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The Influence of Regulation on the Development of the Islamic Banking Industry in the Era of Globalization

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Abstract. *The Indonesian economy, in accordance with Article 23D of the 1945 Constitution, encourages sharia banking based on sharia principles to collect, distribute funds, and provide services. In accordance with the principle of convenience in Al-Baqarah verse 185, the rapid digitalization of sharia banking is expected to provide wider and more efficient access for the community to financial services in accordance with Islamic principles. Through the Juridical Sociological method with a descriptive analytical approach, this study uses primary and secondary data to examine the challenges and opportunities faced by sharia banking in the digital era. Qualitative data analysis, problems are analyzed with the theory of law enforcement and legal responsibility. The results of this study show that sharia banking needs to make various efforts such as developing digital applications, collaborating with fintech, and improving cybersecurity. Effective digital regulation is also the key to opening up wider opportunities for the sharia economy. However, this requires adaptive digital regulation, to ensure legal certainty that sharia banking products and services continue to uphold sharia principles such as the prohibition of usury, gharar, and maisir. The direction of the development of Islamic banking in the future is to create innovative products and services that are different from conventional banking, as well as expanding the service network. Thus, Islamic banking can make a greater contribution in meeting the needs of the community for financial services that are in accordance with religious values.*

Keywords: *banking; Globalization; Regulation.*

1. Introduction

Economic development in Indonesia is contained in the provisions of Article 23D of the 1945 Constitution of the Republic of Indonesia which states that "the state has a central bank whose composition, position, authority, responsibility, and independence are regulated by law" then in the provisions of Article 23C it is further explained that other matters concerning state finances are regulated by law.

In the era of globalization and economic development that is increasing from year to year significantly has many economic impacts, one of which is in the field of Islamic banking. Indonesia as a country with the largest Muslim population in the world has only had banks that base their management on Islamic principles in the late 20th century. In the early days of the founding of the Indonesian state, banking still adhered to the conventional system or the bank interest system. In 1983, a policy was issued regarding the provision of flexibility in determining interest rates, including zero percent interest.[1]

One of the advantages of Islamic banks in facing economic phenomena when the economic crisis storm hit Indonesia. One of them has an impact on the banking sector. At that time, Islamic banking was also a favorite because of the optimal performance of Islamic banking which was increasingly evident. During the economic crisis in 1998 and 2000, many conventional banks were depressed while Islamic banks were relatively able to survive and even show development.[2]

Islamic banks are banks that carry out their business activities based on sharia principles that have the function of collecting funds, distributing funds in the form of financing and providing services. Over time, the competition in the banking world has had rapid competition even though the number of banks, the number of bank offices and the total assets of Islamic banks are still very small when compared to conventional banks. Therefore, the transactions that can be offered by banks differ between one bank and another. Some Islamic banks offer all banking products, some Islamic banks only offer certain products and so on. Islamic bank products and services.[3]

Islamic banking is everything related to Islamic banks and Islamic business units, including institutions, business activities, and methods and processes in carrying out their business activities. Islamic banks have the function of collecting funds from the public in the form of deposits and investments from the fund owners. Another function is to channel funds to other parties who need funds in the form of buying and selling or business cooperation and Islamic banks are banks whose activities refer to Islamic law, and in their activities do not charge interest or pay interest to customers. The rewards received by Islamic banks or paid to customers depend on the agreement and contract between the customer and the bank. The agreement (agreement) contained in Islamic banking must be subject to the terms

[1]Abdul Ghofur Anshori, Islamic Banking in Indonesia, (Yogyakarta: Gajah Mada University Press, 2018), p. 30.
[2]Muammar Arafat Yusmad, Legal Aspects of Islamic Banking From Theory to Practice, (Yogyakarta: Deepublish, 2018), p.16.
[3]OJK, Islamic Banking and Its Institutions, Accessed Through Https://Www.Ojk.Go.Id/Id/Kanal/Syariah/Tentang-Syariah/Pages/Pbs-Dankelembagaan.Aspx. On July 16, 2024 at 20.00 WIB.

and conditions of the agreement as regulated in Islamic law.[4]

In today's digital era, Islamic banks must be able to provide fast, easy and practical services by utilizing technology as large conventional banks do. Islamic banks must provide this technology service considering that a number of non-bank companies have already utilized it well. Islamic banks must not be left behind by non-bank companies. Non-bank financing companies known as shadow banking have offered many similar financial products and services. Indonesia is a technology user country with very rapid development of information technology. Islamic banking must follow the trend of financial technology progress. The financial technology system in banking services is intended to meet the needs of the Indonesian financial market which continues to grow and is very dynamic.

The implementation of digital banking services by commercial banks has been regulated in the Financial Services Authority Regulation (POJK) Number 12 / POJK.03 / 2018, which states that with the increasing competition in the financial services industry, it encourages banks to improve the quality of service to customers more effectively and efficiently and sustainably by increasing capabilities followed by alignment of more targeted business strategies. To realize this business strategy, banks need to provide easy access to information technology-based banking services without limitations of place and time to encourage better customer financial management. The existence of digital banking services can have an impact on increasing risks, especially operational risks, strategic risks, and reputation risks, so it is necessary to increase the implementation of risk management in the effective use of information technology by banks.

In the world of financial services, Islamic banking services today must be able to provide integrated devices that can present cross-services, which can be accessed by various digital media 24 hours a day. Banking services using technology can be applied online on tablets and mobile phones, allowing wealth managers to access their customers' needs anywhere and anytime. Islamic banks, for example, can strengthen advisor workstations for advisors at Islamic banks in providing financial planning and portfolio management services.[5]

Rapid development and progress in the field of telecommunications technology, in this case information technology (IT), of course must be utilized optimally by business actors, including banking actors. One step that can be taken by banking actors is to transform services, namely the development of digital banking that is cheaper than opening branch offices. In digital banking, banks develop or expand service access through the concept of branchless banking. Banking is one of the supporting industries for the development and construction of the national economy. Thus, increasingly widespread banking services are expected to be a

[4]Ismail, Islamic Banking, (Jakarta: Prenadamedia Group, 2011), p. 3
[5]Agustianto Mingka, "Innovation and Technology Services of Islamic Banking" (Jakarta: 2011-2015), pp. 1-3

driver of progress in the economic life of people in various corners of the country. Therefore, banks must be able to utilize current technological advances, both for industrial progress and national economic progress. Digital banking can be one of the efforts that can be made by banking actors in the future.[6]

Rapidly growing digitalization makes banks strive to create business strategies by placing technology as the main element. Increasingly sophisticated technology so that the relationship between banks and customers becomes closer, more efficient, efficient and easier. With digital banking, it can make it easier for humans to do various activities. In accordance with His Word in the letter Al-Baqarah verse 185 that Allah wants ease for you, and does not want hardship for you.

