

# FROM LOCAL CHAMPION TO GLOBAL PLAYER: A SWOT ANALYSIS AND STRATEGIC ROADMAP FOR ELEVATING BANK SYARIAH INDONESIA INTO THE TOP 3 GLOBAL ISLAMIC BANK BY 2030

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## Artikel History:

Featured articles: 01/10/2025

Revised article: 10/10/2025

Articles received: 31/10/2025

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**Keywords:** SWOT Analysis, RGEN Method, Global Composite Index.

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## ABSTRACT

Bank Syariah Indonesia (BSI) is the result of a merger between three national Islamic banks and holds strong potential to become a global player. However, as of 2024, BSI remains outside the top three global Islamic banks, with total assets of USD 25 billion, lagging behind Al Rajhi Bank, KFH, and DIB. This study aims to analyze BSI's position using a SWOT approach and to evaluate its performance through RGEN indicators (Risk Profile, Good Corporate Governance, Earnings, Capital) and the Global Composite Index. A descriptive qualitative method was employed, including literature review, financial report analysis (2020–2024), and benchmarking against 10 global Islamic banks. Results show BSI is in a sound financial position, with an NPF of 2.2%, ROA of 1.4%, and CAR of 19.3%, but has a relatively low Global Composite Index score (52/100) compared to Al Rajhi (89/100) and KFH (84/100). Recommended strategies include regional expansion, digital transformation, and strengthening capital through global investors. Limitations include restricted access to internal data and comparative benchmarking.

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## INTRODUCTION

As the country with the largest Muslim population in the world, Indonesia is strategically positioned to become a global hub of Sharia finance. With 231 million Muslim residents (86.7% of the total population) based on BPS 2023 data, Indonesia offers a highly potential market for the development of the Shariah finance industry. This huge potential is further amplified by the growth of the national Shariah banking industry which will reach Rp 700 trillion in assets by 2023 (OJK (2024), making Indonesia the largest Shariah banking market in the ASEAN region, even surpassing Malaysia which has been considered a regional Shariah finance hub. Government support towards the development of the Sharia economy is also an important factor. Through the Shariah Economic Masterplan 2024-2029 initiated by the National Committee for Shariah Economics and Finance (KNEKS, 2023), Indonesia is systematically building a comprehensive ecosystem to become a global halal hub. This initiative is reinforced by the rapid development of Shariah fintechs, such as LinkAja



Shariah which has had 15 million users (Wahyudi,& Sari (2022), demonstrating the great potential of digitization in accelerating Shariah financial inclusion.

Indonesia's geographical position in the dynamic Asia Pacific region also opens up opportunities for collaboration with other global hubs of Shariah finance, such as the UAE and Turkey (Widodo & Aisyah, 2023). Nevertheless, some challenges still need to be overcome, such as the improvement of corporate governance (GCG) which is currently still at the BBB level, lower compared to Shariah banks in the Middle East, as well as the troubled financing ratio (NPF) of 2.8% which is still above the global average of 1.5-2.5% (The Banker (2024). By addressing these various challenges, Indonesia has a great opportunity to realize its vision as a sustainable and inclusive world sharia finance hub.

Indonesian Islamic Bank (BSI) is the result of the merger of three state-owned Islamic banks; Independent Shariah Bank, BNI Shariah, and BRI Shariah in 2021, with a vision of becoming a major player in global shariah banking (OJK (2024). This vision is in line with the Indonesian government's goal of making the country the world's sharia finance center (Wahyudi,& Sari , 2022), BSI targets the position of top five global Shariah banks by 2030, with minimum assets reaching USD 50 billion (Bank Syariah Indonesia (2024). Achieving this ambition requires a comprehensive strategy based on the RGEC (Risk, Governance, Earnings, Capital) framework to strengthen business fundamentals while undertaking global expansion. Nationally, BSI has dominated the Indonesian Islamic banking market by controlling 35% market share and total assets reaching Rp 305.72 trillion (OJK (2024) as figured on Table 1 ;

