



Porter's Five Forces and Swot Indonesia's Sharia Banking System Development Strategy in Digital Era

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Abstract: Islamic banking in Indonesia is expected to increase financial literacy and inclusion. Islamic banking can become an important driving force in Indonesia's Sharia economic growth in the digital era. This research makes a new and significant contribution to deepening the understanding of Islamic banking system development strategies in Indonesia, particularly in facing the challenges and opportunities of the digital era, as well as providing a strong foundation for advanced research. Research methods are Literature Study-Based Analysis Using Porter's Five Forces Model and SWOT. The research result is that Islamic banking in Indonesia has several strengths and opportunities that can be utilised to increase competitiveness and growth, such as innovation of products, digital services, operational effectiveness through digitalisation, strong customer loyalty, Islamic value-based marketing strategies, and adoption of sustainable financial practices.

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INTRODUCTION

Globally, the Islamic finance industry has become a significant part of the world economy, with world assets estimated at USD 6.5 trillion by 2020, up rapidly from USD 150 billion in 1990. This growth reflects the growing interest in Islamic finance principles around the world. In Indonesia, the history of the development of the Islamic financial industry began in 1991 when Bank *Muamalat* was established as the first Islamic bank. This historic step was followed by establishment of the Limited Liability Company (PT). *Takaful Indonesia* in 1994 was the first Sharia insurance in Indonesia. Another significant momentum occurred in 1997 when PT Danareksa Investment Management issued the first Sharia mutual fund product.

Since then, Indonesia's Islamic finance sector has experienced rapid growth despite facing several challenges, including an economic slowdown in 2013-2015. In 2017, Indonesia's total financial industry assets reached Rp 13,092 trillion, with the market share of Islamic banking increasing to 8.01% from around 5% at the end of 2016.

Looking deeper into the Sharia IKNB sector, find 59 Sharia insurance, 38 Sharia financing, 6 Sharia guarantees, 10 Sharia MFIs, and 10 other Sharia IKNBs, which collectively have assets of Rp 99.15 trillion or 4.78% of the total national IKNB assets. Not to forget, the number of outstanding Government Sukuk reached 56 series, covering 33.53% of the total outstanding Government Securities, with a value of Rp 524.71 trillion or 16.99% of outstanding Government Securities.

However, despite significant progress, Indonesia's Islamic finance sector faces various challenges. One of them is the disconnectivity between Islamic financial services and the real sector of the Islamic economy and the halal industry. This is reflected in the low literacy and inclusion of Islamic finance, which only reached 9.14% in 2022. On the other hand, digital technology opens up new opportunities for product innovation, digital service, and improved operational efficiency (Li, 2022).

In the face of these challenges, a comprehensive development strategy is crucial. Integrating Porter's Five Forces Model and SWOT Analysis can effectively formulate the right strategy. Thus, Islamic banking in Indonesia is expected to increase financial literacy and inclusion, strengthen connectivity with the real sector, improve operational efficiency through digital technology, and produce product innovations by Sharia principles. With this strategy, Islamic banking can become an important driving force in Indonesia's Sharia economic growth in the digital era.

Theoretical Support. Porter's Five Forces Model. This model is an analytical framework developed by Michael Porter, a professor from Harvard Business School (Juliana & Nyoman, 2019). This model is used to analyse industries and evaluate the potential profitability of a business or industry sector (Bruijl, n.d.). The model identifies five main forces that influence competition within an industry. The five forces are: 1). **Competitive Forces within an Industry:** It refers to the intensity of competition within an industry. The higher the competition, the more difficult it is for the company to achieve high profits. Competition can be affected by the number of competitors in the market, the degree of product differentiation, switching costs, and production capacity (Isabelle et al., n.d.). 2). **Buyer Power:** It refers to the power possessed by the buyer or consumer in determining the price and quality of the product. If buyers have many alternatives or options, they can keep prices down and demand better quality. Other factors that affect buyer power include price sensitivity, consumer knowledge level, and negotiation ability. 3). **Supplier Power:** It refers to the power possessed by suppliers in determining the price and quality of raw materials or inputs required by the company. If there are few suppliers or if suppliers have highly differentiated products, they can charge the company high prices. Supplier strength is also affected by the cost of switching between suppliers and vertical integration within the industry. 4). **Threat from Replacement Products:** This refers to the possibility of substitute products or services that may reduce demand for the company's products or services. If there are many substitute products available, the company should strive to maintain product differentiation or offer more competitive prices. 5). **Threat from New Competitors:** This refers to the possibility of a new competitor entering the industry and disrupting the position of the existing company. These threats are influenced by factors such as barriers to entry into the industry, existing economies of scale, and consumer brand loyalty to existing competitors.

