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## **THE ROLE OF SHARIA MANAGEMENT IN THE DEVELOPMENT OF PRODUCTS AND SERVICES IN ISLAMIC BANKING IN INDONESIA**

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**Abstract:** The growth of Islamic banking in Indonesia faces challenges in product and service development due to limited management expertise in Sharia compliance. Despite the increasing demand for Sharia-compliant financial products, the industry's ability to innovate and expand its offerings is hindered by a lack of specialized knowledge and skills among managers. This research investigates the role of Sharia management in enhancing the quality and variety of Islamic banking offerings. The study aims to address the gap between market demands and current Sharia banking products, identifying key factors that contribute to or hinder the development process. Utilizing a qualitative research method, data were collected through interviews with key stakeholders in the Islamic banking sector and analysis of relevant documents. The interviews provided insights into the experiences and perspectives of industry professionals, while the document analysis offered a broader understanding of regulatory and operational contexts. The results indicate that effective Sharia management significantly improves product innovation and service quality. Managers with a deep understanding of Sharia principles can better navigate the complexities of developing compliant products, leading to more robust and diverse offerings. Furthermore, strong adherence to Sharia principles builds customer trust and loyalty, as clients feel more confident in the ethical and religious integrity of the services provided. The research also reveals that ongoing training and development for Sharia managers are crucial for sustaining growth. As the market evolves, continuous education ensures that managers remain adept at applying Sharia principles in innovative ways. Finally, the findings suggest that collaboration between Islamic banking institutions and regulatory bodies can enhance the overall efficiency of Sharia management practices. By working together, these entities can create a more supportive environment for product development, ensuring that Islamic banking in Indonesia continues to grow and meet the needs of its customers.

**Keywords:** Role of Sharia Management, Development of Products, Services in Islamic Banking



## **INTRODUCTION**

The evolution of the global financial landscape has given rise to various forms of banking systems, one of which is Islamic banking. Rooted in the principles of Sharia, or Islamic law, this system aims to promote ethical financial practices by prohibiting interest (riba), excessive uncertainty (gharar), and gambling (maysir). Islamic banking has gained significant traction in many Muslim-majority countries, with Indonesia being one of the most prominent markets. (Marlina, 2024) As the largest Muslim-majority country in the world, Indonesia's embrace of Islamic banking represents a critical component of its financial sector. Despite the potential and growing demand, the sector faces significant challenges in product and service development, primarily due to limited management expertise in Sharia compliance. This introduction explores the role of Sharia management in enhancing the quality and variety of Islamic banking offerings in Indonesia, addressing the gap between market demands and current Sharia banking products.

Sharia management is integral to the functioning of Islamic banks, ensuring that all products and services comply with Islamic legal principles. This involves a deep understanding of Sharia law, financial practices, and the ability to innovate within these constraints. (Munawar, Prakoso, & Wusqo, 2024) The role of Sharia management is not merely advisory; it is fundamental to the design and execution of financial products that meet both regulatory requirements and customer expectations. In Indonesia, the rapid growth of Islamic banking underscores the need for proficient Sharia management. The sector's expansion is hampered by a shortage of managers who possess the requisite expertise in Sharia law and its application to modern financial products. (Judijanto, Mokodenseho, Birah, Mamonto, & Mokodongan, 2024)

One of the primary challenges in developing Islamic banking products in Indonesia is the inherent complexity of ensuring Sharia compliance. Unlike conventional banking, which operates on straightforward interest-based transactions, Islamic banking requires a meticulous structuring of financial products to avoid riba, gharar, and maysir. This necessitates innovative approaches to profit-sharing, leasing, and joint ventures, among other financial mechanisms. Effective Sharia management is crucial in this context, as it involves not only compliance but also the ability to create products that are competitive and attractive to customers. (Hanifah, 2019) The lack of expertise in this area can lead to a limited product range, reducing the competitiveness of Islamic banks in comparison to their conventional counterparts.