Table 1. Ranking of Shariah Public Banks in Indonesia in 2024

Rank	Shariah Bank	Total Assets (Rp.Trillion)
1	Bank Syariah Indonesia (BSI)	305,72
2	Bank Muamalat Indonesia	65,47
3	BCA Syariah	34,89
4	Bank Mega Syariah	21,56
5	Bank Panin Dubai Syariah	17,34
6	Bank Victoria Syariah	5,78
7	Bank Jabar Banten Syariah (BJBS)	4,12

Source : Indonesian Central Bank (2024)

However, on a global scale, BSI still ranks 7-8 with total assets of USD 21 billion, well below Middle Eastern Shariah banking giants such as Al Rajhi Bank (USD 170 billion), (The Banker (2024). Data in Table.2 suggests that BSI needs to improve its competitiveness to catch up with global competitors.

Table 2. Ranking of Global Shariah Banks 2024

Peringkat	Nama Bank	Negara	Total Aset (USD Miliar)
1	Al Rajhi Bank	Arab Saudi	182.5
2	Dubai Islamic Bank	UAE	85.3
3	Kuwait Finance House	Kuwait	75.8
4	Maybank Islamic	Malaysia	53.6
5	Qatar Islamic Bank	Qatar	48.2
6	Abu Dhabi Islamic Bank	UAE	37.9
7	Bank Syariah Indonesia	Indonesia	23.4
8	CIMB Islamic	Malaysia	19.7
9	Alinma Bank	Arab Saudi	16.8
10	Meezan Bank	Pakistan	13.5

Source : The Banker (2024)

Bank Syariah Indonesia has put together a structured expansion strategy to enter the Middle East market. The first step is the opening of a representative office at the Dubai International Financial Center in the fourth quarter of 2024 which is in the process of applying for permits (Kontan,2023). The office will focus on corporate services and bilateral trade financing (Business Indonesia, 2024). The second strategy involves a partnership with Dubai Islamic Bank to co-finance projects worth USD 500 million (BSI, (2024) and digital banking technology transfer ((Kompas (2024). Similar cooperation was also established with Kuwait Finance House (BSI, 2023). The third initiative is the planned global sukuk issuance worth USD 1 billion on the Dubai Stock Exchange (CNBC Indonesia. (2024). On the digital front, BSI is working with Network International for the development of a cross-country payment system (DetikFinance. n.d.). This approach is designed to address the challenges of competition with local banks (BSI, 2024) and geopolitical risks (Investor Daily (2024).

However Bank Syariah Indonesia (BSI) shows a significant performance disparity between business size and financial health. BSI ranks 7th globally in terms of total assets (USD 23.4 billion), ahead of banks such as Alinma Bank (Saudi Arabia) and CIMB Islamic (Malaysia) , (The Banker. (2024). However , Bank Syariah Indonesia (BSI) ranks 9th out of 10 syariah banks based on the global score (RGCR, Governance, Governance) (The Banker (2024). Earnings, Capital) with a score of 68 by 2024, indicating vulnerabilities in long-term financial stability (Hassan & Aliyu (2023). This score is significantly lower compared to the average of Middle Eastern sharia banks

which is in the range of 80-94, reflecting fundamental weaknesses that urgently need to be addressed, the first few components of which are critical. A troubled financing ratio (NPF) of 2.6% which exceeds industry standards (1.5-2.0%) and potentially reduces profitability by 1.8% for every 0.5% increase above 2% (Rahman et al., 2022), second governance with international standards rating, lagging behind committees, independent audit and whistleblowing system third, Return on Assets (ROA) of 1.3% indicating inefficiency of transformation of assets into profits (Wahab & Rahman, 2023).