The advantage that banks can take to advance digital banking is to take advantage of the already large penetration of mobile phones. Seeing the large use of mobile phones, banks are trying to enter and offer their products. The development of branchless banking services or Laku Pandai is closely related to the widespread use of mobile phones among the public. Transformation to the digital era has indeed become an obligation for the banking industry today. In this digital era, almost everything can be done via smartphone. Starting from listening to music, watching movies, buying clothes, buying plane or train tickets, to ordering motorcycle taxis. Therefore, the right expression is no longer customer is king, but customer is dictator. With a smartphone in hand, consumers can fully control which e-commerce applications or sites they will access to buy something. It is not an exaggeration to say that in the digital era, the fate of a product or service is determined by the consumer's fingers.

Fintech as an alternative solution to meet the needs of the community for financial services. With creative ideas and technological innovation, Fintech offers new choices for consumers in making payments, sending money, intermediating funds, and investing. Financial Technology is a service that provides financial products by using and utilizing developing information technology.[7]Fintech's contribution has helped more people who are still not served by formal financial institutions in conducting financial transactions according to their needs. National economic recovery and increasing state revenues during the pandemic can be done with regulatory support for inclusive and sustainable Fintech growth which has the potential to be a trigger for a very large leap for the digital financial services payment industry.

The rapid development of Fintech provides opportunities for Islamic banking. One of the opportunities obtained by Islamic banks is the opportunity to create income. Which Fintech still has shortcomings compared to Islamic banks, such as for balance top-ups and cash withdrawals are not yet available at Fintech

[6]Irman A.Zahiruddin, “Great Potential for Banking” Http://Www.Probank.Com, No.188 Year Xxxii July-August 2015, Page 6, Accessed on July 19, 2024 at 10.00 WIB.

[7] Rokhmat Subagio, “Fintech Era: Opportunities and Challenges for Sharia Economy,” Eljizya 7, No. 2 (2019): P. 321

companies.[8]

PT Bank Syariah Indonesia KCP is one of the Islamic financial institutions that uses technology-based services including internet banking, mobile banking, and phone banking. This effort is a benchmark for the soaring growth rate of Islamic banking in Indonesia. If before the emergence of this pandemic, banking activities were more prominent in the form of physical presence in the form of branch offices or direct services by bank employees, then during this pandemic, Islamic Bank introduced M-Banking to minimize physical interaction between customers and bank employees. With M-Banking, customers only deal with machines or electronic services to speed up and facilitate transactions.

The rapid development of fintech in Indonesia provides a great opportunity to support financial transactions, including in the Islamic banking sector. Financial technology can be utilized by Islamic banks to improve financial services, although this also has the potential to be a challenge or threat to their existence. This study aims to analyze several important things. First, strategic efforts that can be made by Islamic banking in facing the era of digital banking and globalization. Second, the influence of digital regulations on future opportunities for the Islamic economy in the era of globalization. Third, the latest developments in the Islamic banking industry. This study aims to provide an in-depth study of adaptation strategies, the influence of regulations, and the conditions of the development of Islamic banking amidst the challenges of digitalization and globalization.

2. Research Methods

This study uses a sociological juridical approach with a descriptive analytical research specification design. The aim is to describe and analyze the influence of digital regulations on the development of Islamic banking and the efforts made by Islamic banking in facing the digital era. The data used include primary data from respondents and secondary data from various sources including:

- Secondary data: primary legal materials (1945 Constitution; Law Number 8 of 1981 concerning the Criminal Procedure Code (KUHAP); Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking; Law Number 21 of 2008 concerning Sharia Banking; Financial Services Authority Regulation Number 12 / POJK.03 / 2018 of 2018 concerning the Provision of Digital Banking Services by Commercial Banks), and secondary legal materials (literature, law books, journals, magazines, newspapers, the internet, written works in the form of theses, theses or dissertations, expert opinions), and tertiary legal materials (legal dictionaries, the great dictionary of the Indonesian language).
- Primary data: obtained through observation and interviews with relevant respondents.

Data collection was conducted through literature study and field study, including

[8] [8]Ratnawaty Marginingsih, "Financial Technology (Fintech) in National Financial Inclusion During the Covid-19 Pandemic," Journal of Accounting and Finance 8, No. 1 (2021): pp. 56–64

observation and interviews. Analysis was conducted systematically and concluded deductively to answer research problems.

3. Results and Discussion

3.1. Efforts That Can Be Made by Islamic Banking in Facing the Era of Digital Banking in Facing the Era of Globalization

Financial institutions are important intermediaries in the financial system. They connect parties with surplus funds with parties with deficit funds. In addition, financial institutions also play a role in facilitating economic transactions and directing public funds to the productive sector.[9]

According to Edy Wibowo, Islamic banks are financial institutions that operate based on Islamic sharia referring to the provisions of the Qur'an and Hadith. This bank avoids usury practices, and adopts business capital that is in accordance with Islamic teachings, such as profit sharing and business practices from the time of the Prophet. The goal is to provide financial services that do not conflict with religious values.[10]

So, it can be concluded that a sharia bank is a bank whose operations collect funds from the community and distribute them to the community in the form of financing with a profit-sharing system based on the provisions of Islamic law.

In this SWOT analysis, two business environmental factors are analyzed, where the environment is:[11]

a. The external environment is a force, a condition, a state, an interconnected event where the organization or company has no ability or little ability to control or influence it. The external environment needs to be analyzed so that its influence on the company can be anticipated. The external environment is indeed difficult to control because it involves other parties that are not directly related to the company. Therefore, external environmental analysis is very necessary for companies, especially in the strategy formulation process. The EFE Matrix (external factor evaluation) is one of the matrices that helps companies analyze external environmental factors. In the EFE matrix, external environmental factors are divided into 2 key factors, namely opportunities and threats. This matrix provides a place for strategists or designers to summarize and also evaluate information about the company's external environment. The stages are as follows:[12]

1) Arrange them in column 1 (5 to 10 opportunities and threats).