The Indonesian Islamic banking sector's struggle with product development can be attributed to several factors. Firstly, the educational and training infrastructure for Sharia management is still developing. While there are institutions offering degrees and certifications in Islamic finance, the quality and accessibility of these programs vary. This has resulted in a workforce that is often inadequately prepared to tackle the complexities of Sharia-compliant product development. Secondly, there is a disconnect between academic knowledge and practical application. Many Sharia scholars may possess deep theoretical knowledge but lack the practical experience required to navigate the financial markets effectively. This gap between theory and practice is a significant barrier to innovation in Islamic banking products.



To address these challenges, this research investigates the role of Sharia management in enhancing the quality and variety of Islamic banking offerings. The study aims to bridge the gap between market demands and current Sharia banking products by identifying key factors that contribute to or hinder the development process. (Abdullah, Salman, & Nurlaila, 2023) Utilizing a qualitative research method, data were collected through interviews with key stakeholders in the Islamic banking sector, including Sharia scholars, bank managers, and regulatory officials. Additionally, an analysis of relevant documents provided a broader understanding of the regulatory and operational contexts within which Islamic banks operate.

The findings of this research indicate that effective Sharia management significantly improves product innovation and service quality. Managers who possess a deep understanding of Sharia principles can better navigate the complexities of developing compliant products, leading to more robust and diverse offerings. (Nuryanto, Basrowi, Quraysin, Pratiwi, & Utami, 2024) For instance, the introduction of products like Sukuk (Islamic bonds) and various forms of profit-sharing agreements (such as Mudarabah and Musharakah) in the Indonesian market are examples of successful innovations driven by effective Sharia management. These products not only comply with Sharia principles but also offer competitive returns, attracting a broad customer base.

Strong adherence to Sharia principles builds customer trust and loyalty. In a market where ethical considerations are paramount, customers are more likely to remain loyal to banks that demonstrate a clear commitment to Sharia compliance. This trust is a critical asset, as it not only ensures a stable customer base but also enhances the bank's reputation, attracting new customers who seek ethical banking solutions. (Agus Wahyu Irawan, 2020a) The role of Sharia management in maintaining and enhancing this trust cannot be overstated. By ensuring that all products and services adhere to Sharia principles, managers play a crucial role in fostering long-term customer relationships.

The research also reveals that ongoing training and development for Sharia managers are crucial for sustaining growth in the Islamic banking sector. As the market evolves and new financial challenges emerge, continuous education ensures that managers remain adept at applying Sharia principles in innovative ways. This is particularly important in a dynamic financial environment where regulatory changes and market demands can quickly render existing knowledge obsolete. Training programs that combine theoretical knowledge with practical experience are essential in this regard, equipping managers with the skills needed to drive innovation while ensuring compliance. (Agus Wahyu Irawan & Sifa', 2023)

The findings suggest that collaboration between Islamic banking institutions and regulatory bodies can enhance the overall efficiency of Sharia management practices. Regulatory bodies play a critical role in defining the framework within which Islamic banks operate, ensuring that products and services adhere to Sharia principles while meeting broader financial regulations. By working closely with regulatory bodies, Islamic banks can navigate the complex regulatory landscape more effectively, ensuring that their products are both compliant and competitive. (Winarno & Putra, 2020) This collaboration can also facilitate the



sharing of best practices and the development of standardized guidelines, further enhancing the efficiency of Sharia management. (Agus Wahyu Irawan, 2020b)

The role of Sharia management in the development of products and services in Islamic banking in Indonesia is multifaceted and critical. Effective Sharia management not only ensures compliance with Islamic legal principles but also drives innovation and enhances service quality. The challenges faced by the sector, including limited management expertise and a disconnect between theoretical knowledge and practical application, underscore the need for ongoing training and collaboration. By addressing these challenges, Islamic banking in Indonesia can continue to grow, meeting the needs of its customers while upholding the ethical principles at the heart of its operations. The insights gained from this research provide a roadmap for enhancing Sharia management practices, contributing to the development of a robust and dynamic Islamic banking sector in Indonesia. (Andi Wahyu Irawan, Dwisona, & Lestari, 2020)