This model helps companies to understand the external environment in which they operate and identify appropriate strategies to deal with those forces. By understanding and responding to these forces, companies can improve their competitive position in the market and achieve sustainable advantage (Palomares et al., 2021). SWOT analysis was first introduced by Albert Humphrey in the early 1960s to lead a research project at the Stanford Research Institute (now known as SRI International) in the United States. The initial purpose of this analysis is to assist large companies in planning their business strategies. Later, this concept evolved and became one of the most popular and frequently used strategic analysis tools in a variety of business, marketing, and organizational planning contexts (Longhurst et al., 2020).

Since then, SWOT Analysis has become an integral part of the strategic planning process in many types of organizations, both large and small, as well as being used in areas such as management, marketing, finance, and human resources. Its simplicity and flexibility make SWOT Analysis a very useful and versatile tool for managers and organizational leaders in identifying key factors that influence organizational performance and success (Farrokhnia et al., 2024). SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) is a strategic analysis tool used to evaluate the internal strengths and weaknesses of an organization, as well as the opportunities and threats

it faces from the external environment. Here is a comprehensive explanation of each element of a SWOT Analysis: 1). Strengths: These refer to the internal positive attributes of the organization that provide a competitive advantage. Strengths can be unique resources, special skills, a good reputation, or valuable assets. For example, technological excellence, a strong brand, quality human capital, or high operational efficiency. 2). Weaknesses: These refer to internal attributes that harm the organization or hinder its ability to achieve goals. Weaknesses can include limited resources, lack of access to the latest technology, inefficient operational processes, or lack of employee skills. Identification of weaknesses helps organizations to improve or overcome the challenges faced. 3). Opportunities: These refer to external factors that an organization can leverage to achieve greater goals or growth. Opportunities can arise from changing market trends, new technological developments, industry deregulation, or changing consumer preferences. Organizations need to identify and exploit these opportunities to improve performance and grow their business. 4). Threats: These refer to external factors that can hinder or threaten the success of the organization. Threats can be increased competition, changes in government regulations, market fluctuations, or changes in consumer trends. Organizations need to anticipate and manage these threats to minimize their negative impact.

SWOT analysis helps organizations understand their relative position in the market and identify appropriate strategies to optimize their internal strengths, improve weaknesses, exploit existing opportunities, and address threats that may arise. It is a very useful tool in the process of strategic planning and decision-making, as it helps organizations make better, more informed, and more purposeful decisions.

Previous Research. Some previous research discusses; Corporate risk management practices mediated the relationship between competitive strategy and bank performance (Ali et al., 2021), A model of competitive advantage and its impact on the performance of Islamic rural banks in Java that banks' core competencies significantly affect competitive advantage and performance (Soleh & Sule, 2020), The challenges and opportunities faced by Islamic banks in facing competition with conventional banks through digitalization with highlighted the importance of digital services that comply with sharia principles (Sutikno et al., n.d.), The implementation of the digital banking system at Bank Syariah Mandiri (BSM) and its impact on bank competitiveness with results of the importance of consistency and aggressiveness in adopting digital technologies. (Fatimah & Hendratmi, n.d.), The importance of sharia governance in the development of digital financial products at Islamic banks reported the implementation of GCG (Good Corporate Governance) principles and the Islamic financial technology (Hasibuan & Padli Nasution, 2022). Taking these studies into account, the integration of Porter's Five Forces Model and SWOT Analysis can be a strong foundation for developing Indonesia's Islamic banking system development strategy in the digital era.

Novelty Statement: 1). The integration of Porter's Five Forces Model and SWOT Analysis is a new approach that has not been widely used in research on the Islamic banking industry in Indonesia. Through this approach, the research will provide a more comprehensive insight into the internal and external factors that affect the performance of the Islamic banking industry. 2). The research not only includes an analysis of competitive strengths, but also expands the scope to include an evaluation of internal and external strengths, weaknesses, opportunities, and threats facing the Islamic banking industry. This approach will provide a more holistic understanding of the condition of the industry and help in formulating more effective strategies. 3). By integrating previous research on SWOT Analysis in the context of the Islamic banking industry and the application of Porter's Five Forces Model, this research produces an innovative and relevant framework to understand the dynamics of the Islamic banking market in Indonesia, especially in facing the challenges of the digital era. 4). This research also broadens the understanding of the potential applications of Porter's Five Forces Model and SWOT Analysis in the context of the Islamic banking industry, by presenting several examples of previous research that has used this approach in various contexts related to Islamic banking and fintech. Thus, this research makes a

new and significant contribution to deepening the understanding of Islamic banking system development strategies in Indonesia, particularly in facing the challenges and opportunities of the digital era, as well as providing a strong foundation for advanced research in this field.

