



## Deconstructing Market Share Stagnation: The Dialectic of Regulation and the Dynamics of the Islamic Banking Ecosystem in Indonesia

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**Abstract:** This study examines the historical dynamics, regulatory architecture, and competitive landscape between Islamic and conventional banking in Indonesia. Utilizing a qualitative approach based on library research, this study dissects the operational ontology of both systems using secondary data from authoritative academic literature and official documents from financial institutions (OJK and Bank Indonesia). The analytical findings reveal that Islamic banking offers a superior paradigm of distributive justice through profit-and-loss sharing schemes and egalitarian partnership bonds, serving as an antithesis to the fixed interest rate regime in the conventional system. Although supported by a robust regulatory framework (Law No. 21 of 2008) and cross-institutional supervisory synergy, Islamic banking continues to face significant structural challenges. The dominance of conventional banks has led to a stagnation of the Islamic banking market share at approximately 10% of total national banking assets. The primary constraints stem from low specific Islamic financial literacy, technological infrastructure gaps, and limited-service product innovation. This study concludes that to disrupt market hegemony, Islamic banking entities require interventions that transcend theological sentiments, namely the acceleration of inclusive digital transformation, competitive financial product engineering, and affirmative policy support from the state to fortify its role within the national financial architecture.

**Keywords:** Islamic Banking; Conventional Banking; Financial Regulation; Profit-and-Loss Sharing; Financial Literacy.

**Abstrak:** Penelitian ini mengkaji dinamika historis, arsitektur regulasi, dan peta kompetisi antara perbankan syariah dan perbankan konvensional di Indonesia. Melalui pendekatan kualitatif berbasis studi kepustakaan (library research), studi ini membedah ontologi operasional kedua sistem tersebut dengan menggunakan data sekunder dari literatur akademik otoritatif dan dokumen resmi institusi keuangan (OJK dan Bank Indonesia). Hasil analisis menunjukkan bahwa perbankan syariah menawarkan paradigma keadilan distributif yang superior melalui skema bagi hasil (profit and loss sharing) dan ikatan kemitraan setara, sebagai antitesis dari rezim suku bunga tetap (fixed return) pada sistem konvensional. Meski telah didukung oleh kerangka regulasi yang mapan (UU No. 21/2008) dan sinergi pengawasan lintas kelembagaan, perbankan syariah masih menghadapi tantangan struktural yang signifikan. Dominasi bank

konvensional membuat pangsa pasar bank syariah mengalami stagnasi pada kisaran 10% dari total aset perbankan nasional. Kendala utama bersumber dari rendahnya literasi keuangan syariah secara spesifik, kesenjangan infrastruktur teknologi, serta terbatasnya inovasi produk layanan. Penelitian ini menyimpulkan bahwa untuk memecah hegemoni pasar, entitas perbankan syariah memerlukan intervensi yang melampaui sentimen teologis, yakni akselerasi transformasi digital yang inklusif, rekayasa produk finansial yang kompetitif, serta dukungan kebijakan afirmatif dari negara guna memperkokoh perannya dalam arsitektur keuangan nasional.

**Kata Kunci:** Perbankan Syariah; Bank Konvensional; Regulasi Keuangan; Bagi Hasil; Literasi Keuangan

## Introduction

The evolution of the global financial architecture has sparked various fundamental innovations in the banking industry, with Islamic banking emerging as one of its main pillars. Ontologically, Islamic banking is a financial institution that structures all its operational activities on the foundation of Islamic legal principles. Its presence responds to society's sociological need for an economic system that is not merely oriented toward capital maximization but also upholds ethics and moral values. Therefore, this entity offers a more humanistic alternative paradigm within the modern financial ecosystem for those who seek harmony between banking transactions and Islamic law.

In practice, Islamic banks position themselves in direct opposition to exploitative economic practices by strictly avoiding the elements of *riba* (unilateral interest), *gharar* (manipulative uncertainty), and *maisir* (speculation). As a manifestation of these principles, Islamic banking prioritizes a profit-sharing system that embodies distributive justice in every transaction. This paradigm transforms the relationship between financial institutions and customers, shifting from a mere hierarchical creditor-debtor relationship to an equal partnership. This makes Islamic banking not merely a purely business entity, but also an agent of equitable socio-economic transformation.