## **RESEARCH METHOD**

This study employs a qualitative research method to explore the role of Sharia management in the development of products and services in Islamic banking in Indonesia. The qualitative approach is chosen due to its suitability in providing a deep understanding of complex phenomena, such as the intricacies of Sharia compliance and its impact on product innovation. Data were collected through semi-structured interviews and document analysis. Semi-structured interviews were conducted with a diverse group of key stakeholders, including Sharia scholars, bank managers, and regulatory officials. This method allowed for the collection of rich, detailed data and provided the flexibility to explore participants' insights and experiences in depth. Each interview lasted between 60 to 90 minutes and was recorded and transcribed for analysis. (Agus Wahyu Irawan & Asfiah, 2022) The interview questions were designed to uncover the participants' perspectives on the challenges and opportunities in Sharia management, their experiences with product development, and their views on the current state and future potential of Islamic banking in Indonesia. In addition to interviews, document analysis was conducted to supplement and triangulate the data obtained from interviews. Relevant documents included regulatory guidelines, internal bank reports, industry publications, and academic literature. This analysis provided contextual background and helped to understand the regulatory and operational environment of Islamic banking in Indonesia. (Yustisianto, Wahyuningsih, & Mashdurohatun, 2022) Data were analyzed using thematic analysis, which involved coding the data to identify key themes and patterns. This process included familiarization with the data, generating initial codes, searching for themes, reviewing themes, and defining and naming themes. The thematic analysis provided a comprehensive understanding of the role of Sharia management in product and service development, highlighting the challenges and opportunities faced by the Islamic banking sector in Indonesia.



## **RESULTS AND DISCUSSION**

### **Results: The Role of Sharia Management in the Development of Products and Services in Islamic Banking in Indonesia**

The study's findings highlight the pivotal role of Sharia management in enhancing the quality and variety of Islamic banking products and services in Indonesia. (Sulistiyo & Sumarsono, 2020) Several key themes emerged from the analysis of interviews and documents, illustrating both the successes and challenges faced by the sector.

#### **1. Enhanced Product Innovation**

The realm of Islamic banking in Indonesia has witnessed a significant surge in product innovation, driven largely by the effective management of Sharia principles. Enhanced product innovation is a testament to the growing expertise within the sector, which has enabled the development of a diverse range of financial products that comply with Islamic law while remaining competitive in the market. One of the most notable innovations is the introduction of Sukuk, or Islamic bonds. Sukuk represent a Sharia-compliant alternative to conventional bonds, providing investors with returns generated from tangible assets or specific projects rather than interest payments, which are prohibited in Islamic finance. (A. Irawan, Wilson, & Sutrisno, 2020) This innovation has not only broadened the scope of investment opportunities for both individual and institutional investors but has also facilitated the funding of large-scale infrastructure projects essential for Indonesia's economic growth.

Another key area of innovation is the development of profit-sharing agreements, such as Mudarabah and Musharakah. These agreements align with the profit-and-loss-sharing principles fundamental to Islamic finance. Mudarabah involves a partnership where one party provides the capital while the other manages the investment, with profits shared according to a pre-agreed ratio. Musharakah, on the other hand, involves joint investment by both parties, who share profits and losses in proportion to their contributions. (Hariyati, Irawan, & Rikantasari, 2022) These innovative financial instruments have opened new avenues for business financing and investment, particularly for small and medium-sized enterprises (SMEs) that may find conventional banking products inaccessible or unsuitable. By offering these alternatives, Islamic banks can better serve the diverse needs of their clientele, fostering economic inclusivity and entrepreneurship.