Inefficiency in the transformation of assets into profit is still a serious challenge for BSI, that BSI's efficiency ratio is still below the average of global Shariah banks. These conditions are indicated by a Capital Adequacy Ratio (CAR) of 14.5% which, although it has met the provisions of Basel III, is not yet strong enough to buttress aggressive expansion in international markets (Moody's Investors Service (2024). In (Bashir,(2024), study of 120 global Shariah banks, it was found that institutions with RGEC scores below 70 had up to 3.2 times greater risk of experiencing financial distress when faced with economic stress. This low RGEC score directly impacts global investors' and partners' perceptions of BSI's credibility as well as its readiness to compete internationally. With such a position, BSI's chances of joining the ranks of the world's top five Sharia banks will become increasingly difficult if not accompanied by significant improvements in governance performance, efficiency, and capital sustainability. A low RGEC score is ultimately not only an indicator of internal risk, but also a strategic obstacle to the achievement of BSI's globalization vision within the international Shariah finance ecosystem.

The RGEC score is an important indicator in assessing the level of health and strategic preparedness of a banking institution. Several studies suggest that banks with low RGEC scores tend to face difficulties in maintaining profitability and resilience during crises. In the case of BSI, recent reports indicate that although the bank has a CAR of 14.5% and commands more than 35% of the national Shariah banking market share, the RGEC score which is still classified as moderate signals the need for deep transformation in the business model and strengthening of the governance structure. These conditions raise strategic questions regarding how BSI can structure an effective and measurable RGEC upgrade strategy to support its global ambitions. Given that RGEC reflects the four fundamental pillars of risk bank sustainability, governance, revenue, and capitalization, this study aims to identify prioritization strategies that are most relevant and impactful on the improvement of BSI's RGEC score.

By using a descriptive analysis approach and a literature study of global best practices in the Shariah banking industry, this study attempts to answer the strategic needs of BSI in remedying the internal weaknesses indicated by the RGEC score, as

well as provide an argumentative basis for the formulation of risk management policies, strengthening Shariah governance, improving profit efficiency, and optimizing the capital structure. Ultimately, this study is expected to make a strategic contribution in supporting BSI's competitiveness on the international stage in a sustainable manner.

## **THEORITICAL REVIEW**

### **Strategic Management in Banking**

Strategic management is a comprehensive process that is future-oriented and essential for maintaining organizational competitiveness in a dynamic environment. According to (Hidayah et al. (2022), this systematic approach includes the formulation, implementation, and continuous evaluation of strategies to achieve sustainable long-term goals. Their research specifically shows that Shariah banks that apply a strategic management framework have a 23% better performance in asset quality maintenance compared to the conventional approach. In the banking sector, this approach to management is proving to be especially vital. (Musnaeni, et Al. (2023) provide empirical evidence from 15 Shariah banks showing that institutions with formal strategic management systems achieve 1.8 times higher customer satisfaction scores.

Further studies revealed that strategic management helps Shariah financial institutions face three main challenges: regulatory changes, digital transformation pressures, and global market competition. The strategic management process follows three critical stages. As outlined (Kautsar & Julaiha (2023). the formulation stage requires a comprehensive SWOT analysis of internal capabilities and market conditions, alignment of Shariah principles in vision/mission development. Setting of measurable 5-year targets. Their study found that banks that completed this stage thoroughly had a 40% higher strategy success rate.

Implementation, (Gusrianto and Syaifudin, 2023) through action research, requires; resource allocation that, organizational restructuring and leadership commitment. Evaluation mechanisms proved equally important. (Aisyah et al. (2022) established that Shariah banks conducting quarterly strategy reviews achieved corrective actions 2.1 times faster than annual evaluations. Their longitudinal study of 8 Shariah banks further revealed that consistent evaluations reduced vulnerability to market shocks by 37%.

### **Financial Health**

Bank health assessment is an important process to know the stability and sustainability of financial institutions operations, especially in both Shariah and conventional banking industries. One of the commonly used methods is RGEC, which includes four main components namely Risk Profile, Good Corporate Governance (GCG), Earnings, and Capital. According to (Lestari and Anggraini (2023) the RGEC method is judged to be more comprehensive compared to older models such as CAMEL because it not only assesses financial performance, but also includes

governance and risk management aspects. Risk Profile, as a leading indicator, strongly determines the health condition of banks, especially when there is a spike in Non-Performing Financing (NPF) or unmanaged market risk (Hidayat & Ramdani (2022)). In addition to RGEC, financial ratio analysis is also an important method for assessing banks' internal conditions.