As an alternative financial instrument, Islamic banking has demonstrated a consistent growth trajectory. Although its growth rate in Indonesia remains gradual, a positive trend has continued to emerge and accelerate over the past few decades. According to data from the Financial Services Authority (OJK), the national market share of Islamic banking in 2025 is projected to be around 7.4% of the total banking sector. Furthermore, when calculated based on the overall performance of the Islamic financial industry, the aggregate penetration rate has reached 11.47%, an achievement that reflects positive momentum while leaving significant room for further expansion.

From a macro perspective, this domestic development trajectory closely aligns with global trends marked by a growing awareness among Muslim communities of the urgency to adopt wealth management practices consistent with the principles of Tawhid. Literature and reports from the Islamic Financial Services Board (IFSB) confirm that the global Islamic finance architecture continues to demonstrate a steady growth trajectory year after year. This expansive phenomenon is driven by high cross-border public demand for a variety of financial products grounded in Islamic moral ethics. Consequently, this industry is gradually transforming into one of the key players in the international banking

landscape. At the domestic level, the penetration of Islamic banking services is significantly influenced by the cognitive and sociocultural determinants of the population. Authoritative research findings from Bank Indonesia reveal that the public's intention to use Islamic banking services is shaped by several key variables. These variables include an individual's level of religiosity, financial literacy regarding Islamic financial instruments, as well as the credibility and trust in the integrity of the governance of the Islamic financial institutions themselves. These findings confirm that customers' rationality is driven not only by theological sentiment but also by logical calculations based on financial understanding. Fundamentally, the operational structure of Islamic banks exhibits very distinct mechanical and legal characteristics when compared to conventional banks. While conventional banks generate profits through an interest-based system, Islamic banks rely on profit-sharing schemes and various precise commercial contracts, such as *mudharabah*, *musyarakah*, *murabahah*, and *ijarah*. This differentiation is not merely a matter of nomenclature but has a direct impact on risk management, profit-sharing schemes, and the nature of operational legal relationships (Kartika & Andriani, 2024). From a theoretical perspective, Muhammad Syafi'i Antonio argues that the profit-sharing mechanism represents an economic model that is inherently far more equitable than the conventional system.

In a Sharia-compliant framework, both profit distribution and risk mitigation are borne proportionally and transparently by both parties. This argument also serves as a critique of the fixed-interest system in conventional banking, which tends to be asymmetrical where the bank secures a guaranteed profit upfront without considering the actual dynamics of the customer's business. Nevertheless, despite its solid philosophical foundation and growing public awareness, Islamic banking still faces the reality of asymmetric market competition. To counter the entrenched dominance of conventional banks, Islamic institutions are required to accelerate their performance, particularly through the adoption of digital technology and service innovation. This enhancement of competitiveness is imperative so that Islamic banking does not merely rely on customers' cultural loyalty but is truly capable of offering alternatives that are competitive, efficient, and responsive to the demands of the times (Syariah Banking & Syariah Banking, 2025).

Furthermore, as the country with the largest Muslim population, Indonesia inherently holds a strategic position as the global epicenter of Islamic finance, although its potential has not yet been fully realized. This sector still faces several structural challenges, such as a lack of public understanding regarding the distinctions of Islamic financial products, regulatory disparities that are not yet fully responsive, and the absolute necessity to maintain the purity of Sharia compliance amidst the currents of modernization. These multidimensional challenges clearly demand strategic intervention so that the Islamic banking industry can make significant strides (Gadjah Mada University & UIN Walisongo Semarang, 2024).

Based on the issues and empirical discourse outlined above, an in-depth study of the historical and structural dynamics, as well as the regulatory challenges facing Islamic banking, is of academic urgency. A critical analysis of the operational distinctions of Islamic banks and a comprehensive mapping of the industry's future opportunities are essential. Through an argumentative paradigm, this study is designed to dissect the anatomy of Islamic banking's development to provide comprehensive academic insights, while also contributing strategic recommendations to strengthen its contribution to the resilience of the national financial system.

## **Method**

This study employs a qualitative research design using a library research approach. The choice of this approach is not merely based on methodological simplification, but is driven by an epistemological imperative to trace, analyze, and reconstruct the historical dynamics and regulatory architecture of Islamic banking. In this context, various literature is not merely treated as a passive source of information but is positioned as an academic artifact that actively narrates the evolution of the discourse on the Islamic banking industry, whether at the theoretical, sociological, or legal levels.