METHODS

Research Method: Literature Study-Based Analysis Using Porter's Five Forces Model and SWOT Analysis. 1). Selection of Literature Study Data: Data for this research will be obtained through a literature study that includes articles, journals, books, and reports related to the development of the Islamic banking system in Indonesia, especially in the context of the digital era. 2). Analysis Model Selection: The two analytical models to be used in this study are Porter's Five Forces Model and SWOT Analysis. Porter's Five Forces Model will be used to analyze the competition and dynamics of the Islamic banking industry, while the SWOT Analysis will be used to evaluate the internal strengths, weaknesses, opportunities, and threats (Navarro-Martínez et al., 2020) faced by Islamic banking in the digital era. 3). Literature Study Data Assessment: Data from literature studies will be evaluated and compiled systematically according to the analysis framework of Porter's Five Forces Model and SWOT Analysis. This will involve identifying information relevant to each element in both analysis models. 4). Data Analytics: Once the data has been collected and compiled, the analysis will be conducted to identify key findings relating to competitive forces in the Islamic banking industry, as well as internal strengths, weaknesses, opportunities, and threats faced by the sector in the digital age. 4). Interpretation of Results: The results of the analysis will be interpreted to find patterns, trends, and implications that arise from the literature study data. This will help in understanding the current conditions and potential direction of Islamic banking system development in the digital era. 5). Preparation of Conclusions and Recommendations: Based on the interpretation of the analysis results, conclusions will be formulated to illustrate the overall picture of the state of Islamic banking in Indonesia in the digital era. Recommendations will be made to relevant parties, both practitioners and researchers, on steps that can be taken to optimize potential and overcome challenges in the development of the Islamic banking system. By using a literature study approach and these two analysis models, it is hoped that the research can provide a better understanding of the dynamics of the Islamic banking industry in the digital era and make a significant contribution to the development of this sector in Indonesia.

RESULTS AND DISCUSSION

Analysis of Porter's Five Forces for Islamic Banking in Indonesia based on *study literature* obtained by researchers (2024): First, Determinants of Sharia Banking Market Share in Indonesia (Syarvina & Sugianto, 2023). This paper uses a quantitative approach to identify factors affecting the market share of Islamic banking in Indonesia. The results show that CAR, ROA, FDR, and NPF have a significant influence on the market share of Islamic banks. These factors determine the strength and stability of the institution in the face of competition.

Second, Cost-Effectiveness Comparison of Human Resource Training at Sharia Commercial Banks in Indonesia (Nurati & Kusumastuti, 2023). This study evaluates the cost-effectiveness of human resource training at Islamic commercial banks. The results show that many Islamic banks are not effective in managing and realizing HR training costs, which affects the competitiveness of the industry.

Third, Analysis of *Bank Syariah Indonesia* (BSI) Opportunities to Become Top 5 Banks in Indonesia Based on Asset Strength and Vision and Mission (Kunaifi et al., 2022). This study evaluates BSI's chances to become one of the top 5 banks in Indonesia. Through interviews and observations, this study found that service development strategies through digitalization and effective internal management can improve BSI's competitive position.

Fourth, Analysis of Corporate Governance, Intellectual Capital, and Financial Performance Using Conventional Methods and Maqashid Sharia Index (MSI) on the Implementation of Sustainable Finance in Sharia Banking in Indonesia (Praptiningsih et al., 2022). This study examines the influence of corporate governance, intellectual capital, and financial performance on sustainable

financial practices in Islamic banking. The results show that all of these variables have a positive effect on financial sustainability ratios.

Fifth, Shadow Banking Sharia for Financial Cycle Resilience in Indonesia (Basmar et al., 2023). This paper examines the role of Islamic shadow banking in maintaining financial cycle resilience. The results show that Islamic financial activities can survive and contribute to economic stability despite facing the financial crisis and pandemic.