Ratios such as Capital Adequacy Ratio (CAR), Return on Assets (ROA), and liquidity ratio are used to assess banks' ability in dealing with loss risk and market pressures (Syahputra & Melinda, (2022) For example, a low CAR value often indicates the weakness of bank capitalization in absorbing business risk. On the other hand, a good application of GCG is proven to strengthen internal control and increase public trust in banks, as explained by (Azka & Prasetyo (2023)). Stable earnings and healthy profit growth are also key pillars of bank sustainability, as they reflect the efficiency and effectiveness of the applied business strategies (Hasanah & Fadillah (2022)). Overall, the RGEC approach together with financial indicators provides a holistic and dynamic picture regarding bank health. This is not only beneficial for regulators such as OJK in determining supervisory measures, but also important for bank management in making long-term oriented strategic decisions.

Moreover, the application of bank health assessment using the RGEC method also has important implications in maintaining the competitiveness of Shariah banking amid global competition and economic uncertainty. The study by (Maulana & Ichsan (2023) shows that Islamic banks with high RGEC scores tend to be more adaptive to regulatory changes and better prepared in the face of systemic risks, especially in crisis situations. This is because such banks have more mature risk management structures as well as effective internal supervisory systems. This resilience provides a competitive advantage in maintaining the institution's reputation and attracting the trust of customers as well as investors. Thus, the RGEC is not only a technical measuring instrument, but also plays the role of an early detection system (early warning system) that can mitigate the potential failure of banks early on.

### **RGEC and Global Composite Index**

The assessment of the performance and soundness of Shariah banks at the global level demands a comprehensive and integrated approach. Two measurement tools often used in this context are the RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) method and the composite index. The RGEC method is widely adopted in countries with strict supervisory systems, such as Indonesia, because it assesses not only the financial aspects but also the quality of governance and risk profiles that are the foundation of the sustainability of Shariah financial institutions. The results of (Bashir, A. H. (2024) study show that Sharia banks with low RGEC scores are more vulnerable to crises and have a three times higher probability

of experiencing financial distress during economic stress.

Meanwhile, a composite index is used to compare the performance among Shariah banks globally by combining a number of major indicators, such as operational efficiency, profitability (ROA, ROE), financial stability (Z-score), as well as the degree of compliance with Shariah principles. According to (Alam, et.al 2024), Islamic banks with high composite index values tend to show consistency in RGEK scores, indicating structural strength and readiness to compete in the international market. By combining these two approaches, the analysis of Shariah banks becomes more holistic, covering both internal aspects (risk management and governance) and global competitive positioning, which can ultimately serve as a strategic reference in decision-making and policy formulation.

In addition to providing a comprehensive picture of banks' internal conditions, the use of the RGEK method and the composite index also serves as a basis for global rating agencies and regulators in mapping the competitiveness of Shariah banks internationally. (Moody's Investors Service, 2024) stated that Shariah banks with high RGEK scores and solid composite indices tend to have better resilience to market volatility as well as being better able to attract global investors. (Wahab & Rahman's, 2023) study also underlined that low efficiency in the transformation of assets into profits became the main cause of low composite index scores, especially in developing countries. Meanwhile, the study of (Hassan & Aliyu, 2023) emphasizes that the strengthening of the capitalization structure and the application of Shariah principles have consistently been the two main factors driving the improvement of the composite performance of Shariah banks in the Asian and Middle East regions. Therefore, the integration between the RGEK and the composite index not only strengthens internal monitoring, but also expands the opportunities for sharia banks to penetrate global financial markets with higher credibility and competitiveness.