The role of Sharia management in these innovations cannot be overstated. Managers with a deep understanding of Sharia principles are instrumental in navigating the complexities of developing compliant products. Their expertise ensures that financial products not only adhere to Islamic law but also address the practical and financial needs of customers. This dual focus on compliance and customer satisfaction is crucial for the success of Islamic banking products in a competitive market. Furthermore, the innovative use of technology has also played a significant role in product development. (Agus Wahyu Irawan, Roni, & Putro, 2021) The adoption of fintech solutions has enabled Islamic banks to offer more efficient and user-friendly services, such as mobile banking, digital payment





solutions, and online investment platforms. (Agus Wahyu Irawan, Fitri, & Maeni, 2023) These technological advancements have made Sharia-compliant financial products more accessible to a broader audience, enhancing customer experience and engagement.

The success of these innovations underscores the importance of continuous training and development for Sharia managers. As the financial landscape evolves, ongoing education ensures that managers remain adept at applying Sharia principles in novel and effective ways. (Agus Wahyu Irawan, Putro, Sifa', & Wahyudhi, 2023) This is particularly important in a dynamic market where customer needs and regulatory requirements are constantly changing. Training programs that combine theoretical knowledge with practical experience equip managers with the skills necessary to drive continuous innovation while maintaining strict adherence to Sharia principles. In conclusion, enhanced product innovation in Islamic banking in Indonesia is a direct result of effective Sharia management. (Agus Wahyu Irawan & Anisah, 2021) Through the development of products like Sukuk and profit-sharing agreements, Islamic banks have expanded their offerings to meet the diverse needs of their customers. The integration of technology further supports these innovations, making Sharia-compliant financial products more accessible and appealing. Continuous education and training for Sharia managers remain vital to sustaining this momentum, ensuring that Islamic banking in Indonesia continues to grow and evolve in response to market demands.

## 2. Building Customer Trust and Loyalty

Building customer trust and loyalty in Islamic banking hinges on the unwavering adherence to Sharia principles, which ensures that all financial activities align with the ethical and religious values of its clientele. (Sulistiyawan, Salim, Rofiq, & Rofiaty, 2019) This adherence fosters a deep sense of trust among customers who seek financial products that reflect their faith-based values. Islamic banks in Indonesia have recognized the paramount importance of maintaining this trust by consistently demonstrating a commitment to Sharia compliance. This commitment is evident in the transparent and ethical practices that define Islamic banking, distinguishing it from conventional banking systems and appealing to customers who prioritize ethical considerations in their financial decisions.

Customer loyalty in Islamic banking is closely linked to the perceived integrity and reliability of the institutions. When customers trust that their bank operates with the highest ethical standards, they are more likely to remain loyal, resulting in long-term relationships that are beneficial for both the bank and the customer. Islamic banks achieve this by providing clear, Sharia-compliant alternatives to conventional financial products, such as profit-sharing investment accounts and interest-free financing options. These products not only meet the financial needs of customers but also resonate with their moral and religious convictions, thereby strengthening their loyalty.

The role of Sharia management in building trust and loyalty cannot be overstated. Sharia managers ensure that all products and services comply with Islamic law, thereby



guaranteeing that customers' investments and transactions are conducted in a manner that aligns with their religious beliefs. This meticulous oversight builds confidence among customers, who feel assured that their financial activities are both ethically sound and legally compliant. (Cahyani, Santoso, & Ma'mun, 2023) The presence of Sharia boards and advisors within Islamic banks also reinforces this trust, as these bodies provide continuous guidance and oversight to ensure adherence to Sharia principles.

Another critical factor in building customer trust and loyalty is the commitment to social responsibility and community development inherent in Islamic banking. Islamic banks often engage in charitable activities, such as Zakat (almsgiving) and Qard Hasan (benevolent loans), which contribute to the welfare of the community and address social inequalities. (Dewi, 2022) These initiatives resonate deeply with customers who value the social impact of their banking choices, thereby enhancing their loyalty to the institution. By integrating social responsibility into their core operations, Islamic banks reinforce the perception of their commitment to ethical and community-focused banking.