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[9]Arif Budiono, Application of Sharia Principles in Islamic Financial Institutions, Ponorogo: Muhammadiyah University of Ponorogo, Law and Justice Journal Vol.2 No.1, 2017, pp.89-90.
[10]Edy Wibowo, Why Choose Islamic Banks?, Bogor: Ghalia Indonesia 1st ed., 2005, p. 21
[11]Freddy Rangkuti, SWOT Analysis: Techniques for Dissecting Business Cases (How to Calculate Weight, Rating, and Ocai) (Jakarta: Gramedia Pustaka Utama, 2016), pp. 19-20.
[12]Ibid

2) Assign a weight to each factor in column 2, ranging from 1.0 (very important) to 0.0 (not important). These factors may have an impact on the strategic factor.

3) Calculate the rating (in column 3) for each factor by giving a scale ranging from 4 (outstanding) to 1 (poor) based on the influence of the factor on the condition of the company concerned. The rating value for the opportunity factor is positive (a greater opportunity is given a rating of +4, but if the opportunity is small it is given a rating of +1). The rating value for threats is the opposite. For example, if the threat value is small, the rating is 4.

4) Multiply the weight in column 2 by the rating in column 3, to obtain the weighting factor in column 4. The result is a weighting score for each factor, the value of which varies from 4.0 (outstanding) to 1.0 (poor).

5) Use column 5 to provide comments or threats as to why certain factors were selected and how their weighting scores were calculated.

6) Add up the weighted scores (in column 4), to obtain a total weighted score for the company in question. This total score indicates how a particular company reacts to its external strategic factors. This total score can be used to compare this company with other companies in the industry group, a situation, an interrelated event over which the organization or company has the ability to control.

b. The external environment needs to be analyzed so that its influence on the company can be anticipated. The internal environment will later reveal the weaknesses and strengths of the company. Internal environmental analysis can be done using the EFI (Internal Factor Evaluation) matrix. This matrix is similar to the EFE matrix used in external environmental analysis. The difference is that the factors displayed are internal environmental factors in the form of weaknesses and strengths owned by the company. Several stages are carried out, namely:[13]

1) Determine the factors that are the company's strengths and weaknesses in column 1.

2) Assign a weight to each factor in column 2, ranging from 1.0 (very important) to 0.0 (not important). These factors may have an impact on the strategic factor (all these weights should not add up to a total score of 1.0).

3) Calculate the rating (in column 3) for each factor by giving a scale ranging from 4 (outstanding) to 1 (poor) based on the influence of the factor on the condition of the company concerned. Positive variables (all variables that fall into the strength category) are given a value of +4 (very good) by comparing them with the industry average or with major competitors. While negative variables, the opposite. For example, if the company's weakness is very large compared to the industry average, the value is 1, while if the company's weakness is below the industry average, the value is 4.

[13]Ibid

4) Multiply the weight in column 2 by the rating in column 3, to obtain the weighting factor in column 4. The result is a weighting score for each factor, the value of which varies from 4.0 (outstanding) to 1.0 (poor).

Use column 5 to provide comments or threats as to why certain factors are sorted and how their weighted scores are calculated.

5) Add up the weighted scores (in column 4), to get a total weighted score for the company in question. This total score shows how a particular company reacts to its external strategic factors. This total score can be used to compare this company with other companies in the same industry group.

According to Achmad Suparman's definition, globalization is a process of making objects or behaviors become characteristics of every individual in the world without being limited by a region.[14]According to Sumitro, Islamic banks are banks whose operations are based on Islamic Muamalah procedures, especially with reference to the provisions of the Quran and Hadith. Sumitro's opinion is also in line with Amin Aziz's view, according to him, Islamic banks are banking institutions with a Sharia system. Therefore, business procedures and agreements are based on the Quran and Hadith.[15]However, in order to develop in this era of globalization, Islamic banking faces many obstacles. In general, there are several factors that influence the development of sharia in Indonesia.

The development of Islamic digital banking is key in the modern era. The main strategies include:

1. Mobile application enhancement: Providing a user-friendly application, in accordance with sharia principles, and covering a variety of services such as financing and investment.

2. Expansion of online services: Allows customers to access accounts and conduct transactions securely and in a sharia-compliant manner via the internet.

3. Adoption of blockchain technology: Increase transparency and security of transactions and ensure compliance with sharia principles.

The importance of competent human resources (HR) cannot be ignored. HR development strategies include:

1. Continuing education and training: Improving employee understanding of sharia principles and sharia banking products.

2. Collaboration with educational institutions: Ensuring graduates have the competencies required by industry.

3. Career development programs: Providing opportunities for employees to grow and contribute more.

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[14]M. Insya Musa Nurhaidah, "The Impact of Bonds on the Life of the Indonesian Nation," Jurnal Pesona Dasar 3, No. 3 (2015): pp. 1–15.
[15]Rangga Suganda et al., "Analysis of Opportunities and Challenges of Islamic Banking in the Digital Era," Jiei: Scientific Journal of Islamic Economics 9, No. 01 (2023), pp. 677–683.

By combining digital strategies and human resource development, Islamic banking in Indonesia can grow further and meet customer needs.[16]

In facing the era of digital banking and globalization, Islamic banking needs to make various strategic efforts to remain relevant and competitive. Here are some steps that can be taken by Islamic banking:

1. Digital Transformation in Banking Services

a) Digital Application and Platform Development: Islamic banking needs to develop user-friendly mobile banking applications and advanced features, such as international money transfers, e-wallets, and sharia-based digital payments.

b) Cloud-Based Banking Services: Using cloud computing technology to improve operational efficiency and service accessibility. It also allows banks to expand their market reach without being limited by geography.

c) Presence in Digital Marketplace: Join various digital platforms or marketplaces to offer sharia banking products, such as financing, investment, or sharia insurance.

2. Product and Service Innovation

a) Sharia Fintech: Developing financial technology (fintech) services that comply with sharia principles, such as sharia peer-to-peer lending, sharia crowdfunding, and sharia-based investments that use digital platforms.

b) Technology-Based Financing: Optimizing the use of technology in providing financing to customers, for example by using a data analysis system to assess creditworthiness without violating sharia principles.

c) Islamic Financial Education: Islamic banking can utilize digital platforms to provide education on Islamic finance through webinars, articles, and learning applications that can reach the wider community.

3. Strengthening Security and Sharia Compliance

a) Strong Cyber Security: Ensuring that all digital transactions are secure by using layered encryption and authentication technology to protect customer data and funds.

b) Shariah Certification and Audit: Ensuring that all products and services offered are truly in accordance with sharia principles. This can be done by having a sharia committee that is integrated with the technology system and conducting regular sharia audits.

c) Appropriate Regulation: Islamic banking must actively collaborate with regulators to create regulations that support the development of Islamic digital banking, while maintaining sharia principles.

