Scenario Planning of Islamic Banking Industry Development in Indonesia

Grahah Anggar Perbawa and Yos Sunitiyoso

ABSTRACT

Islamic banking has become known in Indonesia since the operation of Bank Muamalat Indonesia, which was initiated by the Association of Indonesian Muslim Intellectuals (ICMI), the Indonesian Ulama Council (MUI) and the government, in 1992. The large number of Islamic banking players existing now in fact does not automatically boost the growth of the market share of Islamic banking assets to total bank’s assets in Indonesia. Islamic banking had experienced a trap of 5% market share for quite a long time before finally being able to pass in 2016 and reached 7.03% in August 2022. The purpose of this study is to provide strategy through scenario planning for the development of the Islamic banking industry in Indonesia so that it can add insight and alternatives for all relevant stakeholders. This research will use a qualitative research methodology that uses primary data and secondary data. Scenario planning is developed based on the results of an analysis of the driving forces which are considered as critical uncertainties. The driving forces themselves are obtained based on the results of an analysis using the Porter’s 5 Forces framework, PESTEL and SWOT (Strength, Weakness, Opportunity, Threat) analysis to find out its relevancy. These driving forces were then discussed through in-depth interviews with respondents to determine which were the most critical (Critical Uncertainties). Two critical uncertainties defined during this study are Government and Regulations Support as well as Prices and Services. Four (4) scenarios are built using those two critical uncertainties following the scenario planning methodology. The scenarios are called Fast and Furious, Imperfect, The Survivor, and The Skyfall.

Keywords: Islamic banking, Islamic banking development strategy, Islamic financial literacy, scenario planning, service quality.

I. INTRODUCTION

Islamic banking has been present in Indonesia since 1992, or is more than three decades old, marked by the operation of Bank Muamalat. Its presence in Indonesia cannot be separated from the trends occurred in many countries, not limited to only Arab and Muslim countries, but spread from East to West, Europe and even America (Iqbal, 2006). Although the community’s response was relatively slow at first, in the 2000s the situation got better as the public’s awareness and understanding of Islamic banking increased. This condition was then anticipated and responded to by investors where they launched new Islamic commercial banks, Islamic business units from conventional banks and Islamic Rural banks. In December 2003, there were only two Islamic commercial banks, 8 Islamic business units and 84 Islamic Rural banks. But then the number of players in this industry continues to increase gradually where as of December 2022, there were 13 Islamic commercial banks, 20 Islamic business units of a conventional bank and 167 Islamic Rural banks.

A large number of Islamic banks now does not significantly encourage the development of the market share of Islamic banking assets to the total national banking assets. After more than three decades of age, the development of Islamic banking is relatively slow where in August 2022, its market share in terms of asset only reached 7.03% (Toarik, 2022) even though Bank Indonesia had targeted a market share of 20% to be achieved in the range of 2023 to 2027 (Nisaputra, 2017). Banking is the main contributor to the financial industry in Indonesia. It is reasonable considering the level of public literacy and inclusion in the banking sector which reach 49.93% and 74.03% according to the results of the Financial Literacy and Inclusion Survey held by Otoritas Jasa Keuangan (OJK) in 2022. Even though these indices are not

Fig. 1 Islamic banks Business Growth.

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Grahah Anggar Perbawa*
MBA Program, School of Business and Management, Institut Teknologi Bandung, Indonesia
(e-mail: graha_perbawa@sbm-itb.ac.id)
Yos Sunitiyoso
School of Business and Management, Institut Teknologi Bandung, Indonesia
(e-mail: yos.sunitiyoso@sbm-itb.ac.id)

*Corresponding Author

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optimal, the values are still higher than the level of literacy and inclusion compare to other sector, which is still in the range of 10%-41% and 2%-17%.

The high level of banking literacy and inclusion is one of the factors that makes the banking sector grow consistently in Indonesia. The graphs also showed that only Banking sector, beside capital market sector, that have higher inclusion index compare to its literacy index. If in 2001 the total conventional banking assets amounted to IDR 1,099 trillion, this value increased by 457% to IDR 6,132 trillion in 2015 and increased again by 84% to IDR 11,296 trillion in December 2022 (OJK, 2022). This conventional banking assets growth was also followed by several vital parameters, namely the ratio of Capital Adequacy Ratio (CAR) of 25.66%, Non-Performing Loan (NPL) of 2.44% and Net Interest Margin (NIM) of 4.8% (data as of Dec 2022). Commercial and rural banks are currently decreasing in line with regulatory policies to further strengthen existing banking institutions by increasing capital, acquisitions or mergers. If in 2001, there were 145 commercial banks and 2,355 rural banks, in 2022 the number decreased to 119 commercial banks and 1,608 rural banks.