Based on the relevant *literature study*, the researcher then analyzed the Islamic banking industry in Indonesia using 5 indicators of Porter's Five Forces model to identify forces that affect the competitiveness and profitability of this industry.

1. New Entrant Threat:

- Barriers to Entry: The Islamic banking industry has high barriers to entry such as large capital requirements, strict regulation from the Financial Services Authority (OJK), and the need for compliance with sharia principles. However, increasing public interest in Islamic financial products may attract new entrants.
- Product Innovation: Islamic banks need to continuously innovate in products and services to differentiate themselves from new competitors.

2. Bargaining Power of Suppliers:

- Capital Suppliers: Sources of capital for Islamic banks include investors and depositors. The bargaining power of capital suppliers can be affected by interest rates offered by conventional banks and other investment alternatives.
- Technology and Infrastructure: Technology and infrastructure providers also have significant bargaining power, especially with the development of financial technology (fintech).

3. Buyer's Bargaining Power:

- Customer Strength: Customers have high bargaining power due to the choice between conventional and Islamic banks. They can easily move if Islamic banks do not provide competitive services or products.
- Loyalty and Satisfaction: Islamic banks need to focus on customer satisfaction and build loyalty through good customer service and adherence to Sharia principles.

4. Threat of Substitute Products or Services:

- Alternative Products: Conventional financial products are a direct substitute for Islamic financial products. In addition, fintech and peer-to-peer lending platforms also offer alternatives for customers looking for investment or financing.
- Product Differentiation: Islamic banks must offer unique products and Islamic values to distinguish themselves from substitute products (Olya & Al-ansi, 2018).

5. Competition Among Existing Competitors:

- Internal Competition: Competition between Islamic banks in Indonesia is quite fierce, with several big players such as Bank Syariah Indonesia (BSI), Bank Muamalat, and other Islamic banks.
- Competitive Strategy: Islamic banks must develop effective competitive strategies such as digital service improvement, product innovation, and network expansion to compete in this industry (Adawiyah & Adhitya, 2021).

Analysis of *Porter's Five Forces* in the Islamic Banking Industry in Indonesia is summarized in the following table:

Indicators	Main Factors	Impact on Industry
New Arrivals Threat	High barriers to entry, strict regulation	Maintaining stability, but needing continuous innovation
Supplier's Bargaining Power	Sources of capital, technology and infrastructure	Affects costs and operational efficiency

Bargaining Power of Buyers	Customer strength, loyalty	Requires a focus on service satisfaction and differentiation
Threat of Replacement Products	Conventional financial products, fintech	Demand innovation and strict sharia compliance
Competition Among Competitors	Intense competition between Islamic banks	Requires an effective competitive strategy

Source: Researcher Analysis Data (2024)

SWOT Analysis of the Sharia Banking System in Indonesia

After that, researchers used a SWOT analysis model based on the literature study mentioned above, to provide an analysis of the Islamic banking system in Indonesia:

1. Strengths

- Market Share and Growth:
Determinants of Sharia Banking Market Share in Indonesia: Shows that the market share of Islamic banks in Indonesia is influenced by factors such as CAR, ROA, FDR, and NPF, indicating relatively good financial health and significant growth potential (Syarvina & Sugianto, 2023).
- HR Training Effectiveness:
Cost-Effectiveness Comparison of Human Resource Training at Sharia Commercial Banks in Indonesia: Effective HR training can improve employee competence and performance, which is an important asset in increasing competitiveness (Kusumastuti, 2023).
- Digitalization Strategy:
Analysis of Bank Syariah Indonesia (BSI) Opportunities to Become Top 5 Banks in Indonesia: Adoption of digitalization strategy and one integrated core banking system improves operational efficiency and customer satisfaction (Kunaifi et al., 2022).
- Sustainable Finance:
Analysis of Corporate Governance, Intellectual Capital, and Financial Performance: Sustainable financial practices and the use of the Makassid Syariah Index (MSI) demonstrate commitment to sustainability and social responsibility (Praptiningsih et al., 2022).

2. Weaknesses

- Training Cost Management:
Comparison of the Cost Effectiveness of Human Resource Training at Sharia Commercial Banks in Indonesia: Many Islamic banks have not been effective in managing and realizing HR training costs, which can hinder the improvement of employee competence (Kusumastuti, 2023).
- Operational Challenges:
Shadow Banking Sharia for Financial Cycle Resilience in Indonesia: Islamic financial activities, despite being able to survive the crisis, still face challenges in managing the financial cycle with optimal efficiency (Basmar et al., 2023).
- Limitations of Innovative Products:
Determinants of Sharia Banking Market Share in Indonesia: The need for better product innovation and service to compete with conventional financial products and fintech (Syarvina & Sugianto, 2023).