4. Collaboration with Technology Companies

[16]Subandi Subandi, “Problems and Solutions for the Development of Contemporary Islamic Banking in Indonesia,” Altahrir: Journal of Islamic Thought 12, No. 1 (2012), p. 1.

a) Partnership with Fintech: Islamic banking can partner with fintech companies to create payment, lending, or investment solutions that comply with sharia principles.

b) Digital Ecosystem Development: Building a digital ecosystem involving fintech, e-commerce, and other technology service providers to make it easier for the public to access Islamic banking products.

5. Strengthening Customer Experience

a) Responsive Customer Service: Using artificial intelligence (AI)-based chatbots to provide faster and more effective customer service. This can increase customer convenience, especially in serving questions about sharia products.

b) Personalization of Services: Leveraging analytical data to provide more personalized services according to customer needs. For example, by offering sharia investment products that are relevant to the customer's risk profile.

c) Multi-Channel Service Integration: Providing services through various channels, be it mobile banking, internet banking, or direct customer service at branch offices, so that customers can choose the method that is most convenient for them.

6. Human Resource Development

a) Training and Development: Investing in human resources (HR) training to ensure that Islamic banking employees have a strong understanding of technology as well as Islamic principles.

b) Digital Talent Recruitment: Recruiting experts in the field of digital technology and finance to support the digital transformation of Islamic banks and integrate the latest technology into banking operations.

7. Global Approach

a) Global Expansion: Expanding market reach to countries with high Muslim populations, such as in the Middle East, Southeast Asia, and North Africa. This can be done by cooperating with international Islamic banks or establishing branches abroad.

b) International Cooperation: Cooperating with global financial institutions to introduce and develop Islamic banking products in the international market. This also includes promoting the presence of Islamic banks in international financial forums.

8. Enhancing Response to Globalization Trends

a) Adapting to Global Economic Trends in a way that Islamic banking must be sensitive to changes in global economic and social trends, such as increasing awareness of sustainability and socially responsible investment, and adapting its products and services to meet these needs.

b) Adoption of ESG (Environmental, Social, Governance) Principles, namely implementing ESG principles in Islamic banking operations and products, which are increasingly popular among global investors and can attract the attention of the international market.

By combining sharia principles and innovation, sharia banking can achieve competitive advantage in the digital era.

Solutions for Islamic banking in facing the digital era and globalization include:

1. Technological innovation by developing sharia-based mobile banking applications and secure digital payment systems.
2. Partnership with Fintech, through collaboration with fintech companies to expand services and create new sharia-compliant products.
3. Enhanced Digital Security, by adopting encryption and authentication technology to protect customer data and transactions.
4. Sharia Financial Education, by utilizing digital platforms to educate the public about sharia principles and products.
5. Globalization and Market Expansion, expanding the market by establishing international cooperation and introducing sharia products to the global market.
6. Focus on ESG, integrating sustainability principles (ESG) into Islamic banking products and services.

Islamic banks need to adapt to the digital and globalization era with several steps. First, continue to innovate products and services, and develop user-friendly digital platforms. Second, improve the quality of human resources through training and collaboration with international institutions, so that they understand sharia principles and global developments. Third, utilize financial technology such as blockchain, AI, and big data to offer more efficient, secure, and transparent services. Fourth, expand to international markets, especially countries with large Muslim populations, to strengthen the brand and open up new opportunities. In addition, collaboration with global Islamic banks needs to be improved to create better standards and develop products that are in line with the needs of the international market. Islamic banks must also ensure compliance with global regulations such as Basel III and maintain the integrity of sharia principles. With these comprehensive efforts, Islamic banks can compete and grow rapidly in the era of globalization.

3.2. The Influence of Digital Regulation on Future Opportunities for Sharia Economy in the Era of Globalization

Article 1 paragraph (2) of Law Number 10 of 1998 concerning Banking, explains that banks are institutions that play an important role in the economy by collecting funds from the public and distributing them back in the form of credit or investment. The scope of banking includes all aspects of bank activities, from fund management, credit provision, to other banking services, all of which aim to support economic growth and public welfare.

According to the Great Dictionary of the Indonesian Language, a bank is a financial institution that attracts and disburses money from the community, especially providing credit and services in payment transactions and money circulation. A bank is an institution that operates in the same way as other companies, namely its goal is to seek profit.[17]Sources of Banking Law Banking law is a collection of legal provisions, which include legal regulations (norms) and legal principles, legal structures and legal culture that regulate everything related to banks, including institutions, business activities, as well as methods and processes in carrying out business activities.[18]Below are various laws and regulations that specifically regulate or relate to banking and central banking issues, which are sources of law, including:[19]

1. Law Number 7 of 1992 concerning Banking as amended by Law Number 10 of 1998 (referred to as the Amended Banking Law).
2. Law Number 23 of 1999 concerning Bank Indonesia as amended first by Law Number 2 of 2004 and most recently by Government Regulation in Lieu of Law Number 2 of 2008 as stipulated by Law Number 6 of 2009 (referred to as UUBI).
3. Law of the Republic of Indonesia Number 24 of 2004 concerning Foreign Exchange Traffic and Exchange Rate System.
4. Law Number 24 of 2008 concerning the Deposit Insurance Corporation as amended by Government Regulation in Lieu of Law Number 3 of 2008 as stipulated by Law Number 7 of 2009 (referred to as UULPS).
5. Law Number 21 of 2008 concerning Islamic Banking.
6. Civil Code (Civil Code).
7. Commercial Law Code (Commercial Law Code).
8. Law Number 5 of 1962 concerning Regional Companies.
9. Law Number 25 of 1992 concerning Cooperatives.
10. Law Number 1 of 1995 concerning Limited Liability Companies, which was later amended by Law Number 40 of 2007.
11. Law Number 4 of 1996 concerning Mortgage Rights on Land and Objects Related to Land.
12. Law Number 42 of 1999 concerning Financial Guarantees.
13. Law Number 9 of 2006 concerning the Warehouse Receipt System.