The technological advancements adopted by Islamic banks have played a significant role in building customer trust and loyalty. The implementation of secure and user-friendly digital banking platforms ensures that customers can access their accounts and conduct transactions with ease and confidence. The use of fintech solutions has enhanced transparency and efficiency, providing customers with real-time information and control over their financial activities. This technological integration not only improves customer satisfaction but also strengthens their trust in the bank's ability to safeguard their financial interests.

### 3. Challenges in Management Expertise

The Islamic banking sector in Indonesia faces significant challenges in management expertise that hinder its growth and innovation. One of the primary obstacles is the scarcity of qualified Sharia managers who possess both deep knowledge of Islamic jurisprudence and practical financial skills. This dual expertise is crucial for the development of Sharia-compliant financial products and services. Many Islamic banks struggle to find managers who are adept at interpreting and applying Sharia principles within the complex framework of modern financial markets. This gap in expertise leads to a limited range of products that can compete with conventional banking offerings, ultimately affecting the sector's competitiveness and appeal.

Educational institutions in Indonesia are yet to fully bridge the gap between theoretical knowledge and practical application in Islamic finance. While there are programs that offer degrees and certifications in Islamic banking and finance, the quality and accessibility of these programs vary widely. (Ratnawita, Nurdiani, Judijanto, & Fali, 2023) Graduates often emerge with a strong foundation in Islamic jurisprudence but lack the practical skills needed to navigate the intricacies of financial product development and management. This disconnect between education and industry requirements results in a workforce that is not fully equipped to drive innovation and growth within the sector.



Furthermore, the dynamic nature of the financial markets demands continuous learning and adaptation, but opportunities for ongoing professional development in Islamic banking are limited. Managers need access to up-to-date training that addresses the latest developments in financial technology, regulatory changes, and global market trends. Without continuous professional development, Sharia managers struggle to keep pace with the rapid evolution of the financial landscape, leading to stagnation in product innovation and service delivery. This lack of professional development resources hampers the ability of Islamic banks to respond effectively to market demands and regulatory requirements.

Another significant challenge is the insufficient integration of Sharia scholars into the operational aspects of Islamic banking. While Sharia boards and advisors play a critical role in ensuring compliance, their involvement is often limited to advisory capacities rather than active participation in product development and management. This limited integration can result in products that are compliant with Sharia principles but fail to meet the practical needs and expectations of customers. To overcome this challenge, there needs to be a more collaborative approach where Sharia scholars work closely with financial experts throughout the product development process.

The regulatory environment for Islamic banking in Indonesia poses its own set of challenges. The regulatory framework is still evolving, and there are inconsistencies in how Sharia principles are interpreted and applied across different institutions. This lack of standardization creates uncertainty and complicates the development of new products and services. (Haryanto, 2023) Managers must navigate these regulatory complexities while ensuring that their products remain competitive and compliant. This requires a high level of expertise and experience, which is currently in short supply.

#### 4. Importance of Ongoing Training and Development

Ongoing training and development in Islamic banking are critical for maintaining the sector's competitiveness and ensuring adherence to Sharia principles. The financial industry is characterized by rapid changes and innovations, which require professionals to continuously update their knowledge and skills. In the context of Islamic banking, the need for ongoing education is even more pronounced due to the dual requirement of complying with both financial regulations and Sharia law. (Haryanto, 2023) Continuous professional development ensures that Sharia managers remain proficient in the latest financial practices while maintaining a deep understanding of Islamic jurisprudence. This dual expertise is essential for developing innovative and compliant financial products that meet the evolving needs of customers.

One of the primary benefits of ongoing training is the enhancement of product development capabilities. As the financial market evolves, new opportunities and challenges arise that necessitate innovative solutions. Sharia managers who engage in continuous education are better equipped to identify and capitalize on these opportunities, leading to the creation of a diverse range of financial products. Training programs that focus on practical applications of Sharia principles in contemporary financial contexts enable





managers to design products that are both compliant and competitive. This ability to innovate is crucial for the growth and sustainability of Islamic banks in an increasingly competitive financial landscape.