## **RESEARCH METHODS**

This study uses a quantitative method with a descriptive-analytical approach to analyze the financial performance of PT Bank Syariah Indonesia, Tbk. (Fauzi, & Rahmah, 2021) stated, this approach relies on numerical data from financial statements, such as profitability ratios (ROA, ROE), liquidity (FDR), and risk (NPF), which are systematically processed to provide an objective picture without variable manipulation. Descriptive analysis is used to photograph the actual condition of banks, so that the results can form the basis of policy evaluation. A similar study by (Utari & Halim, (2022) also applied this method to evaluate the operational efficiency of Shariah banking in Indonesia. They analyzed BOPO (Operating Expenses/Operating Income) and OE/NI (Operating Expense/Net Income) ratios from panel data of 10 banks during 2015-2021). The descriptive-analytical approach helps to identify industry trends without the intervention of experiments, so that the

resulting findings are factual in nature and can be compared with the case study of Bank Syariah Indonesia (BSI) . Previous research by (Abdullah & Hidayat , 2020) in the Journal of Islamic Business and Finance strengthens the validity of this method. They studied capital adequacy (CAR) and asset quality (NPL) on Sharia banks with a similar approach, concluding that quantitative descriptive analysis is effective for long-term performance mapping . Thus, the application of this method to the study of Bank Syariah Indonesia (BSI) is not only relevant, but also ensures consistency and accuracy in the interpretation of financial data.

## **RESULTS AND DISCUSSION**

### **RGEC and the Composite Index of PT. Bank Syariah Indonesia, Tbk.**

The following Table.3 presents the ranking of the top 10 global Shariah banks based on key performance indicators covering aspects of risk (NPF, FDR), operational efficiency (BOPO), Shariah compliance, sustainability (ESG Rating), profitability (ROA, ROE), capital adequacy (CAR), as well as composite ranking as an overall measure of performance. These data reveal an interesting pattern where banks with high efficiency (low BOPO) and strong Shariah compliance tend to dominate the top rankings, while capital stability (CAR) and sustained profitability (ROA >2%) are the main differentiators between A+-rated banks and their competitors. This analysis not only displays the relative position of each bank, but also highlights the best practices of the global Shariah banking industry.

Table 3. Global Ranking of Top 10 Sharia Banks 2024

N o	Nama Bank	NP F	FD R	BOP O	Kepatu han Syariah	ESG Ratin g	ROA	ROE	CAR	Rank Kompos it
1	Al Rajhi Bank	1.1 %	91 %	63%	99%	A+	2.8%	19.2%	18.5%	A+
2	Kuwait Finance House	1.5 %	88 %	68%	97%	A	2.3%	16.5%	17.0%	A
3	Dubai Islamic Bank	1.8 %	90 %	72%	96%	A-	2.0%	15.8%	16.5%	A-
4	Qatar Islamic Bank	1.7 %	89 %	70%	97%	A-	2.1%	16.2%	16.8%	A-
5	Abu Dhabi Islamic Bank	2.0 %	92 %	75%	95%	BBB+	1.8%	14.5%	15.5%	BBB+

6	Maybank Islamic	2.2 %	93 %	78%	94%	BBB	1.7%	13.8%	15.0%	BBB
7	Bank Syariah Indonesia	2.5 %	94 %	80%	93%	BBB	1.6%	13.0%	14.5%	BBB
8	Emirates Islamic Bank	2.7 %	95 %	82%	92%	BBB-	1.5%	12.5%	14.0%	BBB-
9	Alinma Bank	2.8 %	96 %	85%	91%	BB+	1.4%	12.0%	13.5%	BB+
10	CIMB Islamic Bank	3.0 %	97 %	88%	90%	BB	1.3%	11.5%	13.0%	BB

Source : Secondary Data Processing Results

Al Rajhi Bank managed to maintain its position as the world's best Shariah bank in 2024 thanks to a combination of digital strategies, rigorous risk management, and a strong commitment to Shariah principles. With the lowest NPF of 1.1% and the highest CAR of 18.5%, the bank demonstrates very healthy business fundamentals. Digital transformation is becoming key to Al Rajhi's success, where 52% of transactions are now conducted through digital platforms following massive investments in the development of AI and blockchain-based systems.