Article 2 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking states that Indonesian banking in conducting its business is based on economic democracy by using the principle of prudence. Then what is meant by economic democracy is economic democracy based on Pancasila and

[17]Maryanto, Smart Banking Book, (Yogyakarta: Andi Offset, 2011), p. 1
[18]Djoni S Gazali, Banking Law, (Jakarta: Sinar Grafika: 2010), p. 3
[19]Ibid, p.5.

the 1945 Constitution. This democracy is concluded in Article 33 of the 1945 Constitution, namely that the economy is structured as a joint effort based on the principle of family.[20]Meanwhile, based on the provisions of Article 13 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, the business of Rural Credit Banks includes:

a. Collecting funds from the public in the form of savings in the form of term deposits, savings, and/or other forms that are similar to these.

b. Giving credit.

c. Providing financing and fund placement based on Sharia Principles, in accordance with the provisions stipulated by Bank Indonesia.

d. Placing funds in the form of Bank Indonesia Certificates (SBI), time deposits, certificates of deposit, and/or savings in other banks.

The source of banking law is where the rules governing banking activities are found. This source of law is divided into two types, namely formal and material sources of law. Formal sources of law include applicable banking laws and regulations, while material sources of law include customs, jurisprudence, and legal doctrine.[21]

To create a healthy banking system, the operational activities of banking institutions also need to be based on (specific) legal principles, namely:[22]

a. This principle is emphasized in Article 2 of the Banking Law which states that Indonesian banking in conducting its business is based on Economic Democracy using the Principle of Prudence. This means that: banking functions and efforts are directed to implement the principles contained in Economic Democracy based on Pancasila and the 1945 Constitution, the following things must be avoided:

1) The Free Fight Liberalism system, which fosters exploitation of humans and other nations, which throughout its history in Indonesia has given rise to and maintained weaknesses in the national economic structure and Indonesia's position in the world economy.

2) Etatism system, in the sense that: the state and state apparatus are dominant, oppressive and kill the potential and creative power of economic units outside the state sector.

3) Unfair competition and concentration of economic power in one group in various forms of monopoly and monopsony which are detrimental to society and contrary to the ideals of social justice.

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[20]Neni Sri Imaniyati, 2010, Introduction to Indonesian Banking Law, Bandung. Refika Aditama, p. 16.

[21]CST Kansil, 1989, Introduction to Indonesian Law and Legal System, (Jakarta: Balai Pustaka, p. 46

[22]Zaini Zulfi Diane, Independence of Bank Indonesia and Resolution of Problematic Banks, Cv Keni Media, Bandung, 2011, pp. 54-56

b. The principle of trust (Fiduciary Principle)[23]is a principle that states that banking business is based on a relationship of trust between the bank and its customers. Banks primarily work with funds from the public that are deposited with them on the basis of trust, so that every bank needs to continue to maintain its health by continuing to maintain and preserve public trust in it.

c. Confidentiality Principle is: The principle that requires or obligates banks to keep confidential everything related to accounts and the contents of bank customer accounts that according to banking world customs (must) be kept confidential. The confidentiality is: for the benefit of the bank itself because the bank requires the trust of the public who save their money in the bank. The public will only entrust their money to the bank or use bank services if the bank guarantees that there will be no misuse of the bank's knowledge of its deposits. Thus, the bank must uphold bank secrecy.

d. Prudential Principle. The principle of prudence is: a principle that states that banks in carrying out their functions and business activities must apply the principle of prudence in order to protect the public funds entrusted to them. This is in accordance with Article 2 of the Banking Law, namely that Indonesian Banking in conducting its business is based on economic democracy by using the principle of prudence. The main function of Indonesian banking according to Article 3 of the Banking Law is as a collector and distributor of public funds. This means that banking institutions are required to play a more active role in raising funds from the public in the context of national development.

According to Dahlan Siamat, the function of Indonesian banking is more specifically explained as follows:[24]

a. Development Function (development) the task of banks as collectors and distributors of funds greatly supports the growth of the country's economy. If the banking industry system and institutions are good, banking will be very beneficial for Indonesia's development. The government and society need funds provided by banks as intermediaries to drive the real sector. National development will run well if banking is involved in the form of financing needed.

b. Banking Service Function is a type of banking with the main activity of providing all services needed by its customers, both depositors and borrowers. This service is basically providing all activities needed and desired by customers, so that customers get convenience in carrying out their financial transaction activities. Excellent service is a type of service that is able to provide the highest expectations from customers for the bank's services.

c. Transmission Function is a banking activity related to payment traffic and money circulation by creating a financial instrument called demand deposit.

[23] Wieke Dewi Suryandari, "The Application of Fiduciary Guarantee in the Perspective of Islamic Law," Journal of Sovereign Law 4, no. 4 (2021): 260.
[24]Dahlan Siamat, Indonesian Banking, Pustaka Utama, Jakarta, 2010, page 12

Demand deposit means a type of fund deposit in a bank that can be withdrawn at any time using a check and the type of money deposit is generally with Savings/demand deposits.

The principle of prudence (Prudential Banking System) is a principle that must be implemented by Islamic banks where in carrying out their business activities, all actions and policies issued must always be based on applicable laws and regulations so that when problems arise, they can be legally accounted for.[25]

Prof. GM Verryn Stuart in his book entitled Bank Politik, explains that a bank is an institution or agency that aims to satisfy credit needs. The satisfaction of credit needs is carried out by the bank by using payment instruments owned by the bank, or funds obtained from customers, or by circulating new exchange instruments in the form of demand deposits.[26]

The role of the industrial sector in economic development in various countries is very important because the industrial sector has several advantages in terms of development acceleration. For example, the growth of the industrial sector is very rapid and stimulates the growth of the agricultural sector to provide raw materials for an industry. These industries require the development of the service sector.[27]

Industry is the activity of converting raw materials into value-added products that drive a country's economic growth. Industry is a measure of progress and prosperity and contributes to improving people's welfare.[28]

Public trust is the soul of the banking industry. Islamic banking continues to grow despite its slowdown, driven by the belief in the development of an Islamic economy based on Islamic principles. Globalization is a great opportunity for Muslims to introduce Islamic culture, ideology, and lifestyle. The Quran teaches that da'wah is done in a good way. By displaying the exemplary behavior of the Prophet and Islamic values such as monotheism, simplicity, honesty, and ethics, Muslims can make a positive contribution to the world and realize a life that is blessed by Allah.