Ongoing training and development foster a culture of continuous improvement within Islamic banking institutions. When managers and employees are committed to lifelong learning, they are more likely to embrace new technologies, methodologies, and best practices. This culture of continuous improvement leads to higher levels of efficiency and effectiveness in operations, enhancing the overall performance of the bank. It also contributes to better customer service, as employees are more knowledgeable and capable of addressing complex financial needs. In turn, this improved service quality strengthens customer trust and loyalty, which are vital for the long-term success of Islamic banks.

Another critical aspect of ongoing training is its role in ensuring regulatory compliance. The regulatory environment for Islamic banking is complex and continually evolving, with new guidelines and standards being introduced regularly. Continuous professional development programs that include updates on regulatory changes help Sharia managers stay abreast of the latest requirements, ensuring that their institutions remain compliant. This proactive approach to compliance not only mitigates risks but also enhances the credibility and reputation of Islamic banks. Customers and investors are more likely to trust institutions that demonstrate a strong commitment to regulatory adherence and ethical practices.

#### 5. Collaboration with Regulatory Bodies

Collaboration with regulatory bodies is a cornerstone for the success and growth of the Islamic banking sector. This partnership is vital in creating a robust framework that ensures compliance with both Sharia principles and financial regulations. Regulatory bodies, such as the Financial Services Authority (OJK) in Indonesia, play a crucial role in shaping the regulatory landscape that governs Islamic banking. By working closely with these entities, Islamic banks can navigate the complexities of regulatory requirements more effectively, ensuring that their products and services are both compliant and competitive.

One of the primary benefits of such collaboration is the development of standardized guidelines that ensure consistency and clarity in the application of Sharia principles. (Sudarmawan & Harnani, 2021) Regulatory bodies, in consultation with Islamic banks and Sharia scholars, can create comprehensive guidelines that address various aspects of banking operations, from product development to risk management. These standardized guidelines provide a clear roadmap for Islamic banks, reducing ambiguity and enhancing compliance. This standardization also facilitates the creation of a level playing field, where all Islamic banks operate under the same set of rules, promoting fairness and competition within the sector.

Collaboration with regulatory bodies enhances the credibility and legitimacy of Islamic banking. Regulatory oversight ensures that Islamic banks adhere to high standards of transparency, accountability, and ethical conduct. This oversight is crucial in building



and maintaining trust among customers, investors, and other stakeholders. When regulatory bodies and Islamic banks work together to ensure strict adherence to Sharia principles and financial regulations, it reinforces the integrity of the sector. This collaborative approach also helps mitigate risks associated with non-compliance, such as legal penalties and reputational

### **Discussion: The Role of Sharia Management in the Development of Products and Services in Islamic Banking in Indonesia**

The findings of this study underscore the critical role of Sharia management in the development of Islamic banking products and services in Indonesia. Effective Sharia management ensures that all financial activities comply with Islamic legal principles, which is the cornerstone of the credibility and success of Islamic banking. The impact of Sharia management extends beyond mere compliance; it drives product innovation and enhances service quality, making Islamic banking a viable and competitive alternative to conventional banking.

Innovative financial products such as Sukuk (Islamic bonds) and profit-sharing agreements (like Mudarabah and Musharakah) are prime examples of how effective Sharia management can expand the market reach of Islamic banks. These products not only comply with Sharia principles but also provide competitive returns, attracting a broad customer base. Sukuk, for instance, offers an ethical investment option that is appealing to both individual and institutional investors. Similarly, profit-sharing agreements align the interests of the bank and its clients, fostering a cooperative financial environment that benefits all parties involved. These innovations demonstrate that with the right expertise, Islamic banks can offer products that are not only Sharia-compliant but also economically attractive and sustainable.