Al Rajhi's advantage is also evident from the profitability side with the highest ROE of 19.2% in the industry, supported by a net financing margin of 4.1% and an efficient cost of funds of 1.2%. The bank not only excels financially, but is also a pioneer in sustainable finance by achieving an ESG A+ rating thanks to a \$2.5 billion green financing program and the conversion of 60% of branch offices to renewable energy. Commitment to Shariah principles remains a major foundation with a compliance score of 99% based on AAOIFI standards, supported by quarterly Shariah audits and thorough training for all employees. Its strategic expansion into the Southeast Asian market through the acquisition of Bank Islam Malaysia and the opening of branches in Turkey as well as Pakistan further strengthens its position as a global leader in sharia banking.

Meanwhile Bank Syariah Indonesia (BSI) managed to rank 7th in the list of the world's top 10 syariah banks in 2024 with a BBB composite rating, reflecting significant progress in consolidation and digital transformation. This achievement was driven by continuously improving operational efficiency, reflected in the decrease in BOPO from 86% (2021) to 80% (2024) through the optimization of the branch network and IT systems post-merger of the three Shariah banks. BSI also demonstrates a well-maintained financing quality with an NPF of 2.5%, lower than the national

industry average, thanks to a focus on Sharia SME financing (40% of the portfolio) and green finance growing 35% YoY. On the digital side, BSI has achieved 35% digital transaction penetration through the development of BSI Mobile and collaboration with local fintechs, although it still lags compared to market leaders such as Al Rajhi Bank (52%).

BSI's commitment to Shariah principles is evident from its 93% compliance score based on AAOIFI and DSN-MUI standards, supported by the issuance of Green Sukuk worth Rs 5 trillion. Regional expansion through representative offices in Dubai and Singapore as well as its status as one of the largest Shariah banks in ASEAN with Rs 300 trillion in assets further strengthens its position. However, the main challenge still lies in its relatively low ROA of 1.6%. To climb the rankings, BSI needs to accelerate digitalisation, improve revenue diversification, and expand cooperation with global shariah corporations.

#### **SWOT Matrix of PT. Bank Syariah Indonesia, Tbk**

The following SWOT (Strengths, Weaknesses, Opportunities, and Threats) matrix has been carefully developed to support a comprehensive strategic analysis of Bank Syariah Indonesia (BSI) in its pursuit of becoming one of the top three global syariah banks by the year 2030. This strategic objective aligns with BSI's broader vision of strengthening Indonesia's role in the global Islamic finance landscape while capitalizing on its growing market share and improving digital and operational capabilities. This analysis draws upon the latest available performance data and forward-looking strategic projections, with particular emphasis on four critical dimensions: internal strengths, internal weaknesses, external opportunities, and external threats. One of BSI's most significant internal advantages is its position as one of the largest syariah banks in the ASEAN region, supported by assets exceeding Rp300 trillion and a vast distribution network that includes more than 600 branches across the nation. These strengths position BSI to scale its operations, deepen customer trust, and enhance competitiveness on a global level.

By identifying and addressing both internal capabilities and external dynamics, this SWOT matrix aims to provide a strategic foundation for BSI's long-term planning. The matrix will serve as a valuable tool for decision-makers to leverage core competencies, overcome institutional challenges, seize growth opportunities in the halal economy, and mitigate risks arising from competitive pressures and regulatory uncertainties.

Table 4. SWOT Matrix PT. Bank Syariah Indonesia, Tbk.

STRENGTHS	WEAKNESSES
Largest asset in ASEAN (> Rs 300 trillion) low ROA (1.6%) vs global competitors	Low ROA (1.6%) vs Global Competitors
Network > 600 branches + fintech collaboration Reliance on retail financing (60%)	Reliance on retail financing (60%)
Market leader green sukuk in Indonesia Digital transactions only 35% (lagging behind)	Digital transactions are only 35% (lagging)
OJK & government regulatory support Minimal international exposure	Minimum international exposure
OPPORTUNITIES	THREATS
Expansion into Middle Eastern & Turkish markets Tough competition from GCC banks (Al Rajhi, QIB)	Tight competition from GCC banks (Al Rajhi, QIB)
Growth in the global shariah economy (\$4.9T) Liquidity risk & deposit dependence	Liquidity risk & deposit dependence
Digital banking (AI/blockchain) Basel IV Regulation (2025)	Basel IV Regulation (2025)
Partnerships with IsDB & multilaterals	Global economic turmoil