In line with this approach, the data corpus used relies entirely on secondary data that possesses high authority and credibility. Data collection was conducted systematically through a literature review targeting two main types of sources. First, academic literature sources, including articles in reputable scientific journals, previous research findings, and authoritative books curated through academic databases such as Google Scholar and university repositories. Second, institutional documents and official publications released by relevant policymakers and regulators, specifically the Financial Services Authority (OJK) and Bank Indonesia (BI), to accurately capture the regulatory landscape and empirical realities of Islamic banking.

All the data and literature that have been collected are then analyzed using descriptive-analytical techniques combined with content analysis. This analytical process goes beyond a mere chronological compilation or summary of texts; it involves critical reading to interpret, compare, and synthesize various arguments and findings from diverse sources. Through this inter-textual dialectic, this study seeks to identify the common thread between industrial growth and the regulatory framework, thereby generating comprehensive conclusions and an argumentative narrative regarding the landscape of Islamic banking in Indonesia.

## **Results and Discussion**

### **The History and Dynamics of Islamic Banking**

#### ***The History of Islamic Banking Around the World***

Historically, the fundamental discourse on modern Islamic banking emerged as an antithesis to the hegemony of the conventional financial system, which is based on the practice of *riba*—an exploitative mechanism that is definitively prohibited in Islamic legal epistemology (Saeed, 1996). The conceptualization of this interest-free financial institution began to emerge

academically in the 1940s, initiated by the critical thinking of early Islamic economic experts such as Anwar Qureshi, Naeem Siddiqi, and Mahmud Ahmad. They argued for a profit and loss sharing scheme as the ethical foundation of banking, which they claimed was far more just (Warde, 2000). This theoretical framework was subsequently elaborated upon and philosophically refined by leading thinkers, including Abul A'la Al-Mawdudi and Muhammad Hamidullah, who systematically laid the normative groundwork for the operationalization of the Islamic economic system in the modern era (Antonio, 2001).

The transition from theoretical dialectics to empirical practice does not, in fact, proceed smoothly without structural resistance. Early experiments with interest-free financial institutions were piloted in rural Pakistan in the mid-1940s, although these pioneering initiatives were unable to achieve an optimal operational equilibrium (Iqbal & Molyneux, 2005). The crucial momentum that later became a milestone in the real resurgence of global Islamic banking was only realized in 1963 in Egypt, marked by the establishment of the *Mit Ghamr Local Saving Bank* by scholar Ahmad El-Najjar. This pioneering institution successfully formulated a system of interest-free financial management and garnered massive sociological acceptance from the public (Ayub, 2007). The success of *Mit Ghamr*, in turn, provided irrefutable empirical proof that a Sharia-based banking system is not merely an academic utopia, but a visible and resilient economic entity (Chapra, 1992).

The success of the *Mit Ghamr* model triggered a domino effect that directly accelerated the institutionalization of Islamic banking on the international stage. In the 1970s, the industry underwent a comprehensive structural expansion, culminating in the establishment of the *Dubai Islamic Bank* in 1975 as the world's first commercial Islamic bank (Hassan & Lewis, 2007). During the same period, the political and economic legitimacy of this system was further solidified with the establishment of the *Islamic Development Bank* (IDB), orchestrated by the multilateral commitment of member states of the Organization of Islamic Cooperation (OIC) (Ariff, 1988). Since that historic milestone, Islamic banking has successfully transformed from a mere regional phenomenon into a global financial instrument. Its expansion has proven not only to be concentrated in countries with Muslim-majority populations but has also adaptively penetrated and been accommodated by financial authorities in Western nations, such as the United Kingdom and Australia (Garas, 2012).

### ***The History of Islamic Banking in Indonesia***

The growth of Islamic banking in Indonesia did not emerge in a vacuum but rather resulted from the interplay between the sociological needs of the Muslim community and shifts in macroeconomic policy. Structurally, the nascent Islamic banking sector found its foothold following the government's release of banking deregulation policy packages in 1983 and 1988 (Pakto 88). These policies indirectly opened the floodgates of liberalization, enabling the emergence of an alternative banking system. However, sociologically speaking, this initiative had been gaining momentum since the 1980s through various symposia and academic discourses on the urgency of an inclusive Islamic economic system. This idea was not left to remain at the level of theoretical utopia but was immediately tested empirically through the

institutionalization of microfinance instruments, such as Bait At-Tamwil Salman ITB in Bandung and Koperasi Ridho Gusti in Jakarta, which later became critical prototypes for the operationalization of Islamic finance in Indonesia.