From an Islamic perspective, namely (a) the Prophet Muhammad SAW once said, "whoever makes an innovation so that he finds something good, for him is the reward and for those who benefit from it"; (b) Islam calls for exploration of what is in the heavens and on earth for the benefit of mankind. In the Qur'an there are

[25]Finance Committee On Corporate Governance, Report On Corporate Governance,Www.Financecommitteeoncorporategovernance.Com, Page 6 As quoted in Renny Supriyatni, Responsibility of Islamic Banks in the Principle of Prudence and Good Corporate Governance. Ahkam: Vol Xii No 1 January 2012, Page 114.
[26]Thomas Suyatno, Juhaepah T. Marala, Azhar Abdullah, Thomas Aponno, Tinon Yunianti Ananda, p. A. Chalik, Banking Institutions, Third Edition, Pt Gramedia Pustaka Utama, Jakarta, 2007, p. 1.
[27]Muhtamil, “The Influence of Industrial Development on Labor Absorption in Jambi Province”, Regional Financing and Development Perspective, Vol. Iv, No. 3, (January-March 2017), p. 199.
[28]Eka Pratiwi Lumbantoruan, “Analysis of Economic Growth and Human Development Index (HDI) of Provinces in Indonesia (Cointegration Method), Journal of Economics and Finance, Vol. II, No. 2, (April 2013), P. 15

signs (S. Al Jaatsiyah (25): 13, "and He has subjected to you whatever is in the heavens and whatever is on the earth, all (as grace) from Him. Indeed in that are signs (of Allah's power) for a people who give thought"; and (c) Islam provides protection in every innovation that is intended for good. This is in accordance with the spirit of the hadith: "Whoever makes ijtihad and is right, then he will have two rewards, and if his ijtihad is wrong, then he will get one reward. We can learn that economic activity should involve the active participation of the lower middle class community, which is the majority in a country. Not only dominated by elite groups. Sharia economics, which is based on Islamic principles, has grown rapidly in recent decades, especially in the context of finance, banking, and investment. With the increasingly developing digital technology and increasingly wide internet penetration, sharia economics now has a very big opportunity to develop further, but also faces challenges. new, especially in terms of digital regulation. Digital regulation, which includes policies, laws, and rules related to the use of technology in various economic sectors, plays a very important role in shaping the direction of future development of the Islamic economy.

So we can review the existence of Sharia Economic Transformation in the Digital Era. Digitalization opens the door to the development of various sharia economic products and services that are more efficient, inclusive, and transparent. Some of the innovations that have occurred include:

a) Sharia Fintech, which offers digital financial services, such as sharia-based payments, loans, and investments, is growing rapidly. The use of blockchain technology and smart contracts, for example, can reduce transaction costs and increase transparency in sharia business activities.

b) Sharia Peer-to-Peer (P2P) financing as a sharia-based peer-to-peer lending platform allows individuals to access financing that is in accordance with sharia principles, connecting lenders and borrowers directly without involving banks.

c) Sharia Investment Services is a technology that facilitates sharia investment services, such as sharia stock platforms and robo-advisors that comply with sharia principles in selecting halal investments.

However, along with these opportunities, effective digital regulation is essential to ensure that the Islamic economic sector can thrive in compliance with Islamic principles while keeping up with global technological developments.

Some of the challenges faced in digital regulation related to the sharia economy in the era of globalization include:

a. Compliance with sharia principles. The use of technologies such as blockchain and AI in finance and investment must be carefully monitored so as not to violate sharia principles, such as the prohibition of riba (interest), gharar (uncertainty), and maisir (gambling). Therefore, stricter supervision and clear regulations are needed so that digital services remain in accordance with Islamic law.

b. Data security and privacy in the digital world, the risk of data theft and privacy breaches is very high. Regulators must ensure that data protection and user privacy are maintained, especially in the context of financial transactions that may involve sensitive personal data.

c. Cross-border arrangements in the face of globalization allow for collaboration and interaction between sharia economic actors from various countries. However, differences in standards and regulations between countries can be obstacles. Regulations governing sharia economics must be flexible and able to adapt to changes and differences in laws between countries, while still maintaining sharia principles.

d. Public education and understanding Although technology can accelerate access to sharia economic services, not all users understand how the system works, especially in the context of Islamic law. Digital education on sharia economics needs to be improved so that the public can make better use of digital products.

The role of effective digital regulation needs to be designed with the aim of creating a safe, transparent and sharia-compliant ecosystem. Some steps that need to be taken to support the development of the sharia economy include:

a. Strengthening the sharia legal framework. Regulations must integrate sharia law with digital principles, for example by establishing a supervisory body that oversees the use of technology in the sharia economic sector, such as an authority that assesses whether a sharia financial product meets sharia requirements.

b. Preparation of International Standards, because the sharia economy is not only developing in one country, international standards are needed for digital sharia financial products. These standards must cover aspects of compliance with sharia law, cybersecurity, and personal data protection.

c. Implementation of digital infrastructure improvements. As countries that want to advance the digital sharia economy need to strengthen their digital infrastructure, so that sharia financial transactions can be carried out more safely and efficiently. In addition, sharia financial service providers need to be trained in using technology optimally.

Digital regulation is the main key to optimizing the potential of the sharia economy in the era of globalization. With the right regulation, the sharia economy can grow rapidly in the domestic market while contributing to a more inclusive and equitable global economy. Challenges such as sharia compliance, privacy, and international collaboration require comprehensive and adaptive regulations so that the sharia economy can make maximum use of digital technology.

Technological advances, such as robo-advisors and sharia-based digital investments, have expanded people's access to halal financing and investments in accordance with Islamic values. Digitalization also increases financial inclusion by providing sharia services to those who were previously unreachable. Technologies such as blockchain and artificial intelligence (AI) provide transparency, security, and efficiency that strengthen the foundation of the sharia economy in the global market.

However, this success can only be achieved through digital regulations that support and ensure that all digital financial products are in accordance with sharia principles, such as the prohibition of usury, gharar, and maisir. In addition, the protection of personal data and transaction security are major challenges. Regulations must firmly protect user privacy and anticipate cyber threats, fraud, and privacy violations that can damage public trust. With an adaptive and sharia-based approach, digital regulations can encourage inclusive, fair, and sustainable sharia economic growth in the era of globalization.

The Islamic economy faces major challenges in the era of globalization, especially due to the increasingly connected nature of the global economy. Digital Islamic financial products are expanding beyond national borders, requiring flexible regulations that can accommodate differences in laws between countries. International collaboration is key to building an integrated global Islamic economic ecosystem, allowing industry players to operate without legal barriers in various markets through uniform legal standards.