Customer trust and loyalty are invaluable assets for Islamic banks, driven primarily by strong adherence to Sharia principles. In a market where ethical considerations are paramount, maintaining rigorous Sharia compliance is essential for attracting and retaining customers. This trust translates into customer loyalty, which is critical for the long-term sustainability of Islamic banks. Customers who are confident in the ethical integrity of their bank are more likely to remain loyal, thus providing a stable and enduring customer base. This loyalty is further strengthened by the transparent and ethical practices that define Islamic banking, distinguishing it from conventional banking systems.

The sector's potential is hindered by a shortage of managers with the necessary expertise. The challenges identified in the study, particularly the lack of management expertise, highlight the need for a more robust educational and training infrastructure. Bridging the gap between theoretical knowledge and practical application is essential. Institutions offering degrees and certifications in Islamic finance must focus on providing practical, hands-on training to equip future managers with the skills needed to develop and manage Sharia-compliant products effectively. This practical training should include real-world scenarios and case studies that reflect the complexities and challenges of the financial market.

Ongoing training and development are vital for ensuring that Sharia managers can keep pace with the evolving financial landscape. Continuous education programs that combine theoretical insights with practical experience can help managers stay current with best practices



and regulatory changes. This is particularly important in a dynamic financial environment where new challenges and opportunities constantly arise. Training programs should be designed to address the latest developments in financial technology, regulatory requirements, and market trends, ensuring that managers are well-equipped to navigate the complexities of the financial market.

Collaboration between Islamic banking institutions and regulatory bodies is essential for enhancing the efficiency and effectiveness of Sharia management practices. Regulatory bodies play a crucial role in setting the framework within which Islamic banks operate. By working together, these entities can ensure that Islamic banking products are not only Sharia-compliant but also meet broader financial regulations, thereby enhancing the sector's overall credibility and stability. This collaboration can lead to the development of standardized guidelines and the sharing of best practices, further improving the sector's operational efficiency.

The role of Sharia management in the development of products and services in Islamic banking in Indonesia is multifaceted and critical. Effective Sharia management drives innovation, enhances service quality, and builds customer trust and loyalty. Addressing the challenges of limited expertise through improved education and training, coupled with greater collaboration with regulatory bodies, can help unlock the full potential of Islamic banking in Indonesia. This research provides valuable insights into how Sharia management can be strengthened to support the continued growth and development of the sector. The insights gained from this research are not only relevant for Islamic banks in Indonesia but also provide a framework for other countries looking to strengthen their Islamic banking sectors. By focusing on continuous improvement, education, and collaboration, Islamic banking can achieve greater heights, offering ethical and competitive financial solutions in the global market.

## **CONCLUSION**

The study effectively demonstrates the crucial impact of Sharia management in advancing the quality and diversity of Islamic banking products and services in Indonesia. Through detailed interviews and document analyses, it became evident that effective Sharia management has been instrumental in fostering significant product innovation. Innovations such as Sukuk and profit-sharing agreements like Mudarabah and Musharakah have not only catered to the financial needs of different sectors, including SMEs, but have also aligned perfectly with Islamic principles, enhancing investment opportunities and economic inclusivity. The role of Sharia management extends beyond product innovation to building customer trust and loyalty. By ensuring strict adherence to Sharia principles, Islamic banks in Indonesia have succeeded in maintaining a trust-based relationship with their clients, crucial for cultivating long-term customer loyalty. This trust is strengthened by Sharia managers' commitment to ethical practices and the integration of community-focused initiatives like Zakat and Qard Hasan, which resonate with the customers' values. The sector faces challenges, particularly in management expertise and the integration of continuous professional development. There is a notable gap in qualified Sharia managers who can blend Islamic



jurisprudence with modern financial practices effectively. This shortage hampers the sector's ability to compete with conventional banking and calls for enhanced educational programs and ongoing training to keep pace with market and regulatory dynamics. The collaboration with regulatory bodies remains vital. It ensures that the Islamic banking framework aligns with both Sharia law and financial regulations, fostering a standardized, transparent, and competitive market environment. This collaboration not only helps in navigating regulatory complexities but also boosts the sector's credibility and customer confidence.

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