By the 1990s, the discourse on Islamic banking had transformed from a mere grassroots' experimental movement into a nationwide institutional agenda. This acceleration was strategically orchestrated by the Indonesian Ulema Council (MUI), which proactively established the MUI Banking Team in 1990. This step aimed to consolidate political lobbies and formulate a blueprint for the establishment of the first Islamic bank in the country. This dedicated effort culminated in a national consensus that marked the birth of Bank Muamalat Indonesia in 1991, which subsequently began effective operations in 1992. The presence of Bank Muamalat was not merely an addition to the nomenclature of banking entities, but a historic milestone that broke the sole hegemony of the conventional banking regime, while simultaneously legitimizing the real existence of Sharia institutions within society.

This sociological and institutional legitimacy, in turn, called for a more comprehensive constitutional legal framework. The state subsequently responded to these developments by enacting Law No. 10 of 1998, which explicitly recognizes and provides a legal framework for the implementation of a dual banking system in Indonesia. This regulatory landscape reached a crucial culmination with the promulgation of Law No. 21 of 2008 on Islamic Banking, which granted autonomy as well as legal certainty of *Alex specialist* nature to this industry. Over time, the domestic Islamic banking ecosystem has continued to undergo structural expansion, in terms of regulatory updates, product diversification, and increased public literacy. Currently, the entire trajectory of the industry is strictly supervised under the Financial Services Authority (OJK) to ensure the integration of good corporate governance compliance and the purity of Sharia principles (Financial Services Authority, 2024).

#### ***Regulation and Supervision of Islamic Banking in Indonesia***

Within the Islamic banking landscape, regulatory and supervisory instruments are not merely administrative and procedural prerequisites, but rather a manifestation of philosophical and theological principles. This supervision plays an essential role in safeguarding systemic stability, maintaining institutional integrity, and ensuring that all aspects of financial operations remain aligned with Sharia principles. From a formal legal perspective, the existence and operational foundation of this industry are governed by a *lex specialis*, namely Law No. 21 of 2008 on Islamic Banking. This legislation explicitly mandates that every business maneuver of an Islamic bank must be constructed upon a balance between Sharia compliance, the pillars of economic democracy, and the implementation of the principle of prudence (prudential banking). This is intended to ensure that Islamic banking can contribute concretely to national development and the enhancement of the sociological well-being of society.

At the macro-structural level, the regulatory framework for Islamic banking in Indonesia is unique in that it is governed through a comprehensive tripartite institutional synergy. This synergy involves the Financial Services Authority (OJK), Bank Indonesia (BI),

and the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), where each entity holds complementary authorities. The OJK acts as the central regulator and macroprudential supervisor, precisely overseeing the health and governance of the financial services sector. On the other hand, BI holds control over macroprudential and monetary policies, including formulating Sharia-compliant liquidity instruments such as the Bank Indonesia Sharia Certificate (SBIS). Meanwhile, DSN-MUI acts as the fatwa authority that formulates normative and *muamalah fiqh* frameworks to ensure that no banking product is legally flawed under Islamic law.

At the micro-institutional level, the implementation of these fatwas and macro-regulations is strictly overseen by the Sharia Supervisory Board (DPS), which is appointed *ex officio* within the management structure of each banking entity. The presence of the DPS serves as the first line of defense to prevent operational deviations from Sharia guidelines. This multi-layered oversight framework is intentionally designed not to create rigid bureaucracy, but to provide robust legal certainty. It is this synergy between state law and adherence to religious principles that ultimately builds credibility and fosters public confidence in the resilience of the Islamic banking system in Indonesia (Ayu et al., 2025).

#### ***Growth in Assets, Number of Banks, and Market Share of Islamic Banks***

The transformation of the Islamic banking industry in Indonesia has, in fact, recorded an impressive growth curve in nominal terms, yet it presents a structural paradox when compared to the dominance of conventional banking. Based on official data released by the Financial Services Authority (OJK), the total accumulated assets of Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) through October 2025 have surpassed the projected figure of Rp1,397 trillion. Although this achievement represents a positive trend for the industry, its market penetration ratio (*market share*) remains hovering around the equilibrium range of 10% of the aggregate national banking assets. This empirical reality reveals an irony: amidst the demographic landscape of the world's largest Muslim-majority population, Islamic banking instruments have not yet fully transformed into the epicenter of the national financial system but must continue to strive to expand their economic scale.