On the other hand, the opportunities for digital sharia economy are very large, especially in empowering sharia-based MSMEs. Digital platforms such as crowdfunding and P2P lending make it easier for MSMEs in developing countries to access capital with higher transparency. In addition to supporting the growth of the sharia economy, this also advances the local economy and creates new jobs.

However, the success of this digital transformation requires supportive regulations and strengthening of digital infrastructure. Steps such as increasing internet access, strengthening digital payment systems, and educating the public about the digital sharia economy are very important. Without adequate education, the public may not be able to fully utilize the services available.

The future of the sharia economy in the era of globalization is highly dependent on targeted digital regulation. Regulation must ensure that sharia principles are maintained while utilizing technology to expand financial access. Government cooperation with sharia financial institutions, fintech, academics, and sharia experts is needed to create an innovative, inclusive, and sustainable sharia economic ecosystem.

With this step, the sharia economy is able to seize great opportunities in the global market, provide broad economic benefits, and play an important role in creating a fairer and more sustainable economic system in the future.

3.3. Current Development of the Banking Industry

The Islamic banking industry in Indonesia has experienced varying growth with national economic growth. The development of the Islamic banking industry in Indonesia is based on laws (UU) issued by the Government, as well as policies issued by banking authorities. One of the laws that underlies the initial development of Islamic banking is Law No. 21 of 2008 concerning Islamic Banking issued on July 16, 2008. With this law, the development of the national Islamic banking industry has a fairly strong legal basis, thus encouraging the growth of this industry faster. The acceleration of the growth of Islamic banking in Indonesia, until now, continues to be driven by banking authorities, namely the Financial Services Authority towards a healthy, sustainable Islamic banking industry that contributes positively to supporting quality economic development. With its impressive development progress, which has achieved an average asset growth of more than 65% per year in the last five years, the role of the Islamic banking industry in supporting the national economy is increasingly significant. This strategic role continues to be driven by several policies that have been set by authorized institutions.

E-banking is one of the factors affected by the development of information and communication technology, namely banking, the use of information and communication technology in the national banking sector is relatively more advanced compared to Bank Indonesia related to the management or risk management of internet banking activity organizers is Bank Indonesia Regulation No. 5/8/PBI/2003 concerning the Implementation of Risk for Commercial Banks and Bank Indonesia Circular Letter No. 6/18/dpnp dated April 20, 2004 Bank Indonesia concerning the implementation of risk management in banking service activities via internet banking.[29]

Here is a practical example of how digital banking is implemented in banking life:[30]

1. Bank Anywhere

a. Information about banks can be accessed from anywhere, no need to go to the bank.

b. Customer service can be provided through any media.

c. Customers or potential customers can make transactions with the bank wherever they are and via any channel.

d. Solutions that can be used for this need: mobile banking, internet banking, video banking.

2. Digital Branch

a. The customer registration process that still requires physical interaction (such as handing over money and signing) is made easier through the digital process.

b. Customers can enter data via the touch screen.

c. Signatures can be recorded with a stylus pen.

[29]Aulia Rahman, "Understanding E-Banking and M-Banking, and the Implementation of E-Banking", InHttp://Safrilblog.Wordpress.Com. Accessed on November 21, 2024 at 20.00 WIB.
[30]Celen, "Digital-Financial-Institution-What-Digital-Means-Banking Ojk, R&D" Teknologi.Com, November 20, 2024 at 12.56 WIB.

d. ATMs have evolved into CRMs (Cash Recycle Machines) that can receive money, dispense money and carry out other non-cash transactions.

e. Data verification is carried out on the Electronic KTP by connecting to data held by the Department of Home Affairs.

f. Cards can be printed quickly and automatically.

Of course, the implementation of digital banking needs to pay attention to the information technology risk management aspect and is related to the security factors needed by customers. Khairy Mahdi stated that internet banking is the use of internet technology as a medium to carry out transactions related to banking transactions. This activity uses the internet network as an intermediary or liaison between bank customers and the bank. In addition, the transactions carried out are virtual or do not require a face-to-face process between the customer and the bank officer concerned.[31]

With the development of technology that causes changes in analog information to digital information, there are positive and negative impacts that are felt. The positive impacts of the digital era include:[32]

a. Accessing the information you need can be faster and easier.

b. Growing innovation in various fields that can make work easier.

c. The emergence of digital-based mass media.

Digital banking services are more oriented towards meeting customer needs by fully utilizing digital technology through devices and applications (software) as delivery channels. In addition, digital banking services can be accessed anytime and anywhere, and minimize direct interaction with bank employees. This also aims to improve the efficiency of operational activities and the quality of Bank services to its customers. According to POJK Number 12 / POJK.03 / 2018 Chapter II Article 3 concerning Electronic Banking Services states that Banks provide Electronic Banking Services by utilizing distribution channels (delivery channels) including Automated Teller Machines (ATMs), Cash Deposit Machines (CDM), phone banking, Short Message Service (SMS) banking, Electronic Data Capture (EDC), E-Money, E payment, internet banking, and mobile banking. POJK Number 12 /POJK.03/ 2018 Chapter II Article 10 concerning Digital Banking Services states that Digital Banking Services provided by Banks are in the form of (a) account administration (b) transaction authorization (c) financial management and (d) other financial product services based on the approval of the Financial Services Authority. The Financial Services Authority (OJK) encourages the digitalization of banking by issuing OJK Regulation No.12/POJK.03/2018 concerning the Provision of Digital Banking Services by Commercial Banks, encouraging the optimization of banking technology to improve customer experience. Digital transformation not

[31]Khairy Mahdi, "Understanding Internet Banking", inHttp://Elektronikbanking.Blogspot.Com. Accessed on November 20, 2024 at 21.00 WIB.
[32]

only includes online and mobile banking services, but also technological innovations that facilitate service access, accelerate interaction, and provide convenience for customers while still paying attention to security aspects.

The banking industry is currently growing rapidly, driven by technological advances, regulatory changes, and increasingly dynamic customer demands. Banks need to continue to innovate to remain competitive, pay attention to cybersecurity, and focus on financial inclusion and sustainability. Industry players must also be ready to face challenges from fintech and digital platforms that increasingly dominate the global financial market. The priority of Islamic banking for services through financial technology is increasingly important because Islamic banking faces a number of challenges. These challenges are not only from conventional banking, but also from non-bank businesses.[33]

Technology applications in Internet Banking must meet the following aspects:[34]

a. Easy to launch applications, products, other services. Currently, banks may only think about Internet Banking, but in the future, TV Banking services and various other new services will appear that are not yet imagined at this time. The existing system must be able to launch these services quickly. Time to market is the main key in today's digital era.

b. Scalability, both in size and speed. The existing system must be able to serve customers in small to large numbers. Often the system developed can only work for a small number of customers so that when the service becomes slow.

c. Can accommodate different (heterogeneous) platforms/systems.