3. Opportunities

- Sharia Market Growth:
Determinants of Sharia Banking Market Share in Indonesia: With a growing market share, there is a great opportunity to expand the range of services and increase market penetration (Syarvina & Sugianto, 2023).

- Digitalization and Technological Innovation:
Analysis of Bank Syariah Indonesia (BSI) Opportunities to Become Top 5 Banks in Indonesia: Innovations in digitalization and financial technology services can increase competitiveness and attract more customers (Kunaifi et al., 2022).
- Sustainable Finance Practices:
Analysis of Corporate Governance, Intellectual Capital, and Financial Performance: Adopting sustainable finance practices can strengthen the company's image and attract investors who care about environmental and social issues (Praptiningsih et al., 2022).

4. Threats

- Fierce Competition:
Analysis of Opportunities for Indonesian Sharia Banks (BSI) to Become Top 5 Banks in Indonesia: The intense competition between Islamic and conventional banks demands continuous innovation and strategy (Kunaifi et al., 2022).
- Substitution Products:
Determinants of Sharia Banking Market Share in Indonesia: The existence of conventional financial products and fintech as a substitute can reduce the market share of Islamic banks if they cannot innovate (Syarvina & Sugianto, 2023).
- Regulatory Challenges:
Shadow Banking Sharia for Financial Cycle Resilience in Indonesia: Strict regulations and policy changes may affect the operations and strategies of Islamic banks (Basmar et al., 2023).

SWOT Model Analysis is summarized in the following Analysis table:

Strengths	Weaknesses	Opportunities	Threats
- Growing market share	- Ineffective management of training costs	- Growth of the Islamic market	- Fierce competition
- Effective HR training	- Operational challenges	- Digitalization and technological innovation	- Substitution products
- Digitalization strategy	- Limitations of innovative products	- Sustainable finance practices	- Regulatory challenges
- Sustainable finance			

Integration Analysis of Porter's Five Forces Model and SWOT Analysis

The following are the results of the integration analysis of Porter's Five Forces model and SWOT analysis to formulate a strategy for developing Indonesia's Islamic banking system in the digital era:

1. Strengthening Competitive Position with Product Innovation and Digital Innovation
 - SWOT: Harnessing strengths such as digitalization strategies and technological innovation (Strengths) to overcome threats from substitute products (Threats).
 - Five Forces: Reduce the threat of new entrants and substitute products by offering innovative products that meet market needs.
 - Implementation:
 - 1) Increase the offering of digital products such as mobile banking, e-wallets, and online Islamic investment services.
 - 2) Developing sharia fintech services to provide alternative financing by sharia principles.
2. Improving Operational Effectiveness and Efficiency through Digitalization
 - SWOT: Overcoming weaknesses in managing HR training costs (Weaknesses) with digitalization opportunities (Opportunities).
 - Five Forces: Strengthen bargaining power against technology and infrastructure suppliers.
 - Implementation:

- 1) Adopt a digital-based HR management system to improve the efficiency of employee training and development.
- 2) Using technology to improve automation of operational processes, such as transaction processing and risk management.
3. Increase Customer Loyalty and Satisfaction with Better Service
 - SWOT: Harnessing strengths in customer service and adherence to sharia principles (Strengths) to reduce buyer bargaining power (Threats).
 - Five Forces: Strengthen customer relationships to reduce threats from existing competitors.
 - Implementation:
 - 1) Provide more personalized and responsive customer service through digital platforms.
 - 2) Launched loyalty and incentive programs for loyal customers.
4. Developing a Marketing Strategy Focusing on Sharia Values
 - SWOT: Using the uniqueness of Sharia values as a force to attract more customers (Opportunities) and overcome threats from substitute products (Threats).
 - Five Forces: Increase bargaining power against buyers by offering unique added value that conventional banks do not have.
 - Implementation:
 - 1) Conducting educational campaigns on the advantages and uniqueness of Islamic banking.
 - 2) Develop marketing content that emphasizes ethical values and sharia compliance.
5. Adopting Sustainable Finance Practices to Attract Investors and Support Long-Term Growth
 - SWOT: Harnessing strengths in sustainable finance practices (Strengths) to overcome threats from strict regulation (Threats).
 - Five Forces: Reduce the bargaining power of capital suppliers by attracting more investors who care about environmental and social issues.
 - Implementation:
 - 1) Integrate ESG (Environmental, Social, Governance) principles in bank operations.
 - 2) Launching financial products that support sustainable projects.