In response to this market share imbalance, Islamic banking institutions are required to implement strategies that are not merely defensive, but also expansive. These efforts are realized through the strengthening of a more inclusive service network infrastructure across various regions, product innovations tailored to meet the needs of the modern market, and the acceleration of a massive digital transformation. In today's economy, the digitalization of Islamic services is no longer merely a gimmick, but a strategic imperative to bridge the accessibility gap (financial inclusion). This step is crucial for capturing the market niche of a new generation of customers who demand integrated, transparent, and efficient financial services without compromising Sharia values.

However, accelerated asset growth and market share disruption cannot be achieved solely through internal institutional maneuvers within the banking sector. An external catalyst in the form of a supportive ecosystem is required, where affirmative regulatory support from

the government is a fundamental prerequisite. Furthermore, the enhancement of Islamic financial literacy among grassroots communities must be continuously intensified to shift the public paradigm; from mere affiliation driven by emotional-theological sentiments to a comprehensive calculation of economic rationality. It is this synergy between institutional resilience, pro-Islamic banking policy interventions, and adequate financial literacy that will ultimately become the primary determinant for Islamic banking to break through market stagnation and solidify its existence in the future (Sayekti, 2026).

### **Key Differences Between Islamic Banks and Conventional Banks**

Ontologically, the most fundamental distinction that serves as the dividing line between conventional banks and Islamic banks lies in the mechanisms for generating profits and the governance of their distribution. This difference is not merely technical or operational in nature but represents two diametrically opposed poles of economic philosophy. On one hand, conventional institutions construct their financial systems based on fixed-interest capitalism, while on the other, Islamic institutions offer an epistemological alternative that prioritizes the principle of partnership through profit-sharing schemes. This fundamental difference in instruments, in turn, absolutely dictates how relational patterns are formed, how responsibilities are distributed, and how the essence of justice is realized in every financial transaction.

In the structure of conventional banking, the main pillar driving its entire operational machinery is the interest-based system. This mechanism operates rigidly on the principle of fixed returns, whereby banks charge a specific interest rate on loans while promising a fixed rate of return on customer deposits. The logical consequence of this paradigm is the creation of an asymmetrical and individualistic economic relationship. In this system, borrowing customers (debtors) are forced to bear the burden of investment risk absolutely and independently. Meanwhile, the bank positions itself in a safe zone because it is entitled to demand the return of the principal along with interest, regardless of whether the customer's business project achieves financial success or plummets into a pit of losses.

In contrast, Islamic banking deconstructs this asymmetry by applying the principle of profit and loss sharing, which is inherently imbued with values of distributive justice. Instead of exploiting customers by setting an absolute profit percentage upfront, Islamic banks and customers enter into an agreement on a proportion (*nisbah*) that is directly proportional to the empirical reality of business operations. Through this paradigm, the bank no longer acts passively as an elitist provider of capital but transforms into a strategic partner with active involvement and collective responsibility for risk mitigation (risk sharing). If the funded business incurs losses due to market dynamics, the burden of those losses is borne proportionally by both parties. It is this approach that solidifies the position of Islamic banks as more humanistic financial entities, as they focus on the equilibrium of justice and collective success in every deployment of capital. (Bakhri, 2024).

## **Advantages and Challenges of Islamic Banks vs. Conventional Banks**

### ***The Advantages of Islamic Banks***

Conceptually, Islamic banking offers a few comparative advantages that make it a unique and value-added financial entity. Its fundamental strength lies in the principle of distributive justice, where profit orientation is based on transparent real-sector activities and proportional risk-sharing. This paradigm fosters an ecosystem of equal partnership among depositors, fund management institutions, and business operators, thereby dismantling exploitative financial hierarchies. Furthermore, Islamic banking is required to uphold integrity through open and continuous financial reporting, providing both moral assurance and financial rationality for investor clients. More than just an institution labeled as religious, Islamic banking operates on a universal philosophical foundation (*rahmatan lil alamin*). This implies that these banking services are inclusive, accessible, and provide benefits to all segments of society regardless of identity, ethnicity, or religious background (Otoritas Jasa Keuangan, 2024).