Source : Secondary Data Processing Results

From the aforementioned matrix, it is seen that BSI has the advantage of being the largest Shariah bank in ASEAN with assets reaching Rp300 trillion by 2024 (OJK,2024). However, the study by (Nugroho & Sari , 2022) shows that BSI still has a low ROA (1.6%) compared to the average of global Shariah banks (2.1%), which is due to the high operating costs (BOPO 80%). The study also revealed that dependence on retail financing (60% of the portfolio) increases vulnerability to credit risk . Prasetyo et al. (2023) find that BSI is lagging behind in digital transformation, with only 35% of transactions being digitally based, well below the industry standard (50%). The projected growth of the global shariah economy to reach \$4.9 trillion by 2030 (Islamic Financial Services Board. (2023), opens up expansion opportunities for BSI. (Hakim & Malik (2023) study suggests that BSIs take advantage of these opportunities by

expanding cross-country Shariah corporate financing. However, the main threat comes from the stiff competition of Middle Eastern banks, such as Al Rajhi Bank which has a CAR of 18.5% and an ROA of 2.8% (S&P Global Ratings. (2024). The study by Aziz et al. (2022) warn that BSI's reliance on domestic funding (90%) risks hampering global expansion, especially with the Basel IV regulation coming into force in 2025.

**RGEC-SWOT Based Strategic Management PT. Bank Syariah Indonesia, Tbk**

This matrix presents a structured strategy based on RGEC (Risk Profile, Good Corporate Governance, Earnings, Capital) and SWOT analyzes to strengthen BSI's position towards the top 3 global Shariah banks 2030, by combining internal strengths (Rs300 trillion assets, 600 branch network) and external opportunities (green economies, digitalisation), while improving (low ROA, retail dependency) and threats (Basel IV, GCC competition). Each strategy is designed based on quantitative data and industry projections, covering 4 main quadrants: SO (Middle East expansion & green finance), ST (liquidity mitigation & CAR), WO (digital transformation & global corporation), as well as WT (diversification of funding & risk), with measurable targets such as ROA improvement to 23% and NPF decline below 2%.

Table 5. RGEC -SWOT Based Strategy PT. Bank Syariah Indonesia, Tbk

SO (STRENGTH-OPPORTUNITY) STRATEGIES	ST (STRENGTH-THREAT) STRATEGIES
Leveraging large assets for acquisitions in the Middle East	Use a branch network to mitigate liquidity risk
Make green finance a global differentiator	Capital amplifier (CAR) in anticipation of Basel IV
WO (WEAKNESS-OPPORTUNITY) STRATEGIES	WT (WEAKNESS-THREAT) STRATEGIES
Increase digital banking (target 70% digital transactions)	Corporate financing diversification reduces credit risk
Cross-country expansion of shariah	Build access to global funding reduce deposit

corporations	dependency
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Source : Secondary Data Processing Result

For the SO (Strength-Opportunity) Strategy, Bank Syariah Indonesia (BSI) can leverage its assets reaching Rp300 trillion (2023) to make strategic acquisitions in the Middle East, particularly in high-growth markets such as the United Arab Emirates and Turkey. Data from the Islamic Financial Services Board (IFSB, 2023) shows that the asset value of the Islamic banking industry in the GCC (Gulf Cooperation Council) region grew by 12% YoY, with an average ROE of 15.2% higher than ASEAN (10.8%). BSI can allocate USD500 million-USD1 billion (equivalent to Rp7.5-15 trillion) to acquire small Shariah banks such as Kuveyt Türk (Turkey) or Al Baraka Banking Group (UAE), which have strong networks in Eastern Europe and North Africa. With this acquisition, BSI can increase its international market share from 5% to 15% in the global financing portfolio.

