

The Innovation of Products and Services of Islamic Banks in Indonesia: the Optimal Role of Sharia Supervisory Board in The Industry 5.0 Era



Rubai Ahmad Munawar¹, Priyo Prakoso², Urwatul Wusqo³

¹Universitas Hamzanwadi, Lombok Timur, Nusa Tenggara Barat, Indonesia

²Lembaga Perbankan Indonesia, Kemang Raya, Jakarta, Indonesia

³Universitas Sultan Zainal Abidin, Gong Badak, Terengganu, Malaysia

ABSTRACT: The innovation of banking products and services has seen significant growth. However, the pace of innovation in product and service offerings within Islamic banking has been comparatively slower. Make it a challenge for Islamic banking, particularly the Sharia Supervisory Board (SSB), to fulfill a dynamic role. The research aims to enhance the role of the SSB in encouraging innovation in Islamic banks, particularly in the context of the industrial era 5.0. The study employs a qualitative method with ethnographic techniques, including observations and interviews with stakeholders such as the SSB, Islamic bank employees, customers, and academics. The research findings indicate that the performance of Islamic banking has improved, but it needs to be more innovative to compete in the industrial era 5.0. This can be achieved by increasing the development of products and services, such as e-money, that have high bargaining power. The role of the SSB in Islamic banking must be more optimal, involving improving the quality and quantity of human resources, issuing opinions on needed products and services, conducting continuous monitoring, and strengthening detailed supervision. Furthermore, SSB and Islamic banking must synergize with each other in improving products and services to remain competitive in the industrial era 5.0. The study concluded that the optimal role of SSB plays an important role in driving innovation in Islamic banking.

KEYWORDS: Innovation, products, services, SSB, Islamic Banking

I. INTRODUCTION

Islamic banking has experienced significant development every year (Abduh & Azmi Omar, 2012; Hassan & Aliyu, 2018; Dusuki, 2008). This development can be seen from the asset dimension in the Financial Services Authority (OJK) report in 2023, where total Islamic banking assets reached 831.95 trillion rupiah, growing by around 10.94 percent from the previous year. This increase indicates customer confidence in Islamic banking. This increase indicates customer trust in Islamic banking. Regarding the differences between conventional banks and Islamic banks, Miah & Uddin (2017) explain that the difference between the two lies in their functions, structure, and objectives. In addition, the basic difference lies in the use of bank interest (*riba*) in every transaction, as well as in working with non-*halal* businesses (nightlife, alcohol, and gambling) (Ahmad et al, 2011; Ali, 2013; Ibrahim & Ismail, 2015; Abasimel, 2023). Islamic banks also guarantee the *halalness* of every product and service provided to customers (Maulan et al., 2016). This means that every transaction offered is based on sharia principles, which are free from *gharar*, *maisir*, and other prohibitions. Therefore, in addition to the board of directors, Islamic banking is also required to have a Sharia Supervisory Board (SSB) as a body for monitoring, monitoring, approving, and reporting on the compliance of Islamic banks following sharia principles (Rosalina et al., 2022).

Given the critical nature of the duties and responsibilities of the SSB, the human resources within the SSB must be highly qualified and capable of acting dynamically (Nomran et al., 2018). This implies that the SSB must thoroughly assess and be prepared to make decisions regarding all current and necessary products and transactions demanded by the community. With the proliferation of innovations in banking products and services, such as the adoption of e-money services (TapCash) following COVID-19, the SSB needs to stay abreast of these developments. Lestari et al (2018) elucidated that TapCash is among the frequently utilized products and services by the public, employed for various purposes including toll payments, parking fees,

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train fares, and other transactions. Owing to the substantial volume of transactions associated with this product, banks yield significant profits. Hence, it is unsurprising that conventional banks (e.g., BNI, BCA, Bank Mandiri, Bank Permata, and CIMB) have introduced TapCash products for public use.

However, the focus of the discussion lies in how Islamic banking adapts to these innovations in products and services. Are there challenges hindering their ability to develop modern offerings? Could it be attributed to regulatory constraints from bodies like DSN-MUI and SSB, which lack full authority to sanction Islamic banking products and services? Alternatively, is it a matter of enhancing the quality of human resources? Addressing these queries is crucial for the author to provide solutions that can propel the advancement of Islamic banking in Indonesia. Some literature underscores the necessity for policymakers (DSN-MUI and SSB) to allocate adequate time to deliberate on contemporary products and services, such as e-money in the form of TapCash. This process should commence with an examination of Sharia principles, legal status, certainty, benefits, impacts, textual approaches (Qur'an and As-Sunnah), and supporting evidence and arguments. This is crucial due to its implications for upholding Islamic moral values in every transaction within Islamic banking (Hadi, 2022; Tahmid et al., 2019). Nevertheless, we see gaps and opportunities in these considerations. Researchers will examine the optimal role of SSB in responding to current Islamic bank products and services.