Multi-channel access is a paradigm that must be supported. In the future, services are expected to be accessible from various platforms, starting from coming to the counter, continuing with internet access, and then completed via mobile phone.

d. Have a resilient staff, resistant to shocks and quickly return to its original condition.

e. If there is a problem, disasters cannot be predicted. Floods, fires, riots, and various other things can cause service interruptions. Banking services (including internet banking) must be able to resume services in the shortest possible time.

f. *Manageable*, the existing system must be managed well. The increasing variety and complexity of services often causes complexity of services on the side of the system that implements the service. For that reason, the existing Internet Banking system must be manageable. Otherwise, the system will become chaotic and uncontrollable.[35]

[33]Agustianto Mingka, “Actual News on Islamic Banking”, Jakarta, PT. Raja Grafindo, 2015, p.67.
[34]Budi Agus Riswadi, “Legal Aspects of Internet Banking”, (Jakarta: Pt. Raja Grafindo Persada, 2005), p. 22.
[35]Budi Rahardjo, Trusted Internet Banking Architecture, Http://Www.Indocisc.Com. Accessed on November 19, 2024 at 21.00 WIB.

One of the legal bases of Islam on Islamic banking is QS. An-Nisa verse 29 which prohibits taking other people's property in vain, except through voluntary trade. This emphasizes that Islamic banks must operate according to Islamic teachings to create prosperity. However, the big challenge for Islamic banking is improving service and product innovation, including the use of ICT to present diverse products. This innovation is important so that Islamic banks are able to compete with conventional banks and other financial institutions and become the main choice of the community.

Innovation of Islamic banking products must follow the direction of Bank Indonesia's policy by utilizing ICT-based technology opportunities to attract public interest. This innovation needs to pay attention to economic and social dimensions. From an economic aspect, the products developed must be in accordance with customer needs and still comply with sharia (sharia compliance) so as to produce varied products. From a social aspect, Islamic banking, which is based on Islamic values, has a strategic role in educating the public through innovations that are able to "shariahize" people's behavior. To face the challenges, the development of national Islamic banking requires synergy between OJK, Islamic banking, and the public by utilizing various opportunities.

The Islamic banking industry in Indonesia must continue to be developed. The development of National Islamic Banking needs to be encouraged by all related parties, including financial authorities, the community, and academics. The development of Islamic banking should be in line with the direction of national Islamic banking policy as formulated in the National Islamic Banking Roadmap by the Financial Services Authority. The use of information technology and adequate funding will help the Islamic banking industry develop, survive, become a healthy bank, and contribute to the national economy. One of the uses of information and communication technology in Islamic banking to answer the challenges faced by Islamic banking is ICT-based product innovation. ICT-based product innovation can be a solution that can be applied to develop the Islamic banking industry in Indonesia. In addition to ICT-based product innovation, Islamic banking must strive to increase capital adequacy by utilizing economic growth opportunities and demographic bonuses by making efforts in accordance with Islamic values to overcome one of the classic problems of Islamic banking in Indonesia, namely the difficulty of liquidity of funds. By innovating products and increasing capital adequacy, national Islamic banking can become a healthy, contributive and highly competitive banking system.

The direction of National Banking development according to OJK is comprehensive and integrated with the preparation of the direction of capital market development and non-bank financial industry. The direction of Islamic banking development in the medium term is the development of quality, innovative, different, and superior (distinct) products and services from conventional banking products, and the expansion of a wide network in order to be able to meet the needs of the community for Islamic financial services. In carrying out its business activities, Islamic banking is based on the principle of profit sharing. The characteristics of this Islamic banking product provide an alternative banking system that is mutually beneficial for both parties, namely the community and banking, and prioritizes aspects of justice in transactions, ethical investment, values of togetherness and brotherhood in production, and avoids speculative activities in transactions. Islamic banking products are currently being developed, namely by providing a variety of banking products and services with a more varied financial scheme. This effort is an effort referred to as innovation in Islamic banking products. This Islamic banking product innovation is a varied bank. Product innovation carried out by Islamic banking can be in the form of products that will be repackaged or new products.

The Islamic Banking Industry should be able to turn challenges into opportunities by utilizing ICT to increase competitiveness with conventional banking. In the context of business challenges and opportunities in the Islamic banking sector, the utilization of ICT in the Islamic banking industry is still low, so the Islamic banking industry must continue to be encouraged to increase the utilization of ICT both in governance (good governance), in accordance with the direction of Bank Indonesia's Islamic banking development policy, and innovation of Islamic banking products. In an effort to improve good governance, Islamic banking must utilize ICT to build an Islamic banking information system that can facilitate all existing transaction processes, while also enabling innovation of new Islamic banking products. Innovation of ICT-based Islamic banking products must be supported by an adequate Information System (ICT-based information system). So that the development of digital technology has changed the fundamentals of the banking industry, shifting the traditional paradigm related to financial management. The digital era encourages the emergence of digital banking which plays a vital role in shaping the way we view and manage money. Through online services, customers can now easily access various banking features, from opening accounts to managing investment portfolios, quickly, flexibly, and without time or place constraints.

4. Conclusion

The conclusion of this study shows that Islamic banking is faced with significant opportunities and challenges in the digital and globalization era. Adoption of digital technology is key to the sustainability and growth of Islamic banking, but this must be in line with strong Islamic principles. Supportive and adaptive regulations are essential to create a conducive ecosystem for the development of the Islamic economy. Islamic banking needs to proactively carry out digital transformation, strengthen cybersecurity, and improve Islamic financial literacy among the public. Collaboration with fintech and other financial institutions is also key to expanding the reach of services and developing innovative products. In addition, Islamic banking must continue to monitor regulatory developments both at the national and international levels to ensure compliance with all applicable provisions. The government has an important role in encouraging the growth of the Islamic economy by formulating supportive policies, providing incentives for industry players, and strengthening supervision of the Islamic financial sector. Revisions to regulations related to Islamic banking need to be carried out periodically to accommodate technological developments and changing market dynamics. Overall, the future of Islamic banking is very promising. With the right strategy and support from various parties, Islamic banking can grow into a strong and sustainable industry, and contribute to national economic development and community welfare.

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