goodstats data (2025), the number of internet users in Indonesia is estimated to reach more than 223 million, or approximately 80% of the total population. This provides crucial capital for expanding the reach of digital-based Islamic

banking services, especially in areas underserved by conventional services.

In addition to improving digital infrastructure, changes in consumer behavior are also a key supporting factor. The COVID-19 pandemic has accelerated the adoption of technology in daily activities, including financial transactions. People are now more accustomed to using mobile banking, digital wallets, and other online services. This habit presents a significant opportunity for Islamic banks to develop products that align with Islamic principles while remaining technologically competitive (Agnes Z. Yonatan, 2025).

Policy support also presents a strategic opportunity. The government, through Bank Indonesia and the Financial Services Authority (OJK), has issued regulations encouraging the digital transformation of the Islamic financial sector, such as BI Regulation No. 2 of 2024 concerning Information System Security and POJK No. 22 of 2023 concerning Consumer Protection (Hasanah et al., 2024). Furthermore, the existence of a fintech regulatory sandbox allows for controlled innovation trials in accordance with Sharia principles (Pramesti & Nisa, 2024).

With the high public interest in value-based finance, supported by progressive policies and technological advances, Islamic banking has a significant opportunity to grow as a key driver of digital financial inclusion grounded in Islamic ethics and values.

3. Key Challenges

While digitalization brings various opportunities for Islamic banking, its implementation is not without a number of fundamental challenges. The first challenge is competition with conventional banks and fintech. Fintech offers fast, affordable, and easily accessible services through digital applications. This is particularly attractive to the younger generation who desire practical and efficient services. On the other hand, Islamic banks are often considered slow to adapt, both in terms of technology and product innovation (Ocid Rosadi, 2024). To remain relevant, Islamic banks need to accelerate technology integration and undertake comprehensive organizational transformation.

The second challenge relates to the low level of Islamic financial literacy. According to a 2019 survey by the Financial Services Authority (OJK), the national Islamic financial literacy index only reached around 8.9%, far below the general financial literacy rate of

around 38% (Bisnis et al., 2024). The public's low understanding of Islamic principles, coupled with the perception that Islamic products are only intended for Muslims, has contributed to the low penetration of digital Islamic banking services. Massive and structured public education is essential to build public awareness and trust.

The third challenge is data security and digital trust. In the era of digital transformation, threats to customer data are increasing, ranging from system hacking, data misuse, and cybercrime. Public trust in the security of digital services is crucial. Islamic banks are required to implement advanced security systems such as data encryption, multi-factor authentication, and real-time risk monitoring (Lubis et al., 2025). Without adequate security systems, customer trust will be difficult to maintain.

Furthermore, limited human resources (HR) are also a major obstacle. Many Islamic banking institutions still struggle to recruit employees with dual competencies in technology and an understanding of sharia. The need for an adaptive, innovative workforce with a grasp of Islamic financial principles is crucial to support sharia-based digital services (Ceasario & Nisa, 2024). Without qualified HR, the adoption of advanced technology will be suboptimal and could even lead to violations of sharia principles.

Finally, the gap in digital infrastructure in rural areas also slows the digitalization process. Unequal internet access and poor network quality make it difficult for rural communities to access digital banking services. Although the government has launched programs such as Palapa Ring and SATRIA, their impact has not been fully felt evenly (Agnes Z. Yonatan, 2025). Therefore, collaboration between regulators, financial service providers, and the government is necessary to ensure that digitalization is inclusive and does not leave out marginalized communities.

By addressing these challenges strategically and in an integrated manner, Islamic banking can maximize the potential of digitalization as a pillar of inclusive and sustainable Islamic financial growth.

4. Development Strategy

To optimize the potential of Islamic banking in the digital era, a comprehensive and integrated development strategy is required. The first strategy is strengthening technological infrastructure and cybersecurity. Islamic banks need to invest in modern,

robust, and adaptive information technology systems. Cybersecurity systems must be enhanced to protect customer data from cyber threats such as hacking, malware, or identity theft. Lubis et al. (2025) emphasize the importance of implementing multi-factor authentication, data encryption, and early detection systems to ensure the integrity and security of digital transactions.

The second strategy is implementing innovation based on Sharia principles. The development of digital services such as mobile banking, Sharia e-wallets, and microfinance platforms must adhere to the provisions of Islamic jurisprudence (fiqh muamalah). The use of blockchain technology and smart contracts can be a solution to strengthen transparency and compliance with Sharia, as they enable transactions to be automated and free from riba and gharar (Yunitasari et al., 2024). This innovation is crucial to ensure that technological development remains compliant with Islamic values.

The next strategy is improving digital Sharia financial literacy. The public's lack of understanding of the principles, products, and risks of digital Islamic finance is a barrier to market expansion. Therefore, ongoing education is needed through training, webinars, social media, and collaboration with educational institutions. Programs such as the TOT training and GERAK Syariah, initiated by the National Committee for Islamic Economics and Finance (KNEKS), have proven effective in building better public understanding (Ceasario & Nisa, 2024).

The fourth strategy is strengthening collaboration between stakeholders. Islamic banks need to establish strategic partnerships with fintech companies, technology startups, and other financial institutions. This collaboration enables technology transfer, service network expansion, and the innovation of more competitive Islamic digital products. Pramesti & Nisa (2024) state that bank collaboration with fintech can accelerate market penetration, increase efficiency, and expand Islamic financial inclusion, especially among the younger generation.

Furthermore, adaptive regulatory support is essential to create a healthy innovation climate. The government and regulators need to provide a safe space for technological experimentation through a regulatory sandbox, while simultaneously strengthening consumer protection and legal clarity, as stipulated in the P2SK Law (Hasanah et al., 2024). Regulations that support the growth of Sharia technology without

compromising the principle of prudence are a key foundation for building market trust.

Overall, the strategy for developing Sharia banking in the digital era must encompass a combination of technological innovation, Sharia compliance, human resource capacity building, cross-sector collaboration, and comprehensive regulatory support. With the right strategy, Sharia banking will be able to develop sustainably and become a key driver of the digital Islamic economy in Indonesia.

Conclusion

Digitalization plays a crucial role in driving the development of Islamic banking in Indonesia. This technology opens up significant opportunities to expand access to Sharia-compliant financial services and reach a younger generation familiar with the digital world. Digitalization makes services faster, more efficient, and more accessible. Furthermore, innovation in new products and services can enhance the competitiveness of Islamic banks both nationally and globally. However, for digitalization to succeed, collaboration between technology, legal regulations, and education is essential. Technology must be supported by robust infrastructure and robust security systems to ensure the security of customer data. Clear regulations, such as the P2SK Law, are also crucial to supporting innovation. Furthermore, the public needs to be continuously educated to better understand digital Islamic finance. A balanced approach to these three aspects will enable Islamic banking to grow sustainably and contribute to building a just and inclusive economy.

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