The Strategy for the Development of Indonesia's Sharia Banking System in the Digital Era is summarized in the following table:

Purpose	Action	Applied Model	Implementation
Digital Product and Service Innovation	Developing sharia digital and fintech products	SWOT: Strengths vs. Threats, Five Forces: New Entrants, Substitute Products	Mobile banking services, e-wallet, sharia fintech
Operational Effectiveness	Digitization of HR management and process automation	SWOT: Weaknesses vs. Opportunities, Five Forces: Suppliers	Digital HR management system, operational automation
Customer Loyalty and Satisfaction	Personal customer service and loyalty programs	SWOT: Strengths vs. Threats, Five Forces: Buyers	Personal service through digital, customer loyalty programs
Sharia Value Marketing Strategy	Sharia value education campaigns and marketing content	SWOT: Strengths vs. Opportunities, Five Forces: Buyers	Education and marketing of sharia values
Sustainable Finance	Integration of ESG principles and	SWOT: Strengths vs. Threats, Five Forces: Capital Suppliers	ESG in bank operations,

sustainable finance products	sustainable financial products
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Source: Researcher Analysis (2024)

CONCLUSION

The integration of Porter's Five Forces model and SWOT analysis provides a comprehensive framework for formulating strategies for the development of the Islamic banking system in Indonesia in the digital era. Through this analysis, it was found that Islamic banking in Indonesia has several strengths and opportunities that can be utilized to increase competitiveness and growth, such as innovation of products, digital services, operational effectiveness through digitalization, strong customer loyalty, Islamic value-based marketing strategies, and adoption of sustainable financial practices. However, the industry also faces significant challenges, including ineffective management of HR training costs, threats from substitute products, and strict regulation. Based on the results of the analysis provide conclusions, here are some conclusions from research results for the development of Islamic banking strategies in Indonesia in the digital era: 1). Digital Product Innovation and Digital Service: Islamic banks must continue to develop digital products and services such as mobile banking, e-wallets, and Islamic fintech. Focus on product innovation that is by Sharia principles and meets the needs of modern customers. Implementation: Investment in financial technology and development of a digital platform that is easy for customers to use. 2). Operational Effectiveness Through Digitalization: Optimization of HR training cost management using digital technology. Automate operational processes to increase efficiency and reduce costs. Implementation: Adoption of a digital-based HR management system and improvement of technology infrastructure to support process automation. 3). Increase Customer Loyalty and Satisfaction: Provide personalized and responsive customer service through digital platforms. Run loyalty programs to increase customer satisfaction and retention. Implementation: Use of data analytics to understand customer needs and offer solutions accordingly. 4). Sharia Value-Based Marketing Strategy: An educational campaign that emphasizes sharia values and the benefits of sharia products compared to conventional products. Marketing that focuses on ethics and Sharia compliance. Implementation: Creation of educational marketing content and collaboration with Islamic communities and organizations to raise awareness. 5). Adoption of Sustainable Finance Practices: Integrating ESG (Environmental, Social, Governance) principles in Islamic bank operations. Offer financial products that support sustainable and environmentally friendly projects. Implementation: Development of internal policies that support sustainability and launch of investment products based on green and social projects.

Suggestion. 1). Although it integrates the two analysis models and provides valuable insights, it only uses data based on literature studies (secondary data), researchers may further consider confirming the findings with empirical research. Conducting surveys or interviews with stakeholders in the Islamic banking industry in Indonesia can provide a deeper understanding of the implementation of the proposed strategy and the factors that influence its success. 2). Future research can delve deeper into specific and innovative product and digital service development strategies to meet the needs of Islamic banking customers in the digital era. This could include more in-depth market analysis and research on consumer preferences and behaviour. 3). Furthermore, future researchers can also map best practices in financial sustainability in the Islamic banking sector. This could involve a comparative study between Islamic banks that have successfully adopted ESG principles in their operations and other banks that have not done so. 4). In addition, future research can conduct a comparative study between Islamic banking development strategies in Indonesia with other countries that have a growing Islamic banking industry. This can provide valuable insight into the factors that influence strategy success across multiple contexts.

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