The development of the banking industry in Indonesia is also marked by the development of the Islamic banking industry, even with a higher growth rate (in percentage terms) than conventional banking as shown in the following graph of 2001–2018 (KNKS, 2019):

With relatively high asset growth, the total assets of 13 Islamic commercial banks, 20 Islamic business Units and 167 Islamic rural banks as of December 2022 have reached IDR 802.2 trillion, or an increase of 3649% from the position in December 2005 which was only IDR 21.4 trillion (it was contributed by 3 Islamic commercial banks, 19 Islamic business Units and 92 Islamic Rural banks). The productive asset quality of Islamic banking is also quite good as indicated by the level of Non-Performing Financing (NPF) which was 2.23%, better than the NPF ratio in Dec 2005 which was reached 2.82%.

In the Islamic Rural bank industry, total assets as of Dec 2022 reached IDR 20.1 trillion (OJK, 2022), increase 1575% from December 2007's position of IDR 1.2 trillion. Its quality also improved, indicated by NPF ratio 5.91% in Dec 2022, much better than the NPF ratio in Dec 2007 which was 8.56%.

Even though the increase in Islamic banking assets looks quite large, OJK’s Financial Literacy and Inclusion Survey 2022 show that actually the level of Islamic financial literacy and inclusion is still lagging behind when compared to the national financial index, which are: 9.14% vs 49.68% (literation index) and 12.12% vs 85.1% (inclusion index). This shows that hard work and other creative efforts are needed from all relevant stakeholders in order to increase literacy and inclusion of Islamic banking products in the future because high Islamic financial literacy has a direct impact on the adoption of Islamic banking (Ali, 2021). Other study also found that the higher Islamic banking and financial service knowledge/literacy, the higher the probability for adoption of Islamic banking services (Zaman et al., 2017; Nurkholidi and Damayanti, 2017) so that it would increase the assets of Islamic banking.

A. Research Question and Objectives

This research is performed to analyzed and find out what driving forces and critical uncertainties can influence the development of the Islamic banking industry. After knowing the 2 critical uncertainties, the analysis is continued by compiling scenarios that might occur as well as the implications and options for each of these scenarios. Based on the result of the analysis, hopefully this research can offer alternative and strategy solutions to improve the development of Islamic banking industry using scenario planning methodology.

B. Research Scope and Limitation

This research will be focusing on evaluating driving factors that can affect the development of Islamic banking industry in Indonesia. To obtain optimal research results, opinions and knowledge from related respondents that came from various background are trying to be carried out. But due to time constraints, interviews could only be conducted with to 10 (ten) respondents that considered representing the stakeholders of the Islamic banking industry.

II. LITERATURE REVIEW

A. Scenario Planning

Scenario planning defined as a methodology that uses the inherent human capacity for imagining futures to better understand the present situation and to identify possibilities for new strategy (Ramirez & Wilkinson, 2016, p. 30).

Scenario planning is a tool that can be used to help companies/institutions prepare for uncertain future challenges. Scenario planning is not a forecast, but a future projection of current conditions. It can be used to develop strategies for the medium and long term. It helps companies

Fig. 2 Literacy & Inclusion Levels by Financial Services Sector 2022.

Fig. 3 Asset Growth Rate Comparation (2001-2018).
sharpen their strategy and assist them in making strategies for all plausible futures (Lindgren & Bandhold, 2009, p. 30).

There are several key components of scenario planning to organize the process, they are: key focal issues, driving forces, critical uncertainties, scenario framework, scenarios, narrative, implications and options and early warning signals (Garvin & Levesque, 2006, pp. 2-4).

Key focal issue is a critical, choice that will be made or a strategic uncertainty that will have a long impact on the organization's future.

Driving forces are themes and patterns that the main focal topic is likely to be significantly impacted by, influenced by, and shaped by. From the analysis of external and internal factors as described previously, these driving forces can be determined. Some of major categories of driving forces are politics (example: changes in electoral landscape, regulation, government support etc.), economics (i.e. international trade flows, GDP, economic growth etc.), social dynamics (i.e. change in population, demographics, lifestyle etc.), technology (i.e. changes in hardware and software, applications) etc. Driving forces can be classified into two categories which are predetermined (virtually inevitable, unlikely to change radically over the defined timeframe) and uncertain forces.