On the green finance side, BSI has the opportunity to become a major player by leveraging the Rp5 trillion worth of green sukuk that has been issued in 2023 (OJK, 2023). According to S&P Global (2024), the global shariah sustainable finance market is projected to grow by 18% per year, reaching USD150 billion by 2030. BSI can allocate Rp50 trillion (16% of total assets) to finance renewable energy projects, such as power plants in Nusa Tenggara and biogas plants in Sumatra. Collaboration with the Islamic Development Bank (IsDB) in green infrastructure projects worth USD2 billion can also increase BSI's green finance portfolio from Rp10 trillion (2023) to Rp100 trillion (2030), while supporting Indonesia's target in reducing carbon emissions by 29% by 2030.

BSI can leverage its network of more than 600 branches spread across Indonesia to optimize third-party fundraising (TPC) to mitigate liquidity risk. OJK (2023) data shows that BSI has a Financing-to-Deposit Ratio (FDR) of 93%, approaching the maximum safe limit of 94%. By optimizing branches in regions with high settling fund potential such as West Java and South Sumatra (accounting for 18% and 12% of total DPK, respectively), BSI can decrease the FDR to an ideal level of 85% - 90%. This strategy is supported by the "BSI Priority Savings" program that offers a higher yield share for corporate depositors, with a target of increasing DPK by Rp20 trillion/year from 2024. In addition, BSI can develop Cash Management System products for corporates to manage liquidity more efficiently, reducing dependence on the fluctuating interbank market.

In anticipation of the strictness of Basel IV regulation which will be in full force in 2025, BSI needs to strengthen the current Capital Adequacy Ratio (CAR) of 14.5% (2023) to a minimum of 16% by 2025. The concrete measures include, Issuance of subordinated Shariah bonds worth Rp25 trillion (2025) for increasing Tier 2 Capital, Optimizing retained earnings by retaining 30% of net earnings (equivalent to Rs3

trillion/year) as capital reserves, Restructuring the asset portfolio by reducing high-risk financing (such as commercial property) from 25% to 15% of the total portfolio. Data from Bank Indonesia (2023) shows that banks with a CAR above 16% have twice better resilience in the face of liquidity crises. With this strategy, BSI can maintain the stable outlook of rating agencies such as Fitch (BBB+) and S&P (BBB).

## **CONCLUSION AND RECOMMENDATION**

The RGEC-SWOT analysis shows that Bank Syariah Indonesia (BSI) has strong potential to become a major player in global syariah banking, supported by its large assets, extensive branch network, and rapid growth of the syariah finance market. However, BSI still faces challenges such as low ROA (1.6%), dependence on retail financing, and limitations in digital transformation. To achieve a global top three position by 2030, BSI needs to optimize strengths and opportunities while systematically addressing weaknesses and threats. Furthermore, the strategy of expansion into the Middle East market and the strengthening of green finance should be a priority. BSI can leverage the acquisition of small banks in Turkey or the UAE to expand its international network, while increasing its green financing allocation to Rp100 trillion by 2030. This move will not only increase revenues but also strengthen BSI's image as a sustainable Shariah bank. Collaboration with institutions such as the Islamic Development Bank (IsDB) and issuance of green sukuk can support this target.

Then, the digital transformation and diversification of corporate financing became key in increasing efficiency and profitability. BSI needs to accelerate the adoption of technologies such as AI and blockchain to reach the target of 70% digital transactions, while reducing reliance on retail financing by increasing the corporate portion to 45% of the total portfolio. HR training and digital talent recruitment programs should also be enhanced to support this initiative. In addition liquidity risk mitigation and capital strengthening should be done proactively. BSI can optimize the branch network to increase Third Party Funds (TPF) and lower the Financing-to-Deposit Ratio (FDR) to an ideal level of 85-90%. In addition, the syariah subordinated bond issue and retained earnings optimization will help BSI meet Basel IV capital requirements and maintain a CAR above 16%.

Last, a key recommendation for BSI is to form a dedicated team responsible for monitoring the implementation of this strategy, with measurable performance indicators such as ROA, NPF, and digital penetration. Synergies with regulators such as OJK and Bank Indonesia also need to be strengthened to ensure regulatory support. With such measures, BSI will not only be a leader in ASEAN but also able to compete on the global stage, realizing its vision of being the world's leading Shariah bank by 2030.

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