Essentially, SSB functions as a supervisory body for Islamic banking, tasked with ensuring that Islamic banking operations adhere to Islamic moral values. However, DSN-MUI has not granted SSB full discretion to determine the legality of banking products and services (Ibrahim & Salam, 2021; Handayani, 2023). However, in the era of Industry 5.0, numerous banking products and services undergo substantial innovation, necessitating legal certainty and thorough studies of the latest offerings. However, the rapid pace of innovation appears to pose challenges for regulators to respond efficiently, potentially leading to trade-offs between various policy objectives (Bauer, 2010). In the case of Tapcash, SSB appears to lack sufficient authority to address this product. Some may agree to the release of this product by Islamic banking due to perceived benefits and substantial business opportunities, however they lack full authority to grant legality to new products and services. Alternatively, some members of SSB and DSN-MUI may not have identified a definitive legal basis concerning the Tapcash product.

Building upon the preceding explanation, the author aims to comprehensively examine the dilemma encountered by SSB in navigating new products and services in Islamic banking. Consequently, this study yields two primary contributions: (1) augmenting the existing literature on product and service innovation in Islamic banking, and (2) elucidating the optimal role of the Sharia Supervisory Board in addressing products and services in the era of Industry 5.0. Furthermore, this research is anticipated to be considered by policymakers such as DSN-MUI or SSB, aiming to facilitate improvements in the quality of Islamic banking in Indonesia concerning products and services, thus fostering the performance of Islamic banking in the country.

II. METHODOLOGY

The researcher used a qualitative research method with an ethnographic approach in collecting data. Ethnographic work begins with making observations in the field. Furthermore, researchers conducted interviews with several members of the Sharia Supervisory Board (SSB), Islamic banking employees and customers, as well as academics in collecting data. The criteria set by researchers in this study are SSB members who have dynamic knowledge related to Islamic bank products and services; Islamic banking employees who realize the importance of innovation in Islamic bank products and services; active customers in using Islamic Bank services, and academics who study Islamic banking science. The method of analysis used is empirical, namely making observations, experiences, and information collected from the field. While data validation, researchers use the triangulation method, which involves several previous researchers as a form of confirmation to reduce individual bias and increase the reliability of interpretation

III. DISCUSSION

A. Islamic Banking Products and Services: Does Innovation Matter?

The researcher initiated the discussion by prompting readers to consider the significance of innovation in Islamic banking products and services. It is understood that readers share the same perspective as researchers regarding the necessity of innovation in enhancing institutions or agencies. As elucidated by Johannessen et al (1999) concerning innovation theory, innovation stands as a crucial avenue for improving the quality of individuals or institutions. Through innovation, superior products, services, and solutions can be developed, and tailored more effectively to market needs and demands. Additionally, innovation facilitates increased performance, process improvement, and increased profitability (Woodhill, 2010). From a personal development standpoint, innovation fosters individual creativity, initiative, and growth, enabling the attainment of higher objectives in career, professional life, and personal development (Binnewies et al., 2007; Rank et al., 2004; Sousa, 2012).

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In Islamic banking, innovation is crucial as it facilitates the development of products and services that cater to diverse customer needs while adhering to the principles of Sharia law (Salem, 2009; Awais, 2014). Islamic finance endeavors to fulfill Shariah objectives, including promoting social welfare, and economic development, and addressing people's economic needs (Sairally, 2013; Abdullah, 2018; Saratian, 2022). This necessitates continuous innovation to ensure that Islamic financial products remain relevant and appealing to customers. Unfortunately, Islamic banking products in Indonesia are less prominent in terms of product and service innovation compared to conventional banking counterparts whose offerings are kept up-to-date (Saleh et al., 2017; Climent, 2018; Parsa, 2022).

Islamic banking in Indonesia faces a complex challenge in determining the permissibility of the products and services offered by banks (Muneeza et al., 2010). These offerings must undergo scrutiny by DSN-MUI, which assesses various aspects such as halal-haram considerations, adherence to Sharia principles, and evaluation of potential impacts. Following a thorough assessment, DSN-MUI issues a fatwa regarding the permissibility of the product. Subsequently, SSB assumes the responsibility of overseeing Islamic banking operations to ensure compliance with Islamic law. Due to this extensive process, the introduction of new products or services by Islamic banks may face potential suspension, necessitating further examination. This is because a more in-depth study is required to assess the implications of these innovations.