After found out the driving forces, we need to define top two of uncertain forces that are more important than others, most likely to define or significantly change the way the future, most influential and informative one, they called as Critical Uncertainties.

Those two critical uncertainties then combined and made into a Scenario Framework by creating 2×2 matrix with four different quadrants of uncertainty or futures to be explored. Scenarios are various futures that are produced by the interaction of the critical uncertainty. Scenario are plausible, alternative hypotheses about how the world might unfold, specifically created to showcase the organization's opportunities and risk. To perfect the Scenario that was made, then Narratives were also made, a fully developed and integrated situation that is weaved into a logically sound and consistent story.

Implications: analysis of strengths and weaknesses, alternative approaches and options to fill in capability gaps, as well as the need for additional study, necessary steps, and crucial judgments in each of the four scenarios or potential futures following result analysis and description.

Early warning signals: leading indicators that point to the likelihood of the development of one scenario over another. The world is clearly headed in one way, and the signals should be leveraged to prompt strategic reevaluation and midcourse modifications.

The scenario planning development process will follow five stages stated by Gavin and Lavesque (2006) which are: orientation, exploration, scenario creation, consideration of options and integration to current process.

B. Islamic Banking

According to the Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic banking, an Islamic bank is a bank that conducts business in accordance with the principles of Islamic law as established by entities with the capacity to issue fatwas in the sharia/Islamic area. Islamic banks by type consist of Islamic commercial banks and Islamic rural banks.

The principle differences between Islamic banks and conventional banks are as follows (Antonio, 2001, p. 34):

<p>| TABLE I. PRINCIPAL DIFFERENCES OF ISLAMIC AND CONVENTIONAL BANKING |
|-------------------------------|-------------------------------|</p>
<table>
<thead>
<tr>
<th>No</th>
<th>Islamic Banking</th>
<th>Conventional Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Invest in Halal sector only</td>
<td>No limited to Halal sector only</td>
</tr>
<tr>
<td>2</td>
<td>Operational principle based on profit sharing, buying and selling or renting</td>
<td>Based on interest principle</td>
</tr>
<tr>
<td>3</td>
<td>Profit and falah* oriented</td>
<td>Profit oriented</td>
</tr>
<tr>
<td>4</td>
<td>Relationship with customer in forms of partnership</td>
<td>Relationship with customer in forms of debtor</td>
</tr>
<tr>
<td>5</td>
<td>Be in accordance with sharia supervisory board fatwas</td>
<td>Similar board doesn’t exist</td>
</tr>
</tbody>
</table>

* prosperity in this world and happiness in the hereafter.

There are some principles used in Islamic banking (Antonio, 2001, pp. 85-134) which are Depository Principle or Al Wadi‘ah. It is a pure deposit made by one party to another, including both individuals and legal entities, which must be kept and repaid at the depositor's discretion. Banks are able to employ the idea of al wadalah yad al amanah for their current account and savings account products. The second is Profit Sharing Principle, which is a collaboration agreement between two or more parties for a specific business in which each party contributes (in accordance with the agreement, in the form of capital or skills) with the understanding that the risks and rewards will be shared. Al Misyarakah and al Mudharabah are the profit sharing contracts that are most frequently used in Indonesia, particularly for financing product. The third is Sale and Purchase Principle. It is a scheme that bank operates as a trader: by purchasing and selling items at their original prices while also making a pre-determined profit. There are three main contracts: Istishna, Salam, and Murabahah. This agreement is also frequently employed for financing product. The fourth is Lease Principle (Operational and Financial Lease), consists of Al Ijarah (contract for transferring usufructuary rights over goods or services through payment of rental wages, without being followed by a transfer of ownership of the goods) and Al Ijarah Muntahiyah bit Tamlik/IMBT (lease contract ending with ownership of the goods by the lessee). In addition to the four principles mentioned above, there are still many principles/contracts that are used especially in the field of services/fee-based services, namely: Wakalah (delegation, giving mandate, used for administrative activities, agency, payments to other parties), Kafalah (guarantee given to third parties to fulfill the obligations of the second party / borne, widely used for bank guarantee products), Hawalah (transfer of debt to other parties, used in product factoring, bill discounting), Rahn (debt guarantee/mortgage, usually use in pawnning product), Qardh (social loans/not expecting profit).