### ***Challenges Facing Islamic Banks***

Although grounded in a solid philosophical foundation, the practice of Islamic banking still faces several structural and cognitive challenges within society. The most critical challenge stems from the skeptical perceptions of some members of the public who are still unable to distinguish the substantial differences between Islamic and conventional banks. This skepticism often gives rise to dual doubts, both regarding the profit margins offered and the validity of their adherence to the principles of Islamic commercial jurisprudence (*fiqh al-muamalah*). This distortion of understanding is, in fact, a manifestation of the still-limited financial literacy and the lack of comprehensive education regarding the operational nature of Islamic banking (Rohman, 2025). This situation is further exacerbated by the fact that, despite being governed by Law No. 21 of 2008, the implementation of affirmative policy support and the provision of sectoral incentives have not yet been fully and optimally executed by policymakers.

In the technical and operational spheres, Islamic banking still faces a significant challenge in catching up regarding technological capabilities and infrastructure. Limited physical access networks, sluggish responses to cutting-edge product innovations, and insufficient digital penetration often cause the industry to lose its appeal among modern consumers. To untangle these complex challenges, synergistic and progressive mitigation measures are required. The transformation and digitization of services must be accelerated to meet the public's demand for instant solutions. Concurrently, government intervention through strengthened regulations, expanded infrastructure, and national financial literacy campaigns is an absolute prerequisite for Islamic banks to break free from the shadow of conventional banks and emerge as a robust pillar of the national economic system.

### ***Advantages of Conventional Banks***

On the other hand, conventional banking continues to maintain its dominance through a series of pragmatic and structural advantages that are deeply rooted in the modern banking ecosystem. Its primary strengths center on high levels of trust and security, built upon mature regulations protecting customer funds and a long operational history. Furthermore,

conventional institutions hold an absolute advantage in terms of scale and service diversification. They can orchestrate an extremely broad spectrum of financial products—ranging from savings accounts, commercial credit facilities, and insurance to integrated investment management instruments—all under one service umbrella. This flexibility is further reinforced by massive reach, both through the dominance of physical branch networks in various remote areas and the sophistication of digital banking infrastructure. Through this solid accumulation of capital, conventional banks have empirically played a central role in driving the macroeconomy, distributing credit widely, and maintaining market liquidity stability (Widya, n.d.).

### ***Challenges Facing Conventional Banks***

However, the current dominance of conventional banking is being directly challenged by a wave of technological disruption and shifts in public financial behavior. The emergence of financial technology entities (fintech) and various digital wallets have reshaped public expectations regarding the speed, convenience, and efficiency of services. This serves as a stark warning for conventional banks to immediately undertake a radical digital transformation to avoid being left behind by market dynamics. Moreover, this exponentially growing digital financial landscape has brought with it systemic issues. The gap between the pace of technological innovation and the low level of financial literacy among the digital public often triggers new vulnerabilities. The public is vulnerable to falling prey to financial misinformation, becoming victims of fraud (*fraud*), and experiencing exploitation through the misuse of personal data (Takdirmin et al., 2025). Therefore, the greatest challenge facing conventional banks today is no longer merely capturing market share, but rather their ability to build a robust, secure digital architecture that guarantees absolute privacy for their customers amidst the onslaught of cybercrime.

### **Conclusion**

The existence of Islamic banking in Indonesia is not merely a reflection of the Muslim community's theological compliance, but rather a rational antithesis to the exploitative conventional economic system. Through the profit and loss sharing paradigm, Islamic banking offers a framework of distributive justice and a more humane economic partnership compared to the fixed-interest regime of conventional banking. Historically and legally, this industry has experienced significant growth, transforming from a grassroots initiative into an entity recognized and regulated by the state (lex specialist Law No. 21 of 2008) with a solid tripartite supervisory framework (OJK, BI, and DSN-MUI).

However, despite its conceptual superiority and stable growth, Islamic banking remains trapped in the paradox of an asymmetrical market share, having reached only a 10% equilibrium of total national banking assets. The dominance of conventional banks, supported by mature infrastructure, service diversification, and mass digital penetration, remains a massive structural barrier. Therefore, to break through this stagnation and seize market hegemony, Islamic banking can no longer rely solely on the emotional and cultural loyalty of its customers. A holistic strategic orchestration is required: ranging from the acceleration of radical digital transformation, product innovations responsive to the

modern market, the nationwide escalation of Islamic financial literacy, to the affirmation of more progressive government policies. It is through this comprehensive synergy that Islamic banking will be able to transform into a main pillar supporting the resilience and robustness of the national financial system in the future.

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