Researchers attempted to delve deeper into the complexity surrounding the formulation of products and services in Islamic banking. An interview was conducted with a prominent figure in Islamic banking, referred to as Mr. Alvin, who serves as an active employee within the industry in Indonesia. The discussion aimed to explore the significance of innovation, particularly in e-money services such as Tapcash, within Islamic banking. Additionally, respondents were queried about their perspectives on these products.

According to Mr. Alvin, amidst this highly dynamic landscape, it is imperative for products and services offered by Islamic banking institutions to remain current with the evolving needs of the community. One such example is the e-money service, Tapcash, which is extensively utilized by the general public daily. However, Mas Alvin noted that Islamic banking has not yet received official approval from DSN-MUI and SSB for these products due to the necessity for a comprehensive study of fiqh rules. Meanwhile, Tapcash products have been successfully implemented in several other Muslim-majority countries, including Malaysia, Saudi Arabia, Qatar, UAE, Turkey, Bahrain, Kuwait, and Oman. Nonetheless, stringent regulations in Indonesia have resulted in the suspension of this service product.

To gain further insights into the significance of innovation in Islamic banking products and services, exclusive interviews were conducted with Mr. Adnan and Mrs. Hasni, both of whom are active customers of Islamic banks. They emphasized to the researchers that Islamic banking must continually innovate and keep pace with industrial technological advancements to ensure seamless access to products and services for customers. This is crucial, they explained, as there have been instances where Islamic banking services have exhibited weaknesses, such as website downtimes, insufficient ATM infrastructure, limited e-money services, and various deficiencies in mobile banking features. However, in the current era, these products and services have become essential requirements for both customers and the wider community.

Based on the insights provided by Mr. Alvin, Mr. Adnan, and Mrs. Hasni, researchers acknowledge the mutual recognition between Islamic banking entities and customers regarding the significance of innovation in Islamic banking, encompassing both product and service dimensions. From the perspective of utility, innovation in Islamic banking products and services offers numerous advantages, including (a) Meeting market needs and demands: Innovation enables Islamic banks to develop products and services that better align with market needs and demands, thus enhancing their relevance and adequacy (Salem, 2009). (b) Improving performance: Innovation empowers Islamic banks to achieve higher performance levels, enhance operational processes, and ultimately increase profitability (Menne et al., 2022). (c) Generating greater profits: Through innovation, Islamic banks can increase profits in the value proposition of their products and services, thereby potentially yielding higher profits (Salem, 2009). (d) Accelerate self-development: Innovation contributes to higher performance, enhanced processes, and increased profitability, fostering the self-development of Islamic banking institutions (Zulkifli et al., 2023). (e) Increase customer satisfaction levels: Innovation enables Islamic banks to increase customer satisfaction by offering better and more effective products and services (Zouari & Abdelhedi, 2021). (f) Strengthen reputation: Islamic banks that innovate bolster their reputation as forward-thinking institutions committed to delivering superior products and services to customers, thus enhancing their overall standing in the industry (Kaabachi & Obeid, 2016).

In summary, product and service innovation holds paramount importance in the Islamic banking industry, as it enables institutions to adapt to evolving customer and societal needs while upholding Sharia principles. Through continuous innovation, Islamic banks can enhance their digital banking offerings and access new market segments, thereby contributing to the advancement of the Islamic finance sector. However, for innovation to thrive in Islamic banking, products, and services must

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receive legitimacy through fatwas or opinions from regulatory bodies such as DSN-MUI and SSB. This raises an important discourse regarding the feasibility of obtaining legality for all Islamic banking applications from these regulatory entities. Handayani et al. (2023) responded to this statement by explaining that DSN-MUI and SSB require adequate time to review proposals from Islamic banking concerning the products and services offered. During this evaluation period, the acceptability of Islamic banking products and services hinges on the clarity of their legal basis. However, if the legal foundation is ambiguous, these offerings may be postponed for further examination or even rejected if they contravene fiqh rules (Akbar et al., 2012; Azhar Rosly, 2010; Nugroho, 2021).

In conclusion, the Sharia Supervisory Board (SSB) plays a crucial role in responding to Islamic banking products and services. To effectively fulfill this role, SSB must possess high-quality human resources capable of responding to the dynamic nature of banking products and services. Failure to maintain an updated understanding, especially in the context of Industry 5.0, could adversely impact the performance of Islamic banking in Indonesia (Alam & Miah, 2021; Baklouti, 2022; Wijayanti & Setiawan, 2022). Therefore, the next subsection will delve into a discussion on the role of SSB in enhancing the performance of Islamic banking.

B. The Role of The Sharia Supervisory Board (SSB) in Islamic Banking in Indonesia

The Sharia Supervisory Board (SSB) is a governmental body tasked with overseeing Islamic financial institutions to ensure their adherence to the principles of *muamalah* in Islam (Grassa, 2013). According to Imaniyati et al (2019), the primary role of SSB involves supervising and ensuring that all banking activities conducted by Islamic financial institutions align with Sharia principles. This includes scrutinizing products, services, contracts, and transactions to verify their compliance with Islamic law (Shadirah & Ihsan, 2022). Additionally, SSB is responsible for issuing opinions on various matters relating to Islamic banking operations (Alam et al., 2021). These opinions serve as guidance on trusted financial transactions, thus ensuring that banking practices adhere to Shariah principles.

Furthermore, SSB is tasked with evaluating new financial products and services introduced by Islamic banks to ensure their Shariah compliance (Garas & Pierce, 2010). This entails reviewing product structures, terms, and conditions to ensure their alignment with Islamic law, precluding elements such as interest-bearing transactions or investments in unethical industries such as gambling or alcohol (Fatmawati et al., 2022). Comprising experts in Islamic jurisprudence and finance (Neifar et al., 2020), SSB members play a pivotal role in assessing and mitigating Shariah compliance risks associated with various financial products and investment activities undertaken by Islamic banks. Moreover, SSB may engage in providing training and education to bank staff to cultivate a thorough understanding of Shariah principles and their application in banking operations (Nugraheni, 2018). This fosters a culture of compliance within Islamic financial institutions. Ultimately, the presence of SSB bolsters public trust in Islamic banking by ensuring that institutions operate following Shariah principles and ethical standards, thereby enhancing transparency and accountability (Haridan et al., 2018). Overall, the Sharia Supervisory Board (SSB) assumes a crucial role in safeguarding the integrity and credibility of Islamic banking in Indonesia by ensuring that Islamic financial institutions maintain adherence to the principles of Islamic law in their operational activities. However, a significant discourse arising in this study concerns whether the duties and responsibilities of SSB in Islamic banking remain relevant in the current era of modernization. With the advancement of Industry 5.0, banks are witnessing numerous innovations aimed at enhancing their quality, including technological advancements, governance improvements, and innovations in products and services.

In conventional banking, the procedures for developing products and services are generally less complex compared to Islamic banking. Regulatory oversight for financial services compliance in conventional banking is typically handled by two independent government bodies: the Otoritas Jasa Keuangan (OJK) and Bank Indonesia (BI) (Rokhim et al., 2018). OJK primarily focuses on micro-prudential policies and supervises all financial service institutions, while BI is primarily concerned with macro-prudential policies aimed at achieving and maintaining financial system stability. On the other hand, in Islamic banking, in addition to OJK and BI, Islamic banking products and services also require legality from the Sharia Supervisory Board of the Indonesian Ulema Council (DSN-MUI) and the Sharia Supervisory Board (SSB) as bodies tasked with ensuring that banking operations adhere to Islamic principles (Putri et al., 2020).

In Indonesia, given the complexity of the procedures involved in creating Islamic banking products and services, the Dewan Syariah Nasional-Majelis Ulama Indonesia (DSN-MUI) and the Sharia Supervisory Board (SSB) require human resources capable of responding to contemporary banking products and services. These resources must possess not only a firm grasp of classical fiqh but also an understanding of contemporary fiqh. This ensures that when Islamic banking introduces new products and services, they can be efficiently and thoroughly evaluated, and appropriate, dynamic actions can be taken. To delve deeper into the optimization of the SSB's role in responding to Islamic banking products and services in Indonesia, we will elaborate on it in the next subchapter.

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C. Optimizing the Role of the Sharia Supervisory Board: A Dynamic Response to Islamic Banking Products and Services in the Era of Industry 5.0

As previously discussed, the Sharia Supervisory Board (SSB) plays a crucial role in ensuring compliance of Islamic banking products and services with Islamic law. The SSB is tasked with reviewing the operations of Islamic financial institutions to ensure alignment with Shariah principles (Alam et al., 2021). Additionally, the SSB issues fatwas (legal opinions) and decisions certifying financial instruments for Shariah compliance, verifies transactions, calculates zakat (charitable contributions) payable by Islamic financial institutions, and advises on income distribution among investors and shareholders (Ullah et al., 2018; Mannai & Ahmed, 2019; Aribi et al., 2019). However, the current role of the SSB is deemed insufficient; it requires optimization to ensure the competitiveness of Islamic banking in the era of Industry 5.0.

This optimization study doesn't solely originate from researchers but also from Mr. H. Nurul Hadi, a director overseeing Islamic banking funds and services in Indonesia. In an exclusive interview, he emphasized that while SSB has been performing its duties successfully, there's a pressing need for enhanced agility to ensure the competitiveness of Islamic banking in the Industry 5.0 era. This entails expediting the issuance of opinions on Islamic banking products and services demanded by the community. Moreover, continuous monitoring, reinforced supervision, and bolstering the quality and quantity of SSB human resources are imperative. This improvement should extend not only to the main branches of Islamic banks but also to smaller units.

Mr H. Nurul Hadi's statement aligns with findings from several studies (see Alam & Miah, 2021; Baklouti, 2022), which advocates for the optimization of the SSB role to ensure that Islamic banking products and services are more responsive and aligned with the needs of the community in the modernization era. Nomran et al (2018) underscored the significance of having qualified and experienced SSB members. They proposed that SSB should include academics and economists with comprehensive knowledge of Islamic law, transactions, as well as economic, legal, and banking systems. Additionally, they should possess a thorough understanding of banking operations, products, and services. Leveraging the extensive experience and expertise of SSB members is expected to significantly impact the performance of Islamic banking (Nugraheni, 2018).

Due to the pivotal role of the Sharia Supervisory Board (SSB) in enhancing the performance of Islamic banking, human resources in this domain must be continuously equipped with knowledge. Mukhibad (2019) emphasized the importance of training for SSB members to ensure they possess dynamic and contemporary knowledge, including an understanding of modern fiqh and the ability to issue policy opinions essential to the community. With such knowledge, SSB members can efficiently make informed decisions when faced with cases requiring legality or opinions (Grassa, 2013).

For example, the ambiguity surrounding TapCash products and services exemplifies the challenges faced by SSB. While some SSB members advocate for their immediate implementation in Islamic banking, others are engaged in thorough studies regarding their compatibility with Islamic law. This dilemma was previously addressed by Mr. H. Nurul Hadi, who stressed the necessity for SSB to understand and expeditiously adopt banking products and services existing in developed Muslim countries.

The Sharia Supervisory Board should advocate for and persuade the DSN-MUI regarding the adoption of products and services developed in Muslim countries. They perceive this as a manifestation of muamalah, or commercial transactions. According to this perspective, the flexibility inherent in muamalah allows for greater diversity and innovation compared to conventional banking practices. This belief is grounded in Islamic law, which permits all forms of muamalah unless expressly prohibited by evidence (Djazuli, 2007). However, it is essential for Islamic banking to enhance its marketing strategies to effectively communicate the benefits of these products and services to the public (Naser & Moutinho, 1997; Hoque et al., 2019; De Bruin et al., 2021).

We observe that both the Sharia Supervisory Board (SSB) and Islamic banking institutions need to establish effective communication. They must collaborate optimally in developing Islamic banking products and services (Wijayanti & Setiawan, 2022). This entails not only relying on proposed innovations from the banking sector but also necessitates SSB to offer recommendations on areas that Islamic banking should focus on, particularly in the context of Industry 5.0. This viewpoint was supported by Mr. Syarip Puad, an expert staff member of the Sharia Supervisory Board at an Islamic bank in Indonesia. Through interviews, he conveyed his awareness that while SSB's performance has been satisfactory thus far, its potential has not been fully maximized. It would be more advantageous if SSB could adopt a more dynamic approach beyond the authority of DSN-MUI and apply it within the Indonesian Islamic banking sector. The Sharia Supervisory Board must innovate in response to contemporary products and services, rather than merely waiting for proposals from Islamic banking and regulations from DSN-MUI. Hence, SSB needs to assume a more proactive role than usual. The perspective of Mr. Syarip Puad resonates with that expressed by Mr. Ihsan, an academic specializing in Islamic banking. Through direct interviews conducted at the university where he taught, Mr. Ihsan elucidated that to enhance the performance of Islamic banking in Indonesia, it is imperative to optimize the role of DSN-MUI, represented by SSB, in addressing the contemporary needs of the community. This optimization

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encompasses various aspects, with particular emphasis on human resources and regulatory considerations. He emphasized that SSB members should possess comprehensive knowledge of current developmental needs. Consequently, SSB should not merely await proposals from Islamic banking; Rather, it should actively recommend trending products and services to Islamic banks, ensuring compliance with Islamic norms. From a regulatory standpoint, DSN-MUI, as the governing authority, must extend the same policy framework to SSB for issuing fatwas determining the permissibility of Islamic banking products and services. With this streamlined process, the pace of innovation in Islamic banking products and services can accelerate, leading to more optimal outcomes (Muhammad & Lanaula, 2019; Yakin, 2021; Handayani et al., 2023). This approach eliminates the need for proposed products and services to undergo prolonged waiting periods for fatwa issuance from DSN-MUI; instead, they can attain legality in advance through SSB. To gather more insights, we interviewed Mr. Alvin, an employee at an Islamic bank in Indonesia. He perceives the optimization of SSB's role through the lens of providing education to various stakeholders or employees within Islamic banking. According to him, SSB should regularly offer guidance to banks, encompassing both technical directives on fatwas about products and instructions on contract determination for various transaction types. He highlights that many human resources within Islamic banking still require technical guidance on selecting the appropriate contract types for transactions. Hence, SSB should not confine its presence solely to head offices but extend its support to branch offices as well. SSB must ensure a uniform understanding among all Islamic banking employees regarding the technical intricacies in line with Sharia principles. Alvin's perspective is corroborated by Rosly (2010) and Saputro et al (2019), who stresses the necessity for banking employees to possess a comprehensive grasp of contracts within Islamic banking. This is crucial as contracts serve as the foundational aspect of conducting transactions in Islamic banking (Ahmed, 2014), regulating the terms and conditions of financial transactions and ensuring compliance with Islamic law and Sharia principles. The insights provided by Mr. H. Nurul Hadi, Mr. Sharif Fuad, Mr. Ihsan, and Mr. Alvin underscore the importance of collaborative efforts between SSB and Islamic banking for facilitating development and innovation within the Islamic banking sector. Islamic banking institutions must recommend dynamic products and services that address the current needs of the community. For example, the absence of e-money features within Islamic banks, despite the growing demand for cashless transactions post-COVID-19, highlights an area for potential innovation. Additionally, Islamic banking should actively explore avenues to accommodate investment transactions, considering the prevalent interest in this area within contemporary lifestyles. Moreover, there is a need to maximize various transactional forms, such as Q-Ris, Top-up, and other continuous transactions, to cater to evolving consumer preferences and market demands. By embracing these recommendations and fostering collaboration with SSB, Islamic banking can enhance its offerings and better serve the needs of its customers in the present era. Furthermore, SSB must adopt a more proactive and dynamic approach compared to its previous practices. It should productively issue opinions on requests for products and services from banks, especially if they are deemed necessary by the broader community. SSB must enhance its ability to persuade DSN-MUI to accelerate decisions on issuing opinions. Given that SSB directly oversees the banks it supervises, it possesses a deeper understanding of the products and services needed by the community at present. This autonomy is essential to ensure that SSB can effectively fulfill its role in supervising and certifying the Sharia compliance of financial institutions' products and services (Arsyanti, 2010; Haridan et al., 2018; Shadirah & Ihsan, 2022).

CONCLUSIONS

After extensive discussions with various stakeholders including SSB representatives, academics, Islamic banking employees, and customers, as well as thorough research on this subject, the researcher has concluded from this study. Firstly, while recognizing the progress made by Islamic banking thus far, it is imperative for both SSB and Islamic banking to enhance their innovation efforts to remain competitive in the era of Industry 5.0. Second, the role of the Sharia Supervisory Board (SSB) requires further optimization. SSB should expedite the issuance of opinions on Islamic banking products and services required by the community. Additionally, SSB should intensify its monitoring activities, bolster detailed supervision, and augment the quality and quantity of its human resources at both head office and branch levels. To achieve greater complexity and optimization, SSB and Islamic banking entities must collaborate to enhance the performance of Islamic banking. SSB should regularly educate Islamic banking employees on dynamic transactions aligned with Islamic principles. Similarly, Islamic banking employees need to have a better understanding of the types of products and services necessary in the era of Industry 5.0. If these efforts are successful, Islamic banking will advance further and be better positioned to compete with conventional banking.

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