III. RESEARCH METHODOLOGY

The type of research that will be applied in this study is qualitative research. In order to gather insights related to business issue exploration, the data will be obtained from primary and secondary data. The data used in this research is qualitative data obtained from interviews and also from literature. The use of qualitative data is appropriate for this study since it gives the researcher more freedom to be flexible and exploratory in order to get more information. However, quantitative data also used in certain topics to strengthen the analysis and the insight. According to Lindgren and Bandhold (2009), there are seven ways to collect the data for scenario

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planning, they are: media-based, interview-based, timeline-based, intuitive/generative, actor oriented, consequence focused and system method. Due to time constraint, the research will only use interview-based method (in depth interview).

A. Conceptual Framework

In conducting this research, several frameworks related to marketing and business will be used to facilitate the discussion and analysis of business issues in order to answer research questions. In conducting contextual analysis, this research uses the PESTEL framework, Porter's Five Forces and SWOT Analysis. The three frameworks are used to obtain a big picture and analysis of the factors that influence the development of Islamic banking, namely macro aspects (political, economic, social, technological, environmental and legal), forces directly related to the Islamic banking industry as well as existing conditions and identification, opportunities and weaknesses facing the industry.

After knowing the two Most Uncertainty factors with the greatest impact on the development of Islamic banking, the analysis will be continued using the Scenario Planning framework. In this framework, Key Focal Issues will be determined in advance, which will be discussed, followed by determining driving forces and critical uncertainties based on the results of interviews with respondents. After obtaining the most critical uncertainties, scenarios and narratives are prepared. Based on these scenarios, an analysis of the implications and options for each scenario is carried out as well as identification of early warning signals that can be used.

B. Data Collection

This study uses the qualitative in-depth interview on collecting the data. The respondents are ten (10) experts in Islamic banking, with experiences more than 14 years as listed in Table II.

The key focal issues that have been identified is “How will the market share of the Islamic banking industry in the next 10 years face the current and future challenges?”. Driving forces that might affect Islamic banking industry development in the next 10 years was defined by author through literature study and interview with the experts. The identified driving forces then grouped into several categories refer to PESTEL (Political, Economic, Social, Technology, Environment and Legal), Porter Five Forces and SWOT categories.

<table>
<thead>
<tr>
<th>No</th>
<th>Position Level</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regional Head</td>
<td>Industry (Islamic Bank)</td>
</tr>
<tr>
<td>2</td>
<td>Senior Vice President</td>
<td>Industry (Islamic Business Unit of Commercial Bank)</td>
</tr>
<tr>
<td>3</td>
<td>Department Head</td>
<td>Industry (Islamic Bank)</td>
</tr>
<tr>
<td>4</td>
<td>Division Head</td>
<td>Government institution/committee</td>
</tr>
<tr>
<td>5</td>
<td>Senior Analyst</td>
<td>Government institution/committee</td>
</tr>
<tr>
<td>6</td>
<td>Senior Analyst</td>
<td>Government institution/committee</td>
</tr>
<tr>
<td>7</td>
<td>Division Head</td>
<td>Government institution/committee</td>
</tr>
<tr>
<td>8</td>
<td>Shariah Board Supervisor</td>
<td>Industry (Islamic Bank)</td>
</tr>
<tr>
<td>9</td>
<td>Licensing Senior Analyst</td>
<td>Government institution/committee</td>
</tr>
<tr>
<td>10</td>
<td>Business owner (consumer)</td>
<td>Private sector</td>
</tr>
</tbody>
</table>

1) Government Support

Asutay et al. (2020) research discovered that the political will of the governing government or rulers heavily influences the development of Islamic banking. The government has in recent years shown stronger support than before, for example Drafting of Law of the Development and Strengthening of the Financial Sector which was then agreed by the House of Representatives (DPR) in December 2022. This law has several important points that support the development of Islamic banking, including regarding spin off Islamic Business Units and Islamic banks as Nazir waqf. In 2021, the Government merged 3 Islamic banks, subsidiaries of state-owned banks, namely Bank Syariah Mandiri, BRI Syariah and BNI Syariah. As of December 2022, the bank resulting from the merger, namely Bank Syariah Indonesia, has become the 6th largest bank in Indonesia. Since 2008, there have been 3 Regional Development Banks (BPD) that have spin off their Islamic Business Units and converted them into Islamic Commercial Banks, or converted their operational system from conventional to Islamic concept, namely BJB Syariah, Bank Aceh Syariah and Bank NTB Syariah. The conversion of those 3 BPDs made the development of Islamic banking faster in the three regions/provinces. The government also established committee, Komite Nasional Keuangan Syariah (KNKS) in 2016 which was later changed and strengthened to become the KNEKS in 2020 to increase the effectiveness and efficiency of implementing the national development plan in the field of Islamic finance and economics. Government support and policies (central and regional, as well as supported by the DPR/D) over the past few years have helped develop Islamic banking market share from previously below 5% to 7.03% in August 2022.

2) Indonesian economic growth

During and after pandemic COVID 19, Indonesia is one of the countries that relatively stable and experienced the least effect. As soon as the restrictions on movement were opened, the Indonesian economy immediately jumped by showing economic growth of 5.31% in 2022. Indonesia’s strong economic growth will drive demand for financial services which in turn will drive the development of the financial sector itself, including the Islamic banking sector (Nahar et al., 2016). Conversely, the development of Islamic banking will encourage economic growth (Tabash et al., 2014).

3) Reference interest rate

The reference interest rate is one of the macro policy instruments to control the macro economy in order to create economic stability by regulating the amount of money in circulation. An increase or decrease in the reference interest rate will affect people’s actions towards the money they own. An increase in the reference interest rate will push up bank interest rates, increase the cost of credit and potentially slow down the economy. With an economic slowdown, the demand/use of banking products/services will also decrease so that growth will be hampered, and vice versa.

4) Literation and inclusion index of Islamic finance

The Islamic financial literacy and inclusion index is still very low and far behind when compared to the general literacy and inclusion index. This is one of the reasons for the low market share of Islamic banking in Indonesia. With the increase in the index, it is believed that it will be able to support the development of Islamic banking market share in Indonesia.
5) Growth of middle class

Middle class in Indonesia is increased. Based on the 2019 World Bank report, there are at least 52 million Indonesians who classify into the middle-class category. This segment is the fastest growing segment of the population, at 10 percent annually, and now accounts for close to half of national consumption. The bigger the segment, combined with the increase of literation Islamic finance, the bigger the contribution potency to the Islamic banking industry.

6) Halal ecosystem

In order to support Islamic economic growth, the government has released a number of policy mixes, one of which is to stimulate the growth of the Islamic economy by enhancing the ecosystem of the halal value chain, particularly the integrated agricultural sector, halal food, and Muslim fashion. With integrated development, the halal ecosystem will be able to grow together on a larger scale. This growth will open opportunities for Islamic banks to cooperate in the use of their products and services which means contributing to the development of the Islamic banking industry.

7) Internet penetration

Based on data from the Indonesian Internet Service Providers Association (APIJPII), the internet penetration rate in Indonesia in 2022 will reach 78.19%, up from 2021 which was 77.02%. Higher levels of internet penetration will make it easier for society to access information and digital financial products, thus helping the growth of Islamic banking.

8) Digital banking

Digital banking has become a common strategy in the banking industry since many banks are implementing it while at the same time reducing the number of physical office networks. With digital banking, customers as end users have convenience and can enjoy various latest technology-based products and services.

9) Sustainable finance

With the similarity of values between sustainable finance and Islamic banking, it should be a driving factor for Islamic banking to be one step ahead of its competitors.

10) Regulation (i.e., spin off, minimum core capital, Law of Development and Strengthening of the Financial Sector)

The availability of supporting regulations greatly assists the development of the Islamic banking industry. This can be seen, for example, the abolition of taxes on Murabahah/buying and selling transactions at Islamic banks which were once subject to disputes, Qanun regulations in the Aceh region which only allow Islamic banking in their territory, regulations regarding Government Sukuk as one of the instruments that the Government can issue if needed. This driving factors aligned with Satutikirono et al. (2021) research in business of priority banking, including the wealth management of Bank Oranye. He found that the most uncertainty and highest level of impact driving forces are Technology Development and Adoption, and Government Policy and Regulations.

11) Conventional bank industry

Islamic banking can be said to have lost its start given that Conventional banking has been around for more than 100 years in Indonesia. The advantages of conventional banking are numerous and include a large customer base, an extensive branch network, stronger infrastructure, higher caliber human resources, and many more. Naturally, conventional banking will further improve its facilities and quality as a result of increased competition in order to continue and expand its business.

12) Price & Service

The still high level of pricing of financing products and the low level of service in most Islamic banks when compared to conventional banking is one of the factors that still has a low level of inclusion in Islamic banking. Most Indonesian consumers are Realists who expect the highest returns and good service quality when considering/choosing a bank. This is aligned with a study that stated that bank’s customers expect the highest returns and good service quality (Haniyah & Manual, 2023; Nazir et al., 2022; Dawami, 2020; Saptasari, 2020; Njagi et al., 2019; Tara et al., 2014; Ahmad et al., 2010). This is an obstacle for some Islamic banks because their Cost of Funds and investment costs are high, making it impossible to provide competitive pricing.

13) Fintech/crowdfunding emergence

The last 5 years have been the golden age of Fintech, P2P and crowdfunding. Along with the development of the world and technology companies, their presence has become an alternative for the community to meet their needs. In certain segments, the expansion is felt to be very fast and capable of becoming a competitor that banks need to be consider. If this continues, the presence of Fintech/crowdfunding needs to be a concern for banks to anticipate them as competitors.

14) Uniqueness of the product

In principle, Islamic banking has different characteristics when compared to conventional banking. With the breadth of contracts owned, Islamic banking can provide unique products that are not available in conventional banking, for example Rahna/ Pawning, Ijarah al Muntahiyat bit Tamlak, profit-sharing-based financing etc. With the completeness and advantages of these contracts and products, Islamic banking should have more and stronger capital to compete in the market.

15) Infrastructure limitation (capital, outlet, human resource)

Given its relatively young age compared to conventional banking, there are still quite a number of obstacles faced by Islamic banking, namely: relatively small capital, limited network and the quality and quantity of human resources. Improvements in these aspects are believed to be able to drive the growth of the Islamic banking industry even better and faster.

IV. RESULTS AND DISCUSSION

In order to determine the critical uncertainties, the degree of the Uncertainty and Impact of the driving forces identified previously should be define. During the interview session, each respondent was asked to rate the level of Uncertainty and Impact of each driving force by giving a value from 1-5 based on their perspective. All values submitted by respondents were then summarized where the 5 factors with the highest score of Uncertainty and Impact are Government Support, Price and Service, Infrastructure Limitation, Regulation and Digital Banking. Thus, the two driving factors which are critical uncertainties are Government and Regulation Support (consider the similarity and closeness of those factors) and also Price and Service. The next step is to
develop Scenario Framework by putting those two critical uncertainties in the axes made in 2 × 2 matrix, with polar cases at each extremity.

The combination of those critical uncertainties defined above will form four different quadrants in which each quadrant will perform different situation and scenarios and it will have different implication for the decision making. The four scenarios along with the implications and options that can be made are:

1. **Fast & Furious**: it is a scenario where Government and Regulation strongly support the industry development, and the player in the industry also have competitive prices and services. This is the best scenario for Islamic banking industry development.

   Implications of this scenario are market share of Islamic banking increased exponentially, the scope of business and transactions that need to be served is getting wider, Islamic banks and their customers are increasingly at risk of becoming targets of digital crime, focus on customer management can decrease due to increased business scale but is not accompanied by the bank's internal readiness and stakeholder expectations for Islamic banks are getting higher.

   To cover the implications stated above, the options are: expand the business in government, big company and multinational company segment, expand the business abroad (i.e., in South East Asia, Middle East), launch new contracts, products and technology that meet consumer needs, maintain and improve the capacity and quality of Islamic banking information technology (servers, security, network etc.) in a sustainable manner, maintain and improve the quantity and quality of Islamic bank human resources in all parts, both business, risk, operation, and compliance, consistently, maintain and strengthen collaboration with stakeholders (i.e. OJK and Bank Indonesia as regulator, government, universities to provide quality human resources, MUI for supervision and assistance on Sharia/ Islamic aspects, etc.

2. **Imperfect**: it is a scenario where Government & Regulation Support strongly support the industry development, unfortunately the player in the industry has less competitive prices and services. Implications of this scenario are business potential that arises from the laws and regulations issued by the government or regulators is not optimally exploited by the industry, the emergence of disappointment and apathy from the government and other regulators regarding the unprofessionalism and inability of Islamic banking to take advantage of opportunities and provisions or policies that have been made, which may affect future relationships and it will cause Islamic banking market share only grows stably. To cover the implications mentioned above the options are: exercising corporate action (i.e. merger, looking for a new/additional owner who has the power of capital), increasing the capacity of banks to be able to provide competitive prices and services to customers through increasing the capacity and quality of human resources, information technology, and business processes and also reducing cost of funds, gradually working on business potential that is open because of the new regulations, maintain and strengthen partnership with government and other stakeholders.

3. **The Survivor**: it is a scenario where Government and Regulation Support weakly support the industry development, but the player in the industry have competitive prices and services.

   Implications of this scenario are even though Islamic banking has the capability to compete with conventional banking, both in terms of price and service, their market share only grows stably.

   To cover the implications, the options are: approach and negotiate with the government and related regulators in order to issue or revise laws, regulations, and incentive that are more favorable for the industry, maintain the capacity and quality of sharia banking information technology (servers, security, network, etc.) and prepare for improvements needed due to increased business, maintain the quantity and quality of Islamic bank human resources in all parts, including business, risk, operation, compliance and also maintain cooperative relations with stakeholders.

4. **Skyfall**: it is a scenario where Government and Regulation Support does not (or weakly) support the industry, and the player in the industry also does not have (or less) competitive prices and services.

   Implications of this scenario are the stagnancy of market share of Islamic banking and even decreases, Islamic banking is not the main choice of consumers, Islamic banking is no longer a priority industry to be developed by the government and the sustainability of the Islamic banking industry in the long run is threatened.

   To cover the implications, the options are maintaining the core team to manage existing business, exercising corporate action (i.e. merger, looking for a new/additional owner who has the power of capital), approach and negotiate with the government and related regulators in order to issue or revise laws, regulations, and provisions that are more favorable for the industry and also strengthen collaboration with stakeholders.

   To determine which scenario is more likely to emerge, early warning signals need to be built and monitored. The leading indicators and its signals for the four scenarios are as follows:

   Based on those scenario creation, implication, and option analysis above, Islamic banking industry development plan can be well strategized and prepared. To follow Fast and Furious scenario, Islamic banking players and related stakeholders needs to make additional effort to improve existing condition, so that a larger market share can be achieved more quickly.
TABLE III: EARLY WARNING SIGNALS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measurements</th>
<th>Fast &amp; Furious</th>
<th>Imperfect</th>
<th>The Survivor</th>
<th>Skyfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business growth</td>
<td>Market share growth</td>
<td>Growth exponentially</td>
<td>Growth stably or stagnant</td>
<td>Growth stably or stagnant</td>
<td>No growth or even decrease</td>
</tr>
<tr>
<td></td>
<td>Third party fund and financing growth</td>
<td>Growth exponentially</td>
<td>Growth stably or stagnant</td>
<td>Growth stably or stagnant</td>
<td>No growth or even decrease</td>
</tr>
<tr>
<td>Price</td>
<td>Price Level</td>
<td>Competitive, even cheaper</td>
<td>Not competitive (more expensive)</td>
<td>Competitive, even cheaper</td>
<td>Not competitive (more expensive)</td>
</tr>
<tr>
<td>Service</td>
<td>Service level</td>
<td>Many new or updated incentive, law regulation that support industry</td>
<td>Many new or updated incentive, law, regulation that support industry</td>
<td>Many new or updated incentive, law, regulation that support industry</td>
<td>Many new or updated incentive, law, regulation that support industry</td>
</tr>
<tr>
<td>Government &amp; Regulation</td>
<td>New or updated law, regulation, incentive</td>
<td></td>
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1. Approach & negotiate government, regulator to issue incentives/ regulation that favourable to industry
2. Improve IT Capacity
3. Strengthen collaboration with related stakeholders

V. RECOMMENDATION FOR FUTURE RESEARCH

This research was conducted using relatively limited primary data (interviews), namely 10 respondents. This research can be deepened by increasing the number of respondents who have longer experience and expertise in Islamic banking and strengthening the analysis on the determination/discussion of driving factors referring to more books, journals, reports. Future studies also can explore specific strategy from each related stakeholder answering scenarios development and focus on quantitative study that might strengthen this study in terms of parameters such as key drivers and selection of critical uncertainties.

CONFLICT OF INTEREST

Authors declare that they do not have any conflict